

Financial statements

The financial statements provide detailed information and notes on our income, balance sheet, cash flows and changes in equity, alongside a report from our independent auditors.

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Unlocking a world of travel freedom

We have continued to build our suite of products aimed at internationally minded customers, with the launch of the TravelOne credit card.

The card, which in May 2023 initially launched in Singapore, Malaysia and Vietnam, allows customers to earn extra reward points for travel and cross-border spending. They can then redeem them instantly with 17 international airline programmes and 20,000 hotel partners – a first in the markets where it has launched.

TravelOne builds on our wealth strategy and supports our ambitions to grow our cross-border international customer franchise and unsecured lending business in south Asia.

Independent auditors' report to the members of HSBC Holdings plc

Report on the audit of the financial statements

Opinion

In our opinion, HSBC Holdings plc's group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2023 and of the group's and parent company's profit and the group's and parent company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the *Annual Report and Accounts 2023* (the 'Annual Report'), which comprise: the consolidated and parent company balance sheets as at 31 December 2023; the consolidated and parent company income statements, the consolidated and parent company statements of comprehensive income, the consolidated and parent company statements of changes in equity, the consolidated and parent company statements of cash flows for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information. Certain notes to the financial statements have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as '(Audited)'. The relevant disclosures are included in the Risk review section on pages 135 to 237 and the Directors' remuneration report disclosures on pages 279 to 305.

Our opinion is consistent with our reporting to the Group Audit Committee ('GAC').

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 1.1(a) to the financial statements, the group and parent company, in addition to applying UK-adopted international accounting standards, have also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the group and parent company financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Separate opinion in relation to International Financial Reporting Standards as issued by the International Accounting Standards Board

As explained in note 1.1(a) to the financial statements, the group and parent company, in addition to applying UK-adopted international accounting standards, have also applied international financial reporting standards as issued by the International Accounting Standards Board ('IFRS Accounting Standards').

In our opinion, the group and parent company financial statements have been properly prepared in accordance with IFRS Accounting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("ISAs") and applicable law. Our responsibilities under ISAs (UK) and ISAs are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by either the FRC's Ethical Standard or Article 5(1) of Regulation (EU) No 537/2014 were not provided to the parent company or its controlled undertakings.

Other than those disclosed in note 6, we have provided no non-audit services to the parent company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- This was the fifth and final year that it has been my responsibility to form this opinion on behalf of PricewaterhouseCoopers LLP, who you first appointed on 31 March 2015 in relation to that year's audit. In addition to forming this opinion, in this report we have also provided information on how we approached the audit, how it changed from the previous year and details of the significant discussions that we had with the GAC.

Key audit matters

- Expected credit losses - Impairment of loans and advances (group)
- Impairment of investment in associate - Bank of Communications Co., Ltd ('BoCom') (group)
- Investments in subsidiaries (parent company)
- Valuation of defined benefit pension obligations (group)

Materiality

- Overall group materiality: US\$1.6bn (2022: US\$1bn) based on 5% of profit before tax adjusted for notable items.
- Overall parent company materiality: US\$1.5bn (2022: US\$950m) based on 0.75% of total assets. This would result in an overall materiality of US\$2.1bn and was therefore reduced below the group materiality.
- Performance materiality: US\$1.2bn (2022: US\$750m) (group) and US\$1.1bn (2022: US\$712m) (parent company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Held for sale accounting (group), which was a key audit matter last year, is no longer included because the risk has reduced following the completion of the sale of the retail banking operations in France. Otherwise, the key audit matters below are consistent with last year.

Report of Independent Registered Public Accounting Firm to the Board of Directors and Shareholders of HSBC Holdings plc

Expected credit losses – Impairment of loans and advances (group)

Nature of the key audit matter

Determining expected credit losses ('ECL') involves management judgement and is subject to a high degree of estimation uncertainty.

Management makes various assumptions when estimating ECL. The significant assumptions that we focused on in our audit included those with greater levels of management judgement and for which variations had the most significant impact on ECL. These included assumptions made in determining economic scenarios and their probability weightings (specifically the central and downside scenarios given these have the most material impact on ECL) and estimating discounted cash flows for material credit impaired exposures in relation to the mainland China commercial real estate portfolio.

The level of estimation uncertainty and judgement has remained high during 2023 as a result of the uncertainties in the macroeconomic and geopolitical environment, persistently high levels of inflation in some territories and the rising global interest rate environment, as well as developments in mainland China's commercial real estate sector and economy more broadly.

Macroeconomic conditions vary between territories and industries, leading to uncertainty around judgements made in determining the severity and probability weighting of economic scenarios used in ECL models.

The modelling methodologies used to estimate ECL are developed using historical experience. The impact of the prevailing macroeconomic conditions has resulted in certain limitations in the reliability of these methodologies to forecast the extent and timing of future customer defaults and therefore estimate ECL. In addition, modelling methodologies do not incorporate all factors that are relevant to estimating ECL, such as the differentiated impact of economic conditions on certain industry sectors. These limitations are addressed with management judgemental adjustments, the measurement of which is inherently judgemental and subject to estimation uncertainty.

Matters discussed with the Group Audit Committee

We held discussions with the GAC covering governance and controls over ECL, with a significant focus on the uncertain prevailing macroeconomic conditions and developments in mainland China's commercial real estate sector. We discussed a number of areas, including:

- the severity of economic scenarios, and their related probability weightings, across territories;
- significant assumptions used to estimate the discounted cash flow projections for defaulted exposures in relation to the mainland China commercial real estate portfolio;
- assumptions made in determining judgemental management adjustments; and
- the disclosures made in relation to ECL.

How our audit addressed our key audit matter

We assessed the design and effectiveness of governance and controls over the estimation of ECL. We observed management's review and challenge in governance forums for (1) the determination of economic scenarios and their probability weightings, and (2) the assessment of ECL for Retail and Wholesale portfolios, including the assessment of management judgemental adjustments.

We also tested controls over:

- model validation and monitoring;
- the identification of credit impaired triggers;
- the input of critical data into source systems and the flow and transformation of critical data from source systems to impairment models and management judgemental adjustments;
- the calculation and approval of management judgemental adjustments to modelled outcomes; and
- approval of significant individual impairments.

We involved our economic experts in assessing the significant assumptions made in determining the severity and probability weighting of economic scenarios. These assessments considered the sensitivity of ECL to variations in the severity and probability weighting of economic scenarios. We involved our modelling specialists in assessing the appropriateness of the significant assumptions and methodologies used for models and certain management judgemental adjustments. We independently re-performed the calculations for a sample of those models and certain management judgemental adjustments. In respect of the mainland China commercial real estate portfolio, we involved our business recovery experts in assessing the discounted cash flows for a sample of credit impaired exposures. We further considered whether the judgements made in selecting the significant assumptions would give rise to indicators of possible management bias.

In addition, we performed substantive testing over:

- the compliance of ECL methodologies and assumptions with the requirements of IFRS 9;
- a sample of critical data used in ECL models and to estimate management judgemental adjustments; and
- assumptions and critical data for a sample of credit impaired wholesale exposures.

We evaluated and tested the audited Credit Risk disclosures made in the Annual Report.

Relevant references in the Annual Report and Accounts 2023

- Audited credit risk disclosures
- Group Audit Committee Report
- Note 1.2(d): Financial instruments measured at amortised cost
- Note 1.2(i): Impairment of amortised cost and FVOCI financial assets

Impairment of investment in associate – Bank of Communications Co., Ltd ('BoCom') (group)

Nature of the key audit matter

At 31 December 2023, the fair value of the investment in BoCom, based on the share price, had been lower than the carrying amount for a number of years. This is an indicator of potential impairment. An impairment test was performed by management, with supporting sensitivity analysis, using a value in use ('VIU') model. On this basis, the investment in BoCom was impaired by US\$3.0bn. The carrying value of the investment in BoCom amounts to US\$21.2bn at 31 December 2023.

The methodology applied in the VIU model is dependent on various assumptions, both short term and long term in nature. These assumptions, which are subject to estimation uncertainty, are derived from a combination of management's judgement, analysts' forecasts, market data or other relevant information.

The assumptions that we focused our audit on were those with greater levels of management judgement and subjectivity, and for which variations had the most significant impact on the VIU. Specifically, these significant assumptions included:

- the discount rate;
- short term assumptions for operating income growth rate, loans and advances to customers growth rate, cost-income ratio, and expected credit losses as a percentage of loans and advances to customers;
- long-term assumptions for profit and asset growth rates, expected credit losses as a percentage of loans and advances to customers, and effective tax rates; and
- capital related assumptions (risk-weighted assets as a percentage of total assets and capital adequacy ratios).

Matters discussed with the Group Audit Committee

We discussed the appropriateness of the methodology, its consistent application period over period and significant assumptions with the GAC. We also discussed the disclosures made in relation to BoCom, including the use of sensitivity analysis to explain estimation uncertainty.

How our audit addressed our key audit matter

We had oversight of the audit work performed by our component audit team in Hong Kong in relation to the impairment assessment of BoCom. This work included:

- testing controls in place over the significant assumptions, the methodology and its consistent application period over period used to determine the VIU, assessing the appropriateness of the methodology used, its application, and the mathematical accuracy of the calculations;
- challenging the appropriateness of the significant assumptions and, where relevant, their interrelationships;
- obtaining evidence to corroborate and challenge the data supporting significant assumptions, which included past experience, external market information, third-party sources including analyst reports, information from BoCom management and historical publicly available BoCom financial information;
- determining a reasonable range for the discount rate assumption, with the assistance of our valuation experts, and comparing it to the discount rate used by management;
- assessing whether the judgements made in determining the significant assumptions would give rise to indicators of possible management bias; and
- evaluating and testing the disclosures in relation to BoCom in the Annual Report.

We observed certain meetings alongside the component auditor, management and BoCom management to identify facts and circumstances impacting significant assumptions relevant to the determination of the VIU.

Representations were obtained from management that assumptions used were consistent with information currently available to the group.

Relevant references in the Annual Report and Accounts 2023

- Group Audit Committee Report
- Note 1.2(a): Interests in associates and joint arrangements
- Note 18: Interests in associates and joint ventures

Report of Independent Registered Public Accounting Firm to the Board of Directors and Shareholders of HSBC Holdings plc

Investments in subsidiaries (parent company)

Nature of the key audit matter

Management reviewed investments in subsidiaries for indicators of impairment and indicators that impairment charges recognised in prior periods may no longer exist or may have decreased in accordance with IAS 36 as at 31 December 2023. Where indicators have been identified management estimated the recoverable amount using the higher of value in use ('VIU') or fair value less cost to sell.

The methodology used to estimate the recoverable amount is dependent on various assumptions, both short term and long term in nature. These assumptions, which are subject to estimation uncertainty, are derived from a combination of management's judgement, experts engaged by management and market data. The significant assumptions that we focused our audit on were those with greater levels of management judgement and for which variations had the most significant impact on the recoverable amount. Specifically, these included:

- HSBC's business plan for 2024 to 2028 focusing on revenue, cost and expected credit loss forecasts;
- regulatory capital requirements;
- long term growth rates; and
- discount rates.

Management's assessment resulted in an impairment charge of US\$5.5bn in relation to the investment in HSBC Overseas Holdings (UK) Limited ('HOHU'), which is an intermediate holding company of certain businesses in North America. This resulted in investment in subsidiaries of US\$159bn at 31 December 2023.

Matters discussed with the Group Audit Committee

We discussed the impairment charge for HOHU, the appropriateness of methodologies used and significant assumptions with the GAC, giving consideration to the macroeconomic outlook and HSBC's strategy.

How our audit addressed our key audit matter

We assessed the design and tested the effectiveness of controls in place over significant assumptions and the model used to determine the recoverable amounts. We assessed the appropriateness of the methodology used, and tested the mathematical accuracy of the calculations, to estimate the recoverable amounts.

In respect of the significant assumptions, our testing included the following:

- challenging management's business plan and the prospects for HSBC's businesses, as well as considering the achievement of historic forecasts;
- obtaining and evaluating evidence relating to significant assumptions, from a combination of historical experience and external market and other financial information;
- assessing whether the cash flows included in the model were in compliance with the relevant accounting standard;
- assessing the sensitivity of the recoverable amount to reasonable variations in significant assumptions, both individually and in aggregate; and
- determining a reasonable range for the discount rate used within the model, with the assistance of our valuation experts, and comparing it to the discount rate used by management.

We evaluated and tested the disclosures made in the Annual Report in relation to investment in subsidiaries.

Relevant references in the Annual Report and Accounts 2023

- Group Audit Committee Report
- Note 1.2(a): Investments in subsidiaries
- Note 19: Investments in subsidiaries

Valuation of defined benefit pensions obligations (group)

Nature of the key audit matter

The group has a defined benefit obligation of US\$27.0bn, of which US\$19.8bn relates to HSBC Bank (UK) pension scheme ('the principal plan').

The valuation of the defined benefit obligation for the principal plan is dependent on a number of actuarial assumptions. Management uses an actuarial expert to determine the valuation of the defined benefit obligations. The valuation methodology uses a number of market based inputs and other financial and demographic assumptions. The significant assumptions that we focused our audit on were those with greater levels of management judgement and for which variations had the most significant impact on the liability. Specifically, these included the discount rate, inflation rate and mortality rate.

Matters discussed with the Group Audit Committee

We discussed with the GAC the methodologies and significant assumptions used by management to determine the value of the defined benefit obligation.

How our audit addressed our key audit matter

We assessed the design and tested the effectiveness of governance and controls in place over the methodologies and the significant assumptions, including those in relation to the use of management's experts. We also evaluated the objectivity and competence of management's expert involved in the valuation of the defined benefit obligation of the principal plan.

We assessed the appropriateness of the methodology used, and tested the accuracy of the calculation, to estimate the liability. In respect of the significant assumptions, we used our actuarial experts to understand the judgements made by management and their actuarial expert in determining the significant assumptions and compared these assumptions to our independently compiled expected ranges based on market observable indices and the knowledge and opinions of our actuarial experts.

We evaluated and tested the disclosures made in the Annual Report in relation to the defined benefit pension obligation.

Relevant references in the Annual Report and Accounts 2023

- Group Audit Committee Report
- Note 1.2(k): Post-employment benefit plans
- Note 5: Employee compensation and benefits

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the parent company, the accounting processes and controls, and the industry in which they operate.

The risks that HSBC faces are diverse, with the interdependencies between them being numerous and complex. In performing our risk assessment we engaged with a number of stakeholders to ensure we appropriately understood and considered these risks and their interrelationships. This included stakeholders within HSBC and our own experts within PwC. This engagement covered external factors across the geopolitical, macroeconomic and regulatory and accounting landscape, the impact of climate change risk as well as the internal environment at HSBC, driven by strategy and transformation.

We evaluated and challenged management's assessment of the impact of climate change risk, which is set out on page 44, including their conclusion that there is no material impact on the financial statements. In making this evaluation we considered management's use of stress testing and scenario analysis to arrive at the conclusion that there is no material impact on the financial statements. We considered management's assessment on the areas in the financial statements most likely to be impacted by climate risk, including:

- the impact on ECL on loans and advances to customers, for both physical and transition risk;
- the forecast cashflows from management's five year business plan and long term growth rates used in estimating recoverable amounts as part of impairment assessments of investments in subsidiaries, goodwill and intangible assets;
- the impact of climate related terms on the solely payments of principal and interest test for classification and measurement of loans and advances to customers; and
- climate risks relating to contingent liabilities as HSBC faces increased reputational, legal and regulatory risk as it progresses towards its climate ambition.

HSBC's progress on their ESG targets is not included within the scope of this audit. We were engaged separately to provide independent limited assurance to the Directors over the following ESG data:

- the 2021 and 2022 on-balance sheet financed emissions for 6 sectors (page 61);
- the 2020 thermal coal financing drawn balance exposure (page 67) and the 2020 thermal coal mining on-balance sheet financed emissions (page 61);
- the 2019, 2020, 2021 and 2022 off balance facilitated emissions for 2 sectors (page 61);
- the cumulative progress made by HSBC on providing and facilitating sustainable financing and investments (page 49); and
- HSBC's own operations scope 1, 2 and 3 (limited to business travel) greenhouse gas emissions data for 2023 (page 64); and supply chain greenhouse gas emissions for purchased goods and services, and capital goods for 2023 (page 64).

The work performed for a limited assurance report is substantially less than the work performed for our financial audit, which provides reasonable assurance.

Scoping

Through our risk assessment, we tailored our determination as to which entities and balances we needed to perform testing over to support our group opinion, taking into consideration the complex and disaggregated group structure, the accounting processes and controls as well as the industry in which they operate. The risks of material misstatement can be reduced to an acceptable level by testing the most financially significant entities within the group and those that drive particular significant risks identified as part of our risk assessment. This ensures that sufficient coverage has been obtained for each financial statement line item ('FSLI'). We continually assessed risks and changed the scope of our audit where necessary.

Our risk assessment and scoping identified certain entities (collectively the 'Significant Subsidiaries') for which we obtained audit opinions. We obtained full scope audit opinions for the consolidated financial position and performance of The Hongkong and Shanghai Banking Corporation Limited, HSBC Bank plc, and HSBC North America Holdings Inc. We also obtained full scope audit opinions for the company financial position and performance of HSBC UK Bank plc, HSBC Bank Canada and HSBC Mexico S.A. Banco. We obtained audit opinions over specific balances for HSBC Bank Middle East Limited - UAE Operations and the HSBC UK Bank plc group. The audits for HSBC Bank plc and HSBC UK Bank plc were performed by other PwC teams in the UK. All other audits were performed by other PwC network firms.

Group-wide audit approach

HSBC has entity level controls that have a pervasive influence across the group, as well as other global and regional governance and controls over aspects of financial reporting, such as those operated by the Global Risk function for expected credit losses. A significant amount of IT and operational processes and controls relevant to financial reporting are undertaken in operations centres run by Digital Business Services ('DBS'). Whilst these operations centres are not separate components, the IT and operational processes and controls are relevant to the financial information of the Significant Subsidiaries. Financial reporting processes and controls are also performed centrally in HSBC's Group Finance function and finance operation centres ('Finance Operations'), including the impairment assessment of goodwill and intangible assets, held for sale classifications and the consolidation of the group's results, the preparation of financial statements, and management's oversight controls relevant to the group's financial reporting.

Group-wide processes or processes in DBS and Finance Operations are subject to specified audit procedures or an audit over specific FSLIs. These procedures primarily relate to testing of IT general controls, IT dependencies, forward looking economic scenarios for ECL, operating expenses, intangible assets, valuation of financial instruments, existence testing of financial instruments, intercompany eliminations, reconciliations and consolidation as well as payroll. For these areas, we either performed audit work ourselves, or directed and provided oversight of the audit work performed by PwC teams in the UK, Poland, China, Sri Lanka, Malaysia, India, Mexico and the Philippines. Some of this work was relied upon by the PwC teams auditing the Significant Subsidiaries. This audit work, together with analytical review procedures and assessing the outcome of local external audits, also mitigated the risk of material misstatement for balances in entities that were not part of a Significant Subsidiary.

Report of Independent Registered Public Accounting Firm to the Board of Directors and Shareholders of HSBC Holdings plc

Significant Subsidiaries audit approach

In March 2023, we held a meeting in Hong Kong with the partners and senior staff from the group audit team and certain PwC teams who undertake audits of the Significant Subsidiaries and the operations centres. The meeting focused primarily on our approach to auditing HSBC's businesses, changes at HSBC and in our PwC teams, and how we continue to innovate and improve the quality of the audit with a focus on technology and our global delivery model. We also discussed our significant audit risks.

We asked the partners and teams reporting to us on the Significant Subsidiaries to work to assigned materiality levels reflecting the size of the operations they audited. The overall materiality levels ranged from US\$107m to US\$1.0bn. Certain Significant Subsidiaries were audited to a local statutory audit materiality that was a lower level than our allocated group materiality.

We designed global audit approaches for the products and services that substantially make up HSBC's global businesses, such as lending, deposits and derivatives. These approaches were provided to the partners and teams performing audit testing for the Significant Subsidiaries.

We were in active dialogue throughout the year with the component auditors of the Significant Subsidiaries, including consideration of how they planned and performed their work. Senior members of our team undertook at least one in-person site visit where a full scope audit was requested and we had oversight over certain areas of audit work performed. We attended Audit Committee meetings for some of the Significant Subsidiaries. We also attended meetings with management for each of these Significant Subsidiaries at the year end.

The audit of The Hongkong and Shanghai Banking Corporation Limited in Hong Kong relied upon work performed by other teams in Hong Kong and the PwC network firms in India, mainland China and Singapore. Similarly, the audit of HSBC Bank plc in the UK relied upon work performed by other teams in the UK and the PwC network firms in France and Germany. We considered how the audit partners and teams for the Significant Subsidiaries instructed and provided oversight to the work performed in these locations. Collectively, Significant Subsidiaries covered 83% of total assets and 74% of total operating income.

Using the work of others

We have continued our use of evidence provided by others through our reliance on management assurance testing of certain controls across the group. This included testing of controls performed by management themselves in certain low risk areas including reconciliations and footnote disclosure controls. We re-performed a portion of the testing to ensure appropriate quality of testing, as well as assessing the competence and objectivity of those performing the testing.

We also used the work of PwC experts, for example economic experts for our work around the severity and probability weighting of macroeconomics variables as part of the expected credit loss allowance and actuaries on the estimates used in determining pension liabilities. An increasing number of controls are operated on behalf of HSBC by third parties. We obtained audit evidence from work that is scoped and provided by other auditors that are engaged by those third parties. For example, we obtained a report evidencing the testing of external systems and controls supporting HSBC's payroll and HR processes.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – group	Financial statements – parent company
Overall materiality	US\$1.6bn (2022: US\$1bn).	US\$1.5bn (2022: US\$950m).
How we determined it	5% of profit before tax adjusted for notable items (2022: adjusted profit before tax).	0.75% of total assets. This would result in an overall materiality of US\$2.1bn and was therefore reduced below the group materiality.
Rationale for benchmark applied	We believe a standard benchmark of 5% of profit before tax adjusted for notable items is an appropriate quantitative indicator of materiality, although certain items could also be material for qualitative reasons. This benchmark is consistent with our approach for listed entities.	A benchmark of total assets has been used, as the parent company's primary purpose is to act as a holding parent company with investments in the group's subsidiaries, not to generate operating profits and therefore a profit based measure is not relevant.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to US\$1.2bn (2022: US\$750m) for the group financial statements and US\$1.1bn (2022: US\$712m) for the parent company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the GAC that we would report to them misstatements identified during our audit above US\$80m (group audit) (2022: US\$50m) and US\$80m (parent company audit) (2022: US\$50m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- performing a risk assessment to identify factors that could impact the going concern basis of accounting, including both internal risks (i.e. strategy execution) and external risks (i.e. macroeconomic conditions);
- understanding and evaluating the group's financial forecasts;
- understanding and evaluating the group's stress testing of liquidity and regulatory capital, including the severity of the stress scenarios that were used;
- understanding and evaluating credit rating agency ratings and actions; and
- reading and evaluating the adequacy of the disclosures made in the financial statements in relation to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the parent company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Report of the Directors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out an appropriate assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and parent company's prospects, the period this assessment covers and why the period is appropriate; and

Report of Independent Registered Public Accounting Firm to the Board of Directors and Shareholders of HSBC Holdings plc

- The directors' statement as to whether they have a reasonable expectation that the parent company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group and parent company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and parent company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and parent company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the GAC.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the parent company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibility statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of financial crime laws and regulations and regulatory compliance, including regulatory reporting requirements and conduct of business, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and relevant tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries in relation to cost targets, and management bias in accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- review of correspondence with and reports from regulators, including the Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA');
- reviewed reporting to the GAC and GRC in respect of compliance and legal matters;
- enquiries of management and review of internal audit reports, insofar as they related to the financial statements;
- obtain legal confirmations from legal advisors relating to material litigation and compliance matters;
- assessment of matters reported on the group's whistleblowing programmes and the results of management's investigation of such matters, insofar as they related to the financial statements;
- challenging assumptions and judgements made by management in its significant accounting estimates, in particular in relation to the determination of expected credit losses, the impairment assessment of the investment in BoCom, valuation of defined benefit pensions obligations, the impairment assessment of investment in subsidiaries and valuation of financial instruments;
- obtaining confirmations from third parties to confirm the existence of a sample of transactions and balances; and
- identifying and testing journal entries, including those posted with certain descriptions, posted and approved by the same individual, backdated journals or posted by infrequent and unexpected users.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to

target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements in accordance with ISAs (UK) is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and parent company's internal controls;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group and parent company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group and parent company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Use of this report

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the GAC, we were appointed by the members on 31 March 2015 to audit the financial statements for the year ended 31 December 2015 and subsequent financial periods. The period of total uninterrupted engagement is nine years, covering the years ended 31 December 2015 to 31 December 2023.

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Other matter

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Scott Berryman (Senior Statutory Auditor)

for and on behalf of **PricewaterhouseCoopers LLP**

Chartered Accountants and Statutory Auditors

London

21 February 2024

Financial statements

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Consolidated income statement for the year ended 31 December 2023

	Notes*	2023 \$m	2022 ¹ \$m	2021 \$m
Net interest income		35,796	30,377	26,489
– interest income ^{2,3}		100,868	52,826	36,188
– interest expense ⁴		(65,072)	(22,449)	(9,699)
Net fee income	2	11,845	11,770	13,097
– fee income		15,616	15,124	16,788
– fee expense		(3,771)	(3,354)	(3,691)
Net income from financial instruments held for trading or managed on a fair value basis	3	16,661	10,278	7,744
Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	3	7,887	(13,831)	4,053
Net insurance premium income		—	—	10,870
Insurance finance (expense)/income	4	(7,809)	13,799	—
Insurance service result		1,078	809	—
– insurance revenue		2,259	1,977	—
– insurance service expense		(1,181)	(1,168)	—
Gain on acquisition ⁵		1,591	—	—
(Impairment)/reversal of impairment relating to the sale of our retail banking operations in France ⁶		150	(2,316)	—
Other operating (expense)/income ⁷		(1,141)	(266)	1,687
Total operating income		66,058	50,620	63,940
Net insurance claims and benefits paid and movement in liabilities to policyholders		—	—	(14,388)
Net operating income before change in expected credit losses and other credit impairment charges⁸		66,058	50,620	49,552
Change in expected credit losses and other credit impairment charges		(3,447)	(3,584)	928
Net operating income		62,611	47,036	50,480
Employee compensation and benefits	5	(18,220)	(18,003)	(18,742)
General and administrative expenses		(10,383)	(10,848)	(11,592)
Depreciation and impairment of property, plant and equipment and right-of-use assets ⁹		(1,640)	(2,149)	(2,261)
Amortisation and impairment of intangible assets		(1,827)	(1,701)	(1,438)
Goodwill impairment		—	—	(587)
Total operating expenses		(32,070)	(32,701)	(34,620)
Operating profit		30,541	14,335	15,860
Share of profit in associates and joint ventures	18	2,807	2,723	3,046
Impairment of interest in associate	18	(3,000)	—	—
Profit before tax		30,348	17,058	18,906
Tax expense	7	(5,789)	(809)	(4,213)
Profit for the year		24,559	16,249	14,693
Attributable to:				
– ordinary shareholders of the parent company		22,432	14,346	12,607
– preference shareholders of the parent company		—	—	7
– other equity holders		1,101	1,213	1,303
– non-controlling interests		1,026	690	776
Profit for the year		24,559	16,249	14,693
		\$	\$	\$
Basic earnings per ordinary share	9	1.15	0.72	0.62
Diluted earnings per ordinary share	9	1.14	0.72	0.62

* For Notes on the financial statements, see page 341.

- From 1 January 2023, we adopted IFRS 17 'Insurance Contracts', which replaced IFRS 4 'Insurance Contracts'. Comparative data for the financial year ended 31 December 2022 have been restated accordingly. Comparative data for the year ended 31 December 2021 are prepared on an IFRS 4 basis.
- Interest income includes \$88,657m (2022: \$45,994m; 2021: \$30,916m) of interest recognised on financial assets measured at amortised cost and \$12,134m (2022: \$6,293m; 2021: \$4,337m) of interest recognised on financial assets measured at fair value through other comprehensive income.
- Interest income is calculated using the effective interest method and comprises mainly interest recognised on financial assets measured at either amortised cost or fair value through other comprehensive income.
- Interest expense includes \$62,095m (2022: \$20,798m; 2021: \$8,227m) of interest on financial instruments, excluding interest on debt instruments issued by HSBC for funding purposes that are designated under the fair value option to reduce an accounting mismatch and on derivatives managed in conjunction with those debt instruments included in interest expense.
- Provisional gain recognised in respect of the acquisition of SVB UK.
- In the fourth quarter of 2023, an impairment loss of \$2.0bn was recognised relating to the sale of our retail banking operations in France. This largely offset the \$2.1bn recognised in the first quarter of 2023 on the reversal of the held for sale classification at that time. In 2023, a total net \$0.1bn of credit was recognised in other operating income, reflecting the net asset value disposed under the final terms of sale. The \$0.4bn impairment of goodwill recognised in the third quarter in 2022 has not been reversed.
- Other operating (expense)/income includes a loss on net monetary positions of \$1,667m (2022: \$678m; 2021: \$576m) as a result of applying IAS 29 'Financial Reporting in Hyperinflationary Economies' and the disposal losses on capitalised Markets Treasury repositioning of \$977m in 2023.
- Net operating income before change in expected credit losses and other credit impairment charges also referred to as revenue.
- Includes depreciation of the right-of-use assets of \$663m (2022: \$717m; 2021: \$878m).

Consolidated statement of comprehensive income for the year ended 31 December 2023

	2023	2022 ¹	2021
	\$m	\$m	\$m
Profit for the year	24,559	16,249	14,693
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)	(2,139)
– fair value gains/(losses)	2,381	(9,618)	(2,270)
– fair value losses/(gains) transferred to the income statement on disposal	905	(18)	(464)
– expected credit (recoveries)/losses recognised in the income statement	59	56	(49)
– income taxes	(746)	2,348	644
Cash flow hedges	2,953	(3,655)	(664)
– fair value gains/(losses)	2,534	(4,207)	595
– fair value (gains)/losses reclassified to the income statement	1,463	(758)	(1,514)
– income taxes	(1,044)	1,310	255
Share of other comprehensive income/(expense) of associates and joint ventures	47	(367)	103
– share for the year	47	(367)	103
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)	(2,393)
Items that will not be reclassified subsequently to profit or loss:			
Fair value gains on property revaluation	1	280	—
Remeasurement of defined benefit liability	(314)	(1,031)	(274)
– before income taxes	(413)	(1,723)	(107)
– income taxes	99	692	(167)
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	531
– before income taxes	(1,617)	2,573	512
– income taxes	398	(651)	19
Equity instruments designated at fair value through other comprehensive income	(120)	107	(446)
– fair value gains/(losses)	(120)	107	(443)
– income taxes	—	—	(3)
Effects of hyperinflation	1,604	877	315
Other comprehensive income/(expense) for the year, net of tax	4,983	(17,242)	(4,967)
Total comprehensive income/(expense) for the year	29,542	(993)	9,726
Attributable to:			
– ordinary shareholders of the parent company	27,397	(2,810)	7,765
– preference shareholders of the parent company	—	—	7
– other equity holders	1,101	1,213	1,303
– non-controlling interests	1,044	604	651
Total comprehensive income/(expense) for the year	29,542	(993)	9,726

¹ From 1 January 2023, we adopted IFRS 17 'Insurance Contracts', which replaced IFRS 4 'Insurance Contracts'. Comparative data for the financial year ended 31 December 2022 have been restated accordingly. Comparative data for the year ended 31 December 2021 are prepared on an IFRS 4 basis.

Consolidated balance sheet

at 31 December 2023

	Notes*	At ¹		
		31 Dec 2023 \$m	31 Dec 2022 \$m	1 Jan 2022 \$m
Assets				
Cash and balances at central banks		285,868	327,002	403,018
Items in the course of collection from other banks		6,342	7,297	4,136
Hong Kong Government certificates of indebtedness		42,024	43,787	42,578
Trading assets	11	289,159	218,093	248,842
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	14	110,643	100,101	110,795
Derivatives	15	229,714	284,159	196,882
Loans and advances to banks		112,902	104,475	82,567
Loans and advances to customers		938,535	923,561	1,044,534
Reverse repurchase agreements – non-trading		252,217	253,754	241,648
Financial investments	16	442,763	364,726	392,005
Assets held for sale	23	114,134	115,919	3,411
Prepayments, accrued income and other assets	22	165,255	156,149	136,196
Current tax assets		1,536	1,230	970
Interests in associates and joint ventures	18	27,344	29,254	29,609
Goodwill and intangible assets	21	12,487	11,419	11,169
Deferred tax assets	7	7,754	8,360	5,432
Total assets		3,038,677	2,949,286	2,953,792
Liabilities				
Hong Kong currency notes in circulation		42,024	43,787	42,578
Deposits by banks		73,163	66,722	101,152
Customer accounts		1,611,647	1,570,303	1,710,574
Repurchase agreements – non-trading		172,100	127,747	126,670
Items in the course of transmission to other banks		7,295	7,864	5,214
Trading liabilities	24	73,150	72,353	84,904
Financial liabilities designated at fair value	25	141,426	127,321	145,503
Derivatives	15	234,772	285,762	191,064
Debt securities in issue	26	93,917	78,149	78,557
Liabilities of disposal groups held for sale	23	108,406	114,597	9,005
Accruals, deferred income and other liabilities	27	136,606	134,313	115,900
Current tax liabilities		2,777	1,135	699
Insurance contract liabilities	4	120,851	108,816	119,307
Provisions	28	1,741	1,958	2,566
Deferred tax liabilities	7	1,238	972	3,294
Subordinated liabilities	29	24,954	22,290	20,487
Total liabilities		2,846,067	2,764,089	2,757,474
Equity				
Called up share capital	33	9,631	10,147	10,316
Share premium account	33	14,738	14,664	14,602
Other equity instruments		17,719	19,746	22,414
Other reserves		(8,907)	(9,133)	6,447
Retained earnings		152,148	142,409	135,236
Total shareholders' equity		185,329	177,833	189,015
Non-controlling interests	19	7,281	7,364	7,303
Total equity		192,610	185,197	196,318
Total liabilities and equity		3,038,677	2,949,286	2,953,792

¹ From 1 January 2023, we adopted IFRS 17 'Insurance Contracts', which replaced IFRS 4 'Insurance Contracts'. We have restated 2022 comparative data and the IFRS 17 transition impact on the balance sheet at 1 January 2022.

* For Notes on the financial statements, see page 341.

The accompanying notes on pages 341 to 434 and the audited sections in the Risk review on pages 135 to 237 (including 'Measurement uncertainty and sensitivity analysis of ECL estimates' on pages 156 to 168, and 'Directors' remuneration report' on pages 279 to 305 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 21 February 2024 and signed on its behalf by:

Mark E Tucker
Group Chairman

Georges Elhedery
Group Chief Financial Officer

Consolidated statement of changes in equity for the year ended 31 December 2023

	Other reserves										
	Called up share capital and share premium	Other equity instru- ments	Financial assets at FVOCI reserve	Cash flow hedging reserve	Foreign exchange reserve	Merger and other reserves ^{1,2}	Insurance finance reserve ³	Retained earnings ^{1,4}	Total share- holders' equity	Non- controlling interests	Total equity
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$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	—	—	—	—	—	—	—	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)
– 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	—	—	1	—	1
– remeasurement of defined benefit asset/liability	—	—	—	—	—	—	—	(317)	(317)	3	(314)
– 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)	—	(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 ⁵	—	1,996	—	—	—	—	—	—	1,996	—	1,996
Dividends to shareholders	—	—	—	—	—	—	—	(11,593)	(11,593)	(603)	(12,196)
Redemption of securities ⁶	—	(4,023)	—	—	—	—	—	20	(4,003)	—	(4,003)
Transfers ⁷	—	—	—	—	—	(5,130)	—	5,130	—	—	—
Cost of share-based payment arrangements	—	—	—	—	—	—	—	482	482	—	482
Share buy-back ⁸	—	—	—	—	—	—	—	(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 Dec 2023	24,369	17,719	(3,507)	(1,033)	(33,753)	28,601	785	152,148	185,329	7,281	192,610

Consolidated statement of changes in equity (continued) for the year ended 31 December 2022

	Other reserves										
	Called up share capital and share premium	Other equity instruments	Financial assets at FVOCI reserve	Cash flow hedging reserve	Foreign exchange reserve	Merger and other reserves ^{1,2}	Insurance finance reserve ³	Retained earnings ^{1,4}	Total shareholders' equity	Non-controlling interests	Total equity
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
At 31 Dec 2021 (IFRS 4)	24,918	22,414	(634)	(197)	(22,769)	30,060	—	144,458	198,250	8,527	206,777
Impact on transition to IFRS 17 ⁹	—	—	683	—	—	—	(696)	(9,222)	(9,235)	(1,224)	(10,459)
At 1 Jan 2022	24,918	22,414	49	(197)	(22,769)	30,060	(696)	135,236	189,015	7,303	196,318
Profit for the year	—	—	—	—	—	—	—	15,559	15,559	690	16,249
Other comprehensive income (net of tax)	—	—	(7,089)	(3,613)	(9,806)	174	1,775	1,403	(17,156)	(86)	(17,242)
– debt instruments at fair value through other comprehensive income	—	—	(7,181)	—	—	—	—	—	(7,181)	(51)	(7,232)
– equity instruments designated at fair value through other comprehensive income	—	—	92	—	—	—	—	—	92	15	107
– cash flow hedges	—	—	—	(3,613)	—	—	—	—	(3,613)	(42)	(3,655)
– changes in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	—	—	—	—	—	—	—	1,922	1,922	—	1,922
– property revaluation	—	—	—	—	—	174	—	—	174	106	280
– remeasurement of defined benefit asset/liability	—	—	—	—	—	—	—	(1,029)	(1,029)	(2)	(1,031)
– share of other comprehensive income of associates and joint ventures	—	—	—	—	—	—	—	(367)	(367)	—	(367)
– effects of hyperinflation	—	—	—	—	—	—	—	877	877	—	877
– insurance finance income/(expense) recognised in other comprehensive income	—	—	—	—	—	—	1,775	—	1,775	—	1,775
– exchange differences	—	—	—	—	(9,806)	—	—	—	(9,806)	(112)	(9,918)
Total comprehensive income for the year	—	—	(7,089)	(3,613)	(9,806)	174	1,775	16,962	(1,597)	604	(993)
Shares issued under employee remuneration and share plans	67	—	—	—	—	—	—	(67)	—	—	—
Dividends to shareholders	—	—	—	—	—	—	—	(6,544)	(6,544)	(426)	(6,970)
Redemption of securities	—	(2,668)	—	—	—	—	—	402	(2,266)	—	(2,266)
Transfers	—	—	—	—	—	2,499	—	(2,499)	—	—	—
Cost of share-based payment arrangements	—	—	—	—	—	—	—	400	400	—	400
Share buy-back	—	—	—	—	—	—	—	(1,000)	(1,000)	—	(1,000)
Cancellation of shares	(174)	—	—	—	—	174	—	—	—	—	—
Other movements	—	—	2	2	—	302	—	(481)	(175)	(117)	(292)
At 31 Dec 2022	24,811	19,746	(7,038)	(3,808)	(32,575)	33,209	1,079	142,409	177,833	7,364	185,197

Consolidated statement of changes in equity (continued) for the year ended 31 December 2021

	Other reserves										
	Called up share capital and share premium	Other equity instruments	Financial assets at FVOCI reserve	Cash flow hedging reserve	Foreign exchange reserve	Merger and other reserves ^{1,2}	Insurance finance reserve ³	Retained earnings ^{1,4}	Total shareholders' equity	Non-controlling interests	Total equity
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
At 1 Jan 2021	24,624	22,414	1,816	457	(20,375)	26,935	—	140,572	196,443	8,552	204,995
Profit for the year	—	—	—	—	—	—	—	13,917	13,917	776	14,693
Other comprehensive income (net of tax)	—	—	(2,455)	(654)	(2,394)	—	—	661	(4,842)	(125)	(4,967)
– debt instruments at fair value through other comprehensive income	—	—	(2,105)	—	—	—	—	—	(2,105)	(34)	(2,139)
– equity instruments designated at fair value through other comprehensive income	—	—	(350)	—	—	—	—	—	(350)	(96)	(446)
– cash flow hedges	—	—	—	(654)	—	—	—	—	(654)	(10)	(664)
– changes in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	—	—	—	—	—	—	—	531	531	—	531
– remeasurement of defined benefit asset/liability	—	—	—	—	—	—	—	(288)	(288)	14	(274)
– share of other comprehensive income of associates and joint ventures	—	—	—	—	—	—	—	103	103	—	103
– effects of hyperinflation	—	—	—	—	—	—	—	315	315	—	315
– exchange differences	—	—	—	—	(2,394)	—	—	—	(2,394)	1	(2,393)
Total comprehensive income for the year	—	—	(2,455)	(654)	(2,394)	—	—	14,578	9,075	651	9,726
Shares issued under employee remuneration and share plans	354	—	—	—	—	—	—	(336)	18	—	18
Capital securities issued	—	2,000	—	—	—	—	—	(4)	1,996	—	1,996
Dividends to shareholders	—	—	—	—	—	—	—	(5,790)	(5,790)	(593)	(6,383)
Redemption of securities	—	(2,000)	—	—	—	—	—	—	(2,000)	—	(2,000)
Transfers	—	—	—	—	—	3,065	—	(3,065)	—	—	—
Cost of share-based payment arrangements	—	—	—	—	—	—	—	467	467	—	467
Cancellation of shares	(60)	—	—	—	—	60	—	(2,004)	(2,004)	—	(2,004)
Other movements	—	—	5	—	—	—	—	40	45	(83)	(38)
At 31 Dec 2021	24,918	22,414	(634)	(197)	(22,769)	30,060	—	144,458	198,250	8,527	206,777

- Cumulative goodwill amounting to \$5,138m was charged against reserves in respect of acquisitions of subsidiaries prior to 1 January 1998, including \$3,469m charged against the merger reserve arising on the acquisition of HSBC Bank plc. The balance of \$1,669m was charged against retained earnings.
- Statutory share premium relief under section 131 of the Companies Act 1985 was taken in respect of the acquisition of HSBC Bank plc in 1992, HSBC Continental Europe in 2000 and HSBC Finance Corporation in 2003, and the shares issued were recorded at their nominal value only. In HSBC's consolidated financial statements, the fair value differences of \$8,290m in respect of HSBC Continental Europe and \$12,768m in respect of HSBC Finance Corporation were recognised in the merger reserve. The merger reserve created on the acquisition of HSBC Finance Corporation subsequently became attached to HSBC Overseas Holdings (UK) Limited, following a number of intra-Group reorganisations. During 2009, pursuant to section 131 of the Companies Act 1985, statutory share premium relief was taken in respect of the rights issue and \$15,796m was recognised in the merger reserve.
- The insurance finance reserve reflects the impact of the adoption of the other comprehensive income option for our insurance business in France. Underlying assets supporting these contracts are measured at fair value through other comprehensive income. Under this option, only the amount that matches income or expenses recognised in profit or loss on underlying items is included in finance income or expenses, resulting in the elimination of income statement accounting mismatches. The remaining amount of finance income or expenses for these insurance contracts is recognised in other comprehensive income ('OCI').
- At 31 December 2023, retained earnings included 256,289,431 treasury shares (2022: 554,452,437; 2021: 558,397,704). These include treasury shares held within HSBC's insurance business's retirement funds for the benefit of policyholders or beneficiaries within employee trusts for the settlement of shares expected to be delivered under employee share schemes or bonus plans, and the market-making activities in Markets and Securities Services.
- In March 2023, HSBC Holdings issued \$2,000m 8.000% contingent convertible securities on which there were \$4m of external issue costs.
- In March 2023, HSBC Holdings redeemed \$2,350m 6.250% contingent convertible securities. In September 2023, HSBC Holdings further redeemed €1,000m 6.000% and SGD750m 5.000% contingent convertible securities.
- At 31 December 2023, an impairment of \$5,512m of HSBC Overseas Holdings (UK) Limited was recognised, resulting in a permitted transfer of \$5,130m from the merger reserve to retained earnings and a realisation of \$382m shared-based payment reserve within retained earnings.
- In May 2023, HSBC Holdings announced a share buy-back of up to \$2.0bn, which was completed in July 2023. In August 2023, HSBC Holdings announced another share buy-back of up to \$2.0bn, which was completed in October 2023. In October 2023, HSBC Holdings further announced a share buy-back of up to \$3.0bn, which was completed in February 2024.
- The impact of IFRS 17 on previously reported total equity was \$(10,831)m at 31 December 2022.

Consolidated statement of cash flows for the year ended 31 December 2023

	2023	2022 ¹	2021
	\$m	\$m	\$m
Profit before tax	30,348	17,058	18,906
Adjustments for non-cash items:			
Depreciation, amortisation and impairment	3,466	3,850	4,286
Net loss/(gain) from investing activities	1,213	11	(647)
Share of profit in associates and joint ventures	(2,807)	(2,723)	(3,046)
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	(519)
Provisions including pensions	266	638	1,063
Share-based payment expense	482	400	467
Other non-cash items included in profit before tax	(4,299)	(774)	510
Elimination of exchange differences ²	(10,678)	48,718	18,937
Changes in operating assets and liabilities			
Change in net trading securities and derivatives	(63,247)	20,166	(9,226)
Change in loans and advances to banks and customers	(14,145)	31,649	(11,014)
Change in reverse repurchase agreements – non-trading	(2,095)	(23,405)	552
Change in financial assets designated and otherwise mandatorily measured at fair value	(9,994)	14,164	(4,254)
Change in other assets ³	(10,254)	(12,858)	19,899
Change in deposits by banks and customer accounts	45,021	(91,194)	95,703
Change in repurchase agreements – non-trading	43,366	4,344	14,769
Change in debt securities in issue	11,945	12,518	(16,936)
Change in financial liabilities designated at fair value	10,097	(13,654)	(11,425)
Change in other liabilities	8,742	6,021	(10,935)
Dividends received from associates	1,067	944	808
Contributions paid to defined benefit plans	(208)	(194)	(509)
Tax paid	(4,117)	(2,776)	(3,077)
Net cash from operating activities	39,111	19,355	104,312
Purchase of financial investments ³	(563,561)	(511,097)	(493,042)
Proceeds from the sale and maturity of financial investments ³	504,174	492,624	521,190
Net cash flows from the purchase and sale of property, plant and equipment	(1,145)	(1,284)	(1,086)
Net cash flows from disposal of loan portfolio and customer accounts	623	(3,530)	3,059
Net investment in intangible assets	(2,550)	(3,125)	(2,479)
Net cash flow from (acquisition)/disposal of subsidiaries, businesses, associates and joint ventures ⁴	(453)	(989)	(106)
Net cash from investing activities	(62,912)	(27,401)	27,536
Issue of ordinary share capital and other equity instruments	1,996	—	1,996
Cancellation of shares	(5,812)	(2,285)	(707)
Net sales/(purchases) of own shares for market-making and investment purposes	(614)	(91)	(1,386)
Net cash flow from change in stake of subsidiaries	(19)	(197)	—
Redemption of preference shares and other equity instruments	(4,003)	(2,266)	(3,450)
Subordinated loan capital issued	5,237	7,300	—
Subordinated loan capital repaid ⁵	(2,147)	(1,777)	(864)
Dividends paid to shareholders of the parent company and non-controlling interests	(12,196)	(6,970)	(6,383)
Net cash from financing activities	(17,558)	(6,286)	(10,794)
Net increase/(decrease) in cash and cash equivalents	(41,359)	(14,332)	121,054
Cash and cash equivalents at 1 Jan	521,671	574,032	468,323
Exchange differences in respect of cash and cash equivalents	10,621	(38,029)	(15,345)
Cash and cash equivalents at 31 Dec⁶	490,933	521,671	574,032

Consolidated statement of cash flows (continued) for the year ended 31 December 2023

	2023	2022 ¹	2021
	\$m	\$m	\$m
Cash and cash equivalents comprise:			
– cash and balances at central banks	285,868	327,002	403,018
– items in the course of collection from other banks	6,342	7,297	4,136
– loans and advances to banks of one month or less	76,620	72,295	55,705
– reverse repurchase agreements with banks of one month or less	64,341	68,682	76,658
– treasury bills, other bills and certificates of deposit less than three months	33,303	26,727	28,488
– cash collateral and net settlement accounts	15,819	19,445	11,241
– cash and cash equivalents held for sale ⁷	15,935	8,087	—
– less: items in the course of transmission to other banks	(7,295)	(7,864)	(5,214)
Cash and cash equivalents at 31 Dec⁶	490,933	521,671	574,032

Interest received was \$98,910m (2022: \$55,664m; 2021: \$40,175m), interest paid was \$65,980m (2022: \$22,856m; 2021: \$12,695m) and dividends received (excluding dividends received from associates, which are presented separately above) were \$1,869m (2022: \$1,638m; 2021: \$1,898m).

- 1 From 1 January 2023, we adopted IFRS 17 'Insurance Contracts', which replaced IFRS 4 'Insurance Contracts'. Comparative data for the financial year ended 31 December 2022 have been restated accordingly. Comparative data for the year ended 31 December 2021 are prepared on an IFRS 4 basis.
- 2 Adjustment to bring changes between opening and closing balance sheet amounts to average rates. This is not done on a line-by-line basis, as details cannot be determined without unreasonable expense.
- 3 Post adoption of IFRS 17 'Insurance Contracts', certain assets have been reclassified from 'Investing activities' to 'Operating activities'. The comparative data have not been re-presented.
- 4 The 'Net cash flow on (acquisition)/disposal of subsidiaries, businesses, associates and joint ventures' includes \$1.2bn of net cash inflows from the acquisition of Silicon Valley Bank UK Limited in March 2023.
- 5 Subordinated liabilities changes during the year are attributable to repayments of \$(2.1)bn (2022: \$(1.8)bn; 2021: \$(0.9)bn) of securities. Non-cash changes during the year included foreign exchange gains/losses of \$0.6bn (2022: \$(1.1)bn; 2021: \$(0.3)bn) and fair value gains/losses of \$0.8bn (2022: \$(3.1)bn; 2021: \$(1.0)bn).
- 6 At 31 December 2023, \$61.8bn (2022: \$59.3bn; 2021: \$33.6bn) was not available for use by HSBC due to a range of restrictions, including currency exchange and other restrictions.
- 7 Includes \$5.6bn (2022: \$6.5bn) of cash and balances at central banks, \$0.2bn (2022: \$1.3bn) of reverse repurchase agreements with banks of one month or less, \$10.5bn (2022: \$0.2bn) of loans and advances to banks of one month or less and items in the course of transmission to other banks \$(0.4)bn (2022: \$(0.2)bn).

HSBC Holdings income statement for the year ended 31 December 2023

	Notes*	2023 \$m	2022 \$m	2021 \$m
Net interest expense		(5,339)	(3,074)	(2,367)
– interest income		2,864	937	380
– interest expense		(8,203)	(4,011)	(2,747)
Fee (expense)/income		2	(3)	(5)
Net income from financial instruments held for trading or managed on a fair value basis	3	1,063	2,129	110
Changes in fair value of designated debt and related derivatives ¹	3	(1,468)	2,144	349
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	3	3,692	(2,409)	(420)
Gains less losses from financial investments		45	58	—
Dividend income from subsidiaries		16,824	9,478	11,404
Other operating income		332	91	230
Total operating income		15,151	8,414	9,301
Employee compensation and benefits	5	(15)	(41)	(30)
General and administrative expenses		(1,327)	(1,586)	(1,845)
(Impairment) of subsidiaries/reversal of impairment	19	(5,574)	2,493	3,065
Total operating expenses		(6,916)	866	1,190
Profit before tax		8,235	9,280	10,491
Tax credit ²		977	3,077	343
Profit for the year		9,212	12,357	10,834

* For Notes on the financial statements, see page 341.

1 The debt instruments, issued for funding purposes, are designated under the fair value option to reduce an accounting mismatch.

2 The tax credit in 2022 includes \$2.2bn arising from the recognition of a deferred tax asset from historical tax losses in HSBC Holdings. This was a result of improved profit forecasts for the UK tax group, which accelerated the expected utilisation of these losses and reduced uncertainty regarding their recoverability. The amounts recorded within profit before tax with respect to dividend income from subsidiaries and reversal of impairment of subsidiaries are not subject to tax.

HSBC Holdings statement of comprehensive income for the year ended 31 December 2023

	2023 \$m	2022 \$m	2021 \$m
Profit for the year	9,212	12,357	10,834
Other comprehensive income/(expense)			
Items that will not be reclassified subsequently to profit or loss:			
Changes in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	(124)	326	267
– before income taxes	(166)	435	259
– income taxes	42	(109)	8
Other comprehensive income/(expense) for the year, net of tax	(124)	326	267
Total comprehensive income for the year	9,088	12,683	11,101

HSBC Holdings balance sheet

	Notes*	31 Dec 2023 \$m	31 Dec 2022 \$m
Assets			
Cash and balances with HSBC undertakings		7,029	3,210
Financial assets with HSBC undertakings designated and otherwise mandatorily measured at fair value		59,879	52,322
Derivatives	15	3,344	3,801
Loans and advances to HSBC undertakings		27,354	26,765
Financial investments	16	19,558	19,466
Prepayments, accrued income and other assets		5,341	5,242
Current tax assets		924	464
Investments in subsidiaries	19	159,478	167,542
Intangible assets		180	189
Deferred tax assets		2,082	2,100
Total assets at 31 Dec		285,169	281,101
Liabilities and equity			
Liabilities			
Amounts owed to HSBC undertakings		168	314
Financial liabilities designated at fair value	25	43,638	32,123
Derivatives	15	6,090	6,922
Debt securities in issue	26	65,239	66,938
Accruals, deferred income and other liabilities		4,289	1,969
Subordinated liabilities	29	24,439	19,727
Total liabilities		143,863	127,993
Equity			
Called up share capital	33	9,631	10,147
Share premium account	33	14,738	14,664
Other equity instruments	33	17,703	19,746
Merger and other reserves		35,946	40,555
Retained earnings		63,288	67,996
Total equity		141,306	153,108
Total liabilities and equity at 31 Dec		285,169	281,101

* For Notes on the financial statements, see page 341.

The accompanying notes on pages 341 to 434, the audited sections in the Risk review on pages 135 to 237 and 'Directors' remuneration report' on pages 279 to 305 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 21 February 2024 and signed on its behalf by:

Mark E Tucker
Group Chairman

Georges Elhedery
Group Chief Financial Officer

HSBC Holdings statement of changes in equity for the year ended 31 December 2023

	Called up share capital \$m	Share premium \$m	Other equity instruments \$m	Retained earnings ^{1,2} \$m	Other reserves	Total shareholders' equity \$m
					Merger and other reserves \$m	
At 1 Jan 2023	10,147	14,664	19,746	67,996	40,555	153,108
Profit for the year	—	—	—	9,212	—	9,212
Other comprehensive income (net of tax)	—	—	—	(124)	—	(124)
– changes in fair value of financial liabilities designated at fair value due to movement in own credit risk	—	—	—	(124)	—	(124)
Total comprehensive income for the year	—	—	—	9,088	—	9,088
Shares issued under employee share plans	5	74	—	(328)	—	(249)
Capital securities issued ³	—	—	1,980	—	—	1,980
Cancellation of shares ⁴	(521)	—	—	(7,025)	521	(7,025)
Dividends to shareholders	—	—	—	(11,593)	—	(11,593)
Redemption of capital securities ⁵	—	—	(4,023)	20	—	(4,003)
Transfers ⁶	—	—	—	5,130	(5,130)	—
Other movements	—	—	—	—	—	—
At 31 Dec 2023	9,631	14,738	17,703	63,288	35,946	141,306
At 1 Jan 2022	10,316	14,602	22,414	65,116	37,882	150,330
Profit for the year	—	—	—	12,357	—	12,357
Other comprehensive income (net of tax)	—	—	—	326	—	326
– changes in fair value of financial liabilities designated at fair value due to movement in own credit risk	—	—	—	326	—	326
Total comprehensive income for the year	—	—	—	12,683	—	12,683
Shares issued under employee share plans	5	62	—	(161)	—	(94)
Capital securities issued	—	—	—	—	—	—
Cancellation of shares	(174)	—	—	(1,001)	174	(1,001)
Dividends to shareholders	—	—	—	(6,544)	—	(6,544)
Redemption of capital securities	—	—	(2,668)	402	—	(2,266)
Transfers ⁵	—	—	—	(2,499)	2,499	—
Other movements	—	—	—	—	—	—
At 31 Dec 2022	10,147	14,664	19,746	67,996	40,555	153,108
At 1 Jan 2021	10,347	14,277	22,414	65,005	34,757	146,800
Profit for the year	—	—	—	10,834	—	10,834
Other comprehensive income (net of tax)	—	—	—	267	—	267
– changes in fair value of financial liabilities designated at fair value due to movement in own credit risk	—	—	—	267	—	267
Total comprehensive income for the year	—	—	—	11,101	—	11,101
Shares issued under employee share plans	29	325	—	(103)	—	251
Capital securities issued	—	—	2,000	(20)	—	1,980
Cancellation of shares	(60)	—	—	(2,004)	60	(2,004)
Dividends to shareholders	—	—	—	(5,790)	—	(5,790)
Redemption of capital securities	—	—	(2,000)	—	—	(2,000)
Transfers ⁵	—	—	—	(3,065)	3,065	—
Other movements	—	—	—	(8)	—	(8)
At 31 Dec 2021	10,316	14,602	22,414	65,116	37,882	150,330

Dividends per ordinary share at 31 December 2023 were \$0.53 (2022: \$0.27; 2021: \$0.22).

- Retained earnings include unrealised profits from intercompany transactions and share-based payment reserves, which are excluded from distributable reserves. Distributable reserves include the distributable portions of retained earnings and the merger reserve. Distributable reserves are reduced by ordinary dividend payments, distributions on additional tier 1 instruments, share buy-backs and impairments in investments in subsidiaries. They are increased by profits and the realisation of retained earnings or merger reserves upon impairment of an associated investment in subsidiary.
- At 31 December 2023, retained earnings included 20,018,490 (\$100m) treasury shares (2022: 331,874,221 (\$2,615m); 2021: 329,871,829 (\$2,542m)).
- In March 2023, HSBC Holdings issued \$2,000m 8.000% contingent convertible securities, on which there were \$20m of issue costs.
- In May 2023, HSBC announced a share buy-back of up to \$2.0bn, which was completed in July 2023. In August 2023, HSBC announced another share buy-back of up to \$2.0bn, which was completed in October 2023. In October 2023, HSBC further announced a share buy-back of up to \$3.0bn, which was completed in February 2024.
- In March 2023, HSBC Holdings redeemed \$2,350m 6.250% contingent convertible securities. In September 2023, HSBC Holdings further redeemed €1,000m 6.000% and SGD750m 5.000% contingent convertible securities.
- At 31 December 2023, an impairment of \$5,512m of HSBC Overseas Holdings (UK) Limited was recognised, resulting in a permitted transfer of \$5,130m from the merger reserve to retained earnings, and a realisation of \$382m share-based payment reserve within retained earnings. In 2022, a part-reversal of the impairment resulted in a transfer from retained earnings back to the merger reserve of \$2,499m (2021: \$3,065m).

HSBC Holdings statement of cash flows for the year ended 31 December 2023

	2023	2022	2021
	\$m	\$m	\$m
Profit before tax	8,235	9,280	10,491
Adjustments for non-cash items	5,611	(2,500)	(2,954)
– depreciation, amortisation and impairment/expected credit losses	5,629	(2,428)	(2,976)
– share-based payment expense	–	1	2
– other non-cash items included in profit before tax	(38)	(73)	20
– elimination of exchange differences ¹	20	–	–
Changes in operating assets and liabilities			
Change in loans to HSBC undertakings	(1,267)	(1,657)	3,364
Change in financial assets with HSBC undertakings designated and otherwise mandatorily measured at fair value	(7,767)	(914)	(4,409)
Change in net trading securities and net derivatives	(529)	4,712	47
Change in other assets	363	51	(226)
Change in financial investments	–	196	20
Change in debt securities in issue	1,964	(5,625)	(2,833)
Change in financial liabilities designated at fair value	3,096	(4,755)	(1,396)
Change in other liabilities	1,947	(3,394)	(691)
Tax received	577	215	32
Net cash from operating activities	12,230	(4,391)	1,445
Purchase of financial investments	(7,803)	(21,481)	(16,966)
Proceeds from the sale and maturity of financial investments	20,074	17,165	16,074
Net cash flow from capital contribution, acquisition and disposal of subsidiaries	2,476	(1,836)	663
Net investment in intangible assets	(46)	(39)	(26)
Net cash from investing activities	14,701	(6,191)	(255)
Issue of ordinary share capital and other equity instruments	2,059	67	2,334
Redemption of preference shares and other equity instruments	(4,003)	(2,266)	(3,450)
Purchase of treasury shares	(855)	(438)	(28)
Cancellation of shares	(5,812)	(2,298)	(707)
Subordinated loan capital issued	5,270	7,300	–
Subordinated loan capital repaid	–	–	–
Debt securities issued	17,180	18,076	19,379
Debt securities repaid	(13,047)	(10,094)	(5,569)
Dividends paid on ordinary shares	(10,492)	(5,330)	(4,480)
Dividends paid to holders of other equity instruments	(1,101)	(1,214)	(1,310)
Net cash from financing activities	(10,801)	3,803	6,169
Net increase/(decrease) in cash and cash equivalents	16,130	(6,779)	7,359
Cash and cash equivalents at 1 January	6,756	13,535	6,176
Exchange differences in respect of cash and cash equivalents ²	(72)	–	–
Cash and cash equivalents at 31 Dec	22,814	6,756	13,535
Cash and cash equivalents comprise:			
– cash at bank with HSBC undertakings	7,029	3,210	2,590
– cash collateral and net settlement accounts	3,422	3,544	93
– treasury and other eligible bills	12,363	2	10,852

Interest received was \$5,695m (2022: \$2,410m; 2021: \$1,636m), interest paid was \$7,754m (2022: \$3,813m; 2021: \$2,724m) and dividends received were \$16,824m (2022: \$9,478m; 2021: \$11,404m).

- 1 Adjustment to bring changes between opening and closing balance sheet amounts to average rates. This is not done on a line-by-line basis, as details cannot be determined without unreasonable expense. As this change has immaterial impact, prior period comparatives have not been restated.
- 2 In 2023, additional disclosure has been made in respect of exchange differences on cash and cash equivalents. As this change has immaterial impact, prior period comparatives have not been restated.

Notes on the financial statements

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1 Basis of preparation and material accounting policies

1.1 Basis of preparation

(a) Compliance with International Financial Reporting Standards

The consolidated financial statements of HSBC and the separate financial statements of HSBC Holdings comply with UK-adopted international accounting standards and with the requirements of the Companies Act 2006, and have also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. These financial statements are also prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IFRS Accounting Standards'), including interpretations issued by the IFRS Interpretations Committee, as there are no applicable differences from IFRS Accounting Standards for the periods presented. There were no unendorsed standards effective for the year ended 31 December 2023 affecting these consolidated and separate financial statements.

Standards adopted during the year ended 31 December 2023

IFRS 17 'Insurance Contracts'

On 1 January 2023, the Group adopted the requirements of IFRS 17 'Insurance Contracts' retrospectively with comparatives restated from the transition date, 1 January 2022. At transition, the Group's total equity reduced by \$10,459m.

On adoption of IFRS 17, balances based on IFRS 4, including the present value of in-force long-term insurance business ('PVIF') asset in relation to the upfront recognition of future profits of in-force insurance contracts, were derecognised. Insurance contract liabilities have been remeasured under IFRS 17 based on groups of insurance contracts, which include the fulfilment cash flows comprising the best estimate of the present value of the future cash flows (for example premiums and payouts for claims, benefits and expenses), together with a risk adjustment for non-financial risk, as well as the contractual service margin ('CSM'). The CSM represents the unearned profits that will be released and systematically recognised in insurance revenue as services are provided over the expected coverage period.

In addition, the Group has made use of the option under the standard to re-designate certain eligible financial assets held to support insurance contract liabilities, which were predominantly measured at amortised cost, as financial assets measured at fair value through profit or loss, with comparatives restated from the transition date. The effects of adoption of IFRS 17 are set out in Note 38 with a description of the policy in Note 1.2(j).

The key differences between IFRS 4 and IFRS 17 are summarised in the following table:

Notes on the financial statements

	IFRS 4	IFRS 17
Balance sheet	<ul style="list-style-type: none"> Insurance contract liabilities for non-linked life insurance contracts are calculated by local actuarial principles. Liabilities under unit-linked life insurance contracts are at least equivalent to the surrender or transfer value, by reference to the value of the relevant underlying funds or indices. Grouping requirements follow local regulations. An intangible asset for the PVIF is recognised, representing the upfront recognition of future profits associated with in-force insurance contracts. 	<ul style="list-style-type: none"> Insurance contract liabilities are measured for groups of insurance contracts at current value, comprising the fulfilment cash flows and the CSM. The fulfilment cash flows comprise the best estimate of the present value of the future cash flows, together with a risk adjustment for non-financial risk. The CSM represents the unearned profit.
Profit emergence/ recognition	<ul style="list-style-type: none"> The value of new business is reported as revenue on Day 1 as an increase in PVIF. The impact of the majority of assumption changes is recognised immediately in the income statement. Variances between actual and expected cash flows are recognised in the period they arise. 	<ul style="list-style-type: none"> The CSM is systematically recognised in revenue as services are provided over the expected coverage period of the group of contracts (i.e. no Day 1 profit). Contracts are measured using the general measurement model ('GMM') or the variable fee approach ('VFA') model for insurance contracts with direct participation features upon meeting the eligibility criteria. Under the VFA model, the Group's share of the investment experience and assumption changes are absorbed by the CSM and released over time to profit or loss. For contracts measured under GMM, the Group's share of the investment volatility is recorded in profit or loss as it arises. Losses from onerous contracts are recognised in the income statement immediately.
Investment return assumptions (discount rate)	<ul style="list-style-type: none"> PVIF is calculated based on long-term investment return assumptions based on assets held. It therefore includes investment margins expected to be earned in future. 	<ul style="list-style-type: none"> Under the market consistent approach, expected future investment spreads are not included in the investment return assumption. Instead, the discount rate includes an illiquidity premium that reflects the nature of the associated insurance contract liabilities.
Expenses	<ul style="list-style-type: none"> Total expenses to acquire and maintain the contract over its lifetime are included in the PVIF calculation. Expenses are recognised across operating expenses and fee expense as incurred and the allowances for those expenses are released from the PVIF simultaneously. 	<ul style="list-style-type: none"> Projected lifetime expenses that are directly attributable costs are included in the insurance contract liabilities and recognised in the insurance service result. Non-attributable costs are reported in operating expenses.

Transition

In applying IFRS 17 for insurance contracts retrospectively, the full retrospective approach ('FRA') has been used unless it was impracticable. When the FRA is impracticable such as when there is a lack of sufficient and reliable data, an entity has an accounting policy choice to use either the modified retrospective approach ('MRA') or the fair value approach ('FVA'). The Group has applied the FRA for new business from 2018 at the earliest, subject to practicability, and the FVA for the majority of contracts for which the FRA is impracticable.

Under the FVA, the valuation of insurance liabilities on transition is based on the applicable requirements of IFRS 13 'Fair Value Measurement'. This requires consideration of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The CSM is calculated as the difference between what a market participant would demand for assuming the unexpired risk associated with insurance contracts, including required profit, and the fulfilment cash flows that are determined using IFRS 17 principles.

In determining the fair value, the Group considered the estimated profit margin that a market participant would demand in return for assuming the insurance liabilities with the consideration of the level of capital that a market participant would be required to hold, and the discount rate with an allowance for an illiquidity premium that takes into account the level of 'matching' between the Group's assets and related liabilities. These assumptions were set taking into account the assumptions that a hypothetical market participant operating in each local jurisdiction would consider.

Amendments to IAS 12 'International Tax Reform – Pillar Two Model Rules'

On 23 May 2023, the International Accounting Standards Board ('IASB') issued amendments to IAS 12 'International Tax Reform – Pillar Two Model Rules', which became effective immediately and were approved for adoption by all members of the UK Endorsement Board on 19 July 2023 and by the European Union on 8 November 2023. On 20 June 2023, legislation was substantively enacted in the UK to introduce the OECD's Pillar Two global minimum tax rules and a UK qualified domestic minimum top-up tax, with effect from 1 January 2024. The Group has applied the IAS 12 exception from recognising and disclosing information on associated deferred tax assets and liabilities.

There were no other new standards or amendments to standards that had an effect on these financial statements.

(b) Differences between IFRS Accounting Standards and Hong Kong Financial Reporting Standards

There are no significant differences between IFRS Accounting Standards and Hong Kong Financial Reporting Standards in terms of their application to HSBC, and consequently there would be no significant differences had the financial statements been prepared in accordance with Hong Kong Financial Reporting Standards. The 'Notes on the financial statements', taken together with the 'Report of the Directors', include the aggregate of all disclosures necessary to satisfy IFRS Accounting Standards and Hong Kong Financial Reporting Standards.

(c) Future accounting developments

Minor amendments to IFRS Accounting Standards

The IASB has published a number of minor amendments to IFRS Accounting Standards that are effective from 1 January 2024. HSBC expects they will have an insignificant effect, when adopted, on the consolidated financial statements of HSBC and the separate financial statements of HSBC Holdings. Additionally, in August 2023, the IASB published amendments to IAS 21 'Lack of Exchangeability' effective from 1 January 2025. The Group is undertaking an assessment of the potential impact, which is not expected to be significant.

(d) Foreign currencies

HSBC's consolidated financial statements are presented in US dollars because the US dollar and currencies linked to it form the major currency bloc in which HSBC transacts and funds its business. The US dollar is also HSBC Holdings' functional currency because the US dollar and currencies linked to it are the most significant currencies relevant to the underlying transactions, events and conditions of its subsidiaries, as well as representing a significant proportion of its funds generated from financing activities.

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date, except non-monetary assets and liabilities measured at historical cost, which are translated using the rate of exchange at the initial transaction date. Exchange differences are included in other comprehensive income or in the income statement depending on where the gain or loss on the underlying item is recognised. Except for subsidiaries operating in hyperinflationary economies (see Note 1.2(p)), in the consolidated financial statements, the assets and liabilities of branches, subsidiaries, joint ventures and associates whose functional currency is not US dollars are translated into the Group's presentation currency at the rate of exchange at the balance sheet date, while their results are translated into US dollars at the average rates of exchange for the reporting period. Exchange differences arising are recognised in other comprehensive income. On disposal of a foreign operation, exchange differences previously recognised in other comprehensive income are reclassified to the income statement.

(e) Presentation of information

Certain disclosures required by IFRS Accounting Standards have been included in the sections marked as ('Audited') in the *Annual Report and Accounts 2023* as follows:

- Disclosures concerning the nature and extent of risks relating to insurance contracts and financial instruments are included in the 'Risk review' on pages 135 to 237.
- The 'Own funds disclosure' is included in the 'Risk review' on page 207.

HSBC follows the UK Finance Disclosure Code. The UK Finance Disclosure Code aims to increase the quality and comparability of UK banks' disclosures and sets out five disclosure principles together with supporting guidance agreed in 2010. In line with the principles of the UK Finance Disclosure Code, HSBC assesses good practice recommendations issued from time to time by relevant regulators and standard setters, and will assess the applicability and relevance of such guidance, enhancing disclosures where appropriate.

(f) Critical estimates and judgements

The preparation of financial information requires the use of estimates and judgements about future conditions. In view of the inherent uncertainties and the high level of subjectivity involved in the recognition or measurement of items, highlighted as the 'critical estimates and judgements' in section 1.2 below, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based. This could result in materially different estimates and judgements from those reached by management for the purposes of these financial statements. Management's selection of HSBC's accounting policies that contain critical estimates and judgements reflects the materiality of the items to which the policies are applied and the high degree of judgement and estimation uncertainty involved.

Management has considered the impact of climate-related risks on HSBC's financial position and performance. While the effects of climate change are a source of uncertainty, as at 31 December 2023 management did not consider there to be a material impact on our critical judgements and estimates from the physical, transition and other climate-related risks in the short to medium term. In particular management has considered the known and observable potential impacts of climate-related risks of associated judgements and estimates in our value in use calculations.

(g) Going concern

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Group and parent company have the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, liquidity, capital requirements and capital resources.

These considerations include stressed scenarios that reflect the uncertainty in the macroeconomic environment following rising inflation, slower Chinese economic activity, and disrupted supply chains as a result of the ongoing Russia-Ukraine and Israel-Hamas wars. They also included other top and emerging risks, including climate change, as well as the related impacts on profitability, capital and liquidity.

1.2 Summary of material accounting policies

(a) Consolidation and related policies

Investments in subsidiaries

Where an entity is governed by voting rights, HSBC consolidates when it holds – directly or indirectly – the necessary voting rights to pass resolutions by the governing body. In all other cases, the assessment of control is more complex and requires judgement of other factors, including having exposure to variability of returns, power to direct relevant activities, and whether power is held as agent or principal.

Business combinations are accounted for using the acquisition method. The amount of non-controlling interest is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. This election is made for each business combination.

HSBC Holdings' investments in subsidiaries are stated at cost less impairment losses.

Impairment testing is performed where there is an indication of impairment, by comparing the recoverable amount of the relevant investment to its carrying amount. Indicators of impairment include both external and internal sources of information. Similarly, assessments are made as to whether an impairment loss recognised in prior periods may no longer exist or may have decreased. Where this is the case, such an impairment loss is reversed if there has been a change in the estimate used to determine the relevant recoverable amount since the last impairment loss was recognised, and to the extent that it does not increase the carrying amount above that had no impairment loss been previously recognised.

Critical estimates and judgements

Investments in subsidiaries are tested for impairment when there is an indication that the investment may be impaired, which involves estimations of value in use reflecting management's best estimate of the future cash flows of the investment and the rates used to discount these cash flows, both of which are subject to uncertain factors as follows:

Judgements	Estimates
<ul style="list-style-type: none"> The accuracy of forecast cash flows is subject to a high degree of uncertainty in volatile market conditions. Where such circumstances are determined to exist, management re-tests for impairment or reversal more frequently than once a year when indicators exist. This ensures that the assumptions on which the cash flow forecasts are based continue to reflect current market conditions and management's best estimate of future business prospects. 	<ul style="list-style-type: none"> The future cash flows of each investment are sensitive to the cash flows projected for the periods for which detailed forecasts are available and to assumptions regarding the long-term pattern of sustainable cash flows thereafter. Forecasts are compared with actual performance and verifiable economic data, but they reflect management's view of future business prospects at the time of the assessment. The rates used to discount future expected cash flows can have a significant effect on their valuation, and are based on the costs of equity assigned to the investment. The cost of equity percentage is generally derived from a capital asset pricing model and the market implied cost of equity, which incorporates inputs reflecting a number of financial and economic variables, including the risk-free interest rate in the country concerned and a premium for the risk of the business being evaluated. These variables are subject to fluctuations in external market rates and economic conditions beyond management's control. Key assumptions used in estimating impairment in subsidiaries and their reversal where relevant are described in Note 19.

Goodwill

Goodwill is allocated to cash-generating units ('CGUs') for the purpose of impairment testing, which is undertaken at the lowest level at which goodwill is monitored for internal management purposes. HSBC's CGUs are based on its main legal entities subdivided by global business, except for Global Banking and Markets, for which goodwill is monitored on a global basis.

Impairment testing is performed at least once a year, or whenever there is an indication of impairment, by comparing the recoverable amount of a CGU with its carrying amount.

Goodwill is included in a disposal group if the disposal group is a CGU to which goodwill has been allocated or it is an operation within such a CGU. The amount of goodwill included in a disposal group is measured on the basis of the relative values of the operation disposed of and the portion of the CGU retained.

Critical estimates and judgements

The review of goodwill and non-financial assets (see Note 1.2(n)) for impairment reflects management's best estimate of the future cash flows of the CGUs and the rates used to discount these cash flows, both of which are subject to uncertain factors as follows:

Judgements	Estimates
<ul style="list-style-type: none"> The accuracy of forecast cash flows is subject to a high degree of uncertainty in volatile market conditions. Where such circumstances are determined to exist, management re-tests goodwill for impairment more frequently than once a year when indicators of impairment exist. This ensures that the assumptions on which the cash flow forecasts are based continue to reflect current market conditions and management's best estimate of future business prospects. 	<ul style="list-style-type: none"> The future cash flows of the CGUs are sensitive to the cash flows projected for the periods for which detailed forecasts are available and to assumptions regarding the long-term pattern of sustainable cash flows thereafter. Forecasts are compared with actual performance and verifiable economic data, but they reflect management's view of future business prospects at the time of the assessment. The rates used to discount future expected cash flows can have a significant effect on their valuation, and are based on the costs of equity assigned to individual CGUs. The cost of equity percentage is generally derived from a capital asset pricing model and market implied cost of equity, which incorporates inputs reflecting a number of financial and economic variables, including the risk-free interest rate in the country concerned and a premium for the risk of the business being evaluated. These variables are subject to fluctuations in external market rates and economic conditions beyond management's control. Key assumptions used in estimating goodwill and non-financial asset impairment are described in Note 21.

The Group does not consider there to be a significant risk of a material adjustment to the carrying amount of goodwill in the next financial year, but does consider this to be an area that is inherently judgemental.

HSBC sponsored structured entities

HSBC is considered to sponsor another entity if, in addition to ongoing involvement with the entity, it had a key role in establishing that entity or in bringing together relevant counterparties so the transaction that is the purpose of the entity could occur. HSBC is generally not considered a sponsor if the only involvement with the entity is merely administrative.

Interests in associates and joint arrangements

Joint arrangements are investments in which HSBC, together with one or more parties, has joint control. Depending on HSBC's rights and obligations, the joint arrangement is classified as either a joint operation or a joint venture.

HSBC classifies investments in entities over which it has significant influence, and which are neither subsidiaries nor joint arrangements, as associates.

HSBC recognises its share of the assets, liabilities and results in a joint operation. Investments in associates and interests in joint ventures are recognised using the equity method. The attributable share of the results and reserves of joint ventures and associates is included in the consolidated financial statements of HSBC based on either financial statements made up to 31 December or pro-rated amounts adjusted for any material transactions or events occurring between the date the financial statements are available and 31 December.

Investments in associates and joint ventures are assessed at each reporting date and tested for impairment when there is an indication that the investment may be impaired, by comparing the recoverable amount of the relevant investment to its carrying amount. Goodwill on acquisitions of interests in joint ventures and associates is not tested separately for impairment, but is assessed as part of the carrying amount of the investment. Previously recognised impairments are assessed for reversal when there are indicators that they may no longer exist or have

decreased. Any reversal, which may arise only from changes in estimates used to determine the prior impairment loss, is recognised to the extent that it does not increase the carrying amount above that had no impairment loss been previously recognised.

Critical estimates and judgements

The most significant critical estimates relate to the assessment of impairment of our investment in Bank of Communications Co., Limited ('BoCom'), which involves estimations of value in use:

Judgements	Estimates
	<ul style="list-style-type: none"> The value in use calculation uses discounted cash flow projections based on management's best estimate of future earnings available to ordinary shareholders prepared in accordance with IAS 36 'Impairment of Assets'. Key assumptions used in estimating BoCom's value in use and the sensitivity of the value in use calculations to different assumptions are described in Note 18.

(b) Income and expense

Operating income

Interest income and expense

Interest income and expense for all financial instruments, excluding those classified as held for trading or designated at fair value, are recognised in 'Interest income' and 'Interest expense' in the income statement using the effective interest method. However, as an exception to this, interest on debt instruments issued by HSBC for funding purposes that are designated under the fair value option to reduce an accounting mismatch and on derivatives managed in conjunction with those debt instruments is included in interest expense.

Interest on credit-impaired financial assets is recognised by applying the effective interest rate to the amortised cost (i.e. gross carrying amount of the asset less allowance for expected credit losses).

Non-interest income and expense

HSBC generates fee income from services provided at a fixed price over time, such as account service and card fees, or when HSBC delivers a specific transaction at a point in time, such as broking services and import/export services. With the exception of certain fund management and performance fees, all other fees are generated at a fixed price. Fund management and performance fees can be variable depending on the size of the customer portfolio and HSBC's performance as fund manager. Variable fees are recognised when all uncertainties are resolved. Fee income is generally earned from short-term contracts with payment terms that do not include a significant financing component.

HSBC acts as principal in the majority of contracts with customers, with the exception of broking services. For most brokerage trades, HSBC acts as agent in the transaction and recognises broking income net of fees payable to other parties in the arrangement.

HSBC recognises fees earned on transaction-based arrangements at a point in time when it has fully provided the service to the customer. Where the contract requires services to be provided over time, income is recognised on a systematic basis over the life of the agreement.

Where HSBC offers a package of services that contains multiple non-distinct performance obligations, such as those included in account service packages, the promised services are treated as a single performance obligation. If a package of services contains distinct performance obligations, the corresponding transaction price is allocated to each performance obligation based on the estimated stand-alone selling prices.

Dividend income is recognised when the right to receive payment is established. This is the ex-dividend date for listed equity securities, and usually the date when shareholders approve the dividend for unlisted equity securities.

Net income/(expense) from financial instruments measured at fair value through profit or loss includes the following:

- 'Net income from financial instruments held for trading or managed on a fair value basis': This comprises net trading income, which includes all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading and other financial instruments managed on a fair value basis, together with the related interest income, expense and dividends, excluding the effect of changes in the credit risk of liabilities managed on a fair value basis. It also includes all gains and losses from changes in the fair value of derivatives that are managed in conjunction with financial assets and liabilities measured at fair value through profit or loss.
- 'Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss': This includes all gains and losses from changes in the fair value, together with related interest income, expense and dividends in respect of financial assets and liabilities measured at fair value through profit or loss, and those derivatives managed in conjunction with the above that can be separately identifiable from other trading derivatives.
- 'Changes in fair value of designated debt instruments and related derivatives': Interest paid on debt instruments and interest cash flows on related derivatives is presented in interest expense where doing so reduces an accounting mismatch.
- 'Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss': This includes interest on instruments that fail the solely payments of principal and interest test, see (d) below.

The accounting policies for insurance service result and insurance finance income/(expenses) are disclosed in Note 1.2(j).

(c) Valuation of financial instruments

All financial instruments are initially recognised at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a financial instrument on initial recognition is generally its transaction price (that is, the fair value of the consideration given or received). However, if there is a difference between the transaction price and the fair value of financial instruments whose fair value is based on a quoted price in an active market or a valuation technique that uses only data from observable markets, HSBC recognises the difference as a trading gain or loss at inception (a 'day 1 gain or loss'). In all other cases, the entire day 1 gain or loss is deferred and recognised in the income statement over the life of the transaction until the transaction matures, is closed out, the valuation inputs become observable or HSBC enters into an offsetting transaction. The fair value of financial instruments is generally measured on an individual basis. However, in cases where HSBC manages a group of financial assets and liabilities according to its net market or credit risk exposure, the fair value of the group of financial instruments is measured on a net basis but the underlying financial assets and liabilities are presented separately in the financial statements, unless they satisfy the IFRS offsetting criteria.

Critical estimates and judgements

The majority of valuation techniques employ only observable market data. However, certain financial instruments are classified on the basis of valuation techniques that feature one or more significant market inputs that are unobservable, and for them, the measurement of fair value is more judgemental:

Judgements	Estimates
<ul style="list-style-type: none"> – An instrument in its entirety is classified as valued using significant unobservable inputs if, in the opinion of management, greater than 5% of the instrument's valuation is driven by unobservable inputs. – 'Unobservable' in this context means that there is little or no current market data available from which to determine the price at which an arm's length transaction would be likely to occur. It generally does not mean that there is no data available at all upon which to base a determination of fair value (consensus pricing data may, for example, be used). 	<ul style="list-style-type: none"> – Details on the Group's Level 3 financial instruments and the sensitivity of their valuation to the effect of applying reasonably possible alternative assumptions in determining their fair value are set out in Note 12.

(d) Financial instruments measured at amortised cost

Financial assets that are held to collect the contractual cash flows and which contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at amortised cost. Such financial assets include most loans and advances to banks and customers and some debt securities. In addition, most financial liabilities are measured at amortised cost. HSBC accounts for regular way amortised cost financial instruments using trade date accounting. The carrying amount of these financial assets at initial recognition includes any directly attributable transactions costs.

HSBC may commit to underwriting loans on fixed contractual terms for specified periods of time. When the loan arising from the lending commitment is expected to be sold shortly after origination, the commitment to lend is recorded as a derivative. When HSBC intends to hold the loan, the loan commitment is included in the impairment calculations set out below.

Non-trading reverse repurchase, repurchase and similar agreements

When debt securities are sold subject to a commitment to repurchase them at a predetermined price ('repos'), they remain on the balance sheet and a liability is recorded in respect of the consideration received. Securities purchased under commitments to resell ('reverse repos') are not recognised on the balance sheet and an asset is recorded in respect of the initial consideration paid. Non-trading repos and reverse repos are measured at amortised cost. The difference between the sale and repurchase price or between the purchase and resale price is treated as interest and recognised in net interest income over the life of the agreement.

Contracts that are economically equivalent to reverse repo or repo agreements (such as sales or purchases of debt securities entered into together with total return swaps with the same counterparty) are accounted for similarly to, and presented together with, reverse repo or repo agreements.

(e) Financial assets measured at fair value through other comprehensive income

Financial assets managed within a business model that is achieved by both collecting contractual cash flows and selling and which contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at fair value through other comprehensive income ('FVOCI'). These comprise primarily debt securities. They are recognised on trade date when HSBC enters into contractual arrangements to purchase and are generally derecognised when they are either sold or redeemed. They are subsequently remeasured at fair value with changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) recognised in other comprehensive income until the assets are sold. Upon disposal, the cumulative gains or losses in other comprehensive income are recognised in the income statement as 'Gains less losses from financial instruments'. Financial assets measured at FVOCI are included in the impairment calculations set out below and impairment is recognised in profit or loss.

(f) Equity securities measured at fair value with fair value movements presented in other comprehensive income

The equity securities for which fair value movements are shown in other comprehensive income are business facilitation and other similar investments where HSBC holds the investments other than to generate a capital return. Dividends from such investments are recognised in profit or loss. Gains or losses on the derecognition of these equity securities are not transferred to profit or loss. Otherwise, equity securities are measured at fair value through profit or loss.

(g) Financial instruments designated at fair value through profit or loss

Financial instruments, other than those held for trading, are classified in this category if they meet one or more of the criteria set out below and are so designated irrevocably at inception:

- The use of the designation removes or significantly reduces an accounting mismatch.
- A group of financial assets and liabilities or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- The financial liability contains one or more non-closely related embedded derivatives.

Designated financial assets are recognised when HSBC enters into contracts with counterparties, which is generally on trade date, and are normally derecognised when the rights to the cash flows expire or are transferred. Designated financial liabilities are recognised when HSBC enters into contracts with counterparties, which is generally on settlement date, and are normally derecognised when extinguished. Subsequent changes in fair values are recognised in the income statement in 'Net income from financial instruments held for trading or managed on a fair value basis' or 'Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss' or 'Changes in fair value of designated debt and related derivatives' except for the effect of changes in the liabilities' credit risk, which is presented in 'Other comprehensive income', unless that treatment would create or enlarge an accounting mismatch in profit or loss.

Under the above criteria, the main classes of financial instruments designated by HSBC are:

- Debt instruments for funding purposes that are designated to reduce an accounting mismatch: The interest and/or foreign exchange exposure on certain fixed-rate debt securities issued has been matched with the interest and/or foreign exchange exposure on certain swaps as part of a documented risk management strategy.

- Financial assets and financial liabilities under unit-linked and non-linked investment contracts: A contract under which HSBC does not accept significant insurance risk from another party is not classified as an insurance contract, other than investment contracts with discretionary participation features ('DPF'), but is accounted for as a financial liability. Customer liabilities under linked and certain non-linked investment contracts issued by insurance subsidiaries are determined based on the fair value of the assets held in the linked funds or by a valuation method. The related financial assets and liabilities are managed and reported to management on a fair value basis. Designation at fair value of the financial assets and related liabilities allows changes in fair values to be recorded in the income statement and presented in the same line.
- Financial liabilities that contain both deposit and derivative components: These financial liabilities are managed and their performance evaluated on a fair value basis.

(h) Derivatives

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, interest rates or other indices. Derivatives are recognised initially and are subsequently measured at fair value through profit or loss. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. This includes embedded derivatives in financial liabilities, which are bifurcated from the host contract when they meet the definition of a derivative on a stand-alone basis.

Where the derivatives are managed with debt securities issued by HSBC that are designated at fair value where doing so reduces an accounting mismatch, the contractual interest is shown in 'Interest expense' together with the interest payable on the issued debt.

Hedge accounting

When derivatives are not part of fair value designated relationships, if held for risk management purposes they are designated in hedge accounting relationships where the required criteria for documentation and hedge effectiveness are met. HSBC uses these derivatives or, where allowed, other non-derivative hedging instruments in fair value hedges, cash flow hedges or hedges of net investments in foreign operations as appropriate to the risk being hedged.

Fair value hedge

Fair value hedge accounting does not change the recording of gains and losses on derivatives and other hedging instruments, but results in recognising changes in the fair value of the hedged assets or liabilities attributable to the hedged risk that would not otherwise be recognised in the income statement. If a hedge relationship no longer meets the criteria for hedge accounting, hedge accounting is discontinued and the cumulative adjustment to the carrying amount of a hedged item for which the effective interest rate method is used is amortised to the income statement on a recalculated effective interest rate, unless the hedged item has been derecognised, in which case it is recognised in the income statement immediately.

Cash flow hedge

The effective portion of gains and losses on hedging instruments is recognised in other comprehensive income and the ineffective portion of the change in fair value of derivative hedging instruments that are part of a cash flow hedge relationship is recognised immediately in the income statement within 'Net income from financial instruments held for trading or managed on a fair value basis'. The accumulated gains and losses recognised in other comprehensive income are reclassified to the income statement in the same periods in which the hedged item affects profit or loss. When a hedge relationship is discontinued, or partially discontinued, any cumulative gain or loss recognised in other comprehensive income remains in equity until the forecast transaction is recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss previously recognised in other comprehensive income is immediately reclassified to the income statement.

Net investment hedge

Hedges of net investments in foreign operations are accounted for in a similar way to cash flow hedges. The effective portion of gains and losses on the hedging instrument is recognised in other comprehensive income and other gains and losses are recognised immediately in the income statement. Gains and losses previously recognised in other comprehensive income are reclassified to the income statement on the disposal, or part-disposal, of the foreign operation.

Derivatives that do not qualify for hedge accounting

Non-qualifying hedges are derivatives entered into as economic hedges of assets and liabilities for which hedge accounting was not applied.

(i) Impairment of amortised cost and FVOCI financial assets

Expected credit losses ('ECL') are recognised for loans and advances to banks and customers, non-trading reverse repurchase agreements, other financial assets held at amortised cost, debt instruments measured at FVOCI, and certain loan commitments and financial guarantee contracts. At initial recognition, an allowance (or provision in the case of some loan commitments and financial guarantees) is recognised for ECL resulting from possible default events within the next 12 months, or less, where the remaining life is less than 12 months ('12-month ECL'). In the event of a significant increase in credit risk, an allowance (or provision) is recognised for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment, and so are considered to be in default or otherwise credit impaired are in 'stage 3'. Purchased or originated credit-impaired financial assets ('POCI') are treated differently as set out below.

Credit impaired (stage 3)

HSBC determines that a financial instrument is credit impaired and in stage 3 by considering relevant objective evidence, primarily whether contractual payments of either principal or interest are past due for more than 90 days, there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition, or the loan is otherwise considered to be in default.

If such unlikelihood to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due. Therefore, the definitions of credit impaired and default are aligned as far as possible so that stage 3 represents all loans that are considered defaulted or otherwise credit impaired.

Interest income is recognised by applying the effective interest rate to the amortised cost (i.e. gross carrying amount less allowance for ECL).

Notes on the financial statements

Write-off

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

Forbearance

Loans are identified as forbore and classified as either performing or non-performing when HSBC modifies the contractual terms due to financial difficulty of the borrower. Non-performing forbore loans are stage 3 and classified as non-performing until they meet the curing criteria, as specified by applicable credit risk policy (for example, when the loan is no longer in default and no other indicators of default have been present for at least 12 months). Any amount written off as a result of any modification of contractual terms upon entering forbearance would not be reversed.

The Group applies the EBA Guidelines on the application of definition of default for our retail portfolios, which affect credit risk policies and our reporting in respect of the status of loans as credit impaired principally due to forbearance (or curing thereof). Further details are provided under 'Forborne loans and advances' on page 148.

Performing forbore loans are initially stage 2 and remain classified as forbore until they meet applicable curing criteria (for example, they continue to not be in default and no other indicators of default are present for a period of at least 24 months). At this point, the loan is either stage 1 or stage 2 as determined by comparing the risk of a default occurring at the reporting date (based on the modified contractual terms) and the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

A forbore loan is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms, or if the terms of an existing agreement are modified such that the forbore loan is a substantially different financial instrument. Any new loans that arise following derecognition events in these circumstances would generally be classified as POCI and will continue to be disclosed as forbore.

Loan modifications other than forbore loans

Loan modifications that are not identified as forbore are considered to be commercial restructurings. Where a commercial restructuring results in a modification (whether legalised through an amendment to the existing terms or the issuance of a new loan contract) such that HSBC's rights to the cash flows under the original contract have expired, the old loan is derecognised and the new loan is recognised at fair value. The rights to cash flows are generally considered to have expired if the commercial restructuring is at market rates and no payment-related concession has been provided. Modifications of certain higher credit risk wholesale loans are assessed for derecognition, having regard to changes in contractual terms that either individually or in combination are judged to result in a substantially different financial instrument. Mandatory and general offer loan modifications that are not borrower specific, for example market-wide customer relief programmes, generally do not result in derecognition, but their stage allocation is determined considering all available and supportable information under our ECL impairment policy. Changes made to these financial instruments that are economically equivalent and required by interest rate benchmark reform do not result in the derecognition or a change in the carrying amount of the financial instrument, but instead require the effective interest rate to be updated to reflect the change of the interest rate benchmark.

Significant increase in credit risk (stage 2)

An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument. The assessment explicitly or implicitly compares the risk of default occurring at the reporting date compared with that at initial recognition, taking into account reasonable and supportable information, including information about past events, current conditions and future economic conditions. The assessment is unbiased, probability-weighted, and to the extent relevant, uses forward-looking information consistent with that used in the measurement of ECL. The analysis of credit risk is multifactor. The determination of whether a specific factor is relevant and its weight compared with other factors depends on the type of product, the characteristics of the financial instrument and the borrower, and the geographical region. Therefore, it is not possible to provide a single set of criteria that will determine what is considered to be a significant increase in credit risk, and these criteria will differ for different types of lending, particularly between retail and wholesale. However, unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due. In addition, wholesale loans that are individually assessed, which are typically corporate and commercial customers, and included on a watch or worry list, are included in stage 2.

For wholesale portfolios, the quantitative comparison assesses default risk using a lifetime probability of default ('PD'), which encompasses a wide range of information including the obligor's customer risk rating ('CRR'), macroeconomic condition forecasts and credit transition probabilities. For origination CRRs up to 3.3, significant increase in credit risk is measured by comparing the average PD for the remaining term estimated at origination with the equivalent estimation at the reporting date. The quantitative measure of significance varies depending on the credit quality at origination as follows:

Origination CRR	Significance trigger – PD to increase by
0.1–1.2	15bps
2.1–3.3	30bps

For CRRs greater than 3.3 that are not impaired, a significant increase in credit risk is considered to have occurred when the origination PD has doubled. The significance of changes in PD was informed by expert credit risk judgement, referenced to historical credit migrations and to relative changes in external market rates.

For loans originated prior to the implementation of IFRS 9, the origination PD does not include adjustments to reflect expectations of future macroeconomic conditions since these are not available without the use of hindsight. In the absence of this data, origination PD must be approximated assuming through-the-cycle PDs and through-the-cycle migration probabilities, consistent with the instrument's underlying modelling approach and the CRR at origination. For these loans, the quantitative comparison is supplemented with additional CRR deterioration-based thresholds, as set out in the table below:

Origination CRR	Additional significance criteria – number of CRR grade notches deterioration required to identify as significant credit deterioration (stage 2) (> or equal to)
0.1	5 notches
1.1–4.2	4 notches
4.3–5.1	3 notches
5.2–7.1	2 notches
7.2–8.2	1 notch
8.3	0 notch

Further information about the 23-grade scale used for CRR can be found on page 148.

For retail portfolios, default risk is assessed using a reporting date 12-month PD derived from internal models, which incorporate all available information about the customer. This PD is adjusted for the effect of macroeconomic forecasts for periods longer than 12 months and is considered to be a reasonable approximation of a lifetime PD measure. Retail exposures are first segmented into homogenous portfolios, generally by country, product and brand. Within each portfolio, the stage 2 accounts are defined as accounts with an adjusted 12-month PD greater than the average 12-month PD of loans in that portfolio 12 months before they become 30 days past due. The expert credit risk judgement is that no prior increase in credit risk is significant. This portfolio-specific threshold therefore identifies loans with a PD higher than would be expected from loans that are performing as originally expected and higher than that which would have been acceptable at origination. It therefore approximates a comparison of origination to reporting date PDs.

We continue to refine the retail transfer criteria approach for certain portfolios as additional data becomes available, in order to utilise a more relative approach. These enhancements take advantage of the increase in origination-related data in the assessment of significant increases in credit risk by comparing remaining lifetime PD to the comparable remaining term lifetime PD at origination based on portfolio-specific origination segments.

Unimpaired and without significant increase in credit risk (stage 1)

ECL resulting from default events that are possible within the next 12 months ('12-month ECL') are recognised for financial instruments that remain in stage 1.

Purchased or originated credit impaired

Financial assets that are purchased or originated at a deep discount that reflects the incurred credit losses are considered to be POCI. This population includes new financial instruments recognised in most cases following the derecognition of forbore loans. The amount of change in lifetime ECL for a POCI loan is recognised in profit or loss until the POCI loan is derecognised, even if the lifetime ECL are less than the amount of ECL included in the estimated cash flows on initial recognition.

Movement between stages

Financial assets can be transferred between the different categories (other than POCI) depending on their relative increase in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments described above. In the case of non-performing forbore loans, such financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment and meet the curing criteria as described above.

Measurement of ECL

The assessment of credit risk and the estimation of ECL are unbiased and probability-weighted, and incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money and considers other factors such as climate-related risks.

In general, HSBC calculates ECL using three main components: a probability of default ('PD'), a loss given default ('LGD') and the exposure at default ('EAD').

The 12-month ECL is calculated by multiplying the 12-month PD, LGD and EAD. Lifetime ECL is calculated using the lifetime PD instead. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument respectively.

The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdowns of committed facilities. The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money.

Notes on the financial statements

HSBC makes use of the IRB framework where possible, with recalibration to meet the differing IFRS 9 requirements as set out in the following table:

Model	Regulatory capital	IFRS 9
PD	<ul style="list-style-type: none"> Through the cycle (represents long-run average PD throughout a full economic cycle) The definition of default includes a backstop of 90+ days past due 	<ul style="list-style-type: none"> Point in time (based on current conditions, adjusted to take into account estimates of future conditions that will impact PD) Default backstop of 90+ days past due for all portfolios
EAD	<ul style="list-style-type: none"> Cannot be lower than current balance 	<ul style="list-style-type: none"> Amortisation captured for term products
LGD	<ul style="list-style-type: none"> Downturn LGD (consistent losses expected to be suffered during a severe but plausible economic downturn) Regulatory floors may apply to mitigate risk of underestimating downturn LGD due to lack of historical data Discounted using cost of capital All collection costs included 	<ul style="list-style-type: none"> Expected LGD (based on estimate of loss given default including the expected impact of future economic conditions such as changes in value of collateral) No floors Discounted using the original effective interest rate of the loan Only costs associated with obtaining/selling collateral included
Other		<ul style="list-style-type: none"> Discounted back from point of default to balance sheet date

While 12-month PDs are recalibrated from IRB models where possible, the lifetime PDs are determined by projecting the 12-month PD using a term structure. For the wholesale methodology, the lifetime PD also takes into account credit migration, i.e. a customer migrating through the CRR bands over its life.

The ECL for wholesale stage 3 is determined primarily on an individual basis using a discounted cash flow ('DCF') methodology. The expected future cash flows are based on estimates as of the reporting date, reflecting reasonable and supportable assumptions and projections of future recoveries and expected future receipts of interest.

Collateral is taken into account if it is likely that the recovery of the outstanding amount will include realisation of collateral based on its estimated fair value of collateral at the time of expected realisation, less costs for obtaining and selling the collateral.

The cash flows are discounted at a reasonable approximation of the original effective interest rate. For significant cases, cash flows under up to four different scenarios are probability-weighted by reference to the status of the borrower, economic scenarios applied more generally by the Group and judgement in relation to the likelihood of the work-out strategy succeeding or receivership being required. For less significant cases where an individual assessment is undertaken, the effect of different economic scenarios and work-out strategies results in an ECL calculation based on a most likely outcome which is adjusted to capture losses resulting from less likely but possible outcomes. For certain less significant cases, the bank may use a LGD-based modelled approach to ECL assessment, which factors in a range of economic scenarios.

Period over which ECL is measured

Expected credit loss is measured from the initial recognition of the financial asset. The maximum period considered when measuring ECL (be it 12-month or lifetime ECL) is the maximum contractual period over which HSBC is exposed to credit risk. However, where the financial instrument includes both a drawn and undrawn commitment and the contractual ability to demand repayment and cancel the undrawn commitment does not serve to limit HSBC's exposure to credit risk to the contractual notice period, the contractual period does not determine the maximum period considered. Instead, ECL is measured over the period HSBC remains exposed to credit risk that is not mitigated by credit risk management actions. This applies to retail overdrafts and credit cards, where the period is the average time taken for stage 2 exposures to default or close as performing accounts, determined on a portfolio basis and ranging from between two and six years. In addition, for these facilities it is not possible to identify the ECL on the loan commitment component separately from the financial asset component. As a result, the total ECL is recognised in the loss allowance for the financial asset unless the total ECL exceeds the gross carrying amount of the financial asset, in which case the ECL is recognised as a provision. For wholesale overdraft facilities, credit risk management actions are taken no less frequently than on an annual basis.

Forward-looking economic inputs

HSBC applies multiple forward-looking global economic scenarios determined with reference to external forecast distributions representative of its view of forecast economic conditions. This approach is considered sufficient to calculate unbiased expected credit losses in most economic environments. In certain economic environments, additional analysis may be necessary and may result in additional scenarios or adjustments, to reflect a range of possible economic outcomes sufficient for an unbiased estimate. The detailed methodology is disclosed in 'Measurement uncertainty and sensitivity analysis of ECL estimates' on page 156.

Critical estimates and judgements

The calculation of the Group's ECL under IFRS 9 requires the Group to make a number of judgements, assumptions and estimates. The most significant are set out below:

Judgements	Estimates
<ul style="list-style-type: none"> Defining what is considered to be a significant increase in credit risk Determining the lifetime and point of initial recognition of overdrafts and credit cards Selecting and calibrating the PD, LGD and EAD models, which support the calculations, including making reasonable and supportable judgements about how models react to current and future economic conditions Selecting model inputs and economic forecasts, including determining whether sufficient and appropriately weighted economic forecasts are incorporated to calculate unbiased expected credit loss Making management adjustments to account for late-breaking events, model and data limitations and deficiencies, and expert credit judgements Selecting applicable recovery strategies for certain wholesale credit-impaired loans 	<ul style="list-style-type: none"> The section 'Measurement uncertainty and sensitivity analysis of ECL estimates', marked as audited from page 156, sets out the assumptions used in determining ECL, and provides an indication of the sensitivity of the result to the application of different weightings being applied to different economic assumptions

(j) Insurance contracts

A contract is classified as an insurance contract where the Group accepts significant insurance risk from another party by agreeing to compensate that party if it is adversely affected by a specified uncertain future event. An insurance contract may also transfer financial risk, but is accounted for as an insurance contract if the insurance risk is significant. In addition, the Group issues investment contracts with DPF, which are also accounted under IFRS 17 'Insurance Contracts'.

Aggregation of insurance contracts

Individual insurance contracts that are managed together and subject to similar risks are identified as a portfolio. Contracts that are managed together usually belong to the same product group, and have similar characteristics such as being subject to a similar pricing framework or similar product management, and are issued by the same legal entity. If a contract is exposed to more than one risk, the dominant risk of the contract is used to assess whether the contract features similar risks. Each portfolio is further separated by the contract's expected profitability. The portfolios are split by their profitability into: (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and (iii) the remaining contracts. These profitability groups are then divided by issue date, with most contracts the Group issues after the transition date being grouped into calendar quarter cohorts. For multi-currency groups of contracts, the Group considers its groups of contracts as being denominated in a single currency.

The measurement of the insurance contract liability is based on groups of insurance contracts as established at initial recognition, and will include fulfilment cash flows as well as the CSM representing the unearned profit. The Group has elected to update the estimates used in the measurement on a year-to-date basis.

Fulfilment cash flows

The fulfilment cash flows comprise the following:

Best estimates of future cash flows

The cash flows within the contract boundary of each contract in the Group include amounts expected to be collected from premiums and payouts for claims, benefits and expenses, and are projected using a range of scenarios and assumptions in an unbiased way based on the Group's demographic and operating experience along with external mortality data where the Group's own experience data is not sufficiently large in size to be credible.

Adjustment for the time value of money and financial risks associated with the future cash flows

The estimates of future cash flows are adjusted to reflect the time value of money (i.e. discounting) and the financial risks to derive an expected present value. The Group generally makes use of stochastic modelling techniques in the estimation for products with options and guarantees.

A bottom-up approach is used to determine the discount rate to be applied to a given set of expected future cash flows. This is derived as the sum of the risk-free yield and an illiquidity premium. The risk-free yield is determined based on observable market data, where such markets are considered to be deep, liquid and transparent. When information is not available, management judgement is applied to determine the appropriate risk-free yield. Illiquidity premiums reflect the liquidity characteristics of the associated insurance contracts.

Risk adjustment for non-financial risk

The risk adjustment reflects the compensation required for bearing the uncertainty about the amount and timing of future cash flows that arises from non-financial risk. It is calculated as a 75th percentile level of stress over a one-year period. The level of the stress is determined with reference to external regulatory stresses and internal economic capital stresses.

For the main insurance manufacturing entity in these locations, the one-year 75th percentile level of stress corresponds to the following percentiles based on an ultimate view of risk over all future years:

- Asia-Pacific (Hong Kong): 60th percentile (2022: 59th percentile).
- Europe (France): 60th percentile (2022: 60th percentile).
- Latin America (Mexico): 65th percentile (2022: 66th percentile).

The Group does not disaggregate changes in the risk adjustment between insurance service result (comprising insurance revenue and insurance service expense) and insurance finance income or expenses. All changes are included in the insurance service result.

Measurement models

The variable fee approach ('VFA') measurement model is used for most of the contracts issued by the Group, which is mandatory upon meeting the following eligibility criteria at inception:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Group expects to pay to the policyholder a substantial share of the fair value returns on the underlying items. The Group considers that a substantial share is a majority of returns; and
- the Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items. The Group considers that a substantial proportion is a majority proportion of change on a present value probability-weighted average of all scenarios.

For some contracts measured under VFA, the other comprehensive income ('OCI') option is used. The OCI option is applied where the underlying items held by the Group are not accounted for at fair value through profit or loss. Under this option, only the amount that matches income or expenses recognised in profit or loss on underlying items is included in finance income or expenses for these insurance contracts, and hence results in the elimination of accounting mismatches. The remaining amount of finance income or expenses for these insurance contracts issued for the period is recognised in OCI. In addition, the risk mitigation option is used for a number of economic offsets against the instruments that meet specific requirements.

The remaining contracts issued and the reinsurance contracts held are accounted for under the general measurement model ('GMM').

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CSM and coverage units

The CSM represents the unearned profit and results in no income or expense at initial recognition when the group of contracts is profitable. The CSM is adjusted at each subsequent reporting period for changes in fulfilment cash flows relating to future service (e.g. changes in non-economic assumptions, including mortality and morbidity rates). For initial recognition of onerous groups of contracts and when groups of contracts become onerous subsequently, losses are recognised in insurance service expense immediately.

For groups of contracts measured using the VFA, changes in the Group's share of the underlying items, and economic experience and economic assumption changes adjust the CSM, whereas these changes do not adjust the CSM under the GMM, but are recognised in profit or loss as they arise. However, under the risk mitigation option for VFA contracts, the changes in the fulfilment cash flows and the changes in the Group's share in the fair value return on underlying items that the instruments mitigate are not adjusted in CSM but recognised in profit or loss. The risk mitigating instruments are primarily reinsurance contracts held.

The CSM is systematically recognised in insurance revenue to reflect the insurance contract services provided, based on the coverage units of the group of contracts. Coverage units are determined by the quantity of benefits and the expected coverage period of the contracts.

The Group identifies the quantity of the benefits provided as follows:

- Insurance coverage: This is based on the expected net policyholder insurance benefit at each period after allowance for decrements, where net policyholder insurance benefit refers to the amount of sum assured less the fund value or surrender value.
- Investment services (including both investment-return service and investment-related service): This is based on a constant measure basis which reflects the provision of access for the policyholder to the facility.

For contracts that provide both insurance coverage and investment services, coverage units are weighted according to the expected present value of the future cash outflows for each service.

Insurance service result

Insurance revenue reflects the consideration to which the Group expects to be entitled in exchange for the provision of coverage and other insurance contract services (excluding any investment components). Insurance service expenses comprise the incurred claims and other incurred insurance service expenses (excluding any investment components), and losses on onerous groups of contracts and reversals of such losses.

Insurance finance income and expenses

Insurance finance income and expenses comprise the change in the carrying amount of the group of insurance contracts arising from the effects of the time value of money, financial risk and changes therein. For VFA contracts, changes in the fair value of underlying items (excluding additions and withdrawals) are recognised in insurance finance income or expenses.

(k) Employee compensation and benefits

Share-based payments

HSBC enters into both equity-settled and cash-settled share-based payment arrangements with its employees as compensation for the provision of their services.

The vesting period for these schemes may commence before the legal grant date if the employees have started to render services in respect of the award before the legal grant date, where there is a shared understanding of the terms and conditions of the arrangement. Expenses are recognised when the employee starts to render service to which the award relates.

Cancellations result from the failure to meet a non-vesting condition during the vesting period, and are treated as an acceleration of vesting recognised immediately in the income statement. Failure to meet a vesting condition by the employee is not treated as a cancellation, and the amount of expense recognised for the award is adjusted to reflect the number of awards expected to vest.

Post-employment benefit plans

HSBC operates a number of pension schemes including defined benefit, defined contribution and post-employment benefit schemes.

Payments to defined contribution schemes are charged as an expense as the employees render service.

Defined benefit pension obligations are calculated using the projected unit credit method. The net charge to the income statement mainly comprises the service cost and the net interest on the net defined benefit asset or liability, and is presented in operating expenses. Remeasurements of the net defined benefit asset or liability, which comprise actuarial gains and losses, return on plan assets excluding interest and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The net defined benefit asset or liability represents the present value of defined benefit obligations reduced by the fair value of plan assets (see Note 1.2(c)), after applying the asset ceiling test, where the net defined benefit surplus is limited to the present value of available refunds and reductions in future contributions to the plan.

The costs of obligations arising from other post-employment plans are accounted for on the same basis as defined benefit pension plans.

Critical estimates and judgements

The most significant critical estimates relate to the determination of key assumptions applied in calculating the defined benefit pension obligation for the principal plan.

Judgements	Estimates
	<ul style="list-style-type: none">– A range of assumptions could be applied, and different assumptions could significantly alter the defined benefit obligation and the amounts recognised in profit or loss or OCI.– The calculation of the defined benefit pension obligation includes assumptions with regard to the discount rate, inflation rate, pension payments and deferred pensions, pay and mortality. Management determines these assumptions in consultation with the plan's actuaries.– Key assumptions used in calculating the defined benefit pension obligation for the principal plan and the sensitivity of the calculation to different assumptions are described in Note 5.

(l) Tax

Income tax comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is recognised in the same statement as the related item appears.

Current tax is the tax expected to be payable on the taxable profit for the year and on any adjustment to tax payable in respect of previous years. HSBC provides for potential current tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet, and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled.

In assessing the probability and sufficiency of future taxable profit, management considers the availability of evidence to support the recognition of deferred tax assets, taking into account the inherent risks in long-term forecasting, including climate change-related, and drivers of recent history of tax losses where applicable. Management also considers the future reversal of existing taxable temporary differences and tax planning strategies, including corporate reorganisations.

Current and deferred tax are calculated based on tax rates and laws enacted, or substantively enacted, by the balance sheet date.

Critical estimates and judgements

The recognition of deferred tax assets depends on judgements and estimates.

Judgements	Estimates
<ul style="list-style-type: none">Specific judgements supporting deferred tax assets are described in Note 7.	<ul style="list-style-type: none">The recognition of deferred tax assets is sensitive to estimates of future cash flows projected for periods for which detailed forecasts are available and to assumptions regarding the long-term pattern of cash flows thereafter, on which forecasts of future taxable profit are based, and which affect the expected recovery periods and the pattern of utilisation of tax losses and tax credits. See Note 7 for further detail.

The Group does not consider there to be a significant risk of a material adjustment to the carrying amount of deferred tax assets in the next financial year, but does consider this to be an area that is inherently judgemental.

(m) Provisions, contingent liabilities and guarantees

Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation that has arisen as a result of past events and for which a reliable estimate can be made.

Critical estimates and judgements

The recognition and measurement of provisions requires the Group to make a number of judgements, assumptions and estimates. The most significant are set out below:

Judgements	Estimates
<ul style="list-style-type: none">Determining whether a present obligation exists. Professional advice is taken on the assessment of litigation and similar obligations.Provisions for legal proceedings and regulatory matters typically require a higher degree of judgement than other types of provisions. When matters are at an early stage, accounting judgements can be difficult because of the high degree of uncertainty associated with determining whether a present obligation exists, and estimating the probability and amount of any outflows that may arise. As matters progress, management and legal advisers evaluate on an ongoing basis whether provisions should be recognised, revising previous estimates as appropriate. At more advanced stages, it is typically easier to make estimates around a better defined set of possible outcomes.	<ul style="list-style-type: none">Provisions for legal proceedings and regulatory matters remain very sensitive to the assumptions used in the estimate. There could be a wider range of possible outcomes for any pending legal proceedings, investigations or inquiries. As a result it is often not practicable to quantify a range of possible outcomes for individual matters. It is also not practicable to meaningfully quantify ranges of potential outcomes in aggregate for these types of provisions because of the diverse nature and circumstances of such matters and the wide range of uncertainties involved.

Contingent liabilities, contractual commitments and guarantees

Contingent liabilities

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, and contingent liabilities related to legal proceedings or regulatory matters, are not recognised in the financial statements but are disclosed unless the probability of settlement is remote.

Financial guarantee contracts

Liabilities under financial guarantee contracts that are not classified as insurance contracts are recorded initially at their fair value, which is generally the fee received or present value of the fee receivable.

(n) Impairment of non-financial assets

Software under development is tested for impairment at least annually. Other non-financial assets are property, plant and equipment, intangible assets (excluding goodwill) and right-of-use assets. They are tested for impairment at the individual asset level when there is indication of impairment at that level, or at the CGU level for assets that do not have a recoverable amount at the individual asset level. In addition, impairment is also tested at the CGU level when there is indication of impairment at that level. For this purpose, CGUs are considered to be the principal operating legal entities divided by global business.

Notes on the financial statements

Impairment testing compares the carrying amount of the non-financial asset or CGU with its recoverable amount, which is the higher of the fair value less costs of disposal or the value in use. The carrying amount of a CGU comprises the carrying amount of its assets and liabilities, including non-financial assets that are directly attributable to it and non-financial assets that can be allocated to it on a reasonable and consistent basis. Non-financial assets that cannot be allocated to an individual CGU are tested for impairment at an appropriate grouping of CGUs. The recoverable amount of the CGU is the higher of the fair value less costs of disposal of the CGU, which is determined by independent and qualified valuers where relevant, and the value in use, which is calculated based on appropriate inputs (see Note 21).

When the recoverable amount of a CGU is less than its carrying amount, an impairment loss is recognised in the income statement to the extent that the impairment can be allocated on a pro-rata basis to the non-financial assets by reducing their carrying amounts to the higher of their respective individual recoverable amount or nil. Impairment is not allocated to the financial assets in a CGU.

Impairment losses recognised in prior periods for non-financial assets are reversed when there has been a change in the estimate used to determine the recoverable amount. The impairment loss is reversed to the extent that the carrying amount of the non-financial assets would not exceed the amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised in prior periods.

Critical estimates and judgements

The review of goodwill and other non-financial assets for impairment reflects management's best estimate of the future cash flows of the CGUs and the rates used to discount these cash flows, both of which are subject to uncertain factors as described in the 'Critical estimates and judgements' in Note 1.2(a).

The Group does not consider there to be a significant risk of a material adjustment to the carrying amount of goodwill and non-financial assets in the next financial year, but does consider this to be an area that is inherently judgemental.

(o) Non-current assets and disposal groups held for sale

HSBC classifies non-current assets or disposal groups (including assets and liabilities) as held for sale when their carrying amounts will be recovered principally through sale rather than through continuing use. To be classified as held for sale, the non-current asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups), and the sale must be highly probable. For a sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group) and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Held for sale assets and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell except for those assets and liabilities that are not within the scope of the measurement requirements of IFRS 5. If the carrying amount of the non-current asset (or disposal group) is greater than the fair value less costs to sell, an impairment loss for any initial or subsequent write-down of the asset or disposal group to fair value less costs to sell is recognised. Any such impairment loss is first allocated against the non-current assets that are in scope of IFRS 5 for measurement. This first reduces the carrying amount of any goodwill allocated to the disposal group, and then to the other non-current assets of the disposal group pro rata on the basis of the carrying amount of each asset in the disposal group. Thereafter, any impairment loss in excess of the carrying amount of the non-current assets in scope of IFRS 5 for measurement is recognised against the total assets of the disposal group.

Critical judgements

The classification as held for sale depends on certain judgements:

Judgements

Management judgement is required in determining whether the IFRS 5 held for sale criteria are met, including whether a sale is highly probable and expected to complete within one year of classification. The exercise of judgement will normally consider the likelihood of successfully securing any necessary regulatory or governmental approvals, which are almost always required for sales of banking businesses, and sanctions risk. For large and complex plans, judgement will also include an assessment of the enforceability of any binding sale agreement, the nature and magnitude of any disincentives for non-performance, and the ability of the counterparty to undertake necessary pre-completion preparatory work, comply with conditions precedent, and otherwise be able to comply with contractual undertakings to achieve completion within the expected timescale. Once classified as held for sale, judgement is required to be applied on a continuous basis to ensure that classification remains appropriate in future accounting periods.

(p) Hyperinflationary accounting

Hyperinflationary accounting is applied to those subsidiary operations in countries where the three-year cumulative inflation rate is approaching or exceeding 100%. In 2023, this affected the Group's operations in Argentina and Türkiye. The Group applies IAS 29 to the underlying financial information of relevant subsidiaries to restate their local currency results and financial position so as to be stated in terms of the measuring unit current at the end of the reporting period. Those restated results are translated into the Group's presentation currency of US dollars for consolidation at the closing rate at the balance sheet date. Group comparatives are not restated for inflation and consequential adjustments to the opening balance sheet in relation to hyperinflationary subsidiaries are presented in other comprehensive income. The hyperinflationary gain or loss in respect of the net monetary position of the relevant subsidiary is included in profit or loss.

When applying hyperinflation accounting for the first time, the underlying financial information is restated in terms of the measuring unit current at the end of the reporting period as if the relevant economy had always been hyperinflationary. Group comparatives are not restated for such historical adjustments.

2 Net fee income

Net fee income by global business

	2023				Total \$m
	Wealth and Personal Banking \$m	Commercial Banking \$m	Global Banking and Markets \$m	Corporate Centre \$m	
Funds under management	1,763	71	539	—	2,373
Cards	2,385	353	38	—	2,776
Credit facilities	103	856	615	—	1,574
Broking income	463	22	592	—	1,077
Account services	402	788	347	—	1,537
Unit trusts	727	10	1	—	738
Underwriting	—	3	583	—	586
Global custody	128	6	730	—	864
Remittances	86	389	347	1	823
Imports/exports	—	470	154	—	624
Insurance agency commission	280	18	—	—	298
Other	1,433	1,161	2,458	(2,706)	2,346
Fee income	7,770	4,147	6,404	(2,705)	15,616
Less: fee expense	(2,416)	(210)	(3,858)	2,713	(3,771)
Net fee income	5,354	3,937	2,546	8	11,845

	2022 ¹				Total \$m
	Wealth and Personal Banking \$m	Commercial Banking ² \$m	Global Banking and Markets ² \$m	Corporate Centre \$m	
Funds under management	1,765	107	500	(12)	2,360
Cards	2,146	313	32	—	2,491
Credit facilities	100	783	591	—	1,474
Broking income	576	40	635	—	1,251
Account services	337	730	344	1	1,412
Unit trusts	682	14	—	—	696
Underwriting	1	2	443	(5)	441
Global custody	140	19	762	—	921
Remittances	72	380	346	1	799
Imports/exports	—	493	141	—	634
Insurance agency commission	283	16	1	—	300
Other	1,330	1,102	2,376	(2,463)	2,345
Fee income	7,432	3,999	6,171	(2,478)	15,124
Less: fee expense	(2,128)	(212)	(3,459)	2,445	(3,354)
Net fee income	5,304	3,787	2,712	(33)	11,770

	2021				Total \$m
	Wealth and Personal Banking \$m	Commercial Banking \$m	Global Banking and Markets \$m	Corporate Centre \$m	
Funds under management	1,984	126	546	—	2,656
Cards	1,949	240	23	1	2,213
Credit facilities	103	833	690	1	1,627
Broking income	863	69	669	—	1,601
Account services	429	677	340	6	1,452
Unit trusts	1,065	23	—	—	1,088
Underwriting	4	6	1,009	(2)	1,017
Global custody	167	24	787	—	978
Remittances	75	357	343	—	775
Imports/exports	1	474	145	—	620
Insurance agency commission	324	17	—	—	341
Other	1,305	1,077	2,503	(2,465)	2,420
Fee income	8,269	3,923	7,055	(2,459)	16,788
Less: fee expense	(2,375)	(284)	(3,452)	2,420	(3,691)
Net fee income	5,894	3,639	3,603	(39)	13,097

¹ From 1 January 2023, we adopted IFRS 17 'Insurance Contracts', which replaced IFRS 4 'Insurance Contracts'. Comparative data for the financial year ended 31 December 2022 have been restated accordingly. Comparative data for the year ended 31 December 2021 are prepared on an IFRS 4 basis.

² In the first quarter of 2023, following an internal review to assess which global businesses were best suited to serve our customers' respective needs, a portfolio of our customers within our entities in Latin America was transferred from GBM to CMB for reporting purposes. Comparative data have been re-presented accordingly.

Notes on the financial statements

Net fee income included \$6,971m of fees earned on financial assets that were not at fair value through profit or loss, other than amounts included in determining the effective interest rate (2022: \$6,410m; 2021: \$6,742m), \$1,872m of fees payable on financial liabilities that were not at fair value through profit or loss, other than amounts included in determining the effective interest rate (2022: \$1,613m; 2021: \$1,520m), \$3,452m of fees earned on trust and other fiduciary activities (2022: \$3,492m; 2021: \$3,849m) and \$333m of fees payable relating to trust and other fiduciary activities (2022: \$370m; 2021: \$305m).

3 Net income/(expense) from financial instruments measured at fair value through profit or loss

	2023 \$m	2022 ¹ \$m	2021 \$m
Net income/(expense) arising on:			
Net trading activities	20,391	2,372	6,668
Other instruments managed on a fair value basis	(3,730)	7,906	1,076
Net income from financial instruments held for trading or managed on a fair value basis	16,661	10,278	7,744
Financial assets held to meet liabilities under insurance and investment contracts	8,086	(14,392)	4,134
Liabilities to customers under investment contracts	(199)	561	(81)
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)	4,053

¹ From 1 January 2023, we adopted IFRS 17 'Insurance Contracts', which replaced IFRS 4 'Insurance Contracts'. Comparative data for the financial year ended 31 December 2022 have been restated accordingly. Comparative data for the year ended 31 December 2021 are prepared on an IFRS 4 basis.

HSBC Holdings

	2023 \$m	2022 \$m	2021 \$m
Net income/(expense) arising on:			
– trading activities	(546)	2,094	87
– other instruments managed on a fair value basis	1,609	35	23
Net income from financial instruments held for trading or managed on a fair value basis	1,063	2,129	110
Derivatives managed in conjunction with HSBC Holdings-issued debt securities	426	(1,529)	(625)
Other changes in fair value	(1,894)	3,673	974
Changes in fair value of designated debt and related derivatives	(1,468)	2,144	349
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	3,692	(2,409)	(420)
Year ended 31 Dec	3,287	1,864	39

4 Insurance business

Insurance service result

	Year ended 31 Dec 2023			Year ended 31 Dec 2022 ¹		
	Life direct participating and investment DPF contracts ²	Life other contracts ³	Total	Life direct participating and investment DPF contracts ²	Life other contracts ³	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Insurance revenue						
Amounts relating to changes in liabilities for remaining coverage	1,626	470	2,096	1,399	446	1,845
Contractual service margin recognised for services provided	975	151	1,126	781	151	932
Change in risk adjustment for non-financial risk for risk expired	21	15	36	17	17	34
Expected incurred claims and other insurance service expenses	594	304	898	528	278	806
Other	36	—	36	73	—	73
Recovery of insurance acquisition cash flows	109	54	163	102	30	132
Total insurance revenue	1,735	524	2,259	1,501	476	1,977
Insurance service expenses						
Incurred claims and other insurance service expenses	(615)	(292)	(907)	(573)	(280)	(853)
Losses and reversal of losses on onerous contracts	(32)	(77)	(109)	(84)	(86)	(170)
Amortisation of insurance acquisition cash flows	(109)	(54)	(163)	(102)	(30)	(132)
Adjustments to liabilities for incurred claims	(1)	(1)	(2)	(2)	(11)	(13)
Total insurance service expenses	(757)	(424)	(1,181)	(761)	(407)	(1,168)
Total insurance service results	978	100	1,078	740	69	809

¹ From 1 January 2023, we adopted IFRS 17 'Insurance Contracts', which replaced IFRS 4 'Insurance Contracts'. Comparative data have been restated accordingly.

² 'Life direct participating and investment DPF contracts' are substantially measured under the variable fee approach measurement model.

³ 'Life other contracts' are measured under the general measurement model and excludes reinsurance contracts.

Net investment return

	Year ended 31 Dec 2023			Year ended 31 Dec 2022 ¹		
	Life direct participating and investment DPF contracts	Life other contracts	Total	Life direct participating and investment DPF contracts	Life other contracts	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Investment return						
Amounts recognised in profit or loss ²	7,663	214	7,877	(13,520)	(181)	(13,701)
Amounts recognised in OCI ³	493	—	493	(2,392)	—	(2,392)
Total investment return (memorandum)	8,156	214	8,370	(15,912)	(181)	(16,093)
Net finance income/(expense)						
Changes in fair value of underlying items of direct participating contracts	(7,995)	—	(7,995)	15,937	—	15,937
Effect of risk mitigation option	(35)	—	(35)	99	—	99
Interest accreted	—	(127)	(127)	—	(80)	(80)
Effect of changes in interest rates and other financial assumptions	(12)	(121)	(133)	—	233	233
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition	—	(10)	(10)	—	3	3
Total net finance income/(expense) from insurance contracts	(8,042)	(258)	(8,300)	16,036	156	16,192
Represented by:						
Amounts recognised in profit or loss	(7,551)	(258)	(7,809)	13,643	156	13,799
Amounts recognised in OCI	(491)	—	(491)	2,393	—	2,393
Total net investment results	114	(44)	70	124	(25)	99
Represented by:						
Amounts recognised in profit or loss	112	(44)	68	123	(25)	98
Amounts recognised in OCI	2	—	2	1	—	1

- From 1 January 2023, we adopted IFRS 17 'Insurance Contracts', which replaced IFRS 4 'Insurance Contracts'. Comparative data have been restated accordingly.
- Total Group 'Net income/(expense) from assets and liabilities of insurance business, including related derivatives, measured at fair value through profit or loss' of \$7,886m gain (2022: \$13,831m loss) includes returns on assets and liabilities supporting insurance policies of \$7,627m (2022: \$13,949m loss) and on shareholder assets of \$259m (2022: \$118m gain). Investment returns of \$7,877m (2022: \$13,701m loss) include gains of \$7,627m (2022: \$13,949m loss) on underlying assets supporting insurance liabilities reported in 'Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss', \$257m gains (2022: \$248m gain) reported in 'Net interest income' and \$7m loss (2022: nil) reported in 'Other operating income'.
- 'Amounts recognised in OCI' gross of tax for the year ended 31 December 2023 included fair value gains of \$497m (2022: \$2,396m loss) and impairment of \$4m (2022: \$4m impairment reversals).

Reconciliation of amounts included in other comprehensive income for financial assets measured at fair value through other comprehensive income – assets supporting contracts measured under the modified retrospective approach

	2023	2022
	\$m	\$m
Balance at 1 Jan	(973)	622
Net change in fair value	451	(2,099)
Net amount reclassified to profit or loss	(6)	(2)
Related income tax	(115)	543
Foreign exchange and other	(27)	(37)
Balance at 31 Dec	(670)	(973)

Notes on the financial statements

Movements in carrying amounts of insurance contracts – analysis by remaining coverage and incurred claims

	Year ended 31 Dec 2023								
	Life direct participating and investment DPF contracts				Life other contracts				
	Liabilities for remaining coverage:			Incurred claims	Liabilities for remaining coverage:			Total	Total
	Excluding loss component	Loss component	Total		Excluding loss component	Loss component	Total		
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Opening assets	(5)	–	–	(5)	(187)	21	35	(131)	(136)
Opening liabilities	104,676	114	355	105,145	3,359	109	203	3,671	108,816
Net opening balance at 1 Jan 2023	104,671	114	355	105,140	3,172	130	238	3,540	108,680
Changes in the statement of profit or loss and other comprehensive income									
Insurance revenue									
Contracts under the fair value approach	(508)	–	–	(508)	(196)	–	–	(196)	(704)
Contracts under the modified retrospective approach	(148)	–	–	(148)	(22)	–	–	(22)	(170)
Other contracts ²	(1,079)	–	–	(1,079)	(306)	–	–	(306)	(1,385)
Total insurance revenue	(1,735)	–	–	(1,735)	(524)	–	–	(524)	(2,259)
Insurance service expenses									
Incurred claims and other insurance service expenses	–	(6)	621	615	–	(24)	316	292	907
Amortisation of insurance acquisition cash flows	109	–	–	109	54	–	–	54	163
Losses and reversal of losses on onerous contracts	–	32	–	32	–	77	–	77	109
Adjustments to liabilities for incurred claims	–	–	1	1	–	–	1	1	2
Total insurance service expenses	109	26	622	757	54	53	317	424	1,181
Investment components	(8,104)	–	8,104	–	(818)	–	818	–	–
Insurance service result	(9,730)	26	8,726	(978)	(1,288)	53	1,135	(100)	(1,078)
Net finance (income)/expense from insurance contracts ³	8,042	–	–	8,042	254	3	1	258	8,300
Other movements recognised in the statement of profit or loss	513	(5)	(214)	294	(8)	4	(13)	(17)	277
Effect of movements in exchange rates	942	1	6	949	25	(2)	8	31	980
Total changes in the statement of profit or loss and other comprehensive income	(233)	22	8,518	8,307	(1,017)	58	1,131	172	8,479
Cash flows									
Premiums received	12,616	–	–	12,616	1,256	–	–	1,256	13,872
Claims and other insurance service expenses paid, including investment components, and other cash flows	(15)	–	(8,502)	(8,517)	1	–	(1,112)	(1,111)	(9,628)
Insurance acquisition cash flows	(522)	–	–	(522)	(282)	–	–	(282)	(804)
Total cash flows	12,079	–	(8,502)	3,577	975	–	(1,112)	(137)	3,440
Other movements	14	(14)	–	–	(9)	(13)	22	–	–
Net closing balance at 31 Dec 2023	116,531	122	371	117,024	3,121	175	279	3,575	120,599
Closing assets	(15)	1	1	(13)	(279)	(16)	56	(239)	(252)
Closing liabilities	116,546	121	370	117,037	3,400	191	223	3,814	120,851
Net closing balance at 31 Dec 2023	116,531	122	371	117,024	3,121	175	279	3,575	120,599

Movements in carrying amounts of insurance contracts – analysis by remaining coverage and incurred claims (continued)

	Year ended 31 Dec 2022 ¹								
	Life direct participating and investment DPF contracts				Life other contracts				
	Liabilities for remaining coverage:			Total	Liabilities for remaining coverage:			Total	Total
	Excluding loss component	Loss component	Incurred claims		Excluding loss component	Loss component	Incurred claims		
\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	
Opening assets	—	—	—	—	(159)	7	36	(116)	(116)
Opening liabilities	114,952	93	226	115,271	3,825	67	144	4,036	119,307
Net opening balance at 1 Jan 2022	114,952	93	226	115,271	3,666	74	180	3,920	119,191
Changes in the statement of profit or loss and other comprehensive income									
Insurance revenue									
Contracts under the fair value approach	(571)	—	—	(571)	(234)	—	—	(234)	(805)
Contracts under the modified retrospective approach	(147)	—	—	(147)	(24)	—	—	(24)	(171)
Other contracts ²	(783)	—	—	(783)	(218)	—	—	(218)	(1,001)
Total insurance revenue	(1,501)	—	—	(1,501)	(476)	—	—	(476)	(1,977)
Insurance service expenses									
Incurred claims and other insurance service expenses	—	5	568	573	—	(6)	286	280	853
Amortisation of insurance acquisition cash flows	102	—	—	102	30	—	—	30	132
Losses and reversal of losses on onerous contracts	—	84	—	84	—	86	—	86	170
Adjustments to liabilities for incurred claims	—	—	2	2	—	—	11	11	13
Total insurance service expenses	102	89	570	761	30	80	297	407	1,168
Investment components	(5,487)	—	5,487	—	(549)	—	549	—	—
Insurance service result	(6,886)	89	6,057	(740)	(995)	80	846	(69)	(809)
Net finance (income)/expense from insurance contracts ³	(16,038)	—	2	(16,036)	(154)	2	(4)	(156)	(16,192)
Effect of movements in exchange rates	(2,159)	(4)	(11)	(2,174)	(88)	(2)	(3)	(93)	(2,267)
Total changes in the statement of profit or loss and other comprehensive income	(25,083)	85	6,048	(18,950)	(1,237)	80	839	(318)	(19,268)
Cash flows									
Premiums received	12,740	—	—	12,740	882	—	—	882	13,622
Claims and other insurance service expenses paid, including investment components, and other cash flows	—	—	(5,783)	(5,783)	—	—	(880)	(880)	(6,663)
Insurance acquisition cash flows	(423)	—	—	(423)	(162)	—	—	(162)	(585)
Total cash flows	12,317	—	(5,783)	6,534	720	—	(880)	(160)	6,374
Acquisition of subsidiaries and other movements	2,485	(64)	(136)	2,285	23	(24)	99	98	2,383
Net closing balance at 31 Dec 2022	104,671	114	355	105,140	3,172	130	238	3,540	108,680
Closing assets	(5)	—	—	(5)	(187)	21	35	(131)	(136)
Closing liabilities	104,676	114	355	105,145	3,359	109	203	3,671	108,816
Net closing balance at 31 Dec 2022	104,671	114	355	105,140	3,172	130	238	3,540	108,680

1 From 1 January 2023, we adopted IFRS 17 'Insurance Contracts', which replaced IFRS 4 'Insurance Contracts'. Comparative data have been restated accordingly.

2 'Other contracts' are those contracts measured by applying IFRS 17 from inception of the contracts. These include contracts measured under the full retrospective approach at transition and contracts incepted after transition and excludes reinsurance contracts.

3 'Net finance (income)/expense from insurance contracts' expense of \$8,300m (2022: \$16,192m income) comprises expense of \$7,809m (2022: \$13,799m income) recognised in the statement of profit or loss and expense of \$491m (2022: \$2,393m income) recognised in the statement of other comprehensive income.

Notes on the financial statements

Movements in carrying amounts of insurance contracts – analysis by measurement component

	Year ended 31 Dec 2023											
	Life direct participating and investment DPF contracts					Life other contracts						
	Estimates of present value of future cash flows and risk adjustment	Contractual service margin				Estimates of present value of future cash flows and risk adjustment	Contractual service margin				Total	Total
		Contracts under the fair value approach	Contracts under the modified retrospective approach	Other contracts ²	Total		Contracts under the fair value approach	Contracts under the modified retrospective approach	Other contracts ²	Total		
\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m		
Opening assets	(18)	3	–	10	(5)	(308)	86	–	91	(131)	(136)	
Opening liabilities	96,174	4,364	792	3,815	105,145	3,162	325	18	166	3,671	108,816	
Net opening balance at 1 Jan 2023	96,156	4,367	792	3,825	105,140	2,854	411	18	257	3,540	108,680	
Changes in the statement of profit or loss and other comprehensive income												
Changes that relate to current services												
Contractual service margin recognised for services provided	–	(188)	(70)	(717)	(975)	–	(69)	(6)	(76)	(151)	(1,126)	
Change in risk adjustment for non-financial risk expired	(21)	–	–	–	(21)	(15)	–	–	–	(15)	(36)	
Experience adjustments	21	–	–	–	21	(12)	–	–	–	(12)	9	
Changes that relate to future services												
Contracts initially recognised in the year	(1,606)	–	–	1,619	13	(176)	–	–	207	31	44	
Changes in estimates that adjust the contractual service margin	(771)	368	(33)	436	–	21	26	6	(53)	–	–	
Changes in estimates that result in losses and reversal of losses on onerous contracts	19	–	–	–	19	46	–	–	–	46	65	
Changes that relate to past services												
Adjustments to liabilities for incurred claims	1	–	–	–	1	1	–	–	–	1	2	
Other movements recognised in insurance service result	(36)	–	–	–	(36)	–	–	–	–	–	(36)	
Insurance service result	(2,393)	180	(103)	1,338	(978)	(135)	(43)	–	78	(100)	(1,078)	
Net finance (income)/ expense from insurance contracts ³	8,042	–	–	–	8,042	235	11	–	12	258	8,300	
Other movements recognised in the statement of profit or loss	145	133	(1)	17	294	(43)	6	–	20	(17)	277	
Effect of movements in exchange rates	883	2	27	37	949	–	12	1	18	31	980	
Total changes in the statement of profit or loss and other comprehensive income	6,677	315	(77)	1,392	8,307	57	(14)	1	128	172	8,479	
Cash flows												
Premiums received	12,616	–	–	–	12,616	1,256	–	–	–	1,256	13,872	
Claims, other insurance service expenses paid (including investment components) and other cash flows	(8,517)	–	–	–	(8,517)	(1,111)	–	–	–	(1,111)	(9,628)	
Insurance acquisition cash flows	(522)	–	–	–	(522)	(282)	–	–	–	(282)	(804)	
Total cash flows	3,577	–	–	–	3,577	(137)	–	–	–	(137)	3,440	
Net closing balance at 31 Dec 2023	106,410	4,682	715	5,217	117,024	2,774	397	19	385	3,575	120,599	
Closing assets	(30)	3	–	14	(13)	(339)	36	–	64	(239)	(252)	
Closing liabilities	106,440	4,679	715	5,203	117,037	3,113	361	19	321	3,814	120,851	
Net closing balance at 31 Dec 2023	106,410	4,682	715	5,217	117,024	2,774	397	19	385	3,575	120,599	

Movements in carrying amounts of insurance contracts – analysis by measurement component (continued)

	Year ended 31 Dec 2022 ¹											
	Life direct participating and investment DPF contracts					Life other contracts						
	Estimates of present value of future cash flows and risk adjustment	Contractual service margin				Estimates of present value of future cash flows and risk adjustment	Contractual service margin				Total	Total
		Contracts under the fair value approach	Contracts modified retrospective approach	Other contracts ²	Total		Contracts under the fair value approach	Contracts modified retrospective approach	Other contracts ²	Total		
\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	
Opening assets	—	—	—	—	—	(236)	57	—	63	(116)	(116)	
Opening liabilities	105,861	5,823	704	2,883	115,271	3,532	331	26	147	4,036	119,307	
Net opening balance at 1 Jan 2022	105,861	5,823	704	2,883	115,271	3,296	388	26	210	3,920	119,191	
Changes in the statement of profit or loss and other comprehensive income												
Changes that relate to current services												
Contractual service margin recognised for services provided	—	(297)	(69)	(415)	(781)	—	(69)	(6)	(76)	(151)	(932)	
Change in risk adjustment for non-financial risk expired	(17)	—	—	—	(17)	(17)	—	—	—	(17)	(34)	
Experience adjustments	45	—	—	—	45	2	—	—	—	2	47	
Changes that relate to future services												
Contracts initially recognised in the year	(1,092)	—	—	1,101	9	(110)	—	—	117	7	16	
Changes in estimates that adjust contractual service margin	820	(1,349)	208	321	—	(7)	23	—	(16)	—	—	
Changes in estimates that result in losses and reversal of losses on onerous contracts	75	—	—	—	75	79	—	—	—	79	154	
Changes that relate to past services												
Adjustments to liabilities for incurred claims	2	—	—	—	2	11	—	—	—	11	13	
Other movements recognised in insurance service result	(73)	—	—	—	(73)	—	—	—	—	—	(73)	
Insurance service result	(240)	(1,646)	139	1,007	(740)	(42)	(46)	(6)	25	(69)	(809)	
Net finance (income)/expense from insurance contracts ³	(16,025)	(10)	—	(1)	(16,036)	(169)	7	—	6	(156)	(16,192)	
Effect of movements in exchange rates	(2,082)	(16)	(51)	(25)	(2,174)	(74)	(17)	(2)	—	(93)	(2,267)	
Total changes in the statement of profit or loss and other comprehensive income	(18,347)	(1,672)	88	981	(18,950)	(285)	(56)	(8)	31	(318)	(19,268)	
Cash flows												
Premiums received	12,740	—	—	—	12,740	882	—	—	—	882	13,622	
Claims, other insurance service expenses paid (including investment components) and other cash flows	(5,783)	—	—	—	(5,783)	(880)	—	—	—	(880)	(6,663)	
Insurance acquisition cash flows	(423)	—	—	—	(423)	(162)	—	—	—	(162)	(585)	
Total cash flows	6,534	—	—	—	6,534	(160)	—	—	—	(160)	6,374	
Acquisition of subsidiaries and other movements	2,108	216	—	(39)	2,285	3	79	—	16	98	2,383	
Net closing balance at 31 Dec 2022	96,156	4,367	792	3,825	105,140	2,854	411	18	257	3,540	108,680	
Closing assets	(18)	3	—	10	(5)	(308)	86	—	91	(131)	(136)	
Closing liabilities	96,174	4,364	792	3,815	105,145	3,162	325	18	166	3,671	108,816	
Net closing balance at 31 Dec 2022	96,156	4,367	792	3,825	105,140	2,854	411	18	257	3,540	108,680	

- From 1 January 2023, we adopted IFRS 17 'Insurance Contracts', which replaced IFRS 4 'Insurance Contracts'. Comparative data have been restated accordingly.
- 'Other contracts' are those contracts measured by applying IFRS 17 from inception of the contracts. These include contracts measured under the full retrospective approach at transition and contracts incepted after transition and excludes reinsurance contracts.
- 'Net finance (income)/expense from insurance contracts' expense of \$8,300m (2022: \$16,192m income) comprises expense of \$7,809m (2022: \$13,799m income) recognised in the statement of profit or loss and expense of \$491m (2022: \$2,393m income) recognised in the statement of other comprehensive income.

Notes on the financial statements

Effect of contracts initially recognised in the year

	Year ended 31 Dec 2023			Year ended 31 Dec 2022 ¹		
	Profitable contracts issued \$m	Onerous contracts issued \$m	Total \$m	Profitable contracts issued \$m	Onerous contracts issued \$m	Total \$m
Life direct participating and investment DPF contracts						
Estimates of present value of cash outflows	12,418	215	12,633	9,714	123	9,837
– insurance acquisition cash flows	602	21	623	401	16	417
– claims and other insurance service expenses payable	11,816	194	12,010	9,313	107	9,420
Estimates of present value of cash inflows	(14,074)	(204)	(14,278)	(10,844)	(115)	(10,959)
Risk adjustment for non-financial risk	37	2	39	29	1	30
Contractual service margin	1,619	–	1,619	1,101	–	1,101
Losses recognised on initial recognition	–	(13)	(13)	–	(9)	(9)
Life other contracts						
Estimates of present value of cash outflows	1,116	464	1,580	640	111	751
– insurance acquisition cash flows	106	50	156	57	9	66
– claims and other insurance service expenses payable	1,010	414	1,424	583	102	685
Estimates of present value of cash inflows	(1,350)	(438)	(1,788)	(778)	(105)	(883)
Risk adjustment for non-financial risk	27	5	32	21	1	22
Contractual service margin	207	–	207	117	–	117
Losses recognised on initial recognition	–	(31)	(31)	–	(7)	(7)

¹ From 1 January 2023, we adopted IFRS 17 'Insurance Contracts', which replaced IFRS 4 'Insurance Contracts'. Comparative data have been restated accordingly.

Present value of expected future cash flows of insurance contract liabilities and contractual service margin

	Less than 1 year \$m	1–2 years \$m	2–3 years \$m	3–4 years \$m	4–5 years \$m	5–10 years \$m	10–20 years \$m	Over 20 years \$m	Total \$m
Insurance liability future cash flows									
Life direct participating and investment DPF contracts	(2,620)	(545)	2,321	2,419	3,344	11,695	23,351	65,897	105,862
Life other contracts	1,276	362	(347)	4	(45)	36	102	1,628	3,016
Insurance liability future cash flows at 31 Dec 2023	(1,344)	(183)	1,974	2,423	3,299	11,731	23,453	67,525	108,878
Remaining contractual service margin									
Life direct participating and investment DPF contracts	917	848	783	722	666	2,597	2,653	1,428	10,614
Life other contracts	172	113	84	74	61	141	115	41	801
Remaining contractual service margin at 31 Dec 2023	1,089	961	867	796	727	2,738	2,768	1,469	11,415
Insurance liability future cash flows									
Life direct participating and investment DPF contracts	(5,049)	(1,891)	180	1,417	1,685	9,585	30,108	59,762	95,797
Life other contracts	695	770	395	(13)	38	172	182	859	3,098
Insurance liability future cash flows at 31 Dec 2022¹	(4,354)	(1,121)	575	1,404	1,723	9,757	30,290	60,621	98,895
Remaining contractual service margin									
Life direct participating and investment DPF contracts	757	689	638	590	547	2,177	2,293	1,293	8,984
Life other contracts	194	64	56	48	42	134	99	49	686
Remaining contractual service margin at 31 Dec 2022¹	951	753	694	638	589	2,311	2,392	1,342	9,670

¹ From 1 January 2023, we adopted IFRS 17 'Insurance Contracts', which replaced IFRS 4 'Insurance Contracts'. Comparative data have been restated accordingly.

Discount rates

The discount rates applied to expected future cash flows are determined through a bottom-up approach as set out in Note 1.2(j) 'Summary of material accounting policies – Insurance contracts' on page 351. The blended average of discount rates used within our most material manufacturing entities are as follows:

	HSBC Life (International) Ltd		Hang Seng Insurance Co Ltd		HSBC Assurances Vie (France)
	HK\$	US\$	HK\$	US\$	€
At 31 Dec 2023					
10-year discount rate (%)	4.02	4.47	4.16	4.62	2.96
20-year discount rate (%)	4.21	4.91	4.34	5.06	2.97
At 31 Dec 2022					
10-year discount rate (%)	4.56	4.59	4.70	4.80	3.66
20-year discount rate (%)	4.63	4.96	4.76	5.17	3.33

5 Employee compensation and benefits

	2023	2022	2021
	\$m	\$m	\$m
Employee compensation and benefits ¹	18,220	18,003	18,742
Capitalised wages and salaries ²	1,403	1,285	870
Gross employee compensation and benefits for the year ended 31 Dec	19,623	19,288	19,612
Consists of:			
Wages and salaries	17,359	16,970	17,072
Social security costs	1,507	1,403	1,503
Post-employment benefits	757	915	1,037
Year ended 31 Dec	19,623	19,288	19,612

1 In 2023 and 2022, employee compensation and benefits are presented in the income statement net of software capitalisation costs and costs included in the insurance contract fulfilment cash flow liabilities under IFRS 17. In 2021, employee compensation and benefits are presented net of software capitalisation costs in the income statement.

2 Comprises \$1,043m (2022: \$922m; 2021: \$870m) software capitalisation costs and \$360m (2022: \$363m; 2021: n/a) costs included in the insurance contract fulfilment cash flow liabilities under IFRS 17.

Average number of persons employed by HSBC during the year by global business¹

	2023	2022	2021
Wealth and Personal Banking	132,336	135,676	138,026
Commercial Banking	46,826	48,004	44,992
Global Banking and Markets	48,043	48,597	48,179
Corporate Centre	347	365	359
Year ended 31 Dec	227,552	232,642	231,556

1 Average number of persons employed represents the number of persons with contracts of service with the Group.

Average number of persons employed by HSBC during the year by legal entity¹

	2023	2022	2021
HSBC UK Bank plc	20,415	20,501	21,447
HSBC Bank plc	14,809	15,405	16,823
The Hongkong and Shanghai Banking Corporation Limited	54,321	54,792	55,253
HSBC Bank Middle East Limited	3,316	3,338	3,429
HSBC North America Holdings Inc.	6,046	6,749	8,197
HSBC Bank Canada	4,354	4,241	4,369
Grupo Financiero HSBC, S.A. de C.V.	14,412	14,484	14,529
Other trading entities ²	9,247	10,026	10,442
Holding companies, shared service centres and intra-Group eliminations	100,632	103,106	97,067
Year ended 31 Dec	227,552	232,642	231,556

1 Average number of persons employed represents the number of persons with contracts of service with the Group.

2 Other trading entities includes entities located in Oman, Türkiye, Egypt and Saudi Arabia.

Reconciliation of total incentive awards granted to income statement charge

	2023	2022	2021
	\$m	\$m	\$m
Total incentive awards approved for the current year	3,774	3,359	3,495
Less: deferred bonuses awarded, expected to be recognised in future periods	(353)	(343)	(379)
Total incentives awarded and recognised in the current year	3,421	3,016	3,116
Add: current year charges for deferred bonuses from previous years	375	239	270
Other	(56)	(22)	4
Income statement charge for incentive awards	3,740	3,233	3,390

Share-based payments

'Wages and salaries' includes the effect of share-based payments arrangements, of which \$482m was equity settled (2022: \$400m; 2021: \$467m), as follows:

	2023	2022	2021
	\$m	\$m	\$m
Conditional share awards	499	402	479
Savings-related and other share award option plans	23	22	27
Year ended 31 Dec	522	424	506

Notes on the financial statements

HSBC share awards

Award	Policy
Deferred share awards (including annual incentive awards, long-term incentive ('LTI') awards delivered in shares)	<p>An assessment of performance over the relevant period ending on 31 December is used to determine the amount of the award to be granted.</p> <ul style="list-style-type: none"> – Deferred awards generally require employees to remain in employment over the vesting period and are generally not subject to performance conditions after the grant date. An exception to these are LTI awards, which are subject to performance conditions. – Deferred share awards generally vest over a period of three, four, five or seven years. – Vested shares may be subject to a retention requirement post-vesting. – Awards are generally subject to malus and clawback provisions.
International Employee Share Purchase Plan ('ShareMatch')	<p>The plan was first introduced in Hong Kong in 2013 and now includes employees based in 30 jurisdictions.</p> <ul style="list-style-type: none"> – Shares are purchased in the market each quarter up to a maximum value of £750, or the equivalent in local currency. – Matching awards are added at a ratio of one free share for every three purchased. In mainland China, matching awards are settled in cash. – Matching awards vest subject to continued employment and the retention of the purchased shares for a maximum period of two years and nine months.

Movement on HSBC share awards

	2023 Number (000s)	2022 Number (000s)
Conditional share awards outstanding at 1 Jan	126,246	109,364
Additions during the year	72,289	90,190
Released in the year	(70,054)	(67,718)
Forfeited in the year	(3,458)	(5,590)
Conditional share awards outstanding at 31 Dec	125,023	126,246
Weighted average fair value of awards granted (\$)	5.84	5.60

HSBC share option plans

Main plans	Policy
Savings-related share option plans ('Sharesave')	<ul style="list-style-type: none"> – From 2014, employees eligible for the UK plan could save up to £500 per month with the option to use the savings to acquire shares. – These are generally exercisable within six months following either the third or fifth anniversary of the commencement of a three-year or five-year contract, respectively. – The exercise price is set at a 20% (2022: 20%) discount to the market value immediately preceding the date of invitation.

Calculation of fair values

The fair values of share options are calculated using a Black-Scholes model. The fair value of a share award is based on the share price at the date of the grant.

Movement on HSBC share option plans

	Savings-related share option plans	
	Number (000s)	WAEP ¹ £
Outstanding at 1 Jan 2023	115,651	2.89
Granted during the year ²	23,382	4.70
Exercised during the year ³	(49,007)	2.73
Expired during the year	(3,832)	3.78
Forfeited during the year	(2,200)	2.88
Outstanding at 31 Dec 2023	83,994	3.42
– of which exercisable	7,165	2.70
Weighted average remaining contractual life (years)	2.41	
Outstanding at 1 Jan 2022	123,197	2.85
Granted during the year ²	8,928	4.24
Exercised during the year ³	(3,483)	3.49
Expired during the year	(9,047)	3.55
Forfeited during the year	(3,944)	2.79
Outstanding at 31 Dec 2022	115,651	2.89
– of which exercisable	4,029	4.11
Weighted average remaining contractual life (years)	2.26	

1 Weighted average exercise price.

2 The weighted average fair value of options granted during the year was \$1.92 (2022: \$1.45).

3 The weighted average share price at the date the options were exercised was \$7.39 (2022: \$6.22).

Post-employment benefit plans

The Group operates pension plans throughout the world for its employees. 'Pension risk management processes' on page 206 contains details of the policies and practices associated with these pension plans, some of which are defined benefit plans. The largest defined benefit plan is the HBUK section of the HSBC Bank (UK) Pension Scheme ('the principal plan'), created as a result of the HSBC Bank (UK) Pension Scheme being fully sectionalised in 2018 to meet the requirements of the Banking Reform Act. For further details of how the trustee of the HSBC Bank (UK) Pension Scheme manages climate risk, see 'Managing climate risk' on page 65.

HSBC holds on its balance sheet the net surplus or deficit, which is the difference between the fair value of plan assets and the discounted value of scheme liabilities at the balance sheet date for each plan. Surpluses are only recognised to the extent that they are recoverable through reduced contributions in the future or through potential future refunds from the schemes. In assessing whether a surplus is recoverable, HSBC has considered its current right to obtain a future refund or a reduction in future contributions together with the rights of third parties such as trustees.

The principal plan

The principal plan has a defined benefit section and a defined contribution section. The defined benefit section was closed to future benefit accrual in 2015, with defined benefits earned by employees at that date continuing to be linked to their salary while they remain employed by HSBC. The plan is overseen by an independent corporate trustee, who has a fiduciary responsibility for the operation of the plan. Its assets are held separately from the assets of the Group.

The investment strategy of the plan is to hold the majority of assets in bonds, with the remainder in a diverse range of investments. It also includes some interest rate swaps to reduce interest rate risk, inflation swaps to reduce inflation risk and longevity swaps to reduce the impact of longer life expectancy.

The principal plan is subject to the statutory funding objective requirements of the UK Pensions Act 2004, which requires that it be funded to at least the level of technical provisions (an actuarial estimate of the assets needed to provide for the benefits already built up under the plan). Where a funding valuation is carried out and identifies a deficit, the employer and trustee are required to agree to a deficit recovery plan.

The latest funding valuation of the plan at 31 December 2019 was carried out by Colin G Singer of Willis Towers Watson Limited, who is a Fellow of the UK Institute and Faculty of Actuaries, using the projected unit credit method. At that date, the market value of the plan's assets was £31.1bn (\$41.1bn) and this exceeded the value placed on its liabilities on an ongoing basis by £2.5bn (\$3.3bn), giving a funding level of 109%. These figures include defined contribution assets amounting to £2.4bn (\$3.2bn). The main differences between the assumptions used for assessing the defined benefit liabilities for this funding valuation and those used for IAS 19 are that an element of prudence is contained in the funding valuation assumptions for discount rate, inflation rate and life expectancy. The funding valuation is used to judge the amount of cash contributions the Group needs to put into the pension scheme. It will always be different to the IAS 19 accounting surplus, which is an accounting rule concerning employee benefits and shown on the balance sheet of our financial statements. The next funding valuation, with an effective date of 31 December 2022, is currently underway and will be concluded no later than the regulatory deadline of 31 March 2024. The plan is estimated to remain in a comfortable surplus relative to the funding liabilities as at the end of 2022, based on assumptions consistent with those used to determine the funding liabilities for the 2019 valuation.

The actuary also assessed the value of the liabilities if the plan were to have been stopped and an insurance company asked to secure all future pension payments. This is generally larger than the amount needed on the ongoing basis described above because an insurance company would use more prudent assumption, which would allow for reserves and include an explicit allowance for the future administrative expenses of the plan. Under this approach, the amount of assets needed was estimated to be £33bn (\$44bn) at 31 December 2019.

The trust deed gives the ability for HSBC UK to take a refund of surplus assets after the plan has been run down such that no further beneficiaries remain. In assessing whether a surplus is recoverable, HSBC UK has considered its right to obtain a future refund together with the rights of third parties such as trustees. On this basis, any net surplus in the HBUK section of the plan is recognised in HSBC UK's financial statements and the Group's financial statements.

Income statement charge/(credit)

	2023	2022	2021
	\$m	\$m	\$m
Defined benefit pension plans	(151)	42	243
Defined contribution pension plans	874	845	767
Pension plans	723	887	1,010
Defined benefit and contribution healthcare plans	34	28	27
Year ended 31 Dec	757	915	1,037

Net assets/(liabilities) recognised on the balance sheet in respect of defined benefit plans

	Fair value of plan assets	Present value of defined benefit obligations	Effect of limit on plan surpluses	Total
	\$m	\$m	\$m	\$m
Defined benefit pension plans	33,897	(27,011)	—	6,886
Defined benefit healthcare plans	107	(403)	—	(296)
At 31 Dec 2023	34,004	(27,414)	—	6,590
Total employee benefit liabilities (within Note 27 'Accruals, deferred income and other liabilities')				(1,160)
Total employee benefit assets (within Note 22 'Prepayments, accrued income and other assets')				7,750
Defined benefit pension plans	32,171	(25,693)	—	6,478
Defined benefit healthcare plans	96	(388)	—	(292)
At 31 Dec 2022	32,267	(26,081)	—	6,186
Total employee benefit liabilities (within Note 27 'Accruals, deferred income and other liabilities')				(1,096)
Total employee benefit assets (within Note 22 'Prepayments, accrued income and other assets')				7,282

HSBC Holdings

Employee compensation and benefit expense in respect of HSBC Holdings' employees in 2023 amounted to \$15m (2022: \$41m). The average number of persons employed during 2023 was 29 (2022: 42). A small number of employees are members of defined benefit pension plans. These employees are members of the HSBC Bank (UK) Pension Scheme. HSBC Holdings pays contributions to such plan for its own employees in accordance with the schedules of contributions determined by the trustees of the plan and recognises these contributions as an expense as they fall due.

Defined benefit pension plans

Net asset/(liability) under defined benefit pension plans

	Fair value of plan assets		Present value of defined benefit obligations		Effect of the asset ceiling		Net defined benefit asset/(liability)	
	Principal ¹ plan \$m	Other plans \$m	Principal ¹ plan \$m	Other plans \$m	Principal ¹ plan \$m	Other plans \$m	Principal ¹ plan \$m	Other plans \$m
At 1 Jan 2023	25,121	7,050	(18,787)	(6,906)	—	—	6,334	144
Service cost	—	—	(10)	(150)	—	—	(10)	(150)
– current service cost	—	—	(14)	(135)	—	—	(14)	(135)
– past service cost and gains/(losses) from settlements	—	—	4	(15)	—	—	4	(15)
Net interest income/(cost) on the net defined benefit asset/(liability)	1,247	298	(925)	(286)	—	—	322	12
Remeasurement effects recognised in other comprehensive income	(225)	110	7	(300)	—	—	(218)	(190)
– return on plan assets (excluding interest income)	(225)	110	—	—	—	—	(225)	110
– actuarial gains/(losses) financial assumptions	—	—	(123)	(327)	—	—	(123)	(327)
– actuarial gains/(losses) demographic assumptions	—	—	357	17	—	—	357	17
– actuarial gains/(losses) experience adjustments	—	—	(227)	10	—	—	(227)	10
– other changes	—	—	—	—	—	—	—	—
Exchange differences	1,472	228	(1,098)	(190)	—	—	374	38
Benefits paid	(1,063)	(548)	1,063	629	—	—	—	81
Other movements ²	38	169	(32)	(26)	—	—	6	143
At 31 Dec 2023	26,590	7,307	(19,782)	(7,229)	—	—	6,808	78
At 1 Jan 2022	41,384	10,047	(32,255)	(10,022)	—	(23)	9,129	2
Service cost	—	—	(30)	(170)	—	—	(30)	(170)
– current service cost	—	—	(12)	(161)	—	—	(12)	(161)
– past service cost and losses from settlements	—	—	(18)	(9)	—	—	(18)	(9)
Net interest income/(cost) on the net defined benefit asset/(liability)	703	198	(546)	(202)	—	(1)	157	(5)
Remeasurement effects recognised in other comprehensive income	(11,505)	(2,181)	9,532	2,360	—	(3)	(1,973)	176
– return on plan assets (excluding interest income)	(11,505)	(2,181)	—	—	—	—	(11,505)	(2,181)
– actuarial gains/(losses) financial assumptions	—	—	10,543	2,383	—	—	10,543	2,383
– actuarial gains/(losses) demographic assumptions	—	—	(123)	24	—	—	(123)	24
– actuarial gains/(losses) experience adjustments	—	—	(888)	(47)	—	—	(888)	(47)
– other changes	—	—	—	—	—	(3)	—	(3)
Exchange differences	(4,288)	(180)	3,325	35	—	2	(963)	(143)
Benefits paid	(1,222)	(616)	1,222	686	—	—	—	70
Other movements ²	49	(218)	(35)	407	—	25	14	214
At 31 Dec 2022	25,121	7,050	(18,787)	(6,906)	—	—	6,334	144

1 For further details of the principal plan, see page 365.

2 Other movements include contributions by HSBC, contributions by employees, administrative costs and taxes paid by plan.

HSBC expects to make \$113m of contributions to defined benefit pension plans during 2024, consisting of \$nil for the principal plan and \$113m for other plans. Benefits expected to be paid from the plans to retirees over each of the next five years, and in aggregate for the five years thereafter, are as follows:

Benefits expected to be paid from plans

	2024 \$m	2025 \$m	2026 \$m	2027 \$m	2028 \$m	2029-2033 \$m
The principal plan ^{1,2}	1,125	1,160	1,196	1,234	1,273	6,988
Other plans ¹	465	473	456	478	476	2,403

1 The duration of the defined benefit obligation is 12.9 years for the principal plan under the disclosure assumptions adopted (2022: 13.2 years) and 10.3 years for all other plans combined (2022: 10.2 years).

2 For further details of the principal plan, see page 365.

Fair value of plan assets by asset classes

	31 Dec 2023				31 Dec 2022			
	Value \$m	Quoted market price in active market \$m	No quoted market price in active market \$m	Thereof HSBC ¹ \$m	Value \$m	Quoted market price in active market \$m	No quoted market price in active market \$m	Thereof HSBC ¹ \$m
The principal plan²								
Fair value of plan assets	26,590	15,006	11,584	547	25,121	13,915	11,206	510
– equities ³	83	–	83	–	112	–	112	–
– bonds fixed income	5,262	4,739	523	–	5,285	4,822	463	–
– bonds index-linked	10,300	10,300	–	–	9,479	9,479	–	–
– derivatives	1,061	–	1,061	547	1,203	–	1,203	510
– property	830	–	830	–	842	–	842	–
– pooled investment vehicles	9,087	–	9,087	–	8,586	–	8,586	–
– other	(33)	(33)	–	–	(386)	(386)	–	–
Other plans								
Fair value of plan assets	7,307	5,361	1,946	39	7,050	5,848	1,202	37
– equities	556	556	–	3	639	486	153	2
– bonds fixed income	3,624	3,623	1	5	3,571	3,472	99	4
– bonds index-linked	90	90	–	–	58	58	–	–
– bonds other	447	415	32	–	1,357	1,007	350	–
– derivatives	2	(1)	3	–	4	(1)	5	–
– property	112	108	4	–	109	104	5	–
– other	2,476	570	1,906	31	1,312	722	590	31

¹ The fair value of plan assets includes derivatives entered into with HSBC Bank plc as detailed in Note 37.

² For further details of the principal plan, see page 365.

³ Includes \$83m (2022: \$112m) in relation to private equities.

Post-employment defined benefit plans' principal actuarial financial assumptions

HSBC determines the discount rates to be applied to its obligations in consultation with the plans' local actuaries, on the basis of current average yields of high-quality (AA-rated or equivalent) debt instruments with maturities consistent with those of the defined benefit obligations.

Key actuarial assumptions for the principal plan¹

	Discount rate %	Inflation rate (RPI) %	Inflation rate (CPI) %	Rate of increase for pensions %	Rate of pay increase %
UK					
At 31 Dec 2023	4.65	3.23	2.67	3.14	3.42
At 31 Dec 2022	4.93	3.39	2.84	3.27	3.34

¹ For further details of the principal plan, see page 365.

Mortality tables and average life expectancy at age 60 for the principal plan¹

	Mortality table	Life expectancy at age 60 for a male member currently:		Life expectancy at age 60 for a female member currently:	
		Aged 60	Aged 40	Aged 60	Aged 40
UK					
At 31 Dec 2023	SAPS S3²	26.2	27.7	28.3	29.8
At 31 Dec 2022	SAPS S3	27.1	28.6	28.4	29.9

¹ For further details of the principal plan, see page 365.

² Self-administered pension scheme ('SAPS') S3 table, with different tables and multipliers adopted based on gender, pension amount and member status, reflecting the Scheme's actual mortality experience. Improvements are projected in accordance with the Continuous Mortality Investigation's CMI 2022 core projection model with an initial addition to improvement of 0.25% per annum, a long-term rate of improvement of 1.25% per annum, a 0% weighting to 2020 and 2021 mortality experience, and a 25% weighting to 2022 mortality experience reflecting updated long-term view on mortality improvements post-pandemic.

The effect of changes in key assumptions on the principal plan¹

	Impact on HBUK section of the HSBC Bank (UK) Pension Scheme obligation ²			
	Financial impact of increase		Financial impact of decrease	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Discount rate – increase/decrease of 0.25%	(599)	(582)	631	612
Inflation rate (RPI and CPI) – increase/decrease of 0.25%	500	466	(497)	(446)
Pension payments and deferred pensions – increase/decrease of 0.25%	622	551	(590)	(519)
Pay – increase/decrease of 0.25%	8	10	(6)	(10)
Change in mortality – increase/decrease of 1 year	613	470	(613)	(489)

¹ For further details of the principal plan, see page 365.

² Sensitivities allow for HSBC UK's convention of rounding pension assumptions during 2023 to the nearest 0.01% (2022: 0.01%).

Notes on the financial statements

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit asset recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared with the prior period.

Directors' emoluments

Details of Directors' emoluments, pensions and their interests are disclosed in the Directors' remuneration report on page 279.

6 Auditor's remuneration

	2023 \$m	2022 \$m	2021 \$m
Audit fees payable to PwC ¹	109.8	97.6	88.1
Other audit fees payable	2.2	1.6	2.0
Year ended 31 Dec	112.0	99.2	90.1

Fees payable by HSBC to PwC

	2023 \$m	2022 \$m	2021 \$m
Fees for HSBC Holdings' statutory audit ²	24.1	21.9	19.5
Fees for other services provided to HSBC	131.8	126.2	109.9
– audit of HSBC's subsidiaries	85.7	75.7	68.6
– audit-related assurance services ³	26.0	26.4	18.7
– other assurance services ^{4,5}	20.1	24.1	22.6
Year ended 31 Dec	155.9	148.1	129.4

1 Audit fees payable to PwC in 2023 included adjustments made to the prior year audit fee after finalisation of the 2022 financial statements.

2 Fees payable to PwC for the statutory audit of the consolidated financial statements of HSBC and the separate financial statements of HSBC Holdings. They include amounts payable for services relating to the consolidation returns of HSBC Holdings' subsidiaries, which are clearly identifiable as being in support of the Group audit opinion.

3 Including services for assurance and other services that relate to statutory and regulatory filings, including interim reviews.

4 Including permitted services relating to attestation reports on internal controls of a service organisation primarily prepared for and used by third-party end users, including comfort letters.

5 Includes reviews of PRA regulatory reporting returns.

No fees were payable by HSBC to PwC as principal auditor for the following types of services: internal audit services and services related to litigation, recruitment and remuneration.

Fees payable by HSBC's associated pension schemes to PwC

	2023 \$000	2022 \$000	2021 \$000
Audit of HSBC's associated pension schemes	297	480	382
Year ended 31 Dec	297	480	382

No fees were payable by HSBC's associated pension schemes to PwC as principal auditor for the following types of services: internal audit services, other assurance services, services related to corporate finance transactions, valuation and actuarial services, litigation, recruitment and remuneration, and information technology.

In addition to the above, the estimated fees paid to PwC by third parties associated with HSBC amounted to \$12.3m (2022: \$13.1m; 2021: \$6.3m). In these cases, HSBC was connected with the contracting party and may therefore have been involved in appointing PwC. These fees arose from services such as auditing mutual funds managed by HSBC and reviewing the financial position of corporate concerns that borrow from HSBC.

Fees payable for non-audit services for HSBC Holdings are not disclosed separately because such fees are disclosed on a consolidated basis for the Group.

7 Tax

Tax expense

	2023 \$m	2022 \$m	2021 \$m
Current tax ¹	5,718	2,984	3,250
– for this year	5,737	3,264	3,182
– adjustments in respect of prior years	(19)	(280)	68
Deferred tax	71	(2,175)	963
– origination and reversal of temporary differences	19	(2,278)	874
– effect of changes in tax rates	17	(293)	132
– adjustments in respect of prior years	35	396	(43)
Year ended 31 Dec²	5,789	809	4,213

1 Current tax included Hong Kong profits tax of \$1,328m (2022: \$604m; 2021: \$813m). The Hong Kong tax rate applying to the profits of subsidiaries assessable in Hong Kong was 16.5% (2022: 16.5%; 2021: 16.5%).

2 In addition to amounts recorded in the income statement, a tax credit of \$41m (2022: credit of \$145m) was recorded directly to equity.

Tax reconciliation

The tax charged to the income statement differs from the tax charge that would apply if all profits had been taxed at the UK corporation tax rate as follows:

	2023		2022		2021	
	\$m	%	\$m	%	\$m	%
Profit before tax	30,348		17,058		18,906	
Tax expense						
Taxation at UK corporation tax rate of 23.5% (2022: 19.0%, 2021: 19.0%)	7,132	23.5	3,241	19.0	3,592	19.0
Impact of differently taxed overseas profits in overseas locations	(612)	(2.0)	459	2.7	280	1.5
UK banking surcharge	350	1.2	283	1.7	332	1.8
Items increasing tax charge in 2023:						
– impairment of interest in associate	705	2.3	—	—	—	—
– local taxes and overseas withholding taxes	419	1.4	346	2.0	360	1.9
– impacts of hyperinflation	348	1.1	171	1.0	68	0.4
– other permanent disallowables	227	0.7	363	2.1	414	2.2
– bank levy	112	0.4	59	0.3	93	0.5
– impact of changes in tax rates	17	0.1	(293)	(1.7)	132	0.7
– adjustments in respect of prior period	16	0.1	116	0.7	25	0.1
– tax impact of sale of French retail banking business	—	—	115	0.7	(434)	(2.3)
– impact of differences between French tax basis and IFRSs	—	—	—	—	434	2.3
Items reducing tax charge in 2023:						
– non-taxable income and gains	(1,189)	(3.9)	(825)	(4.8)	(641)	(3.4)
– effect of profits in associates and joint ventures	(571)	(1.9)	(504)	(3.1)	(414)	(2.2)
– movements in provisions for uncertain tax positions	(472)	(1.6)	27	0.2	15	0.1
– accounting gain on acquisition of SVB UK	(442)	(1.5)	—	—	—	—
– deductions for AT1 coupon payments	(229)	(0.7)	(246)	(1.4)	(270)	(1.4)
– movements in unrecognised deferred tax	(22)	(0.1)	(2,503)	(14.7)	227	1.1
Year ended 31 December	5,789	19.1	809	4.7	4,213	22.3

The Group's profits are taxed at different rates depending on the country or territory in which the profits arise. The key applicable tax rates for 2023 include Hong Kong (16.5%), the US (21%) and the UK (23.5%). If the Group's profits were taxed at the statutory rates of the countries in which the profits arose, then the tax rate for the year would have been 22.6% (2022: 23.3%).

The effective tax rate for the year of 19.1% was higher than in the previous year (2022: 4.7%). The effective tax rate for the year was increased by 2.3% by the non-taxable impairment of the Group's interest in BoCom, reduced by 1.6% by the release of provisions for uncertain tax positions and reduced by 1.5% by the non-taxable accounting gain on the acquisition of SVB UK. The effective tax rate for 2022 was reduced by 14.7% as a result of the recognition of previously unrecognised losses in the UK of \$2.2bn and France of \$0.3bn, in light of improved forecast profitability.

On 20 June 2023, legislation was substantively enacted in the UK to introduce the 'Pillar Two' global minimum tax model rules of the OECD's Inclusive Framework on Base Erosion and Profit Shifting ('BEPS') and a UK qualified domestic minimum top-up tax, with effect from 1 January 2024. Under these rules, a top-up tax liability arises where the effective tax rate of the Group's operations in a jurisdiction, calculated using principles set out in the Pillar Two legislation, is below 15%. Any resulting tax is payable by HSBC Holdings plc, being the Group's ultimate parent, to HMRC. In response to the OECD's Pillar Two global minimum tax rules, many national governments have announced their intention to introduce domestic minimum tax rules that are closely aligned to the OECD's Pillar Two model rules. Where such qualifying domestic minimum tax rules are introduced, they may be expected to have the effect of increasing local tax liabilities to the 15% minimum rate, eliminating the top-up tax liability payable in the UK by HSBC Holdings plc in such cases. Based on the Group's forecasts, top-up tax liabilities are expected to arise in approximately 10 jurisdictions as a result of low or 0% statutory tax rates, in particular in respect of the Group's banking operations in Bermuda and the Channel Islands. Additionally, the application of local tax laws in Hong Kong and mainland China, particularly with regard to the non-taxation of dividend income and income on government bonds, has typically resulted in effective tax rates of below 15%. This is expected to create future top-up tax liabilities in these jurisdictions, which have statutory tax rates of 16.5% and 25%, respectively. The application of the Pillar Two global minimum tax rules and the introduction of new domestic minimum tax regimes are currently forecast to increase the Group's annual effective tax rate by around 0.5 and 1.0 percentage points.

Accounting for taxes involves some estimation because tax law is uncertain and its application requires a degree of judgement, which authorities may dispute. Liabilities are recognised based on best estimates of the probable outcome, taking into account external advice where appropriate. Exposures relating to legacy tax cases were reassessed during 2023, resulting in a credit of \$472m to the income statement. We do not expect significant liabilities to arise in excess of the amounts provided. HSBC only recognises current and deferred tax assets where recovery is probable.

Notes on the financial statements

Movement of deferred tax assets and liabilities

	Loan impairment provisions	Unused tax losses and tax credits	Financial assets at FVOCI	Cash flow hedges	Retirement obligations	Other	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Assets	1,062	4,397	850	1,271	—	3,048	10,628
Liabilities	—	—	—	—	(1,673)	(1,567)	(3,240)
At 1 Jan 2023	1,062	4,397	850	1,271	(1,673)	1,481	7,388
Income statement	(39)	102	541	1	(114)	(562)	(71)
Other comprehensive income	—	—	(598)	(974)	99	399	(1,074)
Foreign exchange and other adjustments	135	45	83	121	(126)	15	273
At 31 Dec 2023	1,158	4,544	876	419	(1,814)	1,333	6,516
Assets ¹	1,158	4,544	876	419	—	2,933	9,930
Liabilities ¹	—	—	—	—	(1,814)	(1,600)	(3,414)
Assets ²	1,151	2,001	382	154	—	1,744	5,432
Liabilities ²	—	—	—	—	(2,819)	(475)	(3,294)
At 1 Jan 2022	1,151	2,001	382	154	(2,819)	1,269	2,138
Income statement	7	2,425	(1,127)	1	217	652	2,175
Other comprehensive income	—	—	2,281	1,159	692	(1,260)	2,872
Foreign exchange and other adjustments	(96)	(29)	(686)	(43)	237	820	203
At 31 Dec 2022	1,062	4,397	850	1,271	(1,673)	1,481	7,388
Assets ¹	1,062	4,397	850	1,271	—	3,048	10,628
Liabilities ¹	—	—	—	—	(1,673)	(1,567)	(3,240)

1 After netting off balances within countries, the balances as disclosed in the accounts are as follows: deferred tax assets of \$7,754m (2022: \$8,360m) and deferred tax liabilities of \$1,238m (2022: \$972m).

2 From 1 January 2023, we adopted IFRS 17 'Insurance Contracts', which replaced IFRS 4 'Insurance Contracts'. We have restated 2022 comparative data.

In applying judgement in recognising deferred tax assets, management has assessed all relevant information, including future business profit projections and the track record of meeting forecasts. Management's assessment of the likely availability of future taxable profits against which to recover deferred tax assets is based on the most recent financial forecasts approved by management, which cover a five-year period and are extrapolated where necessary, and takes into consideration the reversal of existing taxable temporary differences and past business performance. When forecasts are extrapolated beyond five years, a number of different scenarios are considered, reflecting different downward risk adjustments, in order to assess the sensitivity of our recognition and measurement conclusions in the context of such longer-term forecasts.

The Group's net deferred tax asset of \$6.5bn (2022: \$7.4bn) included \$3.3bn (2022: \$4.0bn) of deferred tax assets relating to the UK, \$3.1bn (2022: \$3.3bn) of deferred tax assets relating to the US and a net deferred asset of \$0.9bn (2022: \$1.0bn) in France.

The UK deferred tax asset of \$3.3bn excluded a \$1.9bn deferred tax liability arising on the UK pension scheme surplus, the reversal of which is not taken into account when estimating future taxable profits. The UK deferred tax assets are supported by forecasts of taxable profit, also taking into consideration the history of profitability in the relevant businesses. The majority of the deferred tax asset relates to tax attributes which do not expire and are forecast to be recovered within four years and as such are less sensitive to changes in long-term profit forecasts.

The net US deferred tax asset of \$3.1bn included \$1.3bn related to US tax losses, of which \$1.0bn expire in 10 to 15 years. Management expects the US deferred tax asset to be substantially recovered within 14 years, with the majority recovered in the first nine years.

The net deferred tax asset in France of \$0.9bn included \$0.7bn related to tax losses, which are expected to be substantially recovered within 12 years.

Unrecognised deferred tax

The amount of gross temporary differences, unused tax losses and tax credits for which no deferred tax asset is recognised in the balance sheet was \$10.4bn (2022: \$9.2bn). This amount included unused US state tax losses of \$4.0bn (2022: \$4.1bn) which are forecast to expire before they are recovered and unused UK tax losses of \$4.5bn (2022: \$3.5bn), which arose prior to 1 April 2017 and can only be recovered against future taxable profits of HSBC Holdings. No deferred tax was recognised on these losses due to the absence of convincing evidence regarding the availability of sufficient future taxable profits against which to recover them. Deferred tax asset recognition is reassessed at each balance sheet date based on the available evidence. Of the total amounts unrecognised, \$5.1bn (2022: \$3.6bn) had no expiry date, \$0.5bn (2022: \$1.2bn) was scheduled to expire within 10 years and the remaining balance is expected to expire after 10 years.

Deferred tax is not recognised in respect of the Group's investments in subsidiaries and branches where HSBC is able to control the timing of remittance or other realisation and where remittance or realisation is not probable in the foreseeable future. The aggregate temporary differences relating to unrecognised deferred tax liabilities arising on investments in subsidiaries and branches was \$14.4bn (2022: \$11.7bn) and the corresponding unrecognised deferred tax liability was \$0.7bn (2022: \$0.7bn).

8 Dividends

Dividends to shareholders of the parent company

	2023		2022		2021	
	Per share \$	Total \$m	Per share \$	Total \$m	Per share \$	Total \$m
Dividends paid on ordinary shares						
In respect of previous year:						
– second interim dividend	0.23	4,589	0.18	3,576	0.15	3,059
In respect of current year:						
– first interim dividend	0.10	2,001	0.09	1,754	0.07	1,421
– second interim dividend	0.10	1,956	—	—	—	—
– third interim dividend	0.10	1,946	—	—	—	—
Total	0.53	10,492	0.27	5,330	0.22	4,480
Total dividends on preference shares classified as equity (paid quarterly) ¹	—	—	—	—	4.99	7
Total coupons on capital securities classified as equity		1,101		1,214		1,303
Dividends to shareholders		11,593		6,544		5,790

¹ HSBC Holdings called \$1,450m 6.20% non-cumulative US dollar preference shares on 10 December 2020. The security was redeemed and cancelled on 13 January 2021.

Total coupons on capital securities classified as equity

	First call date	2023		2022	2021
		Per security	Total \$m	Total \$m	Total \$m
Perpetual subordinated contingent convertible securities¹					
\$2,000m issued at 6.875% ²	Jun 2021	\$68.750	—	—	69
\$2,250m issued at 6.375%	Sep 2024	\$63.750	143	143	143
\$2,450m issued at 6.375%	Mar 2025	\$63.750	156	156	156
\$3,000m issued at 6.000%	May 2027	\$60.000	180	180	180
\$2,350m issued at 6.250% ³	Mar 2023	\$62.500	52	147	147
\$1,800m issued at 6.500%	Mar 2028	\$65.000	117	117	117
\$1,500m issued at 4.600%	Dec 2030	\$46.000	69	69	69
\$1,000m issued at 4.000% ⁴	Mar 2026	\$40.000	40	40	20
\$1,000m issued at 4.700% ⁵	Mar 2031	\$47.000	47	47	24
\$2,000m issued at 8.000% ⁶	Mar 2028	\$80.000	80	—	—
€1,500m issued at 5.250% ⁷	Sep 2022	€52.500	—	76	93
€1,000m issued at 6.000% ⁸	Sep 2023	€60.000	56	63	70
€1,250m issued at 4.750%	Jul 2029	€47.500	64	65	72
€1,000m issued at 5.875%	Sep 2026	€58.750	72	70	80
SGD1,000m issued at 4.700% ⁹	Jun 2022	SGD47.000	—	14	35
SGD750m issued at 5.000% ¹⁰	Sep 2023	SGD50.000	25	27	28
Total			1,101	1,214	1,303

¹ Discretionary coupons are paid semi-annually, based on the denominations of each security.

² This security was called by HSBC Holdings on 15 April 2021 and was redeemed and cancelled on 1 June 2021.

³ This security was called by HSBC Holdings on 30 January 2023 and was redeemed and cancelled on 23 March 2023.

⁴ This security was issued by HSBC Holdings on 9 March 2021. The first call period commences six calendar months prior to the reset date of 9 September 2026.

⁵ This security was issued by HSBC Holdings on 9 March 2021. The first call period commences six calendar months prior to the reset date of 9 September 2031.

⁶ This security was issued by HSBC Holdings on 7 March 2023. The first call period commences six calendar months prior to the reset date of 7 September 2028.

⁷ This security was called by HSBC Holdings on 9 August 2022 and was redeemed and cancelled on 16 September 2022.

⁸ This security was called by HSBC Holdings on 3 August 2023 and was redeemed and cancelled on 29 September 2023.

⁹ This security was called by HSBC Holdings on 4 May 2022 and was redeemed and cancelled on 8 June 2022.

¹⁰ This security was called by HSBC Holdings on 3 August 2023 and was redeemed and cancelled on 25 September 2023.

On 21 February 2024, the Directors approved a fourth interim dividend in respect of the financial year ended 31 December 2023 of \$0.31 per ordinary share, a distribution of approximately \$5,913m. The fourth interim dividend for 2023 will be payable on 25 April 2024 to holders on the Principal Register in the UK, the Hong Kong Overseas Branch Register or the Bermuda Overseas Branch Register on 8 March 2024. No liability was recorded in the financial statements in respect of the fourth interim dividend for 2023.

On 4 January 2024, HSBC paid a coupon on its €1,250m subordinated capital securities, representing a total distribution of €30m (\$33m). No liability was recorded in the balance sheet at 31 December 2023 in respect of this coupon payment.

9 Earnings per share

Basic earnings per ordinary share is calculated by dividing the profit attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding, excluding own shares held. Diluted earnings per ordinary share is calculated by dividing the basic earnings, which require no adjustment for the effects of dilutive potential ordinary shares, by the weighted average number of ordinary shares outstanding, excluding own shares held, plus the weighted average number of ordinary shares that would be issued on conversion of dilutive potential ordinary shares.

Basic and diluted earnings per share

	2023			2022 ¹			2021		
	Profit \$m	Number of shares (millions)	Per share \$	Profit \$m	Number of shares (millions)	Per share \$	Profit \$m	Number of shares (millions)	Per share \$
Basic ²	22,432	19,478	1.15	14,346	19,849	0.72	12,607	20,197	0.62
Effect of dilutive potential ordinary shares		122			137			105	
Diluted²	22,432	19,600	1.14	14,346	19,986	0.72	12,607	20,302	0.62

¹ From 1 January 2023, we adopted IFRS 17 'Insurance Contracts', which replaced IFRS 4 'Insurance Contracts'. Comparative data for the financial year ended 31 December 2022 have been restated accordingly. Comparative data for the year ended 31 December 2021 are prepared on an IFRS 4 basis.

² Weighted average number of ordinary shares outstanding (basic) or assuming dilution (diluted).

The number of anti-dilutive employee share options excluded from the weighted average number of dilutive potential ordinary shares was 23 million (2022: 9.4 million; 2021: 8.6 million).

10 Segmental analysis

The Group Chief Executive, supported by the rest of the Group Executive Committee ('GEC'), is considered the Chief Operating Decision Maker ('CODM') for the purposes of identifying the Group's reportable segments. Global business results are assessed by the CODM on the basis of constant currency performance that removes the effects of currency translation from reported results. Therefore, we disclose these results on a constant currency basis as required by IFRS Accounting Standards. The 2022 and 2021 income statements are converted at the average rates of exchange for 2023, and the balance sheets at 31 December 2022 and 31 December 2021 at the prevailing rates of exchange on 31 December 2023.

Our operations are closely integrated and, accordingly, the presentation of data includes internal allocations of certain items of income and expense. These allocations include the costs of certain support services and global functions to the extent that they can be meaningfully attributed to global businesses. While such allocations have been made on a systematic and consistent basis, they necessarily involve a degree of subjectivity. Costs that are not allocated to global businesses are included in Corporate Centre.

Where relevant, income and expense amounts presented include the results of inter-segment funding along with inter-company and inter-business line transactions. All such transactions are undertaken on arm's length terms. Measurement of segmental assets, liabilities, income and expenses is in accordance with the Group's accounting policies. Shared costs are included in segments on the basis of actual recharges. The intra-Group elimination items for the global businesses are presented in Corporate Centre.

Resegmentation

In the first quarter of 2023, following an internal review to assess which global businesses were best suited to serve our customers' respective needs, a portfolio of our Global Banking customers within our entities in Latin America was transferred from Global Banking and Markets to Commercial Banking for reporting purposes. Comparative data have been re-presented accordingly. Similar smaller transfers from Global Banking and Markets to Commercial Banking were also undertaken within our entities in Australia and Indonesia, where comparative data have not been re-presented.

Our global businesses

We provide a comprehensive range of banking and related financial services to our customers in our three global businesses. The products and services offered to customers are organised by these global businesses.

- Wealth and Personal Banking ('WPB') provides a full range of retail banking and wealth products to our customers from personal banking to ultra high net worth individuals. Typically, customer offerings include retail banking products, such as current and savings accounts, mortgages and personal loans, credit cards, debit cards and local and international payment services. We also provide wealth management services, including insurance and investment products, global asset management services, investment management and private wealth solutions for customers with more sophisticated and international requirements.
- Commercial Banking ('CMB') offers a broad range of products and services to serve the needs of our commercial customers, including small and medium-sized enterprises, mid-market enterprises and corporates. These include credit and lending, international trade and receivables finance, treasury management and liquidity solutions (payments and cash management and commercial cards), commercial insurance and investments. CMB also offers customers access to products and services offered by other global businesses, such as Global Banking and Markets, which include foreign exchange products, raising capital on debt and equity markets and advisory services.
- Global Banking and Markets ('GBM') provides tailored financial solutions to major government, corporate and institutional clients and private investors worldwide. The client-focused business lines deliver a full range of banking capabilities, including financing, advisory and transaction services, a markets business that provides services in credit, rates, foreign exchange, equities, money markets and securities services, and principal investment activities.

HSBC constant currency profit before tax and balance sheet data

	2023				
	Wealth and Personal Banking	Commercial Banking ³	Global Banking and Markets ³	Corporate Centre	Total
	\$m	\$m	\$m	\$m	\$m
Net operating income/(expense) before change in expected credit losses and other credit impairment charges²	27,275	22,867	16,115	(199)	66,058
– external	19,107	24,209	28,021	(5,279)	66,058
– inter-segment	8,168	(1,342)	(11,906)	5,080	—
– of which: net interest income/(expense) ⁴	20,492	17,147	7,141	(8,984)	35,796
Change in expected credit losses and other credit impairment charges	(1,058)	(2,062)	(326)	(1)	(3,447)
Net operating income/(expense)	26,217	20,805	15,789	(200)	62,611
Total operating expenses	(14,738)	(7,524)	(9,865)	57	(32,070)
Operating profit/(loss)	11,479	13,281	5,924	(143)	30,541
Share of profit/(loss) in associates and joint ventures less impairment ⁵	65	(1)	—	(257)	(193)
Constant currency profit before tax	11,544	13,280	5,924	(400)	30,348
	%	%	%	%	%
Share of HSBC's constant currency profit before tax	38.0	43.8	19.5	(1.3)	100.0
Constant currency cost efficiency ratio	54.0	32.9	61.2	28.6	48.5
Constant currency balance sheet data	\$m	\$m	\$m	\$m	\$m
Loans and advances to customers (net)	454,878	309,422	173,966	269	938,535
Interests in associates and joint ventures	551	28	111	26,654	27,344
Total external assets	937,079	632,406	1,331,395	137,797	3,038,677
Customer accounts	804,863	475,666	330,522	596	1,611,647
	2022 ¹				
Net operating income/(expense) before change in expected credit losses and other credit impairment charges ²	20,884	16,283	14,602	(1,898)	49,871
– external	18,299	16,973	18,744	(4,145)	49,871
– inter-segment	2,585	(690)	(4,142)	2,247	—
– of which: net interest income/(expense) ⁴	15,971	11,763	4,696	(2,668)	29,762
Change in expected credit losses and other credit impairment charges	(1,186)	(1,862)	(573)	(9)	(3,630)
Net operating income/(expense)	19,698	14,421	14,029	(1,907)	46,241
Total operating expenses	(14,248)	(6,894)	(9,338)	(1,822)	(32,302)
Operating profit/(loss)	5,450	7,527	4,691	(3,729)	13,939
Share of profit/(loss) in associates and joint ventures	30	—	(2)	2,574	2,602
Constant currency profit/(loss) before tax	5,480	7,527	4,689	(1,155)	16,541
	%	%	%	%	%
Share of HSBC's constant currency profit before tax	33.1	45.6	28.3	(7.0)	100.0
Constant currency cost efficiency ratio	68.2	42.3	64.0	(96.0)	64.8
Constant currency balance sheet data	\$m	\$m	\$m	\$m	\$m
Loans and advances to customers (net)	434,122	316,863	190,202	361	941,548
Interests in associates and joint ventures	514	33	93	28,143	28,783
Total external assets	893,867	620,193	1,341,575	152,049	3,007,684
Customer accounts	793,310	472,424	332,303	458	1,598,495

Notes on the financial statements

HSBC constant currency profit before tax and balance sheet data (continued)

	2021				
	Wealth and Personal Banking	Commercial Banking	Global Banking and Markets	Corporate Centre	Total
	\$m	\$m	\$m	\$m	\$m
Net operating income/(expense) before change in expected credit losses and other credit impairment charges ²	20,972	12,699	13,086	(678)	46,079
– external	20,787	12,685	14,533	(1,926)	46,079
– inter-segment	185	14	(1,447)	1,248	—
– of which: net interest income/(expense) ⁴	13,445	8,467	3,419	(714)	24,617
Change in expected credit losses and other credit impairment charges	195	339	221	3	758
Net operating income/(expense)	21,167	13,038	13,307	(675)	46,837
Total operating expenses	(15,338)	(6,691)	(9,255)	(960)	(32,244)
Operating profit/(loss)	5,829	6,347	4,052	(1,635)	14,593
Share of profit in associates and joint ventures	36	1	—	2,770	2,807
Constant currency profit/(loss) before tax	5,865	6,348	4,052	1,135	17,400
	%	%	%	%	%
Share of HSBC's constant currency profit before tax	33.7	36.5	23.3	6.5	100.0
Constant currency cost efficiency ratio	73.1	52.7	70.7	(141.6)	70.0
Constant currency balance sheet data	\$m	\$m	\$m	\$m	\$m
Loans and advances to customers (net)	473,304	340,603	196,193	712	1,010,812
Interests in associates and joint ventures	493	31	101	27,036	27,661
Total external assets	905,024	605,696	1,171,909	178,074	2,860,703
Customer accounts	834,767	495,492	322,306	622	1,653,187

- From 1 January 2023, we adopted IFRS 17 'Insurance Contracts', which replaced IFRS 4 'Insurance Contracts'. Comparative data for the financial year ended 31 December 2022 have been restated accordingly. Comparative data for the year ended 31 December 2021 are prepared on an IFRS 4 basis.
- Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.
- In the first quarter of 2023, following an internal review to assess which global businesses were best suited to serve our customers' respective needs, a portfolio of our customers within our entities in Latin America was transferred from GBM to CMB for reporting purposes. Comparative data have been re-presented accordingly.
- Net interest expense recognised in Corporate Centre includes \$8.7bn (2022: \$2.5bn; 2021: undisclosed) of interest expense in relation to the internal cost to fund trading and fair value net assets; and the funding cost of foreign exchange swaps in our Markets Treasury function. In the second quarter of 2023, we implemented a consistent reporting approach across the most material entities that contribute to our trading and fair value net assets, which resulted in an increase to the associated funding costs reported through the intersegment elimination in Corporate Centre.
- Includes an impairment loss of \$3.0bn recognised in respect of the Group's investment in BoCom. See Note 18 on page 391.

Reported external net operating income is attributed to countries and territories on the basis of the location of the branch responsible for reporting the results or advancing the funds:

	2023	2022 ¹	2021
	\$m	\$m	\$m
Reported external net operating income/(expense) by country/territory²	66,058	50,620	49,552
– UK	11,027	11,710	10,909
– Hong Kong	20,185	15,454	14,245
– US	3,816	3,893	3,795
– France	4,208	(177)	2,179
– other countries/territories	26,822	19,740	18,424

- From 1 January 2023, we adopted IFRS 17 'Insurance Contracts', which replaced IFRS 4 'Insurance Contracts'. Comparative data for the financial year ended 31 December 2022 have been restated accordingly. Comparative data for the year ended 31 December 2021 are prepared on an IFRS 4 basis.
- Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.

Constant currency results reconciliation

	2023	2022 ¹		2021	
	Reported and constant currency	Constant currency	Currency translation	Constant currency	Currency translation
	\$m	\$m	\$m	\$m	\$m
Revenue ²	66,058	49,871	(749)	50,620	(3,473)
ECL	(3,447)	(3,630)	(46)	(3,584)	758
Operating expenses	(32,070)	(32,302)	399	(32,701)	2,376
Share of profit in associates and joint ventures less impairment ³	(193)	2,602	(121)	2,723	(239)
Profit before tax	30,348	16,541	(517)	17,058	(1,506)

- From 1 January 2023, we adopted IFRS 17 'Insurance Contracts', which replaced IFRS 4 'Insurance Contracts'. Comparative data for the financial year ended 31 December 2022 have been restated accordingly. Comparative data for the year ended 31 December 2021 are prepared on an IFRS 4 basis.
- Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.
- Includes an impairment loss of \$3.0bn recognised in respect of the Group's investment in BoCom. See Note 18 on page 391.

Constant currency balance sheet reconciliation

	2023	2022 ¹		2021			
	Reported and constant currency \$m	Constant currency \$m	Currency translation \$m	Reported \$m	Constant currency \$m	Currency translation \$m	Reported \$m
Loans and advances to customers (net)	938,535	941,548	(17,987)	923,561	1,010,812	35,002	1,045,814
Interests in associates and joint ventures	27,344	28,783	471	29,254	27,661	1,948	29,609
Total external assets	3,038,677	3,007,684	(58,398)	2,949,286	2,860,703	97,236	2,957,939
Customer accounts	1,611,647	1,598,495	(28,192)	1,570,303	1,653,187	57,387	1,710,574

¹ From 1 January 2023, we adopted IFRS 17 'Insurance Contracts', which replaced IFRS 4 'Insurance Contracts'. Comparative data for the financial year ended 31 December 2022 have been restated accordingly. Comparative data for the year ended 31 December 2021 are prepared on an IFRS 4 basis.

Notable items

	2023 \$m	2022 \$m	2021 \$m
Year ended 31 Dec			
Notable items			
Revenue			
Disposals, acquisitions and related costs ^{1,2}	1,298	(2,737)	—
Fair value movements on financial instruments ³	14	(618)	(221)
Restructuring and other related costs	—	(247)	(307)
Disposal losses on Markets Treasury repositioning	(977)	—	—
Operating expenses			
Disposals, acquisitions and related costs	(321)	(18)	—
Impairment of non-financial items	—	—	(587)
Restructuring and other related costs ⁴	136	(2,882)	(1,836)
Impairment of interests in associates⁵	(3,000)	—	—

¹ Includes the impact of the sale of our retail banking operations in France.

² Includes the provisional gain of \$1.6bn recognised in respect of the acquisition of SVB UK.

³ Fair value movements on non-qualifying hedges in HSBC Holdings.

⁴ Amounts in 2023 relate to reversals of restructuring provisions recognised during 2022.

⁵ Relates to an impairment loss of \$3.0bn recognised in respect of the Group's investment in BoCom. See Note 18 on page 391.

11 Trading assets

	2023 \$m	2022 \$m
Treasury and other eligible bills	24,433	22,897
Debt securities	106,108	78,126
Equity securities	123,663	88,026
Trading securities	254,204	189,049
Loans and advances to banks ¹	9,761	8,769
Loans and advances to customers ¹	25,194	20,275
Year ended 31 Dec	289,159	218,093

¹ Loans and advances to banks and customers include reverse repos, stock borrowing and other accounts.

12 Fair values of financial instruments carried at fair value

Control framework

Fair values are subject to a control framework designed to ensure that they are either determined or validated by a function independent of the risk taker.

Where fair values are determined by reference to externally quoted prices or observable pricing inputs to models, independent price determination or validation is used. For inactive markets, HSBC sources alternative market information, with greater weight given to information that is considered to be more relevant and reliable. Examples of the factors considered are price observability, instrument comparability, consistency of data sources, underlying data accuracy and timing of prices.

For fair values determined using valuation models, the control framework includes development or validation by independent support functions of the model logic, inputs, model outputs and adjustments. Valuation models are subject to a process of due diligence before becoming operational and are calibrated against external market data on an ongoing basis.

Changes in fair value are generally subject to a profit and loss analysis process and are disaggregated into high-level categories including portfolio changes, market movements and other fair value adjustments.

The majority of financial instruments measured at fair value are in GBM. GBM's fair value governance structure comprises its Finance function, Valuation Committees and a Valuation Committee Review Group. Finance is responsible for establishing procedures governing valuation and ensuring fair values are in compliance with accounting standards. The fair values are reviewed by the Valuation Committees, which consist of independent support functions. These committees are overseen by the Valuation Committee Review Group, which considers all material subjective valuations.

Financial liabilities measured at fair value

In certain circumstances, HSBC records its own debt in issue at fair value, based on quoted prices in an active market for the specific instrument. When quoted market prices are unavailable, the own debt in issue is valued using valuation techniques, the inputs for which are either based on quoted prices in an inactive market for the instrument or are estimated by comparison with quoted prices in an active market for similar instruments. In both cases, the fair value includes the effect of applying the credit spread that is appropriate to HSBC's liabilities. The change in fair value of issued debt securities attributable to the Group's own credit spread is computed as follows: for each security at each reporting date, an externally verifiable price is obtained or a price is derived using credit spreads for similar securities for the same issuer. Then, using discounted cash flow, each security is valued using an appropriate market discount curve. The difference in the valuations is attributable to the Group's own credit spread. This methodology is applied consistently across all securities.

Structured notes issued and certain other hybrid instruments are reported as financial liabilities designated at fair value. The credit spread applied to these instruments is derived from the spreads at which HSBC issues structured notes.

Gains and losses arising from changes in the credit spread of liabilities issued by HSBC, recorded in other comprehensive income, reverse over the contractual life of the debt, provided that the debt is not repaid at a premium or a discount.

Fair value hierarchy

Fair values of financial assets and liabilities are determined according to the following hierarchy:

- Level 1 – valuation technique using quoted market price. These are financial instruments with quoted prices for identical instruments in active markets that HSBC can access at the measurement date.
- Level 2 – valuation technique using observable inputs. These are financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Level 3 – valuation technique with significant unobservable inputs. These are financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

Financial instruments carried at fair value and bases of valuation

	2023				2022 ¹			
	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Recurring fair value measurements at 31 Dec								
Assets								
Trading assets	202,020	82,833	4,306	289,159	148,592	64,684	4,817	218,093
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	27,030	63,825	19,788	110,643	23,146	59,548	17,407	100,101
Derivatives	931	226,714	2,069	229,714	2,917	279,278	1,964	284,159
Financial investments	215,228	76,591	2,618	294,437	181,659	71,040	2,961	255,660
Liabilities								
Trading liabilities	53,354	19,318	478	73,150	44,787	27,092	474	72,353
Financial liabilities designated at fair value	1,266	129,232	10,928	141,426	1,125	115,764	10,432	127,321
Derivatives	1,918	230,285	2,569	234,772	2,399	280,443	2,920	285,762

¹ From 1 January 2023, we adopted IFRS 17 'Insurance Contracts', which replaced IFRS 4 'Insurance Contracts'. We have restated 2022 comparative data.

The table below provides the fair value levelling of assets held for sale and liabilities of disposal groups that have been classified as held for sale in accordance with IFRS 5. For further details, see Note 23.

Financial instruments carried at fair value and bases of valuation – assets and liabilities held for sale

	2023				2022			
	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Recurring fair value measurements at 31 Dec								
Assets								
Trading assets	2,403	61	—	2,465	2,932	244	—	3,176
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	—	15	49	64	—	14	47	61
Derivatives	—	528	—	528	—	866	—	866
Financial investments	9,357	—	28	9,385	11,184	—	—	11,184
Liabilities								
Trading liabilities	1,352	64	—	1,417	2,572	182	—	2,754
Financial liabilities designated at fair value	—	2,370	—	2,370	—	3,523	—	3,523
Derivatives	—	615	—	615	—	813	—	813

Transfers between Level 1 and Level 2 fair values

	Assets				Liabilities			
	Financial investments	Trading assets	Designated and otherwise mandatorily measured at fair value	Derivatives	Trading liabilities	Designated at fair value	Derivatives	
								\$m
At 31 Dec 2023								
Transfers from Level 1 to Level 2	13,200	8,066	1,709	—	54	—	—	
Transfers from Level 2 to Level 1	9,975	5,758	2,477	—	309	—	—	
At 31 Dec 2022								
Transfers from Level 1 to Level 2	4,721	5,284	2,565	—	113	—	—	
Transfers from Level 2 to Level 1	8,208	5,964	3,340	—	233	—	—	

Transfers between levels of the fair value hierarchy are deemed to occur at the end of each quarterly reporting period. Transfers into and out of levels of the fair value hierarchy are primarily attributable to observability of valuation inputs and price transparency.

Fair value adjustments

We adopt the use of fair value adjustments when we take into consideration additional factors not incorporated within the valuation model that would otherwise be considered by a market participant. We classify fair value adjustments as either 'risk-related' or 'model-related'. The majority of these adjustments relate to GBM. Movements in the amount of fair value adjustments do not necessarily translate in equivalent movements of profits or losses within the income statement, as these movements can be compensated by other related profits or loss effects. For example, as models are enhanced, fair value adjustments may no longer be required. Similarly, fair value adjustments will decrease when the related positions are unwound, but this may not result in profit or loss.

Global Banking and Markets fair value adjustments

Type of adjustment	2023		2022	
	GBM	Corporate Centre	GBM	Corporate Centre
	\$m	\$m	\$m	\$m
Risk-related	692	41	650	40
– bid-offer	414	—	426	—
– uncertainty	75	3	86	—
– credit valuation adjustment	164	35	245	35
– debit valuation adjustment	(54)	—	(175)	—
– funding fair value adjustment	93	3	68	5
Model-related	63	—	61	—
– model limitation	63	—	61	—
Inception profit (Day 1 P&L reserves)	86	—	97	—
At 31 Dec	841	41	808	40

The increase in fair value adjustments was predominantly driven by the reduction in the debit valuation adjustment including a consideration of the overlap with the funding fair value adjustment. This was partly offset by reductions from changes to exposure, and tightening of credit and liquidity market spreads.

Bid-offer

IFRS 13 'Fair Value Measurement' requires the use of the price within the bid-offer spread that is most representative of fair value. Valuation models will typically generate mid-market values. The bid-offer adjustment reflects the extent to which bid-offer costs would be incurred if substantially all residual net portfolio market risks were closed using available hedging instruments or by disposing of or unwinding the position.

Uncertainty

Certain model inputs may be less readily determinable from market data and/or the choice of model itself may be more subjective. In these circumstances, an adjustment may be necessary to reflect the likelihood that market participants would adopt more conservative values for uncertain parameters and/or model assumptions than those used in HSBC's valuation model.

Credit and debit valuation adjustments

The credit valuation adjustment ('CVA') is an adjustment to the valuation of over-the-counter ('OTC') derivative contracts to reflect the possibility that the counterparty may default and that HSBC may not receive the full market value of the transactions.

The debit valuation adjustment ('DVA') is an adjustment to the valuation of OTC derivative contracts to reflect the possibility that HSBC may default, and that it may not pay the full market value of the transactions. The DVA considers the overlap with the funding fair value adjustment.

HSBC calculates a separate CVA and DVA for each legal entity, and for each counterparty to which the entity has exposure. With the exception of central clearing parties, all third-party counterparties are included in the CVA and DVA calculations, and these adjustments are not netted across Group entities.

HSBC calculates the CVA by applying the probability of default ('PD') of the counterparty, conditional on the non-default of HSBC, to HSBC's expected positive exposure to the counterparty and multiplying the result by the loss expected in the event of default. Conversely, HSBC calculates the DVA by applying the PD of HSBC, conditional on the non-default of the counterparty, to the expected positive exposure of the counterparty to HSBC and multiplying the result by the loss expected in the event of default. Both calculations are performed over the life of the potential exposure.

For most products HSBC uses a simulation methodology, which incorporates a range of potential exposures over the life of the portfolio, to calculate the expected positive exposure to a counterparty. The simulation methodology includes credit mitigants, such as counterparty netting agreements and collateral agreements with the counterparty.

Notes on the financial statements

The methodologies do not, in general, account for 'wrong-way risk'. Wrong-way risk is an adverse correlation between the counterparty's probability of default and the mark-to-market value of the underlying transaction. The risk can either be general, perhaps related to the currency of the issuer country, or specific to the transaction concerned. When there is significant wrong-way risk, a trade-specific approach is applied to reflect this risk in the valuation.

Funding fair value adjustment

The funding fair value adjustment ('FFVA') is calculated by applying future market funding spreads to the expected future funding exposure of any uncollateralised component of the OTC derivative portfolio. The expected future funding exposure is calculated by a simulation methodology, where available, and is adjusted for events that may terminate the exposure, such as the default of HSBC or the counterparty.

Model limitation

Models used for portfolio valuation purposes may be based upon a simplified set of assumptions that do not capture all current and future material market characteristics. In these circumstances, model limitation adjustments are adopted.

Inception profit (Day 1 P&L reserves)

Inception profit adjustments are adopted when the fair value estimated by a valuation model is based on one or more significant unobservable inputs. The accounting for inception profit adjustments is discussed in Note 1.

Fair value valuation bases

Financial instruments measured at fair value using a valuation technique with significant unobservable inputs – Level 3

	Assets					Liabilities			
	Financial investments	Trading assets	Designated and otherwise mandatorily measured at fair value through profit or loss	Derivatives	Total	Trading liabilities	Designated at fair value		
							Derivatives	Total	Total
\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Private equity including strategic investments	507	7	17,640	—	18,154	—	1	—	1
Asset-backed securities	309	128	8	—	445	—	—	—	—
Structured notes	—	—	3	—	3	—	10,331	—	10,331
Other derivatives	—	—	—	2,069	2,069	—	—	2,569	2,569
Other portfolios	1,802	4,171	2,137	—	8,110	478	596	—	1,074
At 31 Dec 2023	2,618	4,306	19,788	2,069	28,781	478	10,928	2,569	13,975
Private equity including strategic investments	647	19	15,653	—	16,319	92	—	—	92
Asset-backed securities	438	208	95	—	741	—	—	—	—
Structured notes	—	—	—	—	—	—	10,432	—	10,432
Other derivatives	—	—	—	1,964	1,964	—	—	2,920	2,920
Other portfolios	1,876	4,590	1,659	—	8,125	382	—	—	382
At 31 Dec 2022	2,961	4,817	17,407	1,964	27,149	474	10,432	2,920	13,826

Level 3 instruments are present in both ongoing and legacy businesses. Loans held for securitisation, derivatives with monolines, certain 'other derivatives' and predominantly all Level 3 asset-backed securities are legacy positions. HSBC has the capability to hold these positions.

Private equity including strategic investments

The fair value of a private equity investment (including strategic investments) is estimated on the basis of an analysis of the investee's financial position and results, risk profile, prospects and other factors; by reference to market valuations for similar entities quoted in an active market; the price at which similar companies have changed ownership; or from published net asset values ('NAV') received. If necessary, adjustments are made to the NAV of funds to obtain the best estimate of fair value.

Asset-backed securities

While quoted market prices are generally used to determine the fair value of the asset-backed securities ('ABSs'), valuation models are used to substantiate the reliability of the limited market data available and to identify whether any adjustments to quoted market prices are required. For certain ABSs, such as residential mortgage-backed securities, the valuation uses an industry standard model with assumptions relating to prepayment speeds, default rates and loss severity based on collateral type, and performance, as appropriate. The valuations output is benchmarked for consistency against observable data for securities of a similar nature.

Structured notes

The fair value of Level 3 structured notes is derived from the fair value of the underlying debt security, and the fair value of the embedded derivative is determined as described in the paragraph below on derivatives. These structured notes comprise principally equity-linked notes issued by HSBC, which provide the counterparty with a return linked to the performance of equity securities and other portfolios.

Examples of the unobservable parameters include long-dated equity volatilities and correlations between equity prices, and interest and foreign exchange rates.

Derivatives

OTC derivative valuation models calculate the present value of expected future cash flows, based upon 'no arbitrage' principles. For many vanilla derivative products, the modelling approaches used are standard across the industry. For more complex derivative products, there may be some differences in market practice. Inputs to valuation models are determined from observable market data wherever possible, including prices available from exchanges, dealers, brokers or providers of consensus pricing. Certain inputs may not be observable in the market directly, but can be determined from observable prices via model calibration procedures or estimated from historical data or other sources.

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy

Movement in Level 3 financial instruments

	Assets				Liabilities			
	Financial investments	Trading assets	Designated and otherwise mandatorily measured at fair value through profit or loss	Derivatives	Trading liabilities	Designated at fair value	Derivatives	
								\$m
At 1 Jan 2023	2,961	4,817	17,407	1,964	474	10,432	2,920	
Total gains/(losses) recognised in profit or loss	(44)	266	921	692	75	97	910	
– net income/(losses) from financial instruments held for trading or managed on a fair value basis	–	266	–	692	75	97	910	
– changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	–	–	921	–	–	–	–	
– gains less losses from financial investments at fair value through other comprehensive income	(44)	–	–	–	–	–	–	
Total gains/(losses) recognised in other comprehensive income ('OCI') ¹	28	108	87	81	24	523	111	
– financial investments: fair value gains/(losses)	(44)	–	–	–	–	335	–	
– exchange differences	72	108	87	81	24	188	111	
Purchases	353	2,276	3,555	–	291	–	–	
New issuances	–	2	–	–	2	5,389	–	
Sales	(290)	(2,478)	(658)	–	(320)	(2)	–	
Settlements	(352)	(872)	(1,886)	(1,018)	(74)	(3,258)	(1,565)	
Transfers out	(662)	(922)	(156)	(240)	(45)	(2,881)	(358)	
Transfers in	624	1,109	518	590	51	628	551	
At 31 Dec 2023	2,618	4,306	19,788	2,069	478	10,928	2,569	
Unrealised gains/(losses) recognised in profit or loss relating to assets and liabilities held at 31 Dec 2023	–	(152)	82	737	–	(433)	(903)	
– net income/(losses) from financial instruments held for trading or managed on a fair value basis	–	(152)	–	737	–	–	(903)	
– changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	–	–	82	–	–	(433)	–	
At 1 Jan 2022	3,389	2,662	14,238	2,478	785	7,880	3,088	
IFRS 17 impacts	(12)	–	1,468	–	–	–	–	
At 1 Jan 2022 (as restated)	3,377	2,662	15,706	2,478	785	7,880	3,088	
Total gains/(losses) recognised in profit or loss	(4)	(245)	132	390	(52)	(1,334)	1,014	
– net income/(losses) from financial instruments held for trading or managed on a fair value basis	–	(245)	–	390	(52)	–	1,014	
– changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	–	–	132	–	–	(1,334)	–	
– gains less losses from financial investments at fair value through other comprehensive income	(4)	–	–	–	–	–	–	
Total gains/(losses) recognised in other comprehensive income ('OCI') ¹	(325)	(137)	(217)	(219)	(11)	(345)	(226)	
– financial investments: fair value gains/(losses)	(202)	–	–	–	–	82	–	
– exchange differences	(123)	(137)	(217)	(219)	(11)	(427)	(226)	
Purchases	1,048	3,436	4,410	–	178	–	–	
New issuances	1	–	–	–	8	4,183	–	
Sales	(240)	(1,102)	(801)	–	(152)	(94)	–	
Settlements	(464)	(1,273)	(1,883)	(918)	(644)	182	(993)	
Transfers out	(489)	(442)	(76)	(409)	(18)	(1,296)	(632)	
Transfers in	57	1,918	136	642	380	1,256	669	
At 31 Dec 2022	2,961	4,817	17,407	1,964	474	10,432	2,920	
Unrealised gains/(losses) recognised in profit or loss relating to assets and liabilities held at 31 Dec 2022	–	(100)	(158)	707	2	100	2,779	
– net income/(losses) from financial instruments held for trading or managed on a fair value basis	–	(100)	–	707	2	–	2,779	
– changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	–	–	(158)	–	–	100	–	

¹ Included in 'financial investments: fair value gains/(losses)' in the current year and 'exchange differences' in the consolidated statement of comprehensive income.

Transfers between levels of the fair value hierarchy are deemed to occur at the end of each quarterly reporting period. Transfers into and out of levels of the fair value hierarchy are primarily attributable to observability of valuation inputs and price transparency.

Effect of changes in significant unobservable assumptions to reasonably possible alternatives

Sensitivity of fair values to reasonably possible alternative assumptions

	2023				2022			
	Reflected in profit or loss		Reflected in OCI		Reflected in profit or loss		Reflected in OCI	
	Favourable changes	Un-favourable changes	Favourable changes	Un-favourable changes	Favourable changes	Un-favourable changes	Favourable changes	Un-favourable changes
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Derivatives, trading assets and trading liabilities ¹	492	(531)	—	—	264	(291)	—	—
Financial assets and liabilities designated and otherwise mandatorily measured at fair value through profit or loss	1,092	(1,100)	—	—	981	(978)	—	—
Financial investments	13	(12)	61	(66)	11	(11)	65	(55)
At 31 Dec	1,597	(1,643)	61	(66)	1,256	(1,280)	65	(55)

1 'Derivatives, trading assets and trading liabilities' are presented as one category to reflect the manner in which these instruments are risk-managed.

The sensitivity analysis aims to measure a range of fair values consistent with the application of a 95% confidence interval. Methodologies take account of the nature of the valuation technique employed, as well as the availability and reliability of observable proxy and historical data.

When the fair value of a financial instrument is affected by more than one unobservable assumption, the above table reflects the most favourable or the most unfavourable change from varying the assumptions individually.

Key unobservable inputs to Level 3 financial instruments

The following table lists key unobservable inputs to Level 3 financial instruments and provides the range of those inputs at 31 December 2023.

Quantitative information about significant unobservable inputs in Level 3 valuations

	Fair value			Key valuation techniques	Key unobservable inputs	2023		2022	
	Assets	Liabilities	Key valuation techniques			Full range of inputs		Full range of inputs	
	\$m	\$m				Lower	Higher	Lower	Higher
Private equity including strategic investments	18,154	1	See below	See below					
Asset-backed securities	445	—							
– collateralised loan/debt obligation	44	—	Market proxy	Bid quotes	—	94	—	92	
– other ABSs	401	—	Market proxy	Bid quotes	—	220	—	99	
Structured notes	3	10,331							
– equity-linked notes	3	7,054	Model – Option model	Equity volatility	6%	154%	6%	142%	
			Model – Option model	Equity correlation	34%	100%	32%	99%	
– Foreign exchange-linked notes	—	1,733	Model – Option model	Foreign exchange volatility	1%	34%	3%	37%	
– other	—	1,544							
Derivatives	2,069	2,569							
– interest rate derivatives	864	784							
– securitisation swaps	146	136	Model – Discounted cash flow	Prepayment rate	5%	10%	5%	10%	
– long-dated swaptions	57	69	Model – Option model	Interest rate volatility	11%	37%	8%	53%	
– other	661	579							
– Foreign exchange derivatives	308	427							
– Foreign exchange options	255	356	Model – Option model	Foreign exchange volatility	1%	31%	1%	46%	
– other	53	71							
– equity derivatives	600	981							
– long-dated single stock options	391	609	Model – Option model	Equity volatility	6%	110%	7%	153%	
– other	209	372							
– credit derivatives	297	377							
Other portfolios	8,110	1,074							
– repurchase agreements	1,090	310	Model – Discounted cash flow	Interest rate curve	3%	8%	1%	9%	
– bonds	3,278	1	Market proxy	Mid quotes	—	101	—	102	
– other ¹	3,742	763							
At 31 Dec 2023	28,781	13,975							

1 'Other' includes a range of smaller asset holdings.

The range of values above shows the highest and lowest unobservable inputs that have been used to value significant Level 3 exposures and reflects the diversity of the underlying financial instruments in scope and subsequent differentiation in pricing.

Private equity including strategic investments

Given the bespoke nature of the analysis in respect of each private equity holding, it is not practical to quote a range of key unobservable inputs. The valuation approach includes using a range of inputs that include company-specific financials, traded comparable companies multiples, published net asset values and qualitative assumptions, which are not directly comparable or quantifiable.

Prepayment rates

Prepayment rates are a measure of the anticipated future speed at which a loan portfolio will be repaid in advance of the due date. They vary according to the nature of the loan portfolio and expectations of future market conditions, and may be estimated using a variety of evidence, such as prepayment rates implied from proxy observable security prices, current or historical prepayment rates and macroeconomic modelling.

Market proxy

Market proxy pricing may be used for an instrument when specific market pricing is not available but there is evidence from instruments with common characteristics. In some cases it might be possible to identify a specific proxy, but more generally evidence across a wider range of instruments will be used to understand the factors that influence current market pricing and the manner of that influence.

Volatility

Volatility is a measure of the anticipated future variability of a market price. It varies by underlying reference market price, and by strike and maturity of the option. Certain volatilities, typically those of a longer-dated nature, are unobservable and are estimated from observable data. The range of unobservable volatilities reflects the wide variation in volatility inputs by reference market price.

Correlation

Correlation is a measure of the inter-relationship between two market variables and is expressed as a number between minus one and one. It is used to value more complex instruments where the payout is dependent upon more than one market variable. There is a wide range of instruments for which correlation is an input, and consequently a wide range of both same-asset correlations and cross-asset correlations is used. In general, the range of same-asset correlations will be narrower than the range of cross-asset correlations.

Unobservable correlations may be estimated based upon a range of evidence, including consensus pricing services, HSBC trade prices, proxy correlations and examination of historical price relationships. The range of unobservable correlations quoted in the table reflects the wide variation in correlation inputs by market variable pair.

Credit spread

Credit spread is the premium over a benchmark interest rate required by the market to accept lower credit quality. In a discounted cash flow model, the credit spread increases the discount factors applied to future cash flows, thereby reducing the value of an asset. Credit spreads may be implied from market prices and may not be observable in more illiquid markets.

Inter-relationships between key unobservable inputs

Key unobservable inputs to Level 3 financial instruments may not be independent of each other. As described above, market variables may be correlated. This correlation typically reflects the manner in which different markets tend to react to macroeconomic or other events. Furthermore, the effect of changing market variables on the HSBC portfolio will depend on HSBC's net risk position in respect of each variable.

HSBC Holdings

Basis of valuing HSBC Holdings' financial assets and liabilities measured at fair value

	2023	2022
	\$m	\$m
Valuation technique using observable inputs: Level 2		
Assets at 31 Dec		
– derivatives	3,344	3,801
– designated and otherwise mandatorily measured at fair value through profit or loss	59,879	52,322
Liabilities at 31 Dec		
– designated at fair value	43,638	32,123
– derivatives	6,090	6,922

13 Fair values of financial instruments not carried at fair value

Fair values of financial instruments not carried at fair value and bases of valuation

	Fair value				Total \$m
	Carrying amount \$m	Quoted market price Level 1 \$m	Observable inputs Level 2 \$m	Significant unobservable inputs Level 3 \$m	
At 31 Dec 2023					
Assets					
Loans and advances to banks	112,902	2	111,263	1,479	112,744
Loans and advances to customers	938,535	—	13,258	911,124	924,382
Reverse repurchase agreements – non-trading	252,217	—	252,243	—	252,243
Financial investments – at amortised cost	148,326	115,383	30,765	440	146,588
Liabilities					
Deposits by banks	73,163	—	73,176	—	73,176
Customer accounts	1,611,647	—	1,611,795	—	1,611,795
Repurchase agreements – non-trading	172,100	—	172,081	—	172,081
Debt securities in issue	93,917	—	93,196	706	93,902
Subordinated liabilities	24,954	—	27,151	—	27,151
At 31 Dec 2022¹					
Assets					
Loans and advances to banks	104,475	4	103,641	814	104,459
Loans and advances to customers	923,561	—	8,791	903,107	911,898
Reverse repurchase agreements – non-trading	253,754	—	253,668	—	253,668
Financial investments – at amortised cost	109,066	84,087	21,850	475	106,412
Liabilities					
Deposits by banks	66,722	—	66,831	—	66,831
Customer accounts	1,570,303	—	1,570,209	—	1,570,209
Repurchase agreements – non-trading	127,747	—	127,500	—	127,500
Debt securities in issue	78,149	—	76,640	381	77,021
Subordinated liabilities	22,290	—	22,723	—	22,723

¹ From 1 January 2023, we adopted IFRS 17 'Insurance Contracts', which replaced IFRS 4 'Insurance Contracts'. Comparative data for the financial year ended 31 December 2022 have been restated accordingly. Comparative data for the year ended 31 December 2021 are prepared on an IFRS 4 basis.

Fair values of financial instruments not carried at fair value and bases of valuation – assets and disposal groups held for sale

	Fair value				Total \$m
	Carrying amount \$m	Quoted market price Level 1 \$m	Observable inputs Level 2 \$m	Significant unobservable inputs Level 3 \$m	
At 31 Dec 2023					
Assets					
Loans and advances to banks	10,487	—	10,487	—	10,487
Loans and advances to customers	73,376	—	90	72,200	72,290
Reverse repurchase agreements – non-trading	2,723	—	2,723	—	2,723
Financial investments – at amortised cost	7,624	7,530	—	5	7,535
Liabilities					
Deposits by banks	78	—	78	—	78
Customer accounts	85,950	—	86,475	—	86,475
Repurchase agreements – non-trading	2,768	—	2,768	—	2,768
Debt securities in issue	9,084	—	8,820	—	8,820
Subordinated liabilities	8	—	7	—	7
At 31 Dec 2022					
Assets					
Loans and advances to banks	253	—	257	—	257
Loans and advances to customers	80,687	—	111	78,048	78,159
Reverse repurchase agreements – non-trading	4,646	—	4,646	—	4,646
Financial investments – at amortised cost	6,165	6,042	—	—	6,042
Liabilities					
Deposits by banks	64	—	64	—	64
Customer accounts	85,274	—	85,303	—	85,303
Repurchase agreements – non-trading	3,266	—	3,266	—	3,266
Debt securities in issue	12,928	—	12,575	—	12,575
Subordinated liabilities	8	—	7	—	7

Other financial instruments not carried at fair value are typically short term in nature and reprice to current market rates frequently. Accordingly, their carrying amount is a reasonable approximation of fair value. They include cash and balances at central banks, items in the course of collection from and transmission to other banks, Hong Kong Government certificates of indebtedness and Hong Kong currency notes in circulation, all of which are measured at amortised cost.

Valuation

Fair value is an estimate of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This may be different from the theoretical economic value attributed from an instrument's cash flows over its expected future life. Our valuation methodologies and assumptions in determining fair values for which no observable market prices are available may differ from those of other companies.

Loans and advances to banks and customers

To determine the fair value of loans and advances to banks and customers, loans are segregated into portfolios of similar characteristics. Fair values are based on observable market transactions, when available. When they are unavailable, fair values are estimated using valuation models incorporating a range of input assumptions. These assumptions may include: value estimates from third-party brokers reflecting over-the-counter trading activity; forward-looking discounted cash flow models, taking account of expected customer prepayment rates, using assumptions that HSBC believes are consistent with those that would be used by market participants in valuing such loans; recent origination pricing for similar loans; and trading inputs from other market participants including observed primary and secondary trades. From time to time, we may engage a third-party valuation specialist to measure the fair value of a pool of loans.

The fair value of loans reflects expected credit losses at the balance sheet date and estimates of market participants' expectations of credit losses over the life of the loans, and the fair value effect of repricing between origination and the balance sheet date. For credit-impaired loans, fair value is estimated by discounting the future cash flows over the time period they are expected to be recovered.

Financial investments

The fair values of listed financial investments are determined using bid market prices. The fair values of unlisted financial investments are determined using valuation techniques that incorporate the prices and future earnings streams of equivalent quoted securities.

Deposits by banks and customer accounts

The fair values of on-demand deposits are approximated by their carrying amount. For deposits with longer-term maturities, fair values are estimated using discounted cash flows, applying current rates offered for deposits of similar remaining maturities.

Debt securities in issue and subordinated liabilities

Fair values in debt securities in issue and subordinated liabilities are determined using quoted market prices at the balance sheet date where available, or by reference to quoted market prices for similar instruments.

Repurchase and reverse repurchase agreements – non-trading

Fair values of repurchase and reverse repurchase agreements that are held on a non-trading basis provide approximate carrying amounts. This is due to the fact that balances are generally short dated.

HSBC Holdings

The methods used by HSBC Holdings to determine fair values of financial instruments for the purposes of measurement and disclosure are described above.

Fair values of HSBC Holdings' financial instruments not carried at fair value on the balance sheet

	2023		2022	
	Carrying amount \$m	Fair value ¹ \$m	Carrying amount \$m	Fair value ¹ \$m
Assets at 31 Dec				
Loans and advances to HSBC undertakings	27,354	27,878	26,765	26,962
Financial investments – at amortised cost	19,558	19,531	19,466	19,314
Liabilities at 31 Dec				
Debt securities in issue	65,239	65,172	66,938	65,364
Subordinated liabilities	24,439	26,651	19,727	20,644

¹ Fair values (other than Level 1 financial investments) were determined using valuation techniques with observable inputs (Level 2).

14 Financial assets designated and otherwise mandatorily measured at fair value through profit or loss

	2023			2022 ¹		
	Designated at fair value \$m	Mandatorily measured at fair value \$m	Total \$m	Designated at fair value \$m	Mandatorily measured at fair value \$m	Total \$m
Securities	2,353	101,152	103,505	3,096	91,936	95,032
– treasury and other eligible bills	695	724	1,419	649	869	1,518
– debt securities	1,658	60,045	61,703	2,447	56,633	59,080
– equity securities	—	40,383	40,383	—	34,434	34,434
Loans and advances to banks and customers	371	5,495	5,866	—	3,455	3,455
Other	—	1,272	1,272	—	1,614	1,614
At 31 Dec	2,724	107,919	110,643	3,096	97,005	100,101

¹ From 1 January 2023, we adopted IFRS 17 'Insurance Contracts', which replaced IFRS 4 'Insurance Contracts'. We have restated 2022 comparative data.

15 Derivatives

Notional contract amounts and fair values of derivatives by product contract type held by HSBC

	Notional contract amount		Fair value – Assets			Fair value – Liabilities		
	Trading \$m	Hedging \$m	Trading \$m	Hedging \$m	Total \$m	Trading \$m	Hedging \$m	Total \$m
Foreign exchange	9,463,768	63,547	99,014	935	99,949	99,949	780	100,729
Interest rate	14,853,397	361,312	223,534	5,119	228,653	225,443	4,080	229,523
Equities	677,149	—	14,427	—	14,427	17,603	—	17,603
Credit	153,606	—	1,351	—	1,351	1,861	—	1,861
Commodity and other	90,007	—	1,820	—	1,820	1,542	—	1,542
Gross total fair values	25,237,927	424,859	340,146	6,054	346,200	346,398	4,860	351,258
Offset (Note 31)					(116,486)			(116,486)
At 31 Dec 2023	25,237,927	424,859	340,146	6,054	229,714	346,398	4,860	234,772
Foreign exchange	8,434,453	38,924	122,206	525	122,731	123,088	166	123,254
Interest rate	15,213,232	276,589	285,449	5,066	290,515	287,876	3,501	291,377
Equities	570,410	—	9,325	—	9,325	9,176	—	9,176
Credit	183,995	—	1,091	—	1,091	1,264	—	1,264
Commodity and other	78,414	—	1,484	—	1,484	1,678	—	1,678
Gross total fair values	24,480,504	315,513	419,555	5,591	425,146	423,082	3,667	426,749
Offset (Note 31)					(140,987)			(140,987)
At 31 Dec 2022	24,480,504	315,513	419,555	5,591	284,159	423,082	3,667	285,762

1 From 1 January 2023, we adopted IFRS 17 'Insurance Contracts', which replaced IFRS 4 'Insurance Contracts'. We have restated 2022 comparative data.

The notional contract amounts of derivatives held for trading purposes and derivatives designated in hedge accounting relationships indicate the nominal value of transactions outstanding at the balance sheet date. They do not represent amounts at risk.

Derivative assets and liabilities decreased during 2023, driven by yield curve movements and changes in foreign exchange rates.

Notional contract amounts and fair values of derivatives by product contract type held by HSBC Holdings with subsidiaries

	Notional contract amount		Assets			Liabilities		
	Trading \$m	Hedging \$m	Trading \$m	Hedging \$m	Total \$m	Trading \$m	Hedging \$m	Total \$m
Foreign exchange	66,711	—	486	—	486	1,705	—	1,705
Interest rate	33,480	92,268	1,730	1,128	2,858	747	3,638	4,385
At 31 Dec 2023	100,191	92,268	2,216	1,128	3,344	2,452	3,638	6,090
Foreign exchange	60,630	—	502	—	502	1,683	—	1,683
Interest rate	34,322	81,873	2,386	913	3,299	826	4,413	5,239
At 31 Dec 2022	94,952	81,873	2,888	913	3,801	2,509	4,413	6,922

Use of derivatives

For details regarding the use of derivatives, see page 220 under 'Market risk'.

Trading derivatives

Most of HSBC's derivative transactions relate to sales and trading activities. Sales activities include the structuring and marketing of derivative products to customers to enable them to take, transfer, modify or reduce current or expected risks. Trading activities include market-making and risk management. Market-making entails quoting bid and offer prices to other market participants for the purpose of generating revenue based on spread and volume. Risk management activity is undertaken to manage the risk arising from client transactions, with the principal purpose of retaining client margin. Other derivatives classified as held for trading include non-qualifying hedging derivatives.

Substantially all of HSBC Holdings' derivatives entered into with subsidiaries are managed in conjunction with financial liabilities.

Hedge accounting derivatives

HSBC applies hedge accounting to manage the following risks: interest rate and foreign exchange risks. Further details of how these risks arise and how they are managed by the Group can be found in the 'Risk review'.

Hedged risk components

HSBC designates a portion of cash flows of a financial instrument or a group of financial instruments for a specific interest rate or foreign currency risk component in a fair value or cash flow hedge. The designated risks and portions are either contractually specified or otherwise separately identifiable components of the financial instrument that are reliably measurable. Risk-free or benchmark interest rates generally are regarded as being both separately identifiable and reliably measurable, except for the Interest Rate Benchmark Reform Phase 2 transition where HSBC designates alternative benchmark rates as the hedged risk which may not have been separately identifiable upon initial designation, provided HSBC reasonably expects it will meet the requirement within 24 months from the first designation date. The designated risk components account for a significant portion of the overall changes in fair value or cash flows of the hedged items.

HSBC uses net investment hedges to hedge the structural foreign exchange risk related to net investments in foreign operations including subsidiaries and branches whose functional currencies are different from that of the parent. When hedging with foreign exchange forward contracts, the spot rate component of the foreign exchange risk is designated for an amount of net assets as the hedged risk.

Sources of hedge ineffectiveness may arise from basis risk, including but not limited to the discount rates used for calculating the fair value of derivatives, hedges using instruments with a non-zero fair value, and notional and timing differences between the hedged items and hedging instruments.

Fair value hedges

HSBC enters into fixed-for-floating-interest-rate swaps to manage the exposure to changes in fair value caused by movements in market interest rates on certain fixed-rate financial instruments that are not measured at fair value through profit or loss, including debt securities held and issued.

HSBC hedging instrument by hedged risk

Hedged risk	Hedging instrument				Change in fair value ² \$m
	Carrying amount			Balance sheet presentation	
	Notional amount ¹ \$m	Assets \$m	Liabilities \$m		
Interest rate ³	172,985	3,729	2,965	Derivatives	(1,043)
At 31 Dec 2023	172,985	3,729	2,965		(1,043)
Interest rate ³	162,062	4,973	2,573	Derivatives	4,064
At 31 Dec 2022	162,062	4,973	2,573		4,064

1 The notional contract amounts of derivatives designated in qualifying hedge accounting relationships indicate the nominal value of transactions outstanding at the balance sheet date. They do not represent amounts at risk.

2 Used in effectiveness testing, which uses the full fair value change of the hedging instrument not excluding any component.

3 The hedged risk 'interest rate' includes inflation risk.

HSBC hedged item by hedged risk

Hedged risk	Hedged item				Ineffectiveness			
	Carrying amount		Accumulated fair value hedge adjustments included in carrying amount ¹		Balance sheet presentation	Change in fair value ² \$m	Recognised in profit and loss \$m	Profit and loss presentation
	Assets \$m	Liabilities \$m	Assets \$m	Liabilities \$m				
Interest rate ³	82,321		(2,282)		Financial investments - measured at fair value through other comprehensive income	2,053	5	Net income from financial instruments held for trading or managed on a fair value basis
	514		32		Financial investments - measured at amortised cost	32		
	4,701		(18)		Loans and advances to customers	122		
	—		—		Reverse repurchase agreements - non-trading	15		
		64,269		(2,147)	Debt securities in issue	(1,179)		
		—		—	Deposits by banks	—		
		—		—	Subordinated liabilities	5		
	At 31 Dec 2023	87,536	64,269	(2,268)	(2,147)			

Notes on the financial statements

HSBC hedged item by hedged risk (continued)

Hedged risk	Hedged item					Change in fair value ²	Ineffectiveness	
	Carrying amount		Accumulated fair value hedge adjustments included in carrying amount ¹		Balance sheet presentation		Recognised in profit and loss	Profit and loss presentation
	Assets	Liabilities	Assets	Liabilities				
\$m	\$m	\$m	\$m		\$m	\$m		
	82,792		(5,100)		Financial investments - measured at fair value through other comprehensive income	(8,005)		
Interest rate ³	3,415		(210)		Loans and advances to customers	(233)	(59)	Net income from financial instruments held for trading or managed on a fair value basis
	519		(18)		Reverse repurchase agreements – non-trading	(17)		
		49,180		(2,006)	Debt securities in issue	4,138		
		83		—	Deposits by banks	(5)		
At 31 Dec 2022	86,726	49,263	(5,328)	(2,006)		(4,122)	(59)	

1 The accumulated amount of fair value adjustments remaining in the statement of financial position for hedged items that have ceased to be adjusted for hedging gains and losses were liabilities of \$136m (2022: \$252m) for FVOCI assets and liabilities of \$1,256m (2022: \$916m) for debt issued.

2 Used in effectiveness testing, which comprise an amount attributable to the designated hedged risk that can be a risk component.

3 The hedged risk 'interest rate' includes inflation risk.

HSBC Holdings hedging instrument by hedged risk

Hedged risk	Hedging instrument				Change in fair value ³	
	Carrying amount					
	Notional amount ^{1,2}	Assets	Liabilities	Balance sheet presentation		
	\$m	\$m	\$m		\$m	
Interest rate ⁴	92,268	1,128	3,638	Derivatives	1,426	
At 31 Dec 2023	92,268	1,128	3,638		1,426	
Interest rate ⁴		81,873	913	4,413	Derivatives	(5,599)
At 31 Dec 2022		81,873	913	4,413		(5,599)

1 The notional contract amounts of derivatives designated in qualifying hedge accounting relationships indicate the nominal value of transactions outstanding at the balance sheet date. They do not represent amounts at risk.

2 The notional amount of non-dynamic fair value hedges is equal to \$92,268m (2022: \$81,873m), of which the weighted-average maturity date is May 2029 and the weighted-average swap rate is 2.46% (2022: 2.33%). The majority of these hedges are internal to the Group.

3 Used in effectiveness testing, comprising the full fair value change of the hedging instrument not excluding any component.

4 The hedged risk 'interest rate' includes foreign exchange risk.

HSBC Holdings hedged item by hedged risk

Hedged risk	Hedged item					Change in fair value ²	Ineffectiveness	
	Carrying amount		Accumulated fair value hedge adjustments included in carrying amount ¹		Balance sheet presentation		Recognised in profit and loss	Profit and loss presentation
	Assets	Liabilities	Assets	Liabilities				
	\$m	\$m	\$m	\$m		\$m		
Interest rate ³		80,889		(2,971)	Debt securities in issue	(1,716)	29	Net income from financial instruments held for trading or managed on a fair value basis
	7,772		(490)		Loans and advances to banks	319		
At 31 Dec 2023	7,772	80,889	(490)	(2,971)		(1,397)	29	
Interest rate ³		68,223		(3,829)	Debt securities in issue	6,258	(34)	Net income from financial instruments held for trading or managed on a fair value basis
	6,812		(789)		Loans and advances to banks	(693)		
At 31 Dec 2022	6,812	68,223	(789)	(3,829)		5,565	(34)	

1 The accumulated amount of fair value adjustments remaining in the statement of financial position for hedged items that have ceased to be adjusted for hedging gains and losses were liabilities of \$1,299m (2022: \$971m) for debt issued.

2 Used in effectiveness testing, comprising amount attributable to the designated hedged risk that can be a risk component.

3 The hedged risk 'interest rate' includes foreign exchange risk.

For some debt securities held, HSBC manages interest rate risk in a dynamic risk management strategy. The assets in scope of this strategy are high-quality fixed-rate debt securities, which may be sold to meet liquidity and funding requirements.

The interest rate risk of the HSBC fixed-rate debt securities issued is managed in a non-dynamic risk management strategy.

Cash flow hedges

HSBC's cash flow hedging instruments consist principally of interest rate swaps and cross-currency swaps that are used to manage the variability in future interest cash flows of non-trading financial assets and liabilities, arising due to changes in market interest rates and foreign-currency basis.

HSBC applies macro cash flow hedging for interest rate risk exposures on portfolios of replenishing current and forecasted issuances of non-trading assets and liabilities that bear interest at variable rates, including rolling such instruments. The amounts and timing of future cash flows, representing both principal and interest flows, are projected for each portfolio of financial assets and liabilities on the basis of their contractual terms and other relevant factors, including estimates of prepayments and defaults. The aggregate cash flows representing both principal balances and interest cash flows across all portfolios are used to determine the effectiveness and ineffectiveness. Macro cash flow hedges are considered to be dynamic hedges.

HSBC also hedges the variability in future cash flows on foreign-denominated financial assets and liabilities arising due to changes in foreign exchange market rates with cross-currency swaps, which are considered dynamic hedges.

Hedging instrument by hedged risk

Hedged risk	Hedging instrument				Change in fair value ² \$m	Hedged item Change in fair value ³ \$m	Ineffectiveness Recognised in profit and loss \$m	Profit and loss presentation Net income from financial instruments held for trading or managed on a fair value basis
	Carrying amount							
	Notional amount ¹ \$m	Assets \$m	Liabilities \$m	Balance sheet presentation				
Foreign currency	29,772	935	257	Derivatives	977	977	—	
Interest rate	188,327	1,390	1,116	Derivatives	1,542	1,512	30	
At 31 Dec 2023	218,099	2,325	1,373		2,519	2,489	30	
Foreign currency	8,781	418	166	Derivatives	659	659	—	Net income from financial instruments held for trading or managed on a fair value basis
Interest rate	114,527	93	950	Derivatives	(4,997)	(4,973)	(24)	
At 31 Dec 2022	123,308	511	1,116		(4,338)	(4,314)	(24)	

1 The notional contract amounts of derivatives designated in qualifying hedge accounting relationships indicate the nominal value of transactions outstanding at the balance sheet date. They do not represent amounts at risk.

2 Used in effectiveness testing, comprising the full fair value change of the hedging instrument not excluding any component.

3 Used in effectiveness assessment, comprising amount attributable to the designated hedged risk that can be a risk component.

Reconciliation of equity and analysis of other comprehensive income by risk type

	Interest rate \$m	Foreign currency \$m
Cash flow hedging reserve at 1 Jan 2023	(3,387)	(421)
Fair value gains/(losses)	1,512	977
Fair value (gains)/losses reclassified from the cash flow hedge reserve to the income statement in respect of:		
Hedged items that have affected profit or loss ¹	2,196	(718)
Income taxes	(937)	(29)
Others	(285)	59
Cash flow hedging reserve at 31 Dec 2023	(901)	(132)
Cash flow hedging reserve at 1 Jan 2022	8	(205)
Fair value gains/(losses)	(4,973)	659
Fair value (gains)/losses reclassified from the cash flow hedge reserve to the income statement in respect of:		
Hedged items that have affected profit or loss	325	(926)
Income taxes	1,123	28
Others	130	23
Cash flow hedging reserve at 31 Dec 2022	(3,387)	(421)

1 Hedged items that have affected profit or loss are primarily recorded within interest income.

Net investment hedges

The Group applies hedge accounting in respect of certain net investments in non-US dollar functional currency foreign operations for changes in spot exchange rates only. Hedging could be undertaken for Group structural exposure to changes in the US dollar to foreign currency exchange rates using forward foreign exchange contracts or by financing with foreign currency borrowings. An economic relationship exists between the hedged net investment and hedging instrument due to the shared foreign currency risk exposure. For further details of our structural foreign exchange exposures, see page 205.

Notes on the financial statements

The aggregate positions at the reporting date and the performance indicators of both live and de-designated hedges are summarised below.

Hedges of net investment in foreign operations

Description of hedged risk	Carrying amount		Nominal amount	Amounts recognised in OCI ¹		Hedge ineffectiveness recognised in income statement
	Derivative assets	Derivative liabilities		Change in fair value ²		
	\$m	\$m	\$m	\$m	\$m	\$m
2023						
Pound sterling-denominated structural foreign exchange		(404)	16,415	604	(843)	—
Swiss franc-denominated structural foreign exchange		(23)	526	49	(62)	—
Hong Kong dollar-denominated structural foreign exchange		—	5,792	—	2	—
Other structural foreign exchange ³		(96)	11,042	477	102	—
Total	—	(523)	33,775	1,130	(801)	—
2022						
Pound sterling-denominated structural foreign exchange	264	—	14,000	1,447	1,573	—
Swiss franc-denominated structural foreign exchange	—	(21)	727	111	10	—
Hong Kong dollar-denominated structural foreign exchange	—	(19)	4,597	(2)	(7)	—
Other structural foreign exchange ³	—	(117)	10,819	375	369	—
Total	264	(157)	30,143	1,931	1,945	—

1 Amount recognised in OCI for Swiss franc includes \$110m (2022: \$110m) related to de-designated hedge.

2 Used in effectiveness assessment, comprising amount attributable to the designated hedged risk that can be a risk component.

3 Other currencies include euro, New Taiwan dollar, Singapore dollar, Canadian dollar, Omani rial, South Korean won, UAE dirham, Indian rupee, Chinese renminbi, Kuwaiti dinar, Qatari riyal, Saudi riyal, Indonesian rupiah and Philippine peso.

Interest rate benchmark reform: Amendments to IFRS 9 and IAS 39 'Financial Instruments'

HSBC has applied both the first set of amendments ('Phase 1') and the second set of amendments ('Phase 2') to IFRS 9 and IAS 39 applicable to hedge accounting. The hedge accounting relationships that are affected by Phase 1 and Phase 2 amendments are presented in the balance sheet as 'Financial assets designated and otherwise mandatorily measured at fair value through other comprehensive income', 'Loans and advances to customers', 'Debt securities in issue' and 'Deposits by banks'. The notional value of the derivatives impacted by the Ibor reform, including those designated in hedge accounting relationships, is disclosed in Note 32. For further details of Ibor transition, see 'Ibor transition' on page 139.

For some of the Ibors included under the 'Other' header in the table below, judgement has been needed to establish whether a transition is required, since there are Ibor benchmarks that are subject to computation methodology improvements and insertion of fallback provisions without full clarity being provided by their administrators on whether these Ibor benchmarks will be demised.

The notional amounts of interest rate derivatives designated in hedge accounting relationships do not represent the extent of the risk exposure managed by the Group but they are expected to be directly affected by market-wide Ibor reform and in scope of Phase 1 amendments and are shown in the table below. The cross-currency swaps designated in hedge accounting relationships and affected by Ibor reform are not significant and have not been presented below.

Hedging instrument impacted by Ibor reform

	Hedging instrument						Notional amount ³	
	Impacted by Ibor reform					Total		Not impacted by Ibor reform
	€ ¹	£	\$	Other ²				
\$m	\$m	\$m	\$m	\$m	\$m	\$m		
Fair value hedges	16,907	—	—	4,384	21,291	151,694	172,985	
Cash flow hedges	10,850	—	—	3,504	14,354	173,973	188,327	
At 31 Dec 2023	27,757	—	—	7,888	35,645	325,667	361,312	
Fair value hedges	12,756	—	2,015	12,643	27,414	134,648	162,062	
Cash flow hedges	8,865	—	—	27,830	36,695	77,832	114,527	
At 31 Dec 2022	21,621	—	2,015	40,473	64,109	212,480	276,589	

1 The notional contract amounts of euro interest rate derivatives impacted by Ibor reform consist of hedges with a Euribor benchmark.

2 Other benchmarks impacted by Ibor reform consist mainly of Emirates interbank offered rate, Mexican interbank equilibrium interest rate ('TIIE') and Korean won-related derivatives. In 2022, the Hong Kong interbank offered rate ('HIBOR') was included in 'Other' given that reform in the benchmark was considered possible. At 31 December 2023, HIBOR was no longer expected to be directly affected by Ibor reform following the successful transition of all Libor settings and the HKMA's affirmation that there are no plans to discontinue HIBOR. As a result HIBOR has been moved from 'Other' to 'Not impacted by Ibor reform'.

3 The notional contract amounts of interest rate derivatives designated in qualifying hedge accounting relationships indicate the nominal value of transactions outstanding at the balance sheet date and they do not represent amounts at risk.

Hedging instrument impacted by lbor reform held by HSBC Holdings

	Hedging instrument					Not impacted by lbor reform \$m	Notional amount \$m
	Impacted by lbor reform						
	€ \$m	£ \$m	\$ \$m	Other \$m	Total \$m		
Fair value hedges	19,614	—	—	583	20,197	72,071	92,268
At 31 Dec 2023	19,614	—	—	583	20,197	72,071	92,268
Fair value hedges	15,210	—	2,000	1,336	18,546	63,327	81,873
At 31 Dec 2022	15,210	—	2,000	1,336	18,546	63,327	81,873

16 Financial investments

Carrying amount of financial investments

	2023 \$m	2022 ¹ \$m
Financial investments measured at fair value through other comprehensive income	294,437	255,660
– treasury and other eligible bills	102,438	86,749
– debt securities	190,119	167,107
– equity securities	1,447	1,696
– other instruments	433	108
Debt instruments measured at amortised cost	148,326	109,066
– treasury and other eligible bills	30,733	34,507
– debt securities	117,593	74,559
At 31 Dec	442,763	364,726

¹ From 1 January 2023, we adopted IFRS 17 'Insurance Contracts', which replaced IFRS 4 'Insurance Contracts'. We have restated 2022 comparative data.

Equity instruments measured at fair value through other comprehensive income

Type of equity instruments	Fair value \$m	Dividends recognised \$m
Investments required by central institutions	609	27
Business facilitation	793	35
Others	45	2
At 31 Dec 2023	1,447	64
Investments required by central institutions	690	24
Business facilitation	954	28
Others	52	2
At 31 Dec 2022	1,696	54

Weighted average yields of investment debt securities

	Up to 1 year Yield %	1 to 5 years Yield %	5 to 10 years Yield %	Over 10 years Yield %
Debt securities measured at fair value through other comprehensive income				
US Treasury	2.1	2.0	2.0	2.4
US Government agencies	3.6	3.1	3.3	3.0
US Government-sponsored agencies	1.0	2.6	2.1	1.8
UK Government	0.2	2.8	0.8	2.5
Hong Kong Government	1.0	1.4	1.6	—
Other governments	3.2	3.5	3.3	2.9
Asset-backed securities	1.4	6.6	4.8	5.3
Corporate debt and other securities	5.5	3.1	3.1	2.4
Debt securities measured at amortised cost				
US Treasury	8.9	3.7	3.7	2.1
US Government agencies	7.9	7.8	5.8	4.5
US Government-sponsored agencies	2.3	3.7	3.4	2.9
UK Government	—	—	0.9	4.5
Hong Kong Government	—	2.6	—	—
Other governments	2.7	3.5	5.3	—
Asset-backed securities	4.7	—	7.7	—
Corporate debt and other securities	2.6	2.6	3.5	5.2

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The maturity distributions of ABSs are presented in the above table on the basis of contractual maturity dates. The weighted average yield for each range of maturities is calculated by dividing the annualised interest income for the year ended 31 December 2023 by the book amount of debt securities at that date. The yields do not include the effect of related derivatives.

HSBC Holdings

HSBC Holdings carrying amount of financial investments

	2023 \$m	2022 \$m
Debt instruments measured at amortised cost		
– treasury and other eligible bills	15,629	12,796
– debt securities	3,929	6,670
At 31 Dec	19,558	19,466

Weighted average yields of investment debt securities

	Up to 1 year Yield %	1 to 5 years Yield %	5 to 10 years Yield %	Over 10 years Yield %
Debt securities measured at amortised cost				
US Treasury	3.2	4.3	–	–

The weighted average yield for each range of maturities is calculated by dividing the annualised interest income for the year ended 31 December 2023 by the book amount of debt securities at that date. The yields do not include the effect of related derivatives.

17 Assets pledged, collateral received and assets transferred

Assets pledged¹

Financial assets pledged as collateral

	2023 \$m	2022 \$m
Treasury bills and other eligible securities	20,504	18,364
Loans and advances to banks	13,636	10,198
Loans and advances to customers	27,490	27,627
Debt securities	88,367	60,542
Equity securities	40,280	26,902
Other	61,223	67,576
Assets pledged at 31 Dec	251,500	211,209

Assets pledged as collateral include all assets categorised as encumbered in the disclosure on page 27 of the Pillar 3 Disclosures at 31 December 2023, except for assets held for sale.

The amount of assets pledged to secure liabilities may be greater than the book value of assets utilised as collateral. For example, in the case of securitisations and covered bonds, the amount of liabilities issued plus mandatory over-collateralisation is less than the book value of the pool of assets available for use as collateral. This is also the case where assets are placed with a custodian or a settlement agent that has a floating charge over all the assets placed to secure any liabilities under settlement accounts.

These transactions are conducted under terms that are usual and customary for collateralised transactions including, where relevant, standard securities lending and borrowing, repurchase agreements and derivative margining. HSBC places both cash and non-cash collateral in relation to derivative transactions.

Hong Kong currency notes in circulation are secured by the deposit of funds in respect of which the Hong Kong Government certificates of indebtedness are held.

Financial assets pledged as collateral which the counterparty has the right to sell or repledge

	2023 \$m	2022 \$m
Trading assets	77,847	56,894
Financial investments	39,324	27,841
At 31 Dec	117,171	84,735

Collateral received¹

The fair value of assets accepted as collateral relating primarily to standard securities lending, reverse repurchase agreements, swaps of securities and derivative margining that HSBC is permitted to sell or repledge in the absence of default was \$495,653m (2022: \$449,896m). The fair value of any such collateral sold or repledged was \$284,108m (2022: \$228,245m).

HSBC is obliged to return equivalent securities. These transactions are conducted under terms that are usual and customary to standard securities lending, reverse repurchase agreements and derivative margining.

Assets transferred¹

The assets pledged include transfers to third parties that do not qualify for derecognition, notably secured borrowings such as debt securities held by counterparties as collateral under repurchase agreements and equity securities lent under securities lending agreements, as well as swaps of equity and debt securities. For secured borrowings, the transferred asset collateral continues to be recognised in full while a related liability, reflecting the Group's obligation to repurchase the assets for a fixed price at a future date, is also recognised on the balance sheet.

Where securities are swapped, the transferred asset continues to be recognised in full. There is no associated liability as the non-cash collateral received is not recognised on the balance sheet. The Group is unable to use, sell or pledge the transferred assets for the duration of the transaction, and remains exposed to interest rate risk and credit risk on these pledged assets.

Transferred financial assets not qualifying for full derecognition and associated financial liabilities

	Carrying amount of:	
	Transferred assets \$m	Associated liabilities \$m
At 31 Dec 2023		
Repurchase agreements	81,486	74,517
Securities lending agreements	46,663	3,826
At 31 Dec 2022		
Repurchase agreements	52,604	48,501
Securities lending agreements	39,134	4,613

¹ Excludes assets classified as held for sale.

18 Interests in associates and joint ventures

Carrying amount of HSBC's interests in associates and joint ventures

	2023 \$m	2022 \$m
Interests in associates	27,200	29,127
Interests in joint ventures	144	127
Interests in associates and joint ventures	27,344	29,254

Principal associates of HSBC

	2023		2022	
	Carrying amount \$m	Fair value ¹ \$m	Carrying amount \$m	Fair value ¹ \$m
Bank of Communications Co., Limited	21,210	8,812	23,307	8,141
Saudi Awwal Bank	4,659	6,438	4,494	6,602

¹ Principal associates are listed on recognised stock exchanges. The fair values are based on the quoted market prices of the shares held (Level 1 in the fair value hierarchy).

	At 31 Dec 2023		
	Jurisdiction of incorporation and principal place of business	Principal activity	HSBC's interest ¹ %
Bank of Communications Co., Limited	Mainland China	Banking services	19.03
Saudi Awwal Bank	Saudi Arabia	Banking services	31.00

¹ There has been no percentage change in HSBC's shareholding interest in the principal associates when compared with 2022.

Share of profit in associates and joint ventures

	2023 \$m	2022 \$m
Bank of Communications Co., Limited	2,250	2,377
Saudi Awwal Bank	538	342
Other associates and joint ventures	19	4
Share of profit in associates and joint ventures	2,807	2,723
Less: Impairment of interest in BoCom	(3,000)	—

A list of all associates and joint ventures is set out in Note 40.

Bank of Communications Co., Limited

We maintain a 19.03% interest in Bank of Communications Co., Limited ('BoCom'). The Group's investment in BoCom is classified as an associate. Significant influence in BoCom was established with consideration of all relevant factors, including representation on BoCom's Board of Directors and participation in a resource and experience sharing agreement ('RES'). Under the RES, HSBC staff have been seconded to assist in the maintenance of BoCom's financial and operating policies. Investments in associates are recognised using the equity method of accounting in accordance with IAS 28 'Investments in Associates and Joint Ventures', whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of associate's net assets. An impairment test is required if there is any indication of impairment.

Impairment testing

The fair value of the Group's investment in BoCom had been below the carrying amount for approximately 12 years. We have previously disclosed that the excess of the value in use ('VIU') calculation over its balance sheet value has been marginal in recent years, and that reasonably possible changes in assumptions could generate an impairment.

Recent macroeconomic, policy and industry-wide factors resulted in a wider range of possible VIU calculation outcomes, and our VIU calculation uses both historical experience and market participant views to estimate future cash flows, relevant discount rates and associated capital assumptions. At 31 December 2023, the Group performed an impairment test on the carrying amount, which resulted in an impairment of \$3.0bn, as the recoverable amount as determined by a VIU calculation was lower than the carrying value.

	At 31 Dec 2023			At 31 Dec 2022		
	VIU \$bn	Carrying value \$bn	Fair value \$bn	VIU \$bn	Carrying value \$bn	Fair value \$bn
BoCom	21.2	21.2	8.8	23.5	23.3	8.1

The impairment test will be updated in future periods, reflecting updated assumptions in the VIU impairment calculation. Going forward, the carrying value will be aligned to the updated VIU calculation and capped at carrying value that would have been determined had no impairment loss been recognised, rather than at cost and adjusted thereafter for the post-acquisition change in the Group's share of associate's net assets, and therefore there is a risk of reversals or further impairments in future periods.

The VIU may increase or decrease depending on the effect of changes to model inputs. The main model inputs are described below and are based on factors observed at period-end. The factors that could result in increases or reductions in the VIU include changes in BoCom's short-term performance, a change in regulatory capital requirements or revisions to the forecast of BoCom's future profitability.

If the Group did not have significant influence in BoCom, the investment would be carried at fair value rather than the current carrying value.

Basis of recoverable amount

The impairment test was performed by comparing the recoverable amount of BoCom, determined by a VIU calculation, with its carrying value. The VIU calculation uses discounted cash flow projections based on management's best estimates of future earnings available to ordinary shareholders prepared in accordance with IAS 36 'Impairment of Assets'. Significant management judgement is required in arriving at the best estimate.

There are two main components to the VIU calculation. The first component is management's best estimate of BoCom's earnings. Forecast earnings growth over the short to medium term is lower than recent (within the last five years) actual growth, and reflects the impact of recent macroeconomic, policy and industry factors in mainland China. As a result of management's intent to continue to retain its investment, earnings beyond the short to medium term are then extrapolated into perpetuity using a long-term growth rate to derive a terminal value, which comprises the majority of the VIU. The second component is the capital maintenance charge ('CMC'), which is management's forecast of the earnings that need to be withheld in order for BoCom to meet capital requirements over the forecast period, meaning that CMC is deducted when arriving at management's estimate of future earnings available to ordinary shareholders. The CMC reflects the revised capital requirements arising from revisions of the ratio of risk-weighted assets to total assets assumption. The principal inputs to the CMC calculation include estimates of asset growth, the ratio of risk-weighted assets to total assets and the expected capital requirements. An increase in the CMC as a result of a change to these principal inputs would reduce VIU. Additionally, management considers other qualitative factors, to ensure that the inputs to the VIU calculation remain appropriate.

Key assumptions in value in use calculation

We used a number of assumptions in our VIU calculation, in accordance with the requirements of IAS 36:

- Long-term profit growth rate: 3% (2022: 3%) for periods after 2027, which does not exceed forecast GDP growth in mainland China and is similar to forecasts by external analysts.
- Long-term asset growth rate: 3% (2022: 3%) for periods after 2027, which is the rate that assets are expected to grow to achieve long-term profit growth of 3%.
- Discount rate: 9.00% (2022: 10.04%), which is based on a capital asset pricing model ('CAPM'), using market data. The discount rate used is within the range of 7.9% to 9.7% (2022: 8.4% to 10.4%) indicated by the CAPM, and decreased as a consequence of a market-driven reduction in beta. While the CAPM range sits at the lower end of the range adopted by selected external analysts of 8.8% to 13.5% (2022: 8.8% to 13.5%), we continue to regard the CAPM range as the most appropriate basis for determining this assumption.
- Expected credit losses ('ECL') as a percentage of loans and advances to customers: ranges from 0.80% to 0.97% (2022: 0.99% to 1.05%) in the short to medium term, reflecting reported credit experience in mainland China. For periods after 2027, the ratio is 0.97% (2022: 0.97%), which is higher than BoCom's average ECL as a percentage of loans and advances to customers in recent years prior to the pandemic.
- Risk-weighted assets as a percentage of total assets: ranges from 62.0% to 63.7% (2022: 61.0% to 64.4%) in the short to medium term, reflecting higher risk-weights in the short term followed by an expected reversion to recent historical levels. For periods after 2027, the ratio is 62.0% (2022: 61.0%), which is similar to BoCom's actual results in recent years.
- Loans and advances to customers growth rate: ranges from 9.0% to 10.0% (2022: 7.1% to 11.0%) in the short to medium term, reflecting higher growth rate in loans and advances to customers as a result of recent macroeconomic, policy and industry factors in mainland China. Increases in the forecast growth rate of loans and advances to customers results in higher forecast ECL.

- Operating income growth rate: ranges from -0.4% to 9.7% (2022: 1.9% to 7.7%) in the short to medium term, which is lower than BoCom's actual results in recent years, and is impacted by projections of net interest income in the short term as a consequence of recent macroeconomic, policy and industry factors in mainland China.
- Cost-income ratio: ranges from 35.5% to 39.8% (2022: 35.5% to 36.3%) in the short to medium term. These ratios are higher than BoCom's actual results in recent years and forecasts disclosed by external analysts.
- Effective tax rate ('ETR'): ranges from 5.3% to 15.0% (2022: 4.4% to 15.0%) in the short to medium term, reflecting BoCom's actual results and an expected increase towards the long-term assumption through the forecast period. For periods after 2027, the rate is 15.0% (2022: 15.0%), which is higher than the recent historical average, and aligned to the minimum tax rate as proposed by the OECD/Group of 20 ('G20') Inclusive Framework on Base Erosion and Profit Shifting.
- Capital requirements: capital adequacy ratio of 12.5% (2022: 12.5%) and tier 1 capital adequacy ratio of 9.5% (2022: 9.5%), based on BoCom's capital risk appetite and capital requirements respectively.

The following table further illustrates the impact on VIU of reasonably possible changes to key assumptions. This reflects the sensitivity of the VIU to each key assumption on its own and it is possible that more than one favourable and/or unfavourable change may occur at the same time. Loans and advances to customers growth rate has been added to the list of key assumptions detailed in the table to reflect the greater potential variability associated with the assumption as a result of recent macroeconomic, policy and industry factors in mainland China. The selected rates of reasonably possible changes to key assumptions are based on external analysts' forecasts, statutory requirements and other relevant external data sources, which can change period to period. Unless specified, favourable and unfavourable changes are consistently applied throughout short-to-medium and long-term forecast years, based on a straight-line average of the base case assumption.

Sensitivity of VIU to reasonably possible changes in key assumptions

	Favourable change			Unfavourable change		
	bps	Increase in VIU	VIU	bps	Decrease in VIU	VIU
		\$bn	\$bn		\$bn	\$bn
At 31 Dec 2023						
Long-term profit growth rate ¹	58	3.3	24.5	(79)	(3.4)	17.8
Long-term asset growth rate ¹	(79)	4.5	25.7	58	(4.0)	17.2
Discount rate	(110)	4.5	25.7	280	(6.1)	15.1
Expected credit losses as a percentage of loans and advances to customers	2023 to 2027: 78 2028 onwards: 91	2.9	24.1	2023 to 2027: 120 2028 onwards: 104	(4.4)	16.8
Risk-weighted assets as a percentage of total assets	(150)	0.9	22.1	216	(1.6)	19.6
Loans and advances to customers growth rate	(213)	3.2	24.4	207	(2.9)	18.3
Operating income growth rate	57	2.6	23.8	(81)	(2.6)	18.6
Cost-income ratio	(212)	0.8	22.0	99	(2.9)	18.3
Long-term effective tax rate	(426)	1.6	22.8	1,000	(3.5)	17.7
Capital requirements – capital adequacy ratio	—	—	21.2	215	(7.5)	13.7
Capital requirements – tier 1 capital adequacy ratio	—	—	21.2	248	(3.7)	17.5
At 31 Dec 2022						
Long-term profit growth rate ¹	75	3.6	27.1	(71)	(2.7)	20.8
Long-term asset growth rate ¹	(71)	3.1	26.6	75	(4.1)	19.4
Discount rate	(164)	6.9	30.4	136	(3.7)	19.8
Expected credit losses as a percentage of loans and advances to customers	2022 to 2026: 95 2027 onwards: 91	1.9	25.4	2022 to 2026: 120 2027 onwards: 104	(2.9)	20.6
Risk-weighted assets as a percentage of total assets	(118)	0.1	23.6	239	(2.3)	21.2
Loans and advances to customers growth rate	(75)	1.1	24.6	295	(3.2)	20.3
Operating income growth rate	44	1.3	24.8	(83)	(2.5)	21.0
Cost-income ratio	(122)	1.0	24.5	174	(2.1)	21.4
Long-term effective tax rate	(426)	1.5	25.0	1,000	(3.6)	19.9
Capital requirements – capital adequacy ratio	—	—	23.5	191	(6.3)	17.2
Capital requirements – tier 1 capital adequacy ratio	—	—	23.5	266	(3.2)	20.3

¹ The favourable and unfavourable ranges of the long-term profit growth rate and long-term asset growth rate assumptions reflect the close relationship between these assumptions, which would result in offsetting changes to each assumption.

Considering the interrelationship of the changes set out in the table above, management estimates that the reasonably possible range of VIU is \$13.1bn to \$28.8bn (2022: \$16.9bn to \$28.7bn), acknowledging that the fair value of the Group's investment has ranged from \$6.8bn to \$11.6bn over the last five years as at the date of the impairment tests. The possible range of VIU is based on impacts set out in the table above arising from the favourable/unfavourable change in the earnings in the short to medium term, the long-term expected credit losses as a percentage of loans and advances to customers, and a 50bps increase/decrease in the discount rate. All other long-term assumptions, and the basis of the CMC have been kept unchanged when determining the reasonably possible range of the VIU.

Selected financial information of BoCom

The statutory accounting reference date of BoCom is 31 December. For the year ended 31 December 2023, HSBC included the associate's results on the basis of the financial statements for the 12 months ended 30 September 2023, taking into account any known changes in the subsequent period from 1 October 2023 to 31 December 2023 that would have materially affected the results.

Notes on the financial statements

Selected balance sheet information of BoCom

	At 30 Sep 2023 \$m	At 31 Dec 2022 \$m
Cash and balances at central banks	112,800	116,942
Due from and placements with banks and other financial institutions	100,464	100,160
Loans and advances to customers	1,087,613	1,035,151
Other financial assets	587,949	583,898
Other assets	59,215	48,796
Total assets	1,948,041	1,884,947
Due to and placements from banks and other financial institutions	292,065	295,205
Deposits from customers	1,216,611	1,153,184
Other financial liabilities	251,246	249,230
Other liabilities	36,776	37,153
Total liabilities	1,796,698	1,734,772
Total equity	151,343	150,175

Reconciliation of BoCom's total shareholders' equity to the carrying amount in HSBC's consolidated financial statements

	At 30 Sep 2023 \$m	2022 \$m
HSBC's share of total shareholders' equity	23,746	22,828
Goodwill originally arising on acquisition	464	479
Impairment	(3,000)	—
Carrying amount	21,210	23,307

Selected income statement information of BoCom

	For the 9 months ended 30 Sep	
	2023 \$m	2022 \$m
Net interest income	17,519	19,004
Net fee and commission income	4,815	5,181
Credit and impairment losses	(6,836)	(7,641)
Depreciation and amortisation	(1,977)	(1,785)
Tax expense	(552)	(436)
Profit for the year	9,835	10,102
Other comprehensive income	631	(37)
Total comprehensive income	10,466	10,065
Dividends received from BoCom	736	749

Saudi Awwal Bank

The Group's investment in Saudi Awwal Bank ('SAB') is classified as an associate. HSBC is the largest shareholder in SAB with a shareholding of 31%. Significant influence in SAB is established via representation on the Board of Directors. Investments in associates are recognised using the equity method of accounting in accordance with IAS 28, as described previously for BoCom.

Impairment testing

There were no indicators of impairment at 31 December 2023. The fair value of the Group's investment in SAB of \$6.4bn was above the carrying amount of \$4.7bn.

19 Investments in subsidiaries

Main subsidiaries of HSBC Holdings¹

	At 31 Dec 2023		
	Place of incorporation or registration	HSBC's interest %	Share class
Europe			
HSBC Bank plc	England and Wales	100	£1 Ordinary, \$0.01 Non-Cumulative Third Dollar Preference
HSBC UK Bank plc	England and Wales	100	£1 Ordinary
HSBC Continental Europe	France	99.99	€5 Actions
HSBC Trinkaus & Burkhardt GmbH	Germany	99.99	€1 Ordinary
Asia			
Hang Seng Bank Limited ²	Hong Kong	62.14	HK\$5 Ordinary
HSBC Bank (China) Company Limited	People's Republic of China	100	CNY1 Ordinary
HSBC Bank Malaysia Berhad	Malaysia	100	RM0.5 Ordinary
HSBC Life (International) Limited	Bermuda	100	HK\$1 Ordinary
The Hongkong and Shanghai Banking Corporation Limited	Hong Kong	100	Ordinary no par value
Middle East, North Africa and Türkiye			
HSBC Bank Middle East Limited	United Arab Emirates	100	\$1 Ordinary and \$1 Cumulative Redeemable Preference shares
North America			
HSBC Bank Canada	Canada	100	Common no par value and Preference no par value
HSBC Bank USA, N.A.	US	100	\$100 Common and \$0.01 Preference
Latin America			
HSBC Mexico, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC	Mexico	99.99	MXN2 Ordinary

¹ Main subsidiaries are either held directly or indirectly via intermediate holding companies. There has been no material percentage change in HSBC's shareholding for its main subsidiaries since 2022.

² In addition to the strategic holding disclosed above, the Group held 0.09% (2022: 0.07%) shareholding as part of its trading books.

Details of the debt, subordinated debt and preference shares issued by the main subsidiaries to parties external to the Group are included in Note 26 'Debt securities in issue' and Note 29 'Subordinated liabilities', respectively.

A list of all related undertakings is set out in Note 40. The principal countries and territories of operation are the same as the countries and territories of incorporation except for HSBC Life (International) Limited, which operates mainly in Hong Kong.

HSBC is structured as a network of regional banks and locally incorporated regulated banking entities. Each bank is separately capitalised in accordance with applicable prudential requirements and maintains a capital buffer consistent with the Group's risk appetite for the relevant country or region. HSBC's capital management process is incorporated in the financial resource plan, which is approved by the Board.

HSBC Holdings is the primary provider of equity capital to its subsidiaries and also provides them with non-equity capital where necessary. These investments are substantially funded by HSBC Holdings' issuance of equity and non-equity capital, and by profit retention.

As part of its capital management process, HSBC Holdings seeks to maintain a balance between the composition of its capital and its investment in subsidiaries. Subject to this, there is no current or foreseen impediment to HSBC Holdings' ability to provide funding for such investments. During 2023, consistent with the Group's capital plan, the Group's material subsidiaries did not experience any significant restrictions on paying dividends or repaying loans and advances. Also, there are no foreseen restrictions envisaged with regard to planned dividends or payments from material subsidiaries. However, the ability of subsidiaries to pay dividends or advance monies to HSBC Holdings depends on, among other things, their respective local regulatory capital and banking requirements, exchange controls, statutory reserves, and financial and operating performance.

The amount of guarantees by HSBC Holdings in favour of other Group entities is set out in Note 34.

Information on structured entities consolidated by HSBC where HSBC owns less than 50% of the voting rights is included in Note 20 'Structured entities'. In each of these cases, HSBC controls and consolidates an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Impairment testing of investments in subsidiaries

At each reporting period end, HSBC Holdings reviews investments in subsidiaries for indicators of impairment. An impairment is recognised when the carrying amount exceeds the recoverable amount for that investment. The recoverable amount is the higher of the investment's fair value less costs of disposal and its VIU, in accordance with the requirements of IAS 36. The VIU is calculated by discounting management's cash flow projections for the investment. The cash flows represent the free cash flows based on the subsidiary's binding capital requirements.

We used a number of assumptions in our VIU calculation, in accordance with the requirements of IAS 36:

- Management's judgement in estimating future cash flows: The cash flow projections for each investment are based on the latest approved plans, which include forecast capital available for distribution based on the capital requirements of the subsidiary, taking into account minimum and core capital requirements. For the impairment test as at 31 December 2023, cash flow projections until the end of 2028 were considered in line with our internal planning horizon. Our cash flow projections include known and observable climate-related opportunities and costs associated with our sustainable products and operating model.
- Long-term growth rates: The long-term growth rate is used to extrapolate the free cash flows in perpetuity because of the long-term perspective of the legal entity. The growth rate reflects long-term inflation for the country or territory within which the investment operates.

Notes on the financial statements

- Discount rates: The rate used to discount the cash flows is based on the cost of capital assigned to each investment, which is derived using a CAPM and market implied cost of equity. CAPM depends on a number of inputs reflecting financial and economic variables, including the risk-free rate and a premium to reflect the inherent risk of the business being evaluated. These variables are based on the market's assessment of the economic variables and management's judgement. The discount rates for each investment are refined to reflect the rates of inflation for the countries or territories within which the investment operates. In addition, for the purposes of testing investments for impairment, management supplements this process by comparing the discount rates derived using the internally generated CAPM, with cost of capital rates produced by external sources for businesses operating in similar markets. The impacts from climate risk are included to the extent that they are observable in discount rates and asset prices.

As at 31 December 2023, the carrying amount of HSBC Holdings' investments in subsidiaries was \$159.5bn (2022: \$167.5bn). The net year-on-year reduction was predominantly due to the recognition of a \$5.5bn impairment of HSBC Holdings' investment in HSBC Overseas Holdings (UK) Limited, resulting in a cumulative impairment of \$10.2bn (2022: \$4.7bn), and a carrying amount of \$25.8bn as at 31 December 2023 (2022: \$32.8bn).

The recoverable amount of HSBC Overseas Holdings (UK) Limited is assessed as the aggregate of the recoverable amounts of its subsidiaries. During 2023, the principal subsidiaries of HSBC Overseas Holdings (UK) Limited were HSBC North America Holdings Limited, HSBC Bank Canada and HSBC Bank Bermuda. In October 2023, HSBC Bank Bermuda was transferred to HSBC Bank plc. As at 31 December 2023, the adjusted net asset value of HSBC Overseas Holdings (UK) Limited fell below the carrying amount therefore management assessed that indicators of impairment were present and an impairment test was performed. The recoverable amount reduced owing to lower projected profits and higher projected capital requirements for HSBC North America Holdings, the transfer of HSBC Bank Bermuda to HSBC Bank plc at its book value which stood below its assessed recoverable amount, and higher prevailing discount rates, as a result of which a \$5.5bn impairment was recognised.

As HSBC Overseas Holdings (UK) Limited has entered into a sales purchase agreement with Royal Bank of Canada to dispose of our banking business in Canada, the sales purchase agreement has been used to support the recoverable amount of \$11.0bn (2022: \$10.8bn) (inclusive of the preferred shares) under a fair value less costs of disposal basis. The fair value less costs of disposal of HSBC Bank Canada is at a \$3.7bn (2022: \$3.7bn) premium to the book value recorded in HSBC Overseas Holdings (UK) Limited. In 2024, a distribution of the proceeds from the planned sale of our banking business in Canada to HSBC Holdings from HSBC Overseas Holdings (UK) Limited could lead to a future impairment. In respect of distributable reserves, an impairment would be offset by the dividend income recognised on the distributions from sales proceeds.

Impairment test results

Investments	Recoverable amount	Discount rate	Long-term growth rate
At 31 Dec 2023	\$m	%	%
HSBC North America Holdings Limited	12,756	10.50	2.17
At 31 Dec 2022			
HSBC North America Holdings Limited	18,363	10.00	2.22

Sensitivities of key assumptions in calculating VIU

At 31 December 2023, the recoverable amount of HSBC Overseas Holdings (UK) Limited remained sensitive to reasonably possible changes in key assumptions impacting its principal subsidiary, HSBC North America Holdings Limited.

In making an estimate of reasonably possible changes to assumptions, management considers the available evidence in respect of each input to the model. These include the external range of observable discount rates, historical performance against forecast, and risks attached to the key assumptions underlying cash flow.

The following table presents a summary of the key assumptions underlying the most sensitive inputs to the model for HSBC North America Holdings Limited, the key risks attached to each, and details of a reasonably possible change to assumptions where, in the opinion of management, these could result in a change in VIU.

Reasonably possible changes in key assumptions

Input	Key assumptions	Associated risks	Reasonably possible change
Investment			
HSBC North America Holdings Limited (subsidiary of HSBC Overseas Holdings (UK) Limited)	Free cash flows projections	– Level of interest rates and yield curves. – Competitors' positions within the market.	– Strategic actions relating to revenue and costs are not achieved. – Free cash flow projections decrease by 10%.
	Discount rate	– Discount rate used is a reasonable estimate of a suitable market rate for the profile of the business. – External evidence arises to suggest that the rate used is not appropriate to the business.	– Discount rate decreases by 1%. – Discount rate increases by 1%.

Sensitivity of VIU to reasonably possible changes in key assumptions

In \$bn (unless otherwise stated)	HSBC North America Holdings Limited
At 31 December 2023	
VIU	12.8
Impact on VIU	
100bps decrease in the discount rate – single variable ¹	1.6
100bps increase in the discount rate – single variable ^{1, 2}	(1.2)
10% decrease in forecast profitability – single variable ^{1, 2}	(1.3)

- 1 The recoverable amount of HSBC Overseas Holdings (UK) Limited represents the aggregate of recoverable amounts of the underlying subsidiaries. Single variable sensitivity analysis on a single subsidiary may therefore not be representative of the aggregate impact of the change in the variable.
- 2 As at 31 December 2022, the impact on the VIU of HSBC North America Holdings Limited of a 100bps increase in the discount rate was \$(1.7)bn and a 10% decrease in forecast profitability was \$(1.8)bn, respectively on a single variable basis.

Subsidiaries with significant non-controlling interests

	2023	2022 ¹
Hang Seng Bank Limited		
Proportion of ownership interests and voting rights held by non-controlling interests (%) ²	37.86	37.86
Place of business	Hong Kong	Hong Kong
	\$m	\$m
Profit attributable to non-controlling interests	889	574
Accumulated non-controlling interests of the subsidiary	6,877	6,513
Dividends paid to non-controlling interests	490	361
Summarised financial information:		
– total assets	214,321	235,630
– total liabilities	194,621	216,917
– net operating income before changes in expected credit losses and other credit impairment charges	5,210	4,379
– profit for the year	2,356	1,518
– total comprehensive income for the year	2,723	1,428

1 From 1 January 2023, we adopted IFRS 17 'Insurance Contracts', which replaced IFRS 4 'Insurance Contracts'. We have restated 2022 comparative data.

2 In addition to the strategic holding disclosed above, the Group held 0.09% (2022: 0.07%) shareholding as part of its trading books.

20 Structured entities

HSBC is mainly involved with both consolidated and unconsolidated structured entities through the securitisation of financial assets, conduits and investment funds, established either by HSBC or a third party.

Consolidated structured entities

Total assets of HSBC's consolidated structured entities, split by entity type

	Conduits	Securitisations	HSBC managed funds	Other	Total
	\$bn	\$bn	\$bn	\$bn	\$bn
At 31 Dec 2023	3.6	7.8	5.5	8.2	25.1
At 31 Dec 2022	4.2	7.2	4.8	7.5	23.7

Conduits

HSBC has established and manages two types of conduits: securities investment conduits ('SICs') and multi-seller conduits.

Securities investment conduits

The SICs purchase highly rated ABSs to facilitate tailored investment opportunities.

- At 31 December 2023, Solitaire, HSBC's principal SIC, held \$1.0bn of ABSs (2022: \$1.3bn). It is currently funded entirely by commercial paper ('CP') issued to HSBC. At 31 December 2023, HSBC held \$1.3bn of CP (2022: \$1.5bn).

Multi-seller conduit

HSBC's multi-seller conduit was established to provide access to flexible market-based sources of finance for its clients. Currently, HSBC bears risk equal to the transaction-specific facility offered to the multi-seller conduit, amounting to \$6.1bn at 31 December 2023 (2022: \$6.2bn). First loss protection is provided by the originator of the assets, and not by HSBC, through transaction-specific credit enhancements. A layer of secondary loss protection is provided by HSBC in the form of programme-wide enhancement facilities.

Securitisations

HSBC uses structured entities to securitise customer loans and advances it originates in order to diversify its sources of funding for asset origination and capital efficiency purposes. The loans and advances are transferred by HSBC to the structured entities for cash or synthetically through credit default swaps, and the structured entities issue debt securities to investors.

HSBC managed funds

HSBC has established a number of money market and non-money market funds. Where it is deemed to be acting as principal rather than agent in its role as investment manager, HSBC controls these funds.

Other

HSBC has entered into a number of transactions in the normal course of business, which include asset and structured finance transactions where it has control of the structured entity. In addition, HSBC is deemed to control a number of third-party managed funds through its involvement as a principal in the funds.

Unconsolidated structured entities

The term 'unconsolidated structured entities' refers to all structured entities not controlled by HSBC. The Group enters into transactions with unconsolidated structured entities in the normal course of business to facilitate customer transactions and for specific investment opportunities.

Nature and risks associated with HSBC interests in unconsolidated structured entities

Total asset values of the entities (\$m)	Securitisations	HSBC managed funds	Non-HSBC managed funds	Other	Total
0–500	120	337	1,271	42	1,770
500–2,000	4	96	1,069	3	1,172
2,000–5,000	—	39	418	—	457
5,000–25,000	—	24	217	—	241
25,000+	—	3	11	—	14
Number of entities at 31 Dec 2023	124	499	2,986	45	3,654
	\$bn	\$bn	\$bn	\$bn	\$bn
Total assets in relation to HSBC's interests in the unconsolidated structured entities	3.2	13.9	20.7	3.3	41.1
– trading assets	—	0.6	—	—	0.6
– financial assets designated and otherwise mandatorily measured at fair value	—	12.6	19.7	—	32.3
– loans and advances to customers	3.2	—	0.6	2.5	6.3
– financial investments	—	0.7	0.4	—	1.1
– other assets	—	—	—	0.8	0.8
Total liabilities in relation to HSBC's interests in the unconsolidated structured entities	—	—	—	0.3	0.3
– other liabilities	—	—	—	0.3	0.3
Other off-balance sheet commitments	0.1	1.9	5.0	1.2	8.2
HSBC's maximum exposure at 31 Dec 2023	3.3	15.8	25.7	4.2	49.0

Total asset values of the entities (\$m)					
0–500	85	338	1,321	41	1,785
500–2,000	8	102	929	4	1,043
2,000–5,000	—	28	388	—	416
5,000–25,000	—	18	206	—	224
25,000+	—	5	24	—	29
Number of entities at 31 Dec 2022	93	491	2,868	45	3,497
	\$bn	\$bn	\$bn	\$bn	\$bn
Total assets in relation to HSBC's interests in the unconsolidated structured entities	2.5	10.7	19.7	2.6	35.5
– trading assets	—	0.4	0.1	—	0.5
– financial assets designated and otherwise mandatorily measured at fair value	—	9.7	18.7	—	28.4
– loans and advances to customers	2.5	—	0.5	1.9	4.9
– financial investments	—	0.6	0.4	—	1
– other assets	—	—	—	0.7	0.7
Total liabilities in relation to HSBC's interests in the unconsolidated structured entities	—	—	—	0.4	0.4
– other liabilities	—	—	—	0.4	0.4
Other off-balance sheet commitments	0.2	1.5	4.6	1.8	8.1
HSBC's maximum exposure at 31 Dec 2022	2.7	12.2	24.3	4	43.2

The maximum exposure to loss from HSBC's interests in unconsolidated structured entities represents the maximum loss it could incur as a result of its involvement with these entities regardless of the probability of the loss being incurred.

- For commitments, guarantees and written credit default swaps, the maximum exposure to loss is the notional amount of potential future losses.
- For retained and purchased investments and loans to unconsolidated structured entities, the maximum exposure to loss is the carrying amount of these interests at the balance sheet reporting date.

The maximum exposure to loss is stated gross of the effects of hedging and collateral arrangements that HSBC has entered into in order to mitigate the Group's exposure to loss.

Securitisations

HSBC has interests in unconsolidated securitisation vehicles through holding notes issued by these entities. In addition, HSBC has investments in ABSs issued by third-party structured entities.

HSBC managed funds

HSBC establishes and manages money market funds and non-money market investment funds to provide customers with investment opportunities. Further information on funds under management is provided on page 118.

HSBC, as fund manager, may be entitled to receive management and performance fees based on the assets under management. HSBC may also retain units in these funds.

Non-HSBC managed funds

HSBC purchases and holds units of third-party managed funds in order to facilitate business and meet customer needs.

Other

HSBC has established structured entities in the normal course of business, such as structured credit transactions for customers, to provide finance to public and private sector infrastructure projects, and for asset and structured finance transactions.

In addition to the interests disclosed above, HSBC enters into derivative contracts, reverse repos and stock borrowing transactions with structured entities. These interests arise in the normal course of business for the facilitation of third-party transactions and risk management solutions.

HSBC sponsored structured entities

The amount of assets transferred to and income received from such sponsored structured entities during 2023 and 2022 was not significant.

21 Goodwill and intangible assets

	2023 \$m	2022 ¹ \$m
Goodwill	4,323	4,156
Other intangible assets ²	8,164	7,263
At 31 Dec	12,487	11,419

1 From 1 January 2023, we adopted IFRS 17 'Insurance Contracts', which replaced IFRS 4 'Insurance Contracts'. Comparative data have been restated accordingly.

2 Included within other intangible assets is internally generated software with a net carrying amount of \$6,895m (2022: \$6,166m). During the year, capitalisation of internally generated software was \$2,306m (2022: \$2,663m), reversal of impairment was \$285m (2022: impairment of \$125m) and amortisation was \$1,877m (2022: \$1,447m).

Movement analysis of goodwill

	2023 \$m	2022 \$m
Gross amount		
At 1 Jan	18,965	22,215
Exchange differences	523	(776)
Reclassified to held for sale and additions ¹	73	(2,485)
Other	(1)	11
At 31 Dec	19,560	18,965
Accumulated impairment losses		
At 1 Jan	(14,809)	(17,182)
Exchange differences	(428)	482
Reclassified to held for sale ¹	—	1,891
At 31 Dec	(15,237)	(14,809)
Net carrying amount at 31 Dec	4,323	4,156

1 Includes goodwill allocated to disposal groups as a result of the sales of our retail banking operations in France and branch operations in Greece, and planned sale of our banking business in Canada, offset by goodwill arising from the acquisition of L&T Investment Management Limited. For further details, see Note 23.

Goodwill

Impairment testing

The Group's impairment test in respect of goodwill allocated to each cash-generating unit ('CGU') is performed at 1 October each year. A review for indicators of impairment is undertaken at each subsequent quarter-end and at 31 December 2023. No indicators of impairment were identified as part of these reviews.

Basis of the recoverable amount

The recoverable amount of all CGUs to which goodwill has been allocated was equal to its value in use ('VIU') at each respective testing date. The VIU is calculated by discounting management's cash flow projections for the CGU. The key assumptions used in the VIU calculation for each individually significant CGU that is not impaired are discussed below.

Key assumptions in VIU calculation – significant CGUs at 1 October 2023

	Carrying amount at 1 Oct 2023 \$m	of which goodwill \$m	Value in use at 1 Oct 2023 \$m	Discount rate %	Growth rate beyond initial cash flow %	Carrying amount at 1 Oct 2022 \$m	of which goodwill \$m	Value in use at 1 Oct 2022 \$m	Discount rate %	Growth rate beyond initial cash flow projections %
HSBC UK Bank plc – WPB¹	11,167	2,597	27,933	10.4	2.0	N/A	N/A	N/A	N/A	N/A
Europe – WPB¹	N/A	N/A	N/A	N/A	N/A	15,215	2,643	46,596	9.9	2.0

1 Following change in the Reporting Framework the Group's CGUs are main legal entities subdivided by global business effective 1 January 2023.

Notes on the financial statements

At 1 October 2023, aggregate goodwill of \$1,599m (1 October 2022: \$1,464m) had been allocated to CGUs that were not considered individually significant. The Group's CGUs do not carry on their balance sheets any significant intangible assets with indefinite useful lives, other than goodwill.

Management's judgement in estimating the cash flows of a CGU

The Group does not consider there to be a significant risk of a material adjustment to the carrying amount of goodwill in the next financial year, but does consider this to be an area that is inherently judgemental. The cash flow projections for each CGU are based on forecast profitability plans approved by the Board and minimum capital levels required to support the business operations of a CGU. The Board challenges and endorses planning assumptions in light of internal capital allocation decisions necessary to support our strategy, current market conditions and macroeconomic outlook. For the 1 October 2023 impairment test, cash flow projections until the end of 2028 were considered, in line with our internal planning horizon. Key assumptions underlying cash flow projections reflect management's outlook on interest rates and inflation, as well as business strategy, including the scale of investment in technology and automation. Our cash flow projections include known and observable climate-related opportunities and costs associated with our sustainable products and operating model. As required by IFRS Accounting Standards, estimates of future cash flows exclude estimated cash inflows or outflows that are expected to arise from restructuring initiatives before an entity has a constructive obligation to carry out the plan, and would therefore have recognised a provision for restructuring costs.

Discount rate

The rate used to discount the cash flows is based on the cost of equity assigned to each CGU, which is derived using a capital asset pricing model ('CAPM') and market implied cost of equity. CAPM depends on a number of inputs reflecting financial and economic variables, including the risk-free rate and a premium to reflect the inherent risk of the business being evaluated. These variables are based on the market's assessment of the economic variables and management's judgement. The discount rates for each CGU are refined to reflect the rates of inflation for the countries within which the CGU operates. In addition, for the purposes of testing goodwill for impairment, management supplements this process by comparing the discount rates derived using the internally generated CAPM, with the cost of equity rates produced by external sources for businesses operating in similar markets. The impacts of climate risk are included to the extent that they are observable in discount rates and asset prices.

Long-term growth rate

The long-term growth rate is used to extrapolate the cash flows in perpetuity because of the long-term perspective within the Group of business units making up the CGUs. These growth rates reflect inflation for the countries within which the CGU operates or from which it derives revenue.

Sensitivities of key assumptions in calculating VIU

At 1 October 2023, given the extent by which VIU exceeds carrying amount, the HBUK WPB CGU was not sensitive to reasonably possible adverse changes in key assumptions supporting the recoverable amount. In making an estimate of reasonably possible changes to assumptions, management considers the available evidence in respect of each input to the VIU calculation, such as the external range of discount rates observable, historical performance against forecast and risks attaching to the key assumptions underlying cash flow projections. None of the remaining CGUs are individually significant.

Other intangible assets

Impairment testing

Impairment of other intangible assets is assessed in accordance with our policy explained in Note 1.2(n) by comparing the net carrying amount of CGUs containing intangible assets with their recoverable amounts. Recoverable amounts are determined by calculating an estimated VIU or fair value, as appropriate, for each CGU. No significant impairment was recognised during the year.

Key assumptions in VIU calculation

The Group does not consider there to be a significant risk of a material adjustment to the carrying amount of other intangible assets in the next financial year, but does consider this to be an area that is inherently judgemental. We used a number of assumptions in our VIU calculation, in accordance with the requirements of IAS 36:

- Management's judgement in estimating future cash flows: We considered past business performance, current market conditions and our macroeconomic outlook to estimate future earnings. As required by IFRS Accounting Standards, estimates of future cash flows exclude estimated cash inflows or outflows that are expected to arise from restructuring initiatives before an entity has a constructive obligation to carry out the plan, and would therefore have recognised a provision for restructuring costs. For some businesses, this means that the benefit of certain strategic actions may not be included in the impairment assessment, including capital releases. Our cash flow projections include known and observable climate-related opportunities and costs associated with our sustainable products and operating model.
- Long-term growth rates: The long-term growth rate is used to extrapolate the cash flows in perpetuity because of the long-term perspective of the businesses within the Group.
- Discount rates: Rates are based on a combination of CAPM and market-implied calculations considering market data for the businesses and geographies in which the Group operates. The impacts of climate risk are included to the extent that they are observable in discount rates and asset prices.

Sensitivity of estimates relating to non-financial assets

As explained in Note 1.2(a), estimates of future cash flows for CGUs are made in the review of goodwill and non-financial assets for impairment. Non-financial assets include other intangible assets shown above, and owned property, plant and equipment and right-of-use assets (see Note 22). The most significant sources of estimation uncertainty are in respect of the goodwill balances disclosed above. There are no non-financial asset balances relating to individual CGUs which involve estimation uncertainty that represents a significant risk of resulting in a material adjustment to the results and financial position of the Group within the next financial year.

Non-financial assets are widely distributed across CGUs within the legal entities of the Group, including Corporate Centre assets that cannot be allocated to CGUs and are therefore tested for impairment at consolidated level. The recoverable amounts of other intangible assets, owned property, plant and equipment, and right-of-use assets cannot be lower than individual asset fair values less costs to dispose, where relevant. At 31 December 2023 none of the CGUs were sensitive to reasonably possible adverse changes in key assumptions supporting the recoverable amount. In making an estimate of reasonably possible changes to assumptions, management considers the available evidence in respect of each input to the VIU calculation, such as the external range of discount rates observable, historical performance against forecast and risks attaching to the key assumptions underlying cash flow projections.

22 Prepayments, accrued income and other assets

	2023	2022 ¹
	\$m	\$m
Prepayments and accrued income	13,854	10,279
Settlement accounts	32,853	19,565
Cash collateral and margin receivables	57,058	63,421
Bullion	13,701	15,752
Endorsements and acceptances	7,939	8,407
Insurance contract assets (Note 4)	252	136
Reinsurance contract assets	4,728	4,310
Employee benefit assets (Note 5)	7,750	7,282
Right-of-use assets	2,456	2,219
Owned property, plant and equipment	10,478	10,365
Other accounts	14,186	14,413
At 31 Dec	165,255	156,149

¹ From 1 January 2023, we adopted IFRS 17 'Insurance Contracts', which replaced IFRS 4 'Insurance Contracts'. We have restated 2022 comparative data.

Prepayments, accrued income and other assets include \$122,863m (2022: \$112,464m) of financial assets, the majority of which are measured at amortised cost.

23 Assets held for sale, liabilities of disposal groups held for sale and business acquisitions

	2023	2022
	\$m	\$m
Held for sale at 31 Dec		
Disposal groups	115,836	118,055
Unallocated impairment losses ¹	(1,975)	(2,385)
Non-current assets held for sale	273	249
Assets held for sale	114,134	115,919
Liabilities of disposal groups held for sale	108,406	114,597

¹ This represents impairment losses in excess of the carrying value of the non-current assets, excluded from the measurement scope of IFRS 5.

Disposal groups and other planned disposals

Sale of our retail banking operations in France

On 1 January 2024, HSBC Continental Europe completed the sale of its retail banking business in France to CCF, a subsidiary of Promontoria MMB SAS ('My Money Group'). The sale also included HSBC Continental Europe's 100% ownership interest in HSBC SFH (France) and its 3% ownership interest in Crédit Logement.

In the first quarter of 2023, the sale had become less certain, as a result of which we recognised a \$2.1bn partial reversal of the impairment loss recognised in 2022, when the disposal group was classified as held for sale. In the fourth quarter of 2023, following the receipt of regulatory approvals and the satisfaction of other relevant conditions, we reclassified the disposal group as held for sale, and it was subsequently remeasured at the lower of the carrying amount and fair value less costs to sell. This resulted in the reinstatement of a €1.8bn (\$2.0bn) pre-tax impairment loss reflecting the final terms of the sale, giving rise to a net reversal of impairment recognised in other operating income in the year of \$0.1bn.

Upon completion and in accordance with the terms of the sale, HSBC Continental Europe received a €0.1bn (\$0.1bn) profit participation interest in the ultimate holding company of My Money Group. The associated impacts on initial recognition of this stake at fair value were recognised as part of the pre-tax loss on disposal. In addition, we recognised the reversal of a €0.4bn (\$0.4bn) deferred tax liability, which had arisen as a consequence of the temporary difference in tax and accounting treatment in respect of the provision for loss on disposal, which was deductible in the French tax return in 2021.

In accordance with the terms of the sale, HSBC Continental Europe retained a portfolio of €7.1bn (\$7.8bn) consisting of home and certain other loans, in respect of which it may consider on-sale opportunities at a suitable time, and the CCF brand, which it licensed to the buyer under a long-term licence agreement. Additionally, HSBC Continental Europe's subsidiaries, HSBC Assurances Vie (France) and HSBC Global Asset Management (France), have entered into distribution agreements with the buyer. Ongoing costs associated with the retention of the home and certain other loans, net of income on distribution agreements and the brand licence, are estimated to have an after-tax loss impact of €0.1bn (\$0.1bn) in 2024 based on expected funding rates.

Planned sale of our banking business in Canada

On 29 November 2022, HSBC Holdings plc announced that its wholly-owned subsidiary, HSBC Overseas Holdings (UK) Limited, had entered into an agreement for the sale of its banking business in Canada to the Royal Bank of Canada. Completion of the transaction is expected to occur in the first quarter of 2024 and the required governmental approvals have been obtained. The majority of the estimated gain on sale of \$5.2bn (as at 31 December 2023) will be recognised on completion, reduced by earnings recognised by the Group in the period to completion. There would be no tax on the gain recognised at completion. This estimated gain would also have been reduced by \$0.3bn in fair value losses recognised on the related foreign exchange hedges in 2023. The estimated pre-tax profit on the sale will be recognised through a combination of the consolidation of HSBC Canada's results into the Group's financial statements (between the 30 June 2022 net asset reference date and until completion), and the remaining gain on sale recognised at completion. At 31 December 2023, total assets of \$87.9bn and total liabilities of \$81.5bn met the criteria to be classified as held for sale in accordance with IFRS 5.

Planned sale of our business in Russia

On 30 June 2022, following a strategic review of our business in Russia, HSBC Europe BV (a wholly-owned subsidiary of HSBC Bank plc) entered into an agreement for the sale of its wholly-owned subsidiary HSBC Bank (RR) (Limited Liability Company). In 2022, a \$0.3bn impairment loss on the planned sale was recognised, upon classification as held for sale in accordance with IFRS 5. As at 31 December 2023, following US sanctions designation of the buyer, the outcome of the planned sale became less certain. This resulted in the reversal of \$0.2bn of the previously recognised loss, as the business was no longer classified as held for sale. However, owing to restrictions impacting the recoverability of assets in Russia, we recognised charges of \$0.2bn in other operating income. Completion of the planned sale remains subject to regulatory approval. On completion, accumulated foreign currency translation reserves will be recycled to the income statement.

Our branch operations in Greece

On 24 May 2022, HSBC Continental Europe signed a sale and purchase agreement for the sale of its branch operations in Greece to Pancreta Bank SA. In the second quarter of 2022, we recognised a loss of \$0.1bn upon reclassification as held for sale in accordance with IFRS 5. At completion on 28 July 2023, the disposal group included \$0.3bn of loans and advances to customers and \$1.1bn of customer accounts.

Merger of our business in Oman

In November 2022, HSBC Bank Oman SAOG entered into a binding merger agreement with Sohar International Bank SAOG, under which the two banks agreed to take the necessary steps to implement a merger by incorporation, whereby HSBC Bank Oman would merge into Sohar International Bank. Following regulatory and shareholder approvals, the merger was completed on 17 August 2023 by way of dissolution and transfer of all the assets and liabilities of HSBC Bank Oman to Sohar International Bank, with the shareholders of HSBC Bank Oman receiving the consideration in cash and shares in Sohar International Bank. Separately, HSBC Bank Middle East Limited is in the process of establishing a new wholesale banking branch in Oman subject to regulatory approvals.

Our New Zealand loan portfolio

In August 2023, the Hongkong and Shanghai Banking Corporation Limited (acting through its New Zealand branch) entered into an agreement with Pepper New Zealand Limited, a wholly-owned subsidiary of Pepper Money Limited, to sell its New Zealand retail mortgage loan portfolio. The sale was classified as held for sale in the third quarter of 2023 and was completed on 1 December 2023.

Our retail business in Mauritius

In November 2023, the Hongkong and Shanghai Banking Corporation Limited (acting through its Mauritius branch) entered into an agreement with ABSA Bank (Mauritius) Limited, a wholly-owned subsidiary of ABSA Bank Group Limited, to sell its Wealth and Personal Banking business. The sale is expected to complete in the second half of 2024 subject to regulatory approvals.

At 31 December 2023, the major classes of assets and associated liabilities of disposal groups held for sale, excluding allocated impairment losses, were as follows:

	Canada \$m	Retail banking operations in France \$m	Other ¹ \$m	Total \$m
Assets of disposal groups held for sale				
Cash and balances at central banks ²	5,370	226	—	5,596
Trading assets	2,465	—	—	2,465
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	15	49	—	64
Derivatives	528	—	—	528
Loans and advances to banks ²	154	10,333	—	10,487
Loans and advances to customers	56,129	16,902	254	73,285
Reverse repurchase agreements – non-trading	2,723	—	—	2,723
Financial investments ³	16,978	33	—	17,011
Goodwill	225	—	—	225
Prepayments, accrued income and other assets	3,318	132	2	3,452
Total assets at 31 Dec 2023	87,905	27,675	256	115,836
Liabilities of disposal groups held for sale				
Trading liabilities	1,417	—	—	1,417
Deposits by banks	78	—	—	78
Customer accounts	63,001	22,307	642	85,950
Repurchase agreements – non-trading	2,768	—	—	2,768
Financial liabilities designated at fair value	—	2,370	—	2,370
Derivatives	608	7	—	615
Debt securities in issue	7,707	1,377	—	9,084
Subordinated liabilities	8	—	—	8
Accruals, deferred income and other liabilities	5,916	196	4	6,116
Total liabilities at 31 Dec 2023	81,503	26,257	646	108,406
Expected date of completion	First quarter of 2024	1 January 2024		
Operating segment	All global businesses		WPB	

¹ Includes balances classified as held for sale in respect of the planned sale of our retail business in Mauritius and planned sale of our global hedge fund administration business across several markets.

² Under the financial terms of the sale of our retail banking operations in France, HSBC Continental Europe will transfer the business with a net asset value of €1.7bn (\$1.8bn) for a consideration of €1. Any required increase to the net asset value of the business to achieve this will be satisfied by the inclusion of additional cash. Based upon the net liabilities of the disposal group at 31 December 2023, HSBC would be expected to include a cash contribution of \$11bn, of which \$10.5bn was reclassified as held for sale at 31 December 2023 ('Loans and advances to banks', \$10.3bn, 'Cash and balances at central bank', \$0.2bn).

³ Includes financial investments measured at fair value through other comprehensive income of \$9.4bn and debt instruments measured at amortised cost of \$7.6bn.

At 31 December 2022, the major classes of assets and associated liabilities of disposal groups held for sale, excluding allocated impairment losses, were as follows:

	Canada \$m	Retail banking operations in France \$m	Other \$m	Total \$m
Assets of disposal groups held for sale				
Cash and balances at central banks	4,664	71	1,811	6,546
Trading assets	3,168	—	8	3,176
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	13	47	1	61
Derivatives	866	—	—	866
Loans and advances to banks	99	—	154	253
Loans and advances to customers	55,197	25,029	350	80,576
Reverse repurchase agreements – non-trading	4,396	—	250	4,646
Financial investments ¹	17,243	—	106	17,349
Goodwill	225	—	—	225
Prepayments, accrued income and other assets	4,245	75	26	4,357
Total assets at 31 Dec 2022	90,127	25,222	2,706	118,055
Liabilities of disposal groups held for sale				
Trading liabilities	2,751	—	3	2,754
Deposits by banks	62	—	2	64
Customer accounts	60,606	22,348	2,320	85,274
Repurchase agreements – non-trading	3,266	—	—	3,266
Financial liabilities designated at fair value	—	3,523	—	3,523
Derivatives	806	7	—	813
Debt securities in issue	11,602	1,326	—	12,928
Subordinated liabilities	8	—	—	8
Accruals, deferred income and other liabilities	5,727	159	81	5,967
Total liabilities at 31 Dec 2022	84,828	27,363	2,406	114,597
Expected date of completion	Second half of 2023	Second half of 2023		
Operating segment	All global businesses	WPB		

¹ Includes financial investments measured at fair value through other comprehensive income of \$11.2bn and debt instruments measured at amortised cost of \$6.2bn.

Business acquisitions

Acquisition of Silicon Valley Bank UK Limited

In March 2023, HSBC UK Bank plc acquired Silicon Valley Bank UK Limited ('SVB UK'), and in June 2023 changed its legal entity name to HSBC Innovation Bank Limited. The acquisition was funded from existing resources and brought the staff, assets and liabilities of SVB UK into the HSBC portfolio. On acquisition, we performed a preliminary assessment of the fair value of the assets and liabilities purchased. We established an opening balance sheet on 13 March 2023 and applied the result of the fair value assessment, which resulted in a reduction in net assets of \$0.2bn. The provisional gain on acquisition of \$1.6bn represents the difference between the consideration paid of £1 and the net assets acquired. Further due diligence has been performed post-acquisition, resulting in the recognition of an additional gain of \$0.1bn at 30 September 2023, as required by IFRS 3 'Business Combinations'.

HSBC Innovation Bank Limited contributed \$0.5bn of revenue and \$0.2bn to the Group profit after tax for the period from 13 March 2023 to 31 December 2023. As per the disclosure requirements set out in IFRS 3 'Business Combinations', if HSBC Innovation Bank Limited had been acquired on 1 January 2023, management estimates that for the 12 months to 31 December 2023, consolidated revenue would have been \$66bn and consolidated profit after tax would have been \$25bn. In determining these amounts, management has assumed that the previously determined fair value adjustments, which arose on acquisition would have been the same if the acquisition had occurred on 1 January 2023.

The details of the business combination at acquisition are as follows:

	At 13 Mar 2023 \$m
Fair value of assets acquired	11,367
Fair value of liabilities acquired	(9,776)
Fair value of net assets acquired	1,591
Provisional gain on acquisition	1,591
Consideration transferred settled in cash	—
Cash and cash equivalents acquired	1,243
Net cash inflow on acquisition	1,243

Acquisition of Citibank China's wealth management portfolio

In October 2023, HSBC Bank (China) Company Limited, a wholly-owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited, entered into an agreement to acquire Citibank China's retail wealth management portfolio in mainland China. The portfolio comprises assets under management and deposits and the associated wealth customers. Upon completion, the acquired business will be integrated into HSBC Bank China's Wealth and Personal Banking operations. The transaction is expected to complete in the first half of 2024.

Acquisition of Silkroad Property Partners Singapore

In October 2023, HSBC Global Asset Management Singapore Limited entered into an agreement to acquire 100% of the shares of Silkroad Property Partners Pte Ltd ('Silkroad') and for HSBC Global Asset Management Limited to acquire Silkroad's affiliated General Partner entities. Silkroad is a Singapore headquartered Asia-Pacific-focused, real estate investment manager. The acquisition was completed on 31 January 2024.

24 Trading liabilities

	2023	2022
	\$m	\$m
Deposits by banks ¹	6,779	9,332
Customer accounts ¹	8,955	10,724
Other debt securities in issue (Note 26)	27	978
Other liabilities – net short positions in securities	57,389	51,319
At 31 Dec	73,150	72,353

¹ 'Deposits by banks' and 'Customer accounts' include fair value repos, stock lending and other amounts.

25 Financial liabilities designated at fair value

HSBC

	2023	2022 ¹
	\$m	\$m
Deposits by banks and customer accounts ²	21,043	19,171
Liabilities to customers under investment contracts	5,103	5,374
Debt securities in issue (Note 26)	103,803	93,140
Subordinated liabilities (Note 29)	11,477	9,636
At 31 Dec	141,426	127,321

¹ From 1 January 2023, we adopted IFRS 17 'Insurance Contracts', which replaced IFRS 4 'Insurance Contracts'. We have restated 2022 comparative data.

² Structured deposits placed at HSBC Bank USA are insured by the Federal Deposit Insurance Corporation, a US government agency, up to \$250,000 per depositor.

The carrying amount of financial liabilities designated at fair value was \$4,421m less than the contractual amount at maturity (2022: \$8,124m less). The cumulative amount of change in fair value attributable to changes in credit risk was a loss of \$1,286m (2022: profit of \$234m).

HSBC Holdings

	2023	2022
	\$m	\$m
Debt securities in issue (Note 26)	35,189	25,423
Subordinated liabilities (Note 29)	8,449	6,700
At 31 Dec	43,638	32,123

The carrying amount of financial liabilities designated at fair value was \$246m less than the contractual amount at maturity (2022: \$2,405m less). The cumulative amount of change in fair value attributable to changes in credit risk was a loss of \$682m (2022: \$516m).

26 Debt securities in issue

HSBC

	2023	2022
	\$m	\$m
Bonds and medium-term notes	160,632	145,240
Other debt securities in issue	37,115	27,027
Total debt securities in issue	197,747	172,267
Included within:		
– trading liabilities (Note 24)	(27)	(978)
– financial liabilities designated at fair value (Note 25)	(103,803)	(93,140)
At 31 Dec	93,917	78,149

	2023 \$m	2022 \$m
Debt securities	100,428	92,361
Included within:		
– financial liabilities designated at fair value (Note 25)	(35,189)	(25,423)
At 31 Dec	65,239	66,938

27 Accruals, deferred income and other liabilities

	2023 \$m	2022 \$m
Accruals and deferred income	16,814	12,605
Settlement accounts	28,423	18,178
Cash collateral and margin payables	56,832	70,298
Endorsements and acceptances	7,911	8,379
Employee benefit liabilities (Note 5)	1,160	1,096
Reinsurance contract liabilities	819	748
Lease liabilities	2,813	2,767
Other liabilities	21,834	20,242
At 31 Dec	136,606	134,313

- 1 Accruals, deferred income and other liabilities include \$129,401m (2022: \$125,957m) of financial liabilities, the majority of which are measured at amortised cost.
- 2 From 1 January 2023, we adopted IFRS 17 'Insurance Contracts', which replaced IFRS 4 'Insurance Contracts'. Comparative data have been restated accordingly.

28 Provisions

	Restructuring costs \$m	Legal proceedings and regulatory matters \$m	Customer remediation \$m	Other provisions \$m	Total \$m
Provisions (excluding contractual commitments)					
At 1 Jan 2023	445	409	195	397	1,446
Additions	255	236	37	170	698
Amounts utilised	(288)	(231)	(69)	(68)	(656)
Unused amounts reversed	(149)	(30)	(41)	(95)	(315)
Exchange and other movements	21	(4)	8	16	41
At 31 Dec 2023	284	380	130	420	1,214
Contractual commitments¹					
At 1 Jan 2023					512
Net change in expected credit loss provision and other movements					15
At 31 Dec 2023					527
Total provisions					
At 31 Dec 2022					1,958
At 31 Dec 2023					1,741
Provisions (excluding contractual commitments)					
At 1 Jan 2022	383	619	386	558	1,946
Additions	434	271	60	206	971
Amounts utilised	(288)	(393)	(106)	(168)	(955)
Unused amounts reversed	(87)	(82)	(109)	(125)	(403)
Exchange and other movements	3	(6)	(36)	(74)	(113)
At 31 Dec 2022	445	409	195	397	1,446
Contractual commitments¹					
At 1 Jan 2022					620
Net change in expected credit loss provision and other movements					(108)
At 31 Dec 2022					512
Total provisions					
At 31 Dec 2021					2,566
At 31 Dec 2022					1,958

1 Contractual commitments include the expected credit loss provision in relation to off-balance sheet financial guarantee contracts and commitments where HSBC has become party to an irrevocable commitment, as defined under IFRS 9 'Financial Instruments'; and provisions for performance and other guarantee contracts.

Further details of 'Legal proceedings and regulatory matters' are set out in Note 36. Legal proceedings include civil court, arbitration or tribunal proceedings brought against HSBC companies (whether by way of claim or counterclaim); or civil disputes that may, if not settled, result in court, arbitration or tribunal proceedings. 'Regulatory matters' refers to investigations, reviews and other actions carried out by, or in response to, the actions of regulators or law enforcement agencies in connection with alleged wrongdoing by HSBC.

Notes on the financial statements

Customer remediation refers to HSBC's activities to compensate customers for losses or damages associated with a failure to comply with regulations or to treat customers fairly. Customer remediation is often initiated by HSBC in response to customer complaints and/or industry developments in sales practices, and is not necessarily initiated by regulatory action.

For further details of the impact of IFRS 9 on undrawn loan commitments and financial guarantees, presented in 'Contractual commitments', see Note 34. Further analysis of the movement in the expected credit loss provision is disclosed within the 'Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees' table on page 169.

Brazil PIS and COFINS tax matters

Beginning in the late 1990s, HSBC Bank Brasil S.A. – Banco Múltiplo ('HSBC Brazil') and other financial services firms brought legal proceedings in Brazil challenging the assessment of PIS and COFINS taxes, which are federal taxes imposed on gross revenues earned by legal entities in Brazil. The Supreme Court of Brazil selected three cases – one involving an insurer, in 2007, and two involving other banks, in 2011 – to set standards that would apply to all of these proceedings. In June 2023, the court ruled against the financial services firms in all three cases. The standards set by the court in this ruling have not yet been applied to HSBC Brazil's legacy cases, liability for which remained with HSBC after the sale of HSBC's operations in Brazil to Bradesco in 2016. There are many factors that may affect the range of outcomes and any resulting financial impact for HSBC. Based upon the information currently available, a provision was recognised in respect of one legacy case. The remaining additional tax liability subject to challenge on all legacy PIS and COFINS cases is up to \$0.4bn.

29 Subordinated liabilities

HSBC's subordinated liabilities

	2023	2022
	\$m	\$m
At amortised cost	24,954	22,290
– subordinated liabilities	23,149	20,547
– preferred securities	1,805	1,743
Designated at fair value (Note 25)	11,477	9,636
– subordinated liabilities	11,477	9,636
– preferred securities	–	–
At 31 Dec	36,431	31,926
Issued by HSBC subsidiaries	4,154	6,094
Issued by HSBC Holdings	32,277	25,832

Subordinated liabilities rank behind senior obligations and generally count towards the capital base of HSBC. Capital securities may be called and redeemed by HSBC subject to prior notification to the PRA and, where relevant, the consent of the local banking regulator. If not redeemed at the first call date, coupons payable may reset or become floating rate based on relevant market rates. On subordinated liabilities other than floating rate notes, interest is payable at fixed rates of up to 10.176%.

The balance sheet amounts disclosed in the following table are presented on an IFRS basis and do not reflect the amount that the instruments contribute to regulatory capital, principally due to regulatory amortisation and regulatory eligibility limits.

HSBC's subordinated liabilities: subsidiaries

	2023	2022
	\$m	\$m
Additional tier 1 capital securities issued by HSBC subsidiaries	1,672	1,584
Tier 2 securities issued by HSBC subsidiaries		
– Tier 2 securities issued by HSBC Bank plc	764	2,427
– Tier 2 securities issued by The Hongkong and Shanghai Banking Corporation Limited	–	400
– Tier 2 securities issued by HSBC Bank USA Inc	223	223
– Tier 2 securities issued by HSBC Bank USA N.A.	1,449	1,405
– Tier 2 securities issued by HSBC Bank Canada ¹	–	–
Securities issued by other HSBC subsidiaries	46	55
Subordinated liabilities issued by HSBC subsidiaries at 31 Dec	4,154	6,094

¹ Liability accounts for HSBC Bank Canada have been reclassified to 'Liabilities of disposal groups held for sale'.

HSBC Holdings' subordinated liabilities

	2023	2022
	\$m	\$m
At amortised cost	24,439	19,727
Designated at fair value (Note 25)	8,449	6,700
At 31 Dec	32,888	26,427

HSBC Holdings' subordinated liabilities in issue

	2023	2022
	\$m	\$m
Tier 2 securities issued by HSBC Holdings		
Amounts owed to third parties	31,975	25,527
Amounts owed to HSBC undertakings	913	900
Subordinated liabilities issued by HSBC Holdings at 31 Dec	32,888	26,427

Guaranteed by HSBC Holdings or HSBC Bank plc

Capital securities guaranteed by HSBC Holdings or HSBC Bank plc were issued by the Jersey limited partnerships. The proceeds of these were lent to the respective guarantors by the limited partnerships in the form of subordinated notes. They qualified as additional tier 1 capital for HSBC under CRR II until 31 December 2021 by virtue of the application of grandfathering provisions. The capital security guaranteed by HSBC Bank plc also qualified as additional tier 1 capital for HSBC Bank plc (on a solo and a consolidated basis) under CRR II until 31 December 2021 by virtue of the same grandfathering process. Since 31 December 2021, these securities have no longer qualified as regulatory capital for HSBC or HSBC Bank plc.

These preferred securities, together with the guarantee, are intended to provide investors with rights to income and capital distributions and distributions upon liquidation of the relevant issuer that are equivalent to the rights that they would have had if they had purchased non-cumulative perpetual preference shares of the relevant issuer. There are limitations on the payment of distributions if such payments are prohibited under UK banking regulations or other requirements, if a payment would cause a breach of HSBC's capital adequacy requirements, or if HSBC Holdings or HSBC Bank plc has insufficient distributable reserves (as defined).

HSBC Holdings and HSBC Bank plc have individually covenanted that, if prevented under certain circumstances from paying distributions on the preferred securities in full, they will not pay dividends or other distributions in respect of their ordinary shares, or repurchase or redeem their ordinary shares, until the distribution on the preferred securities has been paid in full.

If the consolidated total capital ratio of HSBC Holdings falls below the regulatory minimum required or if the Directors expect it to do so in the near term, provided that proceedings have not been commenced for the liquidation, dissolution or winding up of HSBC Holdings, the holders' interests in the preferred securities guaranteed by HSBC Holdings will be exchanged for interests in preference shares issued by HSBC Holdings that have economic terms which are in all material respects equivalent to the preferred securities and their guarantee.

If the preferred securities guaranteed by HSBC Bank plc are outstanding in November 2048, or if the total capital ratio of HSBC Bank plc (on a solo or consolidated basis) falls below the regulatory minimum required, or if the Directors expect it to do so in the near term, provided that proceedings have not been commenced for the liquidation, dissolution or winding up of HSBC Bank plc, the holders' interests in the preferred security guaranteed by HSBC Bank plc will be exchanged for interests in preference shares issued by HSBC Bank plc that have economic terms which are in all material respects equivalent to the preferred security and its guarantee.

Tier 2 securities

Tier 2 capital securities are either perpetual or dated subordinated securities on which there is an obligation to pay coupons. These capital securities are included within HSBC's regulatory capital base as tier 2 capital under CRR II, either as fully eligible capital or by virtue of the application of grandfathering provisions. In accordance with CRR II, the capital contribution of all tier 2 securities is amortised for regulatory purposes in their final five years before maturity.

30 Maturity analysis of assets, liabilities and off-balance sheet commitments

The table on page 408 provides an analysis of consolidated total assets, liabilities and off-balance sheet commitments by residual contractual maturity at the balance sheet date. These balances are included in the maturity analysis as follows:

- Trading assets and liabilities (including trading derivatives but excluding reverse repos, repos and debt securities in issue) are included in the 'Due not more than 1 month' time bucket because trading balances are typically held for short periods of time.
- Financial assets and liabilities with no contractual maturity (such as equity securities) are included in the 'Due over 5 years' time bucket. Undated or perpetual instruments are classified based on the contractual notice period, which the counterparty of the instrument is entitled to give. Where there is no contractual notice period, undated or perpetual contracts are included in the 'Due over 5 years' time bucket.
- Non-financial assets and liabilities with no contractual maturity are included in the 'Due over 5 years' time bucket.
- Financial instruments included within assets and liabilities of disposal groups held for sale are classified on the basis of the contractual maturity of the underlying instruments and not on the basis of the disposal transaction.
- Liabilities under insurance contracts included in 'other financial liabilities' are irrespective of contractual maturity included in the 'Due over 5 years' time bucket in the maturity table provided below. An analysis of the present value of expected future cash flows of insurance contract liabilities and contractual service margin is provided on page 411. Liabilities under investment contracts are classified in accordance with their contractual maturity. Undated investment contracts are included in the 'Due over 5 years' time bucket, although such contracts are subject to surrender and transfer options by the policyholders.
- Loan and other credit-related commitments are classified on the basis of the earliest date they can be drawn down.

HSBC

Maturity analysis of assets, liabilities and off-balance sheet commitments

	Due not more than 1 month \$m	Due over 1 month but not more than 3 months \$m	Due over 3 months but not more than 6 months \$m	Due over 6 months but not more than 9 months \$m	Due over 9 months but not more than 1 year \$m	Due over 1 year but not more than 2 years \$m	Due over 2 years but not more than 5 years \$m	Due over 5 years \$m	Total \$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	284,865	2,010	637	363	555	165	564	—	289,159
Financial assets designated or otherwise mandatorily measured at fair value	5,530	697	821	753	581	4,839	11,917	85,505	110,643
Derivatives	227,343	138	134	71	35	383	570	1,040	229,714
Loans and advances to banks	76,524	18,662	6,487	2,689	3,281	2,756	2,328	175	112,902
Loans and advances to customers	142,803	66,425	52,218	40,135	36,323	94,206	175,381	331,044	938,535
– personal	44,105	9,558	6,960	6,422	6,127	19,606	54,365	297,512	444,655
– corporate and commercial	83,281	50,268	38,250	24,685	24,566	61,612	106,598	30,592	419,852
– financial	15,417	6,599	7,008	9,028	5,630	12,988	14,418	2,940	74,028
Reverse repurchase agreements – non-trading	164,826	43,893	23,840	6,708	5,126	6,113	1,711	—	252,217
Financial investments	48,969	69,816	44,493	16,348	18,603	46,124	106,117	92,293	442,763
Assets held for sale ²	39,882	2,929	7,041	4,176	3,261	17,085	33,015	7,943	115,332
Accrued income and other financial assets	108,138	6,574	4,404	550	698	220	764	1,513	122,861
Financial assets at 31 Dec 2023	1,433,114	211,144	140,075	71,793	68,463	171,891	332,367	519,513	2,948,360
Non-financial assets	—	—	—	—	—	—	—	90,317	90,317
Total assets at 31 Dec 2023	1,433,114	211,144	140,075	71,793	68,463	171,891	332,367	609,830	3,038,677
Off-balance sheet commitments received									
Loan and other credit-related commitments	39,836	—	—	—	—	—	—	—	39,836
Financial liabilities									
Hong Kong currency notes in circulation	42,024	—	—	—	—	—	—	—	42,024
Deposits by banks	52,747	2,758	2,324	381	94	1,458	13,064	337	73,163
Customer accounts	1,343,858	138,117	78,611	20,832	17,724	7,785	4,616	104	1,611,647
– personal	621,112	84,909	61,286	14,794	12,465	5,507	2,742	2	802,817
– corporate and commercial	545,207	43,562	14,525	4,605	3,393	2,165	1,527	92	615,076
– financial	177,539	9,646	2,800	1,433	1,866	113	347	10	193,754
Repurchase agreements – non-trading	158,882	10,311	1,759	300	847	1	—	—	172,100
Items in the course of transmission to other banks	7,295	—	—	—	—	—	—	—	7,295
Trading liabilities	66,548	6,302	300	—	—	—	—	—	73,150
Financial liabilities designated at fair value	22,080	8,366	7,823	7,197	6,239	16,679	39,497	33,545	141,426
– debt securities in issue: covered bonds	—	—	—	—	—	—	—	—	—
– debt securities in issue: unsecured	10,383	2,760	5,748	6,225	5,390	14,090	34,757	23,898	103,251
– subordinated liabilities and preferred securities	—	1,995	—	—	—	1,471	3,429	4,581	11,476
– other	11,697	3,611	2,075	972	849	1,118	1,311	5,066	26,699
Derivatives	233,134	113	25	9	47	73	1,223	148	234,772
Debt securities in issue	6,891	6,664	10,816	6,896	6,427	6,317	27,452	22,454	93,917
– covered bonds	—	—	—	—	—	—	1,273	—	1,273
– otherwise secured	447	44	62	58	55	188	861	1,679	3,394
– unsecured	6,444	6,620	10,754	6,838	6,372	6,129	25,318	20,775	89,250
Liabilities of disposal groups held for sale ³	69,868	5,231	5,479	6,728	6,541	4,730	7,918	1,511	108,006
Accruals and other financial liabilities	104,264	11,827	6,007	1,205	1,414	1,053	1,491	2,137	129,398
Subordinated liabilities	—	13	—	—	—	1,790	897	22,254	24,954
Total financial liabilities at 31 Dec 2023	2,107,591	189,702	113,144	43,548	39,333	39,886	96,158	82,490	2,711,852
Non-financial liabilities	—	—	—	—	—	—	—	134,215	134,215
Total liabilities at 31 Dec 2023	2,107,591	189,702	113,144	43,548	39,333	39,886	96,158	216,705	2,846,067
Off-balance sheet commitments given									
Loan and other credit-related commitments	895,140	95	126	72	171	439	807	300	897,150
– personal	256,272	21	30	46	107	279	745	192	257,692
– corporate and commercial	472,507	74	26	26	64	160	62	108	473,027
– financial	166,361	—	70	—	—	—	—	—	166,431

Maturity analysis of assets, liabilities and off-balance sheet commitments (continued)

	Due not more than 1 month	Due over 1 month but not more than 3 months	Due over 3 months but not more than 6 months	Due over 6 months but not more than 9 months	Due over 9 months but not more than 1 year	Due over 1 year but not more than 2 years	Due over 2 years but not more than 5 years	Due over 5 years	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Financial assets									
Cash and balances at central banks	327,002	—	—	—	—	—	—	—	327,002
Items in the course of collection from other banks	7,297	—	—	—	—	—	—	—	7,297
Hong Kong Government certificates of indebtedness	43,787	—	—	—	—	—	—	—	43,787
Trading assets	213,234	1,333	1,343	338	425	808	222	390	218,093
Financial assets designated at fair value	3,282	718	1,369	1,178	479	1,967	13,353	77,755	100,101
Derivatives	281,724	132	29	21	65	261	1,052	875	284,159
Loans and advances to banks	72,240	13,965	8,323	860	2,328	3,058	3,569	132	104,475
Loans and advances to customers	139,934	75,486	58,951	35,633	33,730	99,933	173,076	306,818	923,561
– personal	41,834	9,141	6,659	5,745	5,773	18,326	51,050	273,487	412,015
– corporate and commercial	84,955	60,067	45,695	24,430	22,629	68,473	108,418	30,231	444,898
– financial	13,145	6,278	6,597	5,458	5,328	13,134	13,608	3,100	66,648
Reverse repurchase agreements – non-trading	171,173	51,736	16,164	5,840	2,776	3,999	2,066	—	253,754
Financial investments	46,493	79,309	30,722	11,798	13,067	40,710	67,951	74,676	364,726
Assets held for sale ²	33,781	3,755	3,452	3,044	3,263	15,369	40,017	14,697	117,378
Accrued income and other financial assets	99,113	6,042	3,766	620	703	543	302	1,295	112,384
Financial assets at 31 Dec 2022	1,439,060	232,476	124,119	59,332	56,836	166,648	301,608	476,638	2,856,717
Non-financial assets									
Total assets at 31 Dec 2022	1,439,060	232,476	124,119	59,332	56,836	166,648	301,608	569,207	2,949,286
Off-balance sheet commitments received									
Loan and other credit-related commitments	27,340	—	—	—	—	—	—	—	27,340
Financial liabilities									
Hong Kong currency notes in circulation	43,787	—	—	—	—	—	—	—	43,787
Deposits by banks	46,994	359	3,510	205	136	1,455	13,737	326	66,722
Customer accounts	1,388,297	93,108	47,712	14,244	17,295	4,719	4,607	321	1,570,303
– personal	657,413	55,252	35,430	10,431	12,374	2,835	2,351	2	776,088
– corporate and commercial	555,539	31,624	10,385	3,080	3,824	1,667	2,146	274	608,539
– financial	175,345	6,232	1,897	733	1,097	217	110	45	185,676
Repurchase agreements – non-trading	121,193	3,804	685	170	645	1,250	—	—	127,747
Items in the course of transmission to other banks	7,864	—	—	—	—	—	—	—	7,864
Trading liabilities	66,027	5,668	281	113	113	116	35	—	72,353
Financial liabilities designated at fair value	16,430	7,398	6,562	4,308	5,325	19,287	34,886	33,125	127,321
– debt securities in issue: covered bonds	—	—	—	—	—	—	—	—	—
– debt securities in issue: unsecured	7,056	3,620	4,793	3,157	4,288	16,234	29,941	23,510	92,599
– subordinated liabilities and preferred securities	—	—	—	—	—	1,971	3,675	3,990	9,636
– other	9,374	3,778	1,769	1,151	1,037	1,082	1,270	5,625	25,086
Derivatives	284,412	73	18	46	57	171	849	136	285,762
Debt securities in issue	4,514	7,400	7,476	4,745	3,585	9,198	19,240	21,991	78,149
– covered bonds	—	—	—	—	—	—	601	—	601
– otherwise secured	705	28	40	38	36	124	656	1,346	2,973
– unsecured	3,809	7,372	7,436	4,707	3,549	9,074	17,983	20,645	74,575
Liabilities of disposal groups held for sale ³	76,928	4,342	5,374	6,599	8,606	2,343	8,653	1,479	114,324
Accruals and other financial liabilities	104,295	9,576	4,776	967	1,564	1,028	2,016	1,725	125,947
Subordinated liabilities	—	—	11	160	—	—	1,689	20,430	22,290
Total financial liabilities at 31 Dec 2022	2,160,741	131,728	76,405	31,557	37,326	39,567	85,712	79,533	2,642,569
Non-financial liabilities									
Total liabilities at 31 Dec 2022	2,160,741	131,728	76,405	31,557	37,326	39,567	85,712	201,053	2,764,089
Off-balance sheet commitments given									
Loan and other credit-related commitments	825,781	184	75	59	210	242	975	328	827,854
– personal	242,953	2	3	—	110	199	811	300	244,378
– corporate and commercial	449,843	176	72	59	84	43	163	28	450,468
– financial	132,985	6	—	—	16	—	1	—	133,008

- From 1 January 2023, we adopted IFRS 17 'Insurance Contracts', which replaced IFRS 4 'Insurance Contracts'. Comparative data have been restated accordingly.
- Unallocated impairment losses in relation to disposal groups of \$2.0bn (2022: \$2.4bn) and non-financial assets of \$0.9bn (2022: \$1bn) that are presented within assets held for sale on the balance sheet have been included within non-financial assets in the table above.
- A total of \$0.4bn (2022: \$0.3bn) of non-financial liabilities that are presented within liabilities of disposal groups held for sale on the balance sheet have been included within non-financial liabilities in the table above.

HSBC Holdings

Maturity analysis of assets, liabilities and off-balance sheet commitments

	Due not more than 1 month \$m	Due over 1 month but not more than 3 months \$m	Due over 3 months but not more than 6 months \$m	Due over 6 months but not more than 9 months \$m	Due over 9 months but not more than 1 year \$m	Due over 1 year but not more than 2 years \$m	Due over 2 years but not more than 5 years \$m	Due over 5 years \$m	Total \$m
Financial assets									
Cash at bank and in hand:									
– balances with HSBC undertakings	7,029	–	–	–	–	–	–	–	7,029
Financial assets with HSBC undertakings designated and otherwise mandatorily measured at fair value	–	–	–	–	–	3,815	26,284	29,780	59,879
Derivatives	2,217	–	–	–	–	18	675	434	3,344
Loans and advances to HSBC undertakings	–	–	120	–	–	1,016	6,783	19,435	27,354
Financial investments	10,365	6,017	898	750	757	771	–	–	19,558
Accrued income and other financial assets	3,511	860	254	229	5	–	–	–	4,859
Total financial assets at 31 Dec 2023	23,122	6,877	1,272	979	762	5,620	33,742	49,649	122,023
Non-financial assets	–	–	–	–	–	–	–	163,146	163,146
Total assets at 31 Dec 2023	23,122	6,877	1,272	979	762	5,620	33,742	212,795	285,169
Financial liabilities									
Amounts owed to HSBC undertakings	–	168	–	–	–	–	–	–	168
Financial liabilities designated at fair value	–	–	–	–	–	5,287	19,604	18,747	43,638
– debt securities in issue	–	–	–	–	–	3,816	16,175	15,198	35,189
– subordinated liabilities and preferred securities	–	–	–	–	–	1,471	3,429	3,549	8,449
Derivatives	2,452	209	7	59	75	558	1,318	1,412	6,090
Debt securities in issue	–	–	816	2,158	–	4,920	33,735	23,610	65,239
Accruals and other financial liabilities	1,437	1,599	1,049	127	34	–	–	23	4,269
Subordinated liabilities	–	1,987	–	–	–	1,600	880	19,972	24,439
Total financial liabilities 31 Dec 2023	3,889	3,963	1,872	2,344	109	12,365	55,537	63,764	143,843
Non-financial liabilities	–	–	–	–	–	–	–	20	20
Total liabilities at 31 Dec 2023	3,889	3,963	1,872	2,344	109	12,365	55,537	63,784	143,863

Financial assets									
Cash at bank and in hand:									
– balances with HSBC undertakings	3,210	–	–	–	–	–	–	–	3,210
Financial assets with HSBC undertakings designated and otherwise mandatorily measured at fair value	–	–	–	–	–	9,007	16,230	27,085	52,322
Derivatives	2,889	–	–	–	–	–	796	116	3,801
Loans and advances to HSBC undertakings	–	2,163	240	–	–	2,035	4,414	17,913	26,765
Financial investments	1,517	2,712	8,870	1,020	2,194	3,153	–	–	19,466
Accrued income and other financial assets	68	4,147	179	90	4	–	14	–	4,502
Total financial assets at 31 Dec 2022	7,684	9,022	9,289	1,110	2,198	14,195	21,454	45,114	110,066
Non-financial assets	–	–	–	–	–	–	–	171,035	171,035
Total assets at 31 Dec 2022	7,684	9,022	9,289	1,110	2,198	14,195	21,454	216,149	281,101
Financial liabilities									
Amounts owed to HSBC undertakings	48	266	–	–	–	–	–	–	314
Financial liabilities designated at fair value	–	–	–	–	–	1,447	16,459	14,217	32,123
– debt securities in issue	–	–	–	–	–	1,447	12,784	11,192	25,423
– subordinated liabilities and preferred securities	–	–	–	–	–	–	3,675	3,025	6,700
Derivatives	2,540	–	35	–	102	460	1,638	2,147	6,922
Debt securities in issue	–	–	1,972	448	714	11,046	25,380	27,378	66,938
Accruals and other financial liabilities	722	450	648	61	35	–	14	31	1,961
Subordinated liabilities	–	–	–	–	–	1,941	1,492	16,294	19,727
Total financial liabilities at 31 Dec 2022	3,310	716	2,655	509	851	14,894	44,983	60,067	127,985
Non-financial liabilities	–	–	–	–	–	–	–	8	8
Total liabilities at 31 Dec 2022	3,310	716	2,655	509	851	14,894	44,983	60,075	127,993

Contractual maturity of financial liabilities

The following table shows, on an undiscounted basis, all cash flows relating to principal and future coupon payments (except for trading liabilities and derivatives not treated as hedging derivatives). For this reason, balances in the following table do not agree directly with those in our consolidated balance sheet. Undiscounted cash flows payable in relation to hedging derivative liabilities are classified according to their contractual maturities. Trading liabilities and derivatives not treated as hedging derivatives are included in the 'Due not more than 1 month' time bucket and not by contractual maturity.

In addition, loan and other credit-related commitments and financial guarantees are generally not recognised on our balance sheet. The undiscounted cash flows potentially payable under loan and other credit-related commitments and financial guarantees are classified on the basis of the earliest date they can be called.

Cash flows payable by HSBC under financial liabilities by remaining contractual maturities

	Due not more than 1 month	Due over 1 month but not more than 3 months	Due over 3 months but not more than 1 year	Due over 1 year but not more than 5 years	Due over 5 years	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Deposits by banks	52,938	2,898	3,304	17,123	362	76,625
Customer accounts	1,345,006	141,348	119,660	13,423	109	1,619,546
Repurchase agreements – non-trading	159,264	10,457	2,996	1	—	172,718
Trading liabilities	73,150	—	—	—	—	73,150
Financial liabilities designated at fair value	22,262	9,156	26,033	63,960	44,886	166,297
Derivatives	232,598	609	1,295	2,445	2,910	239,857
Debt securities in issue	6,837	7,407	24,117	43,513	27,119	108,993
Subordinated liabilities	39	135	1,465	9,020	34,920	45,579
Other financial liabilities ¹	149,904	9,752	5,943	2,555	2,109	170,263
	2,041,998	181,762	184,813	152,040	112,415	2,673,028
Loan and other credit-related commitments	895,156	95	371	1,437	91	897,150
Financial guarantees ²	16,966	4	39	—	—	17,009
At 31 Dec 2023	2,954,120	181,861	185,223	153,477	112,506	3,587,187
Proportion of cash flows payable in period	83%	5%	5%	4%	3%	
Deposits by banks	47,082	406	4,024	16,050	359	67,921
Customer accounts	1,387,125	96,474	80,608	9,961	346	1,574,514
Repurchase agreements – non-trading	121,328	3,852	1,535	1,268	—	127,983
Trading liabilities	72,353	—	—	—	—	72,353
Financial liabilities designated at fair value	16,687	7,859	18,740	63,606	43,475	150,367
Derivatives	283,512	171	1,181	2,222	1,059	288,145
Debt securities in issue	4,329	8,217	17,522	34,283	26,428	90,779
Subordinated liabilities	37	168	1,395	7,321	32,946	41,867
Other financial liabilities ¹	153,597	8,670	5,994	3,230	1,704	173,195
	2,086,050	125,817	130,999	137,941	106,317	2,587,124
Loan and other credit-related commitments	825,781	184	344	1,217	328	827,854
Financial guarantees ²	18,696	25	62	—	—	18,783
At 31 Dec 2022	2,930,527	126,026	131,405	139,158	106,645	3,433,761
Proportion of cash flows payable in period	85%	4%	4%	4%	3%	

¹ Excludes financial liabilities of disposal groups.

² Excludes performance guarantee contracts to which the impairment requirements in IFRS 9 are not applied.

HSBC Holdings

HSBC Holdings' primary sources of liquidity are dividends received from subsidiaries, interest on and repayment of intra-Group loans and securities, and interest earned on its own liquid funds. HSBC Holdings also raises funds in the debt capital markets to meet the Group's minimum requirement for own funds and eligible liabilities and maintain an appropriate liquidity buffer. HSBC Holdings uses this liquidity to meet its obligations, including interest and principal repayments on external debt liabilities, operating expenses and collateral on derivative transactions.

HSBC Holdings is also subject to contingent liquidity risk by virtue of credit-related commitments and guarantees and similar contracts issued relating to its subsidiaries. Such commitments and guarantees are only issued after due consideration of HSBC Holdings' ability to finance the commitments and guarantees and the likelihood of the need arising.

HSBC Holdings actively manages the cash flows from its subsidiaries to optimise the amount of cash held at the holding company level. During 2023, consistent with the Group's capital plan, the Group's material subsidiaries did not experience any significant restrictions on paying dividends or repaying loans and advances. Also, there are no foreseen restrictions envisaged with regard to planned dividends or payments from material subsidiaries. However, the ability of subsidiaries to pay dividends or advance monies to HSBC Holdings depends on, among other things, their respective local regulatory capital and banking requirements, exchange controls, statutory reserves, and financial and operating performance.

HSBC Holdings currently has sufficient liquidity to meet its present and forecast requirements. Liquidity risk in HSBC Holdings is overseen by Holdings ALCO.

Notes on the financial statements

The following table shows, on an undiscounted basis, all cash flows relating to principal and future coupon payments (except for trading liabilities and derivatives not treated as hedging derivatives). For this reason, balances in the following table do not agree directly with those in HSBC Holdings balance sheet. Undiscounted cash flows payable in relation to hedging derivative liabilities are classified according to their contractual maturities. Trading liabilities and derivatives not treated as hedging derivatives are included in the 'Due not more than 1 month' time bucket and not by contractual maturity.

In addition, loan and other credit-related commitments and financial guarantees are generally not recognised on our balance sheet. The undiscounted cash flows potentially payable under loan and other credit-related commitments and financial guarantees are classified on the basis of the earliest date they can be called.

Cash flows payable by HSBC Holdings under financial liabilities by remaining contractual maturities

	Due not more than 1 month \$m	Due over 1 month but not more than 3 months \$m	Due over 3 months but not more than 1 year \$m	Due over 1 year but not more than 5 years \$m	Due over 5 years \$m	Total \$m
Amounts owed to HSBC undertakings	—	168	—	—	—	168
Financial liabilities designated at fair value	23	405	1,437	31,050	25,610	58,525
Derivatives	1,244	556	1,651	2,227	726	6,404
Debt securities in issue	—	680	4,787	46,909	27,745	80,121
Subordinated liabilities	46	2,163	1,360	8,239	30,862	42,670
Other financial liabilities	1,436	1,620	1,210	—	23	4,289
	2,749	5,592	10,445	88,425	84,966	192,177
Loan commitments	—	—	—	—	—	—
Financial guarantees ¹	—	—	—	—	—	—
At 31 Dec 2023	2,749	5,592	10,445	88,425	84,966	192,177
Amounts owed to HSBC undertakings	48	266	—	—	—	314
Financial liabilities designated at fair value	11	72	1,139	22,921	19,196	43,339
Derivatives	1,182	177	1,089	4,231	1,321	8,000
Debt securities in issue	—	544	4,899	44,608	32,540	82,591
Subordinated liabilities	46	161	1,068	8,262	27,045	36,582
Other financial liabilities	721	458	745	14	31	1,969
	2,008	1,678	8,940	80,036	80,133	172,795
Loan commitments	—	—	—	—	—	—
Financial guarantees ¹	—	—	—	—	—	—
At 31 Dec 2022	2,008	1,678	8,940	80,036	80,133	172,795

¹ Excludes performance guarantee contracts to which the impairment requirements in IFRS 9 are not applied. Prior period comparatives have been restated. Refer to footnote 1 in Note 34.

31 Offsetting of financial assets and financial liabilities

In the offsetting of financial assets and financial liabilities, the net amount is reported in the balance sheet when the offset criteria are met. This is achieved when there is a legally enforceable right to offset the recognised amounts and there is either an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

In the following table, the 'Amounts not set off in the balance sheet' include transactions where:

- the counterparty has an offsetting exposure with HSBC and a master netting or similar arrangement is in place with a right to set off only in the event of default, insolvency or bankruptcy, or the offset criteria are otherwise not satisfied; and
- cash and non-cash collateral (debt securities and equities) has been received/pledged for derivatives and reverse repurchase/repurchase, stock borrowing/lending and similar agreements to cover net exposure in the event of a default or other predetermined events.

The effect of over-collateralisation is excluded.

'Amounts not subject to enforceable netting agreements' include contracts executed in jurisdictions where the rights of offset may not be upheld under the local bankruptcy laws, and transactions where a legal opinion evidencing enforceability of the right of offset may not have been sought, or may have been unable to obtain.

For risk management purposes, the net amounts of loans and advances to customers are subject to limits, which are monitored and the relevant customer agreements are subject to review and updated, as necessary, to ensure the legal right to set off remains appropriate.

Offsetting of financial assets and financial liabilities

	Amounts subject to enforceable netting arrangements							Total
	Gross amounts	Amounts offset	Net amounts in the balance sheet	Amounts not set off in the balance sheet		Net amount	Amounts not subject to enforceable netting arrangements ¹	
				Financial instruments, including non-cash collateral	Cash collateral			
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Financial assets								
Derivatives (Note 15) ²	341,473	(116,486)	224,987	(198,743)	(22,926)	3,318	4,727	229,714
Reverse repos, stock borrowing and similar agreements classified as: ³								
– trading assets	29,152	(602)	28,550	(28,513)	(34)	3	2,633	31,183
– non-trading assets	365,922	(135,210)	230,712	(230,240)	(80)	392	21,653	252,365
Loans and advances to customers ⁴	34,173	(15,792)	18,381	(15,613)	(93)	2,675	2	18,383
At 31 Dec 2023	770,720	(268,090)	502,630	(473,109)	(23,133)	6,388	29,015	531,645
Derivatives (Note 15) ²	419,020	(140,987)	278,033	(236,372)	(36,486)	5,175	6,126	284,159
Reverse repos, stock borrowing and similar agreements classified as: ³								
– trading assets	24,370	(236)	24,134	(24,105)	(29)	—	1,369	25,503
– non-trading assets	335,193	(102,888)	232,305	(231,432)	(449)	424	21,689	253,994
Loans and advances to customers ⁴	28,336	(12,384)	15,952	(13,166)	—	2,786	267	16,219
At 31 Dec 2022 ⁶	806,919	(256,495)	550,424	(505,075)	(36,964)	8,385	29,451	579,875
Financial liabilities								
Derivatives (Note 15) ²	344,799	(116,486)	228,313	(198,640)	(23,748)	5,925	6,459	234,772
Repos, stock lending and similar agreements classified as: ³								
– trading liabilities	15,686	(172)	15,514	(15,453)	—	61	6	15,520
– non-trading liabilities	270,493	(135,640)	134,853	(134,095)	(669)	89	37,247	172,100
Customer accounts ⁶	42,522	(15,792)	26,730	(15,613)	(93)	11,024	13	26,743
At 31 Dec 2023	673,500	(268,090)	405,410	(363,801)	(24,510)	17,099	43,725	449,135
Derivatives (Note 15) ²	419,992	(140,987)	279,005	(239,234)	(29,276)	10,495	6,757	285,762
Repos, stock lending and similar agreements classified as: ³								
– trading liabilities	20,026	(236)	19,790	(19,790)	—	—	5	19,795
– non-trading liabilities	206,827	(102,888)	103,939	(103,296)	(249)	394	23,809	127,748
Customer accounts ⁶	37,164	(12,384)	24,780	(13,166)	—	11,614	14	24,794
At 31 Dec 2022 ⁶	684,009	(256,495)	427,514	(375,486)	(29,525)	22,503	30,585	458,099

- 1 These exposures continue to be secured by financial collateral, but we may not have sought or been able to obtain a legal opinion evidencing enforceability of the right of offset.
- 2 At 31 December 2023, the amount of cash margin received that had been offset against the gross derivatives assets was \$5,105m (2022 \$8,357m). The amount of cash margin paid that had been offset against the gross derivatives liabilities was \$7,142m (2022: \$10,918m).
- 3 For the amount of repos, reverse repos, stock lending, stock borrowing and similar agreements recognised on the balance sheet within 'Trading assets' of \$31,183m (2022: \$25,503m) and 'Trading liabilities' of \$15,520m (2022: \$19,795m), see the 'Funding sources and uses' table on page 211.
- 4 At 31 December 2023, the total amount of 'Loans and advances to customers' was \$938,535m (2022: \$923,561m), of which \$18,381m (2022: \$15,952m) was subject to offsetting.
- 5 From 1 January 2023, we adopted IFRS 17 'Insurance Contracts', which replaced IFRS 4 'Insurance Contracts'. We have restated 2022 comparative data.
- 6 At 31 December 2023, the total amount of 'Customer accounts' was \$1,611,647m (2022: \$1,570,303m), of which \$26,730m (2022: \$24,780m) was subject to offsetting.

32 Interest rate benchmark reform

	Financial instruments yet to transition to alternative benchmarks, by main benchmark					
	USD Libor \$m	GBP Libor ³ \$m	JPY Libor \$m	CDOR \$m	TIE \$m	Others ¹ \$m
At 31 Dec 2023						
Non-derivative financial assets ²	2,644	45	—	2,132	3,961	1,941
Non-derivative financial liabilities	905	2,054	558	181	1,323	9
Derivative notional contract amount	12,013	—	—	134,636	32,836	11,821
At 31 Dec 2022						
Non-derivative financial assets ²	54,348	304	—	1,695	3,635	4,144
Non-derivative financial liabilities	25,564	1,804	1,179	176	—	—
Derivative notional contract amount	2,348,412	68	—	119,832	17,698	56,759

1 Comprises financial instruments referencing other significant benchmark rates yet to transition to alternative benchmarks (euro Libor, SOR, THBFX, MIFOR, Sibor and Johannesburg interbank average rate ('JIBAR')). An announcement was made by the South African regulator during the first half of 2023 on the cessation of the JIBAR. Therefore, JIBAR is also included in 'Others' during the current period.

2 Gross carrying amount excluding allowances for expected credit losses.

3 Non-derivative assets exposure relates to contracts for clients requiring additional time for loan restructuring or repayment. The limited number of remaining contracts are expected to be transitioned prior to cessation of 'synthetic' GBP Libor from 31 March 2024. Non-derivative financial liabilities relate to MREL instruments that include references to GBP Libor in their contractual terms but are currently using a fixed interest rate. HSBC remains committed to seeking to remediate and/or mitigate the risks associated with these contracts by the relevant interest rate calculation dates.

The amounts in the above table relate to HSBC's main operating entities where HSBC has material exposures impacted by Ibor reform, including in the UK, Hong Kong, France, the US, Mexico, Canada, Singapore, the UAE, Bermuda, Australia, Qatar, Germany, Thailand, India and Japan. The amounts provide an indication of the extent of the Group's exposure to the Ibor benchmarks that are due to be replaced. Amounts are in respect of financial instruments that:

- contractually reference an interest rate benchmark that is planned to transition to an alternative benchmark;
- have a contractual maturity date beyond the date by which the reference interest rate benchmark is expected to cease; and
- are recognised on HSBC's consolidated balance sheet.

33 Called up share capital and other equity instruments

Called up share capital and share premium

HSBC Holdings ordinary shares of \$0.50 each, issued and fully paid

	2023		2022	
	Number	\$m	Number	\$m
At 1 Jan	20,293,607,410	10,147	20,631,520,439	10,316
Shares issued under HSBC employee share plans	10,778,479	5	10,226,221	5
Shares issued in lieu of dividends	—	—	—	—
Less: shares repurchased and cancelled	716,384,289	358	348,139,250	174
Less: treasury shares cancelled	325,273,407	163	—	—
At 31 Dec¹	19,262,728,193	9,631	20,293,607,410	10,147

HSBC Holdings share premium

	2023	2022
	\$m	\$m
At 31 Dec	14,738	14,664

Total called up share capital and share premium

	2023	2022
	\$m	\$m
At 31 Dec	24,369	24,811

1 All HSBC Holdings ordinary shares in issue confer identical rights, including in respect of capital, dividends and voting.

HSBC Holdings non-cumulative preference share of £0.01

The one non-cumulative sterling preference share of £0.01 ('sterling preference share') has been in issue since 29 December 2010 and is held by a subsidiary of HSBC Holdings. Dividends are paid quarterly at the sole and absolute discretion of the Board. The sterling preference share carries no rights of conversion into ordinary shares of HSBC Holdings and no right to attend or vote at shareholder meetings of HSBC Holdings. These securities can be redeemed by HSBC Holdings at any time, subject to prior approval by the PRA.

Other equity instruments

HSBC Holdings has included two types of additional tier 1 capital securities in its tier 1 capital, including the contingent convertible securities described below. These are accounted for as equity because HSBC does not have an obligation to transfer cash or a variable number of its own ordinary shares to holders under any circumstances outside its control. See Note 29 for additional tier 1 securities accounted for as liabilities.

Additional tier 1 capital – contingent convertible securities

HSBC Holdings continues to issue contingent convertible securities that are included in its capital base as fully CRR II-compliant additional tier 1 capital securities on an end point basis. These securities are marketed principally and subsequently allotted to corporate investors and fund managers. The net proceeds of the issuances are typically used for HSBC Holdings' general corporate purposes and to further strengthen its capital base to meet requirements under CRR II. These securities bear a fixed rate of interest until their initial call dates. After the initial call dates, if they are not redeemed, the securities will bear interest at rates fixed periodically in advance for five-year periods based on credit spreads, fixed at issuance, above prevailing market rates. Interest on the contingent convertible securities will be due and payable only at the sole discretion of HSBC Holdings, and HSBC Holdings has sole and absolute discretion at all times to cancel for any reason (in whole or part) any interest payment that would otherwise be payable on any payment date. Distributions will not be paid if they are prohibited under UK banking regulations or if the Group has insufficient reserves or fails to meet the solvency conditions defined in the securities' terms.

The contingent convertible securities are undated and are repayable at the option of HSBC Holdings in whole typically at the initial call date or on any fifth anniversary after this date. In addition, the securities are repayable at the option of HSBC in whole for certain regulatory or tax reasons. Any repayments require the prior consent of the PRA. These securities rank *pari passu* with HSBC Holdings' sterling preference shares and therefore rank ahead of ordinary shares. The contingent convertible securities will be converted into fully paid ordinary shares of HSBC Holdings at a predetermined price, should HSBC's consolidated non-transitional CET1 ratio fall below 7.0%. Therefore, in accordance with the terms of the securities, if the non-transitional CET1 ratio breaches the 7.0% trigger, the securities will convert into ordinary shares at fixed contractual conversion prices in the issuance currencies of the relevant securities, subject to anti-dilution adjustments.

HSBC's additional tier 1 capital – contingent convertible securities in issue which are accounted for in equity

Original nominal amount (LCY)		First call date	2023 \$m	2022 \$m
\$2,250m	6.375% perpetual subordinated contingent convertible securities	Sep 2024	2,250	2,250
\$2,450m	6.375% perpetual subordinated contingent convertible securities	Mar 2025	2,450	2,450
\$3,000m	6.000% perpetual subordinated contingent convertible securities	May 2027	3,000	3,000
\$2,350m	6.250% perpetual subordinated contingent convertible securities ¹	Mar 2023	—	2,350
\$1,800m	6.500% perpetual subordinated contingent convertible securities	Mar 2028	1,800	1,800
\$1,500m	4.600% perpetual subordinated contingent convertible securities ²	Dec 2030	1,500	1,500
€1,000m	4.000% perpetual subordinated contingent convertible securities ³	Mar 2026	1,000	1,000
\$1,000m	4.700% perpetual subordinated contingent convertible securities ⁴	Mar 2031	1,000	1,000
\$2,000m	8.000% perpetual subordinated contingent convertible securities ⁵	Mar 2028	1,980	—
€1,000m	6.000% perpetual subordinated contingent convertible securities ⁶	Sep 2023	—	1,123
€1,250m	4.750% perpetual subordinated contingent convertible securities	Jul 2029	1,422	1,422
\$375m	5.000% perpetual subordinated contingent convertible securities ⁷	Sep 2023	—	550
€1,000m	5.875% perpetual subordinated contingent convertible securities	Sep 2026	1,301	1,301
At 31 Dec			17,703	19,746

1 This security was called by HSBC Holdings on 30 January 2023 and redeemed and cancelled on 23 March 2023.

2 This security was issued by HSBC Holdings on 17 December 2020. The first call period commences six months prior to reset date of 17 June 2031.

3 This security was issued by HSBC Holdings on 9 March 2021. The first call period commences six months prior to reset date of 9 September 2026.

4 This security was issued by HSBC Holdings on 9 March 2021. The first call period commences six months prior to reset date of 9 September 2031.

5 This security was issued by HSBC Holdings on 7 March 2023. The first call period commences six months prior to reset date of 7 September 2028.

This security has been accounted for net of directly attributable transaction costs.

6 This security was called by HSBC Holdings on 3 August 2023 and was redeemed and cancelled on 29 September 2023.

7 This security was called by HSBC Holdings on 3 August 2023 and was redeemed and cancelled on 25 September 2023.

Shares under option

For details of the options outstanding to subscribe for HSBC Holdings ordinary shares under the HSBC Holdings Savings-Related Share Option Plan (UK), see Note 5.

Aggregate options outstanding under these plans

31 Dec 2023			31 Dec 2022		
Number of HSBC Holdings ordinary shares	Usual period of exercise	Exercise price	Number of HSBC Holdings ordinary shares	Usual period of exercise	Exercise price
83,993,678	2022 to 2029	£2.6270–£5.4490	115,650,723	2021 to 2028	£2.6270–£5.9640

Maximum obligation to deliver HSBC Holdings ordinary shares

At 31 December 2023, the maximum obligation to deliver HSBC Holdings ordinary shares under all of the above option arrangements and the HSBC International Employee Share Purchase Plan, together with long-term incentive awards and deferred share awards granted under the HSBC Share Plan 2011, was 208,539,316 (2022: 240,612,019). The total number of shares at 31 December 2023 held by employee benefit trusts that may be used to satisfy such obligations to deliver HSBC Holdings ordinary shares was 20,902,218 (2022: 12,315,711).

34 Contingent liabilities, contractual commitments and guarantees

	HSBC		HSBC Holdings ¹	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Guarantees and other contingent liabilities:				
– financial guarantees	17,009	18,783	—	—
– performance and other guarantees	94,277	88,240	7,723	17,707
– other contingent liabilities	636	676	—	90
At 31 Dec	111,922	107,699	7,723	17,797
Commitments: ²				
– documentary credits and short-term trade-related transactions	7,818	8,241	—	—
– forward asset purchases and forward deposits placed	78,535	50,852	—	—
– standby facilities, credit lines and other commitments to lend	810,797	768,761	—	—
At 31 Dec	897,150	827,854	—	—

¹ Guarantees by HSBC Holdings are in favour of other Group entities. These include contracts that provide protection against credit risk on a specified exposure but do not meet the definition of financial guarantees, which have been reclassified to 'performance and other guarantees'. Prior period comparatives have been restated and the full balance reclassified.

² Includes \$661,015m of commitments at 31 December 2023 (31 December 2022: \$618,788m), to which the impairment requirements in IFRS 9 are applied where HSBC has become party to an irrevocable commitment.

The preceding table discloses the nominal principal amounts of off-balance sheet liabilities and commitments for the Group, which represent the maximum amounts at risk should the contracts be fully drawn upon and the clients default. As a significant portion of guarantees and commitments are expected to expire without being drawn upon, the total of the nominal principal amounts is not indicative of future liquidity requirements. The expected credit loss provision relating to guarantees and commitments under IFRS 9 is disclosed in Note 28.

The majority of the guarantees have a term of less than one year, while guarantees with terms of more than one year are subject to HSBC's annual credit review process.

Contingent liabilities arising from legal proceedings, regulatory and other matters against Group companies are excluded from this note but are disclosed in Notes 28 and 36.

Financial Services Compensation Scheme

The Financial Services Compensation Scheme ('FSCS') provides compensation, up to certain limits, to eligible customers of financial services firms that are unable, or likely to be unable, to pay claims against them. The FSCS may impose a further levy on the Group to the extent the industry levies imposed to date are not sufficient to cover the compensation due to customers in any future possible collapse. The ultimate FSCS levy to the industry as a result of a collapse cannot be estimated reliably. It is dependent on various uncertain factors including the potential recovery of assets by the FSCS, changes in the level of protected products (including deposits and investments) and the population of FSCS members at the time.

Associates

HSBC's share of associates' contingent liabilities, contractual commitments and guarantees amounted to \$69.9bn at 31 December 2023 (2022: \$64.8bn). No matters arose where HSBC was severally liable.

35 Finance lease receivables

HSBC leases a variety of assets to third parties under finance leases, including transport assets (such as aircraft), property and general plant and machinery. At the end of lease terms, assets may be sold to third parties or leased for further terms. Rentals are calculated to recover the cost of assets less their residual value, and earn finance income.

The table below excludes finance lease receivables reclassified on the balance sheet to 'Assets held for sale' in accordance with IFRS 5. Net investment in finance leases of \$1,595m (2022: \$1,502m) was reclassified to 'Assets held for sale' as a result of the planned sale of our banking business in Canada.

	2023			2022		
	Total future minimum payments \$m	Unearned finance income \$m	Present value \$m	Total future minimum payments \$m	Unearned finance income \$m	Present value \$m
Lease receivables:						
No later than one year	2,355	(308)	2,047	2,159	(236)	1,923
One to two years	1,954	(249)	1,705	1,652	(201)	1,451
Two to three years	1,380	(189)	1,191	1,391	(161)	1,230
Three to four years	930	(153)	777	906	(131)	775
Four to five years	593	(132)	461	613	(112)	501
Later than one year and no later than five years	4,857	(723)	4,134	4,562	(605)	3,957
Later than five years	4,116	(838)	3,278	4,064	(736)	3,328
At 31 Dec	11,328	(1,869)	9,459	10,785	(1,577)	9,208

36 Legal proceedings and regulatory matters

HSBC is party to legal proceedings and regulatory matters in a number of jurisdictions arising out of its normal business operations. Apart from the matters described below, HSBC considers that none of these matters are material. The recognition of provisions is determined in accordance with the accounting policies set out in Note 1. While the outcomes of legal proceedings and regulatory matters are inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of these matters as at 31 December 2023 (see Note 28). Where an individual provision is material, the fact that a provision has been made is stated and quantified, except to the extent that doing so would be seriously prejudicial. Any provision recognised does not constitute an admission of wrongdoing or legal liability. It is not practicable to provide an aggregate estimate of potential liability for our legal proceedings and regulatory matters as a class of contingent liabilities.

Bernard L. Madoff Investment Securities LLC

Various non-US HSBC companies provided custodial, administration and similar services to a number of funds incorporated outside the US whose assets were invested with Bernard L. Madoff Investment Securities LLC ('Madoff Securities'). Based on information provided by Madoff Securities as at 30 November 2008, the purported aggregate value of these funds was \$8.4bn, including fictitious profits reported by Madoff. Based on information available to HSBC, the funds' actual transfers to Madoff Securities minus their actual withdrawals from Madoff Securities during the time HSBC serviced the funds are estimated to have totalled approximately \$4bn. Various HSBC companies have been named as defendants in lawsuits arising out of Madoff Securities' fraud.

US litigation: The Madoff Securities Trustee has brought lawsuits against various HSBC companies and others, seeking recovery of alleged transfers from Madoff Securities to HSBC in the amount of \$543m (plus interest), and these lawsuits remain pending in the US Bankruptcy Court for the Southern District of New York (the 'US Bankruptcy Court').

Certain Fairfield entities (together, 'Fairfield') (in liquidation) have brought a lawsuit in the US against fund shareholders, including HSBC companies that acted as nominees for clients, seeking restitution of redemption payments in the amount of \$382m (plus interest). Fairfield's claims against most of the HSBC companies have been dismissed by the US Bankruptcy Court and the US District Court for the Southern District of New York, but remain pending on appeal before the US Court of Appeals for the Second Circuit. Fairfield's claims against HSBC Private Bank (Suisse) SA and HSBC Securities Services Luxembourg ('HSSL') have not been dismissed and their appeals are also pending before the US Court of Appeals for the Second Circuit. Meanwhile, proceedings before the US Bankruptcy Court with respect to the claims against HSBC Private Bank (Suisse) SA and HSSL are ongoing.

UK litigation: The Madoff Securities Trustee has filed a claim against various HSBC companies in the High Court of England and Wales, seeking recovery of transfers from Madoff Securities to HSBC. The claim has not yet been served and the amount claimed has not been specified.

Cayman Islands litigation: In February 2013, Primeo Fund ('Primeo') (in liquidation) brought an action against HSSL and Bank of Bermuda (Cayman) Limited (now known as HSBC Cayman Limited), alleging breach of contract and breach of fiduciary duty and claiming damages. Following dismissal of Primeo's action by the Grand Court and Court of Appeal of the Cayman Islands, in 2019, Primeo appealed to the Judicial Committee of the Privy Council. In November 2023, the Privy Council issued a judgment upholding the dismissal of Primeo's claims. This matter is now closed.

Luxembourg litigation: In 2009, Herald Fund SPC ('Herald') (in liquidation) brought an action against HSSL before the Luxembourg District Court, seeking restitution of cash and securities in the amount of \$2.5bn (plus interest), or damages in the amount of \$2bn (plus interest). In 2018, HSBC Bank plc was added to the claim and Herald increased the amount of the alleged damages claim to \$5.6bn (plus interest). The Luxembourg District Court has dismissed Herald's securities restitution claim, but reserved Herald's cash restitution and damages claims. Herald has appealed this dismissal to the Luxembourg Court of Appeal, where the matter is pending.

Beginning in 2009, various HSBC companies have been named as defendants in a number of actions brought by Alpha Prime Fund Limited ('Alpha Prime') in the Luxembourg District Court seeking damages for alleged breach of contract and negligence in the amount of \$1.16bn (plus interest). These matters are currently pending before the Luxembourg District Court.

Beginning in 2014, HSSL and the Luxembourg branch of HSBC Bank plc have been named as defendants in a number of actions brought by Senator Fund SPC ('Senator') before the Luxembourg District Court seeking restitution of securities in the amount of \$625m (plus interest), or damages in the amount of \$188m (plus interest). These matters are currently pending before the Luxembourg District Court.

Based on the facts currently known, it is not practicable at this time for HSBC to predict the resolution of the pending matters, including the timing or any possible impact on HSBC, which could be significant.

US Anti-Terrorism Act litigation

Since November 2014, a number of lawsuits have been filed in federal courts in the US against various HSBC companies and others on behalf of plaintiffs who are, or are related to, alleged victims of terrorist attacks in the Middle East. In each case, it is alleged that the defendants aided and abetted the unlawful conduct of various sanctioned parties in violation of the US Anti-Terrorism Act, or provided banking services to customers alleged to have connections to terrorism financing. Seven actions, which seek damages for unspecified amounts, remain pending and HSBC's motions to dismiss have been granted in three of these cases. These dismissals are subject to appeals and/or the plaintiffs re-pleading their claims. The four other actions are at an early stage.

Based on the facts currently known, it is not practicable at this time for HSBC to predict the resolution of these matters, including the timing or any possible impact on HSBC, which could be significant.

Interbank offered rates investigation and litigation

Euro interest rate derivatives: In December 2016, the European Commission ('EC') issued a decision finding that HSBC, among other banks, engaged in anti-competitive practices in connection with the pricing of euro interest rate derivatives, and the EC imposed a fine on HSBC based on a one-month infringement in 2007. The fine was annulled in 2019 and a lower fine was imposed in 2021. In January 2023, the European Court of Justice dismissed an appeal by HSBC and upheld the EC's findings on HSBC's liability. A separate appeal by HSBC concerning the amount of the fine remains pending before the General Court of the European Union.

US dollar Libor: Beginning in 2011, HSBC and other panel banks have been named as defendants in a number of individual and putative class action lawsuits filed in federal and state courts in the US with respect to the setting of US dollar Libor. The complaints assert claims under various US federal and state laws, including antitrust and racketeering laws and the Commodity Exchange Act ('US CEA'). HSBC has concluded class settlements with five groups of plaintiffs, and several class action lawsuits brought by other groups of plaintiffs have been voluntarily dismissed. A number of individual US dollar Libor-related actions seeking damages for unspecified amounts remain pending.

Based on the facts currently known, it is not practicable at this time for HSBC to predict the resolution of the pending matters, including the timing or any possible impact on HSBC, which could be significant.

Foreign exchange-related investigations and litigation

In December 2016, Brazil's Administrative Council of Economic Defense initiated an investigation into the onshore foreign exchange market and identified a number of banks, including HSBC, as subjects of its investigation, which remains ongoing.

Since 2017, HSBC Bank plc, among other financial institutions, has been defending a complaint filed by the Competition Commission of South Africa before the South African Competition Tribunal for alleged anti-competitive behaviour in the South African foreign exchange market. In 2020, a revised complaint was filed which also named HSBC Bank USA N.A. ('HSBC Bank USA') as a defendant. In January 2024, the South African Competition Appeal Court dismissed HSBC Bank USA from the revised complaint, but denied HSBC Bank plc's application to dismiss. The Competition Commission has appealed the dismissal of HSBC Bank USA to the Constitutional Court of South Africa.

Since 2015, various HSBC companies and other banks have been named as defendants in a putative class action in the US District Court for the Southern District of New York filed by a group of retail customers who dealt in foreign exchange products. The plaintiffs allege that the defendants conspired to manipulate foreign exchange rates and seek damages for unspecified amounts. This action has been dismissed but remains pending on appeal.

In January 2023, HSBC Bank plc and HSBC Holdings reached a settlement-in-principle with plaintiffs in Israel to resolve a class action filed in the local courts alleging foreign exchange-related misconduct. The settlement remains subject to court approval. Lawsuits alleging foreign exchange-related misconduct remain pending against HSBC and other banks in courts in Brazil.

In February 2024, HSBC Bank plc and HSBC Holdings were joined to an existing claim brought in the UK Competition Appeals Tribunal against various other banks alleging historical anti-competitive behaviour in the foreign exchange market and seeking damages for unspecified amounts. This matter is at an early stage. It is possible that additional civil actions will be initiated against HSBC in relation to its historical foreign exchange activities.

There are many factors that may affect the range of outcomes, and the resulting financial impact, of the pending matters, which could be significant.

Precious metals fix-related litigation

US litigation: HSBC and other members of The London Silver Market Fixing Limited are defending a class action pending in the US District Court for the Southern District of New York alleging that, from January 2007 to December 2013, the defendants conspired to manipulate the price of silver and silver derivatives for their collective benefit in violation of US antitrust laws, the US CEA and New York state law. In May 2023, this action, which seeks damages for unspecified amounts, was dismissed but remains pending on appeal.

HSBC and other members of The London Platinum and Palladium Fixing Company Limited are defending a class action pending in the US District Court for the Southern District of New York alleging that, from January 2008 to November 2014, the defendants conspired to manipulate the price of platinum group metals and related financial products for their collective benefit in violation of US antitrust laws and the US CEA. In February 2023, the court reversed an earlier dismissal of the plaintiffs' third amended complaint and this action, which seeks damages for unspecified amounts, is proceeding.

Canada litigation: HSBC and other financial institutions are defending putative class actions filed in the Ontario and Quebec Superior Courts of Justice alleging that the defendants conspired to manipulate the price of silver, gold and related derivatives in violation of the Canadian Competition Act and common law. These actions each seek CA\$1bn in damages plus CA\$250m in punitive damages. Two of the actions are proceeding and the others have been stayed.

Based on the facts currently known, it is not practicable at this time for HSBC to predict the resolution of these matters, including the timing or any possible impact on HSBC, which could be significant.

Tax-related investigations

Various tax administration, regulatory and law enforcement authorities around the world are conducting investigations in connection with allegations of tax evasion or tax fraud, money laundering and unlawful cross-border banking solicitation. HSBC continues to cooperate with these investigations.

In March 2023, the French National Financial Prosecutor announced an investigation into a number of banks, including HSBC Continental Europe and the Paris branch of HSBC Bank plc, in connection with alleged tax fraud related to the dividend withholding tax treatment of certain trading activities. HSBC Bank plc and HSBC Germany also continue to cooperate with investigations by the German public prosecutor into numerous financial institutions and their employees, in connection with the dividend withholding tax treatment of certain trading activities.

Based on the facts currently known, it is not practicable at this time for HSBC to predict the resolution of these matters, including the timing or any possible impact on HSBC, which could be significant.

Gilts trading investigation and litigation

Since 2018, the UK Competition and Markets Authority ('CMA') has been investigating HSBC and four other banks for suspected anti-competitive conduct in relation to the historical trading of gilts and related derivatives. In May 2023, the CMA announced its case against HSBC Bank plc and HSBC Holdings; both HSBC companies are contesting the CMA's allegations.

In June 2023, HSBC Bank plc and HSBC Securities (USA) Inc., among other banks, were named as defendants in a putative class action filed in the US District Court for the Southern District of New York by plaintiffs alleging anti-competitive conduct in the gilts market and seeking damages for unspecified amounts. In September 2023, the defendants filed a motion to dismiss which remains pending. It is possible that additional civil actions will be initiated against HSBC in relation to its historical gilts trading activities.

Based on the facts currently known, it is not practicable at this time for HSBC to predict the resolution of these matters, including the timing or any possible impact on HSBC, which could be significant.

UK depositor protection arrangements investigation

In January 2022, the UK Prudential Regulation Authority ('PRA') commenced an investigation into HSBC Bank plc's and HSBC UK Bank plc's compliance with depositor protection arrangements under the Financial Services Compensation Scheme in the UK. In January 2024, the PRA concluded its investigation and imposed a £57m fine on HSBC Bank plc and HSBC UK Bank plc, which has been paid, and this matter is now closed.

UK collections and recoveries investigation

Since 2019, the FCA has been investigating HSBC Bank plc's, HSBC UK Bank plc's and Marks and Spencer Financial Services plc's compliance with regulatory standards relating to collections and recoveries operations in the UK between 2017 and 2018. HSBC continues to cooperate with this investigation.

There are many factors that may affect the range of outcomes, and the resulting financial impact, of this matter, which could be significant.

Korean short selling investigation

In December 2023, the Korean Securities and Futures Commission issued a decision to impose a fine on The Hongkong and Shanghai Banking Corporation Limited in connection with trades in breach of Korean short selling rules and to refer the case to the Korean Prosecutors' Office for investigation.

There are many factors that may affect the range of outcomes, and the resulting financial impact, of this matter, which could be significant.

Silicon Valley Bank ('SVB') litigation

In May 2023, First-Citizens Bank & Trust Company ('First Citizens') brought a lawsuit in the US District Court for the Northern District of California against various HSBC companies and seven US-based HSBC employees who had previously worked for SVB. The lawsuit seeks \$1bn in damages and alleges, among other things, that the various HSBC companies conspired with the individual defendants to solicit employees from First Citizens and that the individual defendants took confidential information belonging to SVB and/or First Citizens. In January 2024, the court denied the defendants' motion to dismiss in part and granted it in part, and directed the plaintiff to amend its complaint to specify its allegations as to each defendant. In February 2024, First Citizens filed its amended complaint. This action is ongoing.

Based on the facts currently known, it is not practicable at this time for HSBC to predict the resolution of this matter, including the timing or any possible impact on HSBC, which could be significant.

Film Finance litigation

In June 2020, two separate investor groups issued claims against HSBC UK Bank plc (as successor to HSBC Private Bank (UK) Limited ('PBGB')) in the High Court of England and Wales seeking damages for unspecified amounts in connection with PBGB's role in the development of Eclipse film finance schemes. These actions are ongoing.

Based on the facts currently known, it is not practicable at this time for HSBC to predict the resolution of these matters, including the timing or any possible impact on HSBC, which could be significant.

US mortgage securitisation litigation

Beginning in 2014, a number of lawsuits were filed in various state and federal courts in the US against HSBC Bank USA, as a trustee of more than 280 mortgage securitisation trusts, seeking unspecified damages for losses in collateral value allegedly sustained by the trusts. HSBC Bank USA has reached settlements with a number of plaintiffs to resolve nearly all of these lawsuits. The remaining two actions are pending in a New York state court. HSBC Bank USA and certain of its affiliates continue to defend a mortgage loan repurchase action seeking unspecified damages and specific performance brought by the trustee of a mortgage securitisation trust in New York state court.

There are many factors that may affect the range of outcomes, and the resulting financial impact, of the pending matters, which could be significant.

Mexican government bond litigation

HSBC Mexico S.A. and other banks are named as defendants in a consolidated putative class action pending in the US District Court for the Southern District of New York alleging anti-competitive conduct in the Mexican government bond market between 2006 and 2017 and seeking damages for unspecified amounts. In February 2024, the US Court of Appeals for the Second Circuit reversed an earlier dismissal of this lawsuit and this matter is proceeding.

Based on the facts currently known, it is not practicable at this time for HSBC to predict the resolution of this matter, including the timing or any possible impact on HSBC, which could be significant.

Stanford litigation

Since 2009, HSBC Bank plc has been named as a defendant in numerous claims filed in courts in the UK and the US arising from the collapse of Stanford International Bank Ltd, for which it was a correspondent bank from 2003 to 2009. In February 2023, HSBC Bank plc reached settlements with the plaintiffs to resolve these claims. The US settlement is subject to court approval and the UK settlement has concluded.

Other regulatory investigations, reviews and litigation

HSBC Holdings and/or certain of its affiliates are also subject to a number of other enquiries and examinations, requests for information, investigations and reviews by various regulators and competition and law enforcement authorities, as well as legal proceedings including litigation, arbitration and other contentious proceedings, in connection with various matters arising out of their ordinary course businesses and operations.

At the present time, HSBC does not expect the ultimate resolution of any of these matters to be material to the Group's financial position; however, given the uncertainties involved in legal proceedings and regulatory matters, there can be no assurance regarding the eventual outcome of a particular matter or matters.

37 Related party transactions

Related parties of the Group and HSBC Holdings include subsidiaries, associates, joint ventures, post-employment benefit plans for HSBC employees, Key Management Personnel ('KMP') as defined by IAS 24, close family members of KMP and entities that are controlled or jointly controlled by KMP or their close family members. KMP are defined as those persons having authority and responsibility for planning, directing and controlling the activities of HSBC Holdings. These individuals also constitute 'senior management' for the purposes of the Hong Kong Listing Rules. In applying IAS 24, it was determined that for this financial reporting period all KMP included Directors, former Directors and senior management listed on pages 239 to 246 except for the roles of Group Chief Legal Officer, Group Head of Internal Audit, Group Chief Human Resources Officer, Group Chief Sustainability Officer, Group Head of Strategy, Group Chief Communications and Brand Officer, and Group Company Secretary and Chief Governance Officer who do not meet the criteria for KMP as provided for in the standard.

Particulars of transactions with related parties are tabulated below. The disclosure of the year-end balance and the highest amounts outstanding during the year is considered to be the most meaningful information to represent the amount of the transactions and outstanding balances during the year.

Key Management Personnel

Details of Directors' remuneration and interests in shares are disclosed in the 'Directors' remuneration report' on pages 279 to 305. IAS 24 'Related Party Disclosures' requires the following additional information for key management compensation.

Compensation of Key Management Personnel

	2023	2022	2021
	\$m	\$m	\$m
Short-term employee benefits	51	52	50
Post-employment benefits	1	1	—
Other long-term employee benefits	10	8	6
Share-based payments	29	26	27
Year ended 31 Dec	91	87	83

Shareholdings, options and other securities of Key Management Personnel

	2023	2022
	(000s)	(000s)
Number of options held over HSBC Holdings ordinary shares under employee share plans	32	35
Number of HSBC Holdings ordinary shares held beneficially and non-beneficially	20,409	18,185
Number of other HSBC securities held	228	228
At 31 Dec	20,669	18,448

Advances and credits, guarantees and deposit balances during the year with Key Management Personnel

	2023		2022	
	Balance at 31 Dec	Highest amounts outstanding during year	Balance at 31 Dec	Highest amounts outstanding during year
	\$m	\$m	\$m	\$m
Key Management Personnel				
Advances and credits ¹	11	16	16	25
Deposits	60	130	53	123

¹ Advances and credits entered into by subsidiaries of HSBC Holdings plc during 2023 with Directors and former Directors, disclosed pursuant to section 413 of the Companies Act 2006, totalled \$2.6m (2022: \$2.5m).

Some of the transactions were connected transactions as defined by the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited, but were exempt from any disclosure requirements under the provisions of those rules. The above transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment or present other unfavourable features.

Associates and joint ventures

The Group provides certain banking and financial services to associates and joint ventures including loans, overdrafts, interest and non-interest bearing deposits and current accounts. Details of the interests in associates and joint ventures are given in Note 18.

Transactions and balances during the year with associates and joint ventures

	2023		2022	
	Highest balance during the year	Balance at 31 Dec	Highest balance during the year	Balance at 31 Dec
	\$m	\$m	\$m	\$m
Unsubordinated amounts due from joint ventures	98	94	140	90
Unsubordinated amounts due from associates	7,907	5,910	7,378	6,594
Amounts due to associates	3,002	1,668	2,548	1,295
Amounts due to joint ventures	95	61	57	53
Fair value of derivative assets with associates	1,514	795	1,205	841
Fair value of derivative liabilities with associates	4,388	2,962	4,319	3,648
Guarantees and commitments	503	331	513	293

The above outstanding balances arose in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with third-party counterparties.

Post-employment benefit plans

At 31 December 2023, \$3.1bn (2022: \$2.9bn) of HSBC post-employment benefit plan assets were under management by HSBC companies, earning management fees of \$13m in 2023 (2022: \$13m). At 31 December 2023, HSBC's post-employment benefit plans had placed deposits of \$402m (2022: \$369m) with its banking subsidiaries, earning interest payable to the schemes of \$2m (2022: nil). The above outstanding balances arose from the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with third-party counterparties.

The combined HSBC Bank (UK) Pension Scheme enters into swap transactions with HSBC to manage inflation and interest rate sensitivity of its liabilities and selected assets. At 31 December 2023, the gross notional value of the swaps was \$7.1bn (2022: \$6.6bn). These swaps had a positive fair value to the scheme of \$0.5bn (2022: \$0.5bn); and HSBC had delivered collateral of \$0.6bn (2022: \$0.5bn) to the scheme in respect of these arrangements. All swaps were executed at prevailing market rates and within standard market bid/offer spreads.

HSBC Holdings

Details of HSBC Holdings' subsidiaries are shown in Note 40.

Transactions and balances during the year with subsidiaries

	2023		2022	
	Highest balance during the year	Balance at 31 Dec	Highest balance during the year	Balance at 31 Dec
	\$m	\$m	\$m	\$m
Assets				
Cash and balances with HSBC undertakings	8,396	7,029	7,421	3,210
Financial assets with HSBC undertakings designated and otherwise mandatorily measured at fair value	60,309	59,879	52,322	52,322
Derivatives	4,010	3,344	5,380	3,801
Loans and advances to HSBC undertakings	28,213	27,354	26,765	26,765
Prepayments, accrued income and other assets	7,417	5,145	4,893	4,803
Investments in subsidiaries	167,542	159,478	167,542	167,542
Total related party assets at 31 Dec	275,887	262,229	264,323	258,443
Liabilities				
Amounts owed to HSBC undertakings	179	168	314	314
Derivatives	9,309	6,090	8,318	6,922
Accruals, deferred income and other liabilities	505	341	1,375	429
Subordinated liabilities	927	913	900	900
Total related party liabilities at 31 Dec	10,920	7,512	10,907	8,565
Guarantees and commitments	7,723	7,723	17,707	17,707

The above outstanding balances arose in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with third-party counterparties.

Some employees of HSBC Holdings are members of the HSBC Bank (UK) Pension Scheme, which is sponsored by a separate Group company. HSBC Holdings incurs a charge for these employees equal to the contributions paid into the scheme on their behalf. Disclosure in relation to the scheme is made in Note 5.

38 Effects of adoption of IFRS 17

On 1 January 2023, the Group adopted IFRS 17 'Insurance Contracts', and as required by the standard applied the requirements retrospectively, with comparatives restated from the transition date, 1 January 2022. The tables below provide the transition restatement impact on the Group's consolidated balance sheet as at 1 January 2022, as well as the Group consolidated income statement and the Group consolidated statement of comprehensive income for the year ended 31 December 2022.

Further information about the effect of the adoption of IFRS 17 is provided in Note 1 'Basis of preparation and material accounting policies' on page 341.

IFRS 17 transition impact on the Group consolidated balance sheet at 1 January 2022

	Under IFRS 4	Removal of PVIF and IFRS 4 balances	Remeasurement effect of IFRS 9 re-designations	Recognition of IFRS 17 fulfilment cash flows	Recognition of IFRS 17 contractual service margin	Tax effect	Under IFRS 17	Total movements
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Assets								
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	49,804	—	60,991	—	—	—	110,795	60,991
Loans and advances to banks	83,136	—	(569)	—	—	—	82,567	(569)
Loans and advances to customers	1,045,814	—	(1,280)	—	—	—	1,044,534	(1,280)
Financial investments	446,274	—	(54,269)	—	—	—	392,005	(54,269)
Goodwill and intangible assets	20,622	(9,453)	—	—	—	—	11,169	(9,453)
Deferred tax assets	4,624	—	—	—	—	808	5,432	808
All other assets	1,307,665	(4,468)	—	4,198	(105)	—	1,307,290	(375)
Total assets	2,957,939	(13,921)	4,873	4,198	(105)	808	2,953,792	(4,147)
Liabilities and equity								
Liabilities								
Insurance contract liabilities	112,745	(112,745)	—	109,393	9,914	—	119,307	6,562
Deferred tax liabilities	4,673	—	—	—	—	(1,379)	3,294	(1,379)
All other liabilities	2,633,744	78	—	1,102	(51)	—	2,634,873	1,129
Total liabilities	2,751,162	(112,667)	—	110,495	9,863	(1,379)	2,757,474	6,312
Total shareholders' equity	198,250	92,738	4,558	(99,631)	(8,847)	1,947	189,015	(9,235)
Non-controlling interests	8,527	6,008	315	(6,666)	(1,121)	240	7,303	(1,224)
Total equity	206,777	98,746	4,873	(106,297)	(9,968)	2,187	196,318	(10,459)
Total liabilities and equity	2,957,939	(13,921)	4,873	4,198	(105)	808	2,953,792	(4,147)

Transition drivers

Removal of PVIF and IFRS 4 balances

The PVIF intangible asset of \$9,453m previously reported under IFRS 4 within 'Goodwill and intangible assets' arose from the upfront recognition of future profits associated with in-force insurance contracts. The PVIF intangible asset is no longer reported following the transition to IFRS 17, as future profits are deferred within the CSM. Other IFRS 4 insurance contract assets (shown above within 'All other assets') and insurance contract liabilities are removed on transition, to be replaced with IFRS 17 balances.

Remeasurement effect of IFRS 9 re-designations

Loans and advances of \$1,849m and debt securities of \$53,201m, both supporting associated insurance liabilities, were re-designated from an amortised cost classification to fair value through profit and loss. Debt securities supporting the associated insurance liabilities of \$1,068m were reclassified from fair value through other comprehensive income to fair value through profit or loss. The re-designations were made in order to more closely align the asset accounting with the valuation of the associated insurance liabilities. The re-designation of amortised cost assets generated a net increase to assets of \$4,873m because the fair value measurement on transition was higher than the previous amortised cost carrying amount.

Recognition of the IFRS 17 fulfilment cash flows

The measurement of the insurance contracts liabilities under IFRS 17 is based on groups of insurance contracts and includes a liability for fulfilling the insurance contracts, such as premiums, directly attributable expenses, insurance benefits and claims including policyholder returns and the cost of guarantees. These are recorded within the fulfilment cash flow component of the insurance contract liability, together with the risk adjustment for non-financial risk.

Recognition of the IFRS 17 contractual service margin

The CSM is a component of the insurance contract liability and represents the future unearned profit associated with insurance contracts that will be released to the profit and loss over the expected coverage period.

Tax effect

The removal of deferred tax liabilities primarily results from the removal of the associated PVIF intangible asset, and new deferred tax assets are reported, where appropriate, on temporary differences between the new IFRS 17 accounting balances and their associated tax bases.

IFRS 17 transition impact on the reported Group consolidated income statement for the year ended 31 December 2022

	Under IFRS 4	Removal of PVIF and IFRS 4 balances	Remeasurement effect of IFRS 9 re-designations	Insurance finance income/expense	Contractual service margin	Onerous contracts	Experience variance and other	Attributable expenses	Tax effect	Under IFRS 17
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Net interest income	32,610	—	(2,233)	—	—	—	—	—	—	30,377
Net fee income	11,451	—	—	—	—	—	—	319	—	11,770
Net income from financial instruments held for trading or managed on a fair value basis	10,469	—	(191)	—	—	—	—	—	—	10,278
Net expense from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	(3,394)	—	(10,437)	—	—	—	—	—	—	(13,831)
Net insurance premium income	12,825	(12,825)	—	—	—	—	—	—	—	—
Insurance finance income/(expense)	—	—	—	13,799	—	—	—	—	—	13,799
Insurance service result	—	—	—	—	965	(186)	30	—	—	809
– insurance revenue	—	—	—	—	965	—	1,012	—	—	1,977
– insurance service expense	—	—	—	—	—	(186)	(982)	—	—	(1,168)
Other operating income/(loss)	(2,365)	(265)	—	48	—	—	—	—	—	(2,582)
Total operating income	61,596	(13,090)	(12,861)	13,847	965	(186)	30	319	—	50,620
Net insurance claims and benefits paid and movement in liabilities to policyholders	(9,869)	9,869	—	—	—	—	—	—	—	—
Net operating income before change in expected credit losses and other credit impairment charges	51,727	(3,221)	(12,861)	13,847	965	(186)	30	319	—	50,620
Change in expected credit losses and other credit impairment charges	(3,592)	—	8	—	—	—	—	—	—	(3,584)
Net operating income	48,135	(3,221)	(12,853)	13,847	965	(186)	30	319	—	47,036
Total operating expenses	(33,330)	—	—	—	—	—	—	629	—	(32,701)
Operating profit	14,805	(3,221)	(12,853)	13,847	965	(186)	30	948	—	14,335
Share of profit in associates and joint ventures	2,723	—	—	—	—	—	—	—	—	2,723
Profit before tax	17,528	(3,221)	(12,853)	13,847	965	(186)	30	948	—	17,058
Tax expense	(858)	—	—	—	—	—	—	—	49	(809)
Profit for the period	16,670	(3,221)	(12,853)	13,847	965	(186)	30	948	49	16,249

Transition drivers

Removal of IFRS 4-based revenue items

As a result of the removal of the PVIF intangible asset and IFRS 4 results, the associated revenue of \$265m for the year ended 31 December 2022 that was previously reported within 'Other operating income/(loss)' is no longer reported under IFRS 17. This includes the removal of the value of new business and changes to PVIF intangible asset from valuation adjustments and experience variances.

On the implementation of IFRS 17, new income statement line items associated with insurance contract accounting were introduced. Consequently, the previously reported IFRS 4 line items 'Net insurance premium income' and 'Net insurance claims and benefits paid and movement in liabilities to policyholders' were also removed.

Remeasurement effect of IFRS 9 re-designations

Following the re-designation of financial assets supporting associated insurance liabilities to fair value through profit or loss classification, the related income statement reporting also changed. Under our previous IFRS 4-based reporting convention, these assets generated interest income of \$2,233m for the year ended 31 December 2022, which is no longer reported in 'Net interest income' under IFRS 17. To the extent that this interest income was shared with policyholders, the corresponding policyholder sharing obligation was previously included within the 'net insurance claims and benefits paid and movement in liabilities to policyholders' line.

Following re-designation to fair value through profit or loss, gains and losses from changes in the fair value of underlying assets, together with interest income earned, are both reported within 'Net expense from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss'. Similar to an IFRS 4 basis, IFRS 17 accounting provides for an offset. While this offset was reported within the claims line under IFRS 4, under IFRS 17 it is reported within the 'Insurance finance income/(expense)' line described below.

Introduction of IFRS 17 income statement

Insurance finance income/(expense)

Insurance finance income/(expense) of \$13,799m for the year ended 31 December 2022 represents the change in the carrying amount of insurance contracts arising from the effect of, and changes in, the time value of money and financial risk. For variable fee approach contracts, which represent more than 90% of HSBC's insurance contracts, the insurance finance income/(expense) includes the changes in the fair value of underlying items (excluding additions and withdrawals). It therefore has an offsetting impact to investment income earned on underlying assets supporting insurance contracts. This includes an offsetting impact to the gains and losses on assets re-designated on transition to fair value through profit or loss, and which is now included in 'Net expense from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss'.

Contractual service margin

Revenue is recognised for the release of the CSM associated with the in-force business, which was allocated at a rate of approximately 9% during 2022. The CSM release is largely impacted by the constant measure allocation approach for investment services, but may vary over time primarily due to changes in the total amount of CSM reported on the balance sheet from factors such as new business written, the Group's share of investment experience, or changes to assumptions.

Onerous contracts

Losses on onerous contracts are taken to the income statement as incurred.

Experience variance and other

'Experience variance and other' represents the expected expenses, claims and recovery of acquisition cash flows, which are reported as part of the insurance revenue. This is offset with the actual expenses and claims incurred in the year and amortisation of acquisition cash flows, which are reported as part of insurance service expense.

Attributable expenses

Directly attributable expenses are the costs associated with originating and fulfilling an identified portfolio of insurance contracts. These costs include distribution fees paid to third parties as part of originating insurance contracts together with appropriate allocations of fixed and variable overheads, which are included within the fulfilment cash flows and are no longer shown on the operating expenses line, whereas non-attributable expenses remain in the operating expenses.

IFRS 17 transition impact on the Group comprehensive income

	Year ended 31 Dec 2022	
	Under IFRS 17 \$m	Under IFRS 4 \$m
Total equity at 1 Jan	196,318	206,777
<i>of which</i>		
– retained earnings	135,236	144,458
– financial assets at FVOCI reserve	49	(634)
– insurance finance reserve	(696)	—
Profit for the period	16,249	16,670
Debt instruments at fair value through other comprehensive income	(7,232)	(5,468)
Equity instruments designated at fair value through other comprehensive income	107	107
Insurance finance income recognised in other comprehensive income	1,775	—
Other comprehensive expense for the period, net of tax	(11,892)	(11,940)
Total comprehensive (expense)/income for the period	(993)	(631)
Other movements	(10,128)	(10,118)
Total equity at 31 Dec	185,197	196,028

Transition drivers

Insurance finance reserve

The insurance finance reserve reflects the impact of the adoption of the other comprehensive income option for our insurance business in France. Underlying assets supporting these contracts are measured at fair value through other comprehensive income. Under this option, only the amount that matches income or expenses recognised in profit or loss on underlying items is included in finance income or expenses, resulting in the elimination of income statement accounting mismatches. The remaining amount of finance income or expenses for these insurance contracts is recognised in OCI. At the transition date an insurance finance reserve of \$696m was recognised and following transition, gains net of tax of \$1,775m were recorded in the year ended 31 December 2022. An offsetting fair value through other comprehensive income reserve of \$683m recorded on transition represents the accumulated fair value movements on assets supporting these insurance contract liabilities, with associated losses net of tax of \$1,898m recorded within the fair value through other comprehensive income reserve for the year ended 31 December 2022.

Group's consolidated balance sheet at the transition date and at 31 December 2022

	Under IFRS 17		Under IFRS 4	
	31 Dec	1 Jan	31 Dec	1 Jan
	2022	2022	2022	2022
	\$m	\$m	\$m	\$m
Assets				
Cash and balances at central banks	327,002	403,018	327,002	403,018
Items in the course of collection from other banks	7,297	4,136	7,299	4,136
Hong Kong Government certificates of indebtedness	43,787	42,578	43,787	42,578
Trading assets	218,093	248,842	218,093	248,842
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	100,101	110,795	45,063	49,804
Derivatives	284,159	196,882	284,146	196,882
Loans and advances to banks	104,475	82,567	104,882	83,136
Loans and advances to customers	923,561	1,044,534	924,854	1,045,814
Reverse repurchase agreements – non-trading	253,754	241,648	253,754	241,648
Financial investments	364,726	392,005	425,563	446,274
Assets held for sale	115,919	3,411	115,919	3,411
Prepayments, accrued income and other assets	156,149	136,196	156,865	136,571
Current tax assets	1,230	970	1,230	970
Interests in associates and joint ventures	29,254	29,609	29,254	29,609
Goodwill and intangible assets	11,419	11,169	21,321	20,622
Deferred tax assets	8,360	5,432	7,498	4,624
Total assets	2,949,286	2,953,792	2,966,530	2,957,939
Liabilities and equity				
Liabilities				
Hong Kong currency notes in circulation	43,787	42,578	43,787	42,578
Deposits by banks	66,722	101,152	66,722	101,152
Customer accounts	1,570,303	1,710,574	1,570,303	1,710,574
Repurchase agreements – non-trading	127,747	126,670	127,747	126,670
Items in the course of transmission to other banks	7,864	5,214	7,864	5,214
Trading liabilities	72,353	84,904	72,353	84,904
Financial liabilities designated at fair value	127,321	145,503	127,327	145,502
Derivatives	285,762	191,064	285,764	191,064
Debt securities in issue	78,149	78,557	78,149	78,557
Liabilities of disposal groups held for sale	114,597	9,005	114,597	9,005
Accruals, deferred income and other liabilities	134,313	115,900	133,240	114,773
Current tax liabilities	1,135	699	1,135	698
Insurance contract liabilities	108,816	119,307	114,844	112,745
Provisions	1,958	2,566	1,958	2,566
Deferred tax liabilities	972	3,294	2,422	4,673
Subordinated liabilities	22,290	20,487	22,290	20,487
Total liabilities	2,764,089	2,757,474	2,770,502	2,751,162
Equity				
Called up share capital	10,147	10,316	10,147	10,316
Share premium account	14,664	14,602	14,664	14,602
Other equity instruments	19,746	22,414	19,746	22,414
Other reserves	(9,133)	6,447	(9,141)	6,460
Retained earnings	142,409	135,236	152,068	144,458
Total shareholders' equity	177,833	189,015	187,484	198,250
Non-controlling interests	7,364	7,303	8,544	8,527
Total equity	185,197	196,318	196,028	206,777
Total liabilities and equity	2,949,286	2,953,792	2,966,530	2,957,939

39 Events after the balance sheet date

On 1 January 2024, HSBC Continental Europe completed the sale of its retail banking business in France to CCF, a subsidiary of Promontoria MMB SAS ('My Money Group'). The sale also included HSBC Continental Europe's 100% ownership interest in HSBC SFH (France) and its 3% ownership interest in Crédit Logement. In the fourth quarter of 2023, a loss of \$2.0bn was recognised upon reclassification to held for sale, in accordance with IFRS 5, which net of the \$2.1bn partial reversal of impairment recognised in the first quarter of 2023, gave rise to a net reversal of impairment recognised in the year of \$0.1bn.

On 30 January 2024, the PRA concluded its investigation into HSBC Bank plc's and HSBC UK Bank plc's compliance with depositor protection arrangements under the Financial Services Compensation Scheme in the UK. The PRA imposed a fine of \$73m (£57m) on these entities, which was fully provided for as at 31 December 2023, and has now been paid.

On 31 January 2024, HSBC Global Asset Management Limited, through its indirect subsidiary HSBC Global Asset Management Singapore Limited, completed the acquisition of the Asia-Pacific-focused real estate investment manager Silkroad Property Partners Pte Ltd. HSBC Global Asset Management Limited also acquired Silkroad's affiliated General Partner entities as part of the transaction.

On 6 February 2024, HSBC Europe B.V., an indirect subsidiary of HSBC Holdings plc, signed an agreement to sell HSBC Bank Armenia CJSC, its wholly-owned subsidiary, to Ardshinbank CJSC subject to regulatory approvals. The transaction is expected to complete within the next 12 months.

A fourth interim dividend for 2023 of \$0.31 per ordinary share (a distribution of approximately \$5,913m) was approved by the Directors after 31 December 2023. On 21 February 2024, HSBC Holdings announced a share buy-back programme to purchase its ordinary shares up to a maximum consideration of \$2.0bn, which is expected to commence shortly and complete by our first quarter 2024 results announcement. HSBC Holdings called \$2,500m 3.803% and \$500m floating rate senior unsecured debt securities on 25 January 2024. These securities are expected to be redeemed and cancelled on 11 March 2024. These accounts were approved by the Board of Directors on 21 February 2024 and authorised for issue.

40 HSBC Holdings' subsidiaries, joint ventures and associates

In accordance with section 409 of the Companies Act 2006 a list of HSBC Holdings plc subsidiaries, joint ventures and associates, the registered office addresses and the effective percentages of equity owned at 31 December 2023 are disclosed below.

Unless otherwise stated, the share capital comprises ordinary or common shares that are held by Group subsidiaries. The ownership percentage is provided for each undertaking. The undertakings below are consolidated by HSBC unless otherwise indicated.

Subsidiaries

Subsidiaries	% of share class held by immediate parent company (or by the Group where this varies)	Footnotes	Subsidiaries	% of share class held by immediate parent company (or by the Group where this varies)	Footnotes
452 TALF SPV LLC	100.00	1, 15	GPIF Co-Investment, LLC	N/A	0, 15
AI Nominees (UK) One Limited	100.00	1, 16	Griffin International Limited	100.00	16
AI Nominees (UK) Two Limited	100.00	116	Grupo Financiero HSBC, S. A. de C. V.	99.99	17
Almacenadora Banpacifico S.A. (In Liquidation)	99.99	17	Guangdong Enping HSBC Rural Bank Company Limited	100.00	12, 41
Assetfinance December (F) Limited	100.00	18	Guangzhou HSBC Real Estate Company Ltd (广州汇丰房地产有限公司)	100.00	1, 12, 42
Assetfinance December (H) Limited	100.00	16	Hang Seng (Nominee) Limited	100.00 (62.14)	40
Assetfinance December (P) Limited	100.00	16	Hang Seng Bank (China) Limited	N/A	0, 12, 43
Assetfinance December (R) Limited	100.00	16	Hang Seng Bank (Trustee) Limited	100.00 (62.14)	40
Assetfinance June (A) Limited	100.00	16	Hang Seng Bank Limited	62.14	40
Assetfinance June (D) Limited	100.00	18	Hang Seng Bullion Company Limited	100.00 (62.14)	40
Assetfinance Limited (In Liquidation)	100.00	19	Hang Seng Credit Limited	100.00 (62.14)	40
Assetfinance March (B) Limited	100.00	20	Hang Seng Data Services Limited	100.00 (62.14)	40
Assetfinance March (D) Limited	100.00	18	Hang Seng Finance Limited	100.00 (62.14)	40
Assetfinance March (F) Limited	100.00	16	Hang Seng Financial Information Limited	100.00 (62.14)	40
Assetfinance September (F) Limited	100.00	16	Hang Seng Indexes (Netherlands) B.V.	N/A	0, 1, 44
Assetfinance September (G) Limited	100.00	18	Hang Seng Indexes Company Limited	100.00 (62.14)	40
B&Q Financial Services Limited	100.00	16	Hang Seng Insurance Company Limited	100.00 (62.14)	40
Banco HSBC S.A.	100.00	21	Hang Seng Investment Management Limited	100.00 (62.14)	40
Banco Nominees (Guernsey) Limited	100.00	22	Hang Seng Investment Services Limited	100.00 (62.14)	40
Banco Nominees 2 (Guernsey) Limited	100.00	22	Hang Seng Qianhai Fund Management Company Limited	N/A	0, 12, 45
Banco Nominees Limited	100.00	23	Hang Seng Real Estate Management Limited	100.00 (62.14)	40
Beau Soleil Limited Partnership	N/A	0, 24	Hang Seng Securities Limited	100.00 (62.14)	40
Beijing HSBC Real Estate Leasing Company Limited	100.00	1, 12, 25	Hang Seng Security Management Limited	100.00 (62.14)	40
Beijing Miyun HSBC Rural Bank Company Limited	100.00	12, 26	HASE Wealth Limited	100.00 (62.14)	1, 40
BentallGreenOak China Real Estate Investments, L.P.	N/A	0, 1, 27	Haseba Investment Company Limited	100.00 (62.14)	40
Canada Crescent Nominees (UK) Limited	100.00	16	HFC Bank Limited (In Liquidation)	100.00	19
Canada Square Nominees (UK) Limited	100.00	16	High Time Investments Limited	100.00 (62.14)	40
Canada Water Nominees (UK) Limited (In Liquidation)	100.00	19	HLF	100.00 (99.99)	4, 37
Capco/Cove, Inc.	100.00	28	Honey Blue Enterprises Limited (亨京企業有限公司)	100.00	1, 46
Card-Flo #1, Inc.	100.00	15	Honey Green Enterprises Ltd.	100.00	47
Card-Flo #3, Inc.	100.00	15	Honey Grey Enterprises Limited (亨穗企業有限公司)	100.00	1, 48
CC&H Holdings LLC	100.00	29	Honey Silver Enterprises Limited (亨深企業有限公司)	100.00	1, 48
CCF & Partners Asset Management Limited	100.00 (99.99)	16	Household International Europe Limited (In Liquidation)	100.00	5, 49
CCF Holding (Liban) S.A.L. (In Liquidation)	74.99	30	Household Pooling Corporation	100.00	50
Charterhouse Administrators (D.T.) Limited	100.00 (99.99)	16	Housing (USA) LLP	N/A	0, 1, 29
Charterhouse Management Services Limited	100.00 (99.99)	16	HSBC (BGF) Investments Limited	100.00	16
Charterhouse Pensions Limited	100.00	16	HSBC (General Partner) Limited	100.00	2, 51
Chongqing Dazu HSBC Rural Bank Company Limited	100.00	12, 31	HSBC (Guernsey) GP PCC Limited	100.00	22
Chongqing Fengdu HSBC Rural Bank Company Limited	100.00	12, 32	HSBC (Kuala Lumpur) Nominees Sdn Bhd	100.00	52
Chongqing Rongchang HSBC Rural Bank Company Limited	100.00	12, 33	HSBC (Malaysia) Trustee Berhad	100.00	53
COIF Nominees Limited	N/A	0, 16	HSBC (Singapore) Nominees Pte Ltd	100.00	54
Corsair IV Financial Services Capital Partners - B LP	N/A	0, 1, 34	HSBC Agency (India) Private Limited	100.00	55
Dalian Pulandian HSBC Rural Bank Company Limited	100.00	12, 35	HSBC Alternative Investments Limited	100.00	16
Decision One Mortgage Company, LLC	N/A	0, 36	HSBC Amanah Malaysia Berhad	100.00	52
Dempar 1	100.00 (99.99)	4, 37	HSBC Americas Corporation (Delaware)	100.00	15
Desarrollo Turistico, S.A. de C.V. (In Liquidation)	100.00 (99.99)	17	HSBC Argentina Holdings S.A.	100.00	56
Electronic Data Process México, S.A. de C.V.	100.00	1, 38	HSBC Asia Holdings B.V.	100.00	16
Eton Corporate Services Limited	100.00	22	HSBC Asia Holdings Limited	100.00	2, 48
Flandres Contentieux S.A.	100.00 (99.99)	4, 37	HSBC Asia Pacific Holdings (UK) Limited	100.00	5, 16
Foncière Elysées	100.00 (99.99)	4, 37	HSBC Asset Finance (UK) Limited	100.00	16
Fujian Yongan HSBC Rural Bank Company Limited	100.00	12, 39	HSBC Asset Finance M.O.G. Holdings (UK) Limited	100.00	16
Fulcher Enterprises Company Limited	100.00 (62.14)	40	HSBC Asset Management (Fund Services UK) Limited	100.00	1, 16
Fundacion HSBC, A.C.	100.00 (99.99)	11, 17	HSBC Asset Management (India) Private Limited	99.99	3, 57
Giller Ltd.	100.00	28	HSBC Asset Management (Japan) Limited	100.00	58
			HSBC Assurances Vie (France)	100.00 (99.99)	4, 59
			HSBC Australia Holdings Pty Limited	100.00	5, 60

Notes on the financial statements

Subsidiaries	% of share class held by immediate parent company (or by the Group where this varies)	Footnotes	Subsidiaries	% of share class held by immediate parent company (or by the Group where this varies)	Footnotes
HSBC BANK (CHILE)	100.00	61	HSBC Electronic Data Processing India Private Limited	100.00	85
HSBC Bank (China) Company Limited	N/A	0, 12, 62	HSBC Electronic Data Processing Lanka (Private) Limited	100.00	86
HSBC Bank (General Partner) Limited	100.00	51	HSBC Electronic Data Service Delivery (Egypt) S.A.E.	100.00	87
HSBC Bank (Mauritius) Limited	100.00	63	HSBC Epargne Entreprise (France)	100.00 (99.99)	4, 59
HSBC Bank (RR) (Limited Liability Company)	N/A	0, 13, 64	HSBC Equipment Finance (UK) Limited	100.00	18
HSBC Bank (Singapore) Limited	100.00	54	HSBC Equity (UK) Limited	100.00	16
HSBC Bank (Taiwan) Limited	100.00	65	HSBC Europe B.V.	100.00	16
HSBC Bank (Uruguay) S.A.	100.00	66	HSBC Executor & Trustee Company (UK) Limited	100.00	18
HSBC Bank (Vietnam) Ltd.	100.00	67	HSBC Factoring (France)	100.00 (99.99)	4, 37
HSBC Bank A.S.	100.00 (99.99)	68	HSBC Finance (Netherlands)	100.00	2, 16
HSBC Bank Argentina S.A.	99.99	56	HSBC Finance Corporation	100.00	3, 15
HSBC Bank Armenia cjsc	100.00	69	HSBC Finance Limited	100.00	16
HSBC Bank Australia Limited	100.00	60	HSBC Finance Mortgages Inc.	100.00	88
HSBC Bank Bermuda Limited	100.00	23	HSBC Finance Transformation (UK) Limited	100.00	16
HSBC Bank Canada	100.00	3, 70	HSBC Financial Advisors Singapore Pte. Ltd.	100.00	1, 54
HSBC Bank Capital Funding (Sterling 1) LP	N/A	0, 51	HSBC Financial Services (Lebanon) s.a.l.	99.80	89
HSBC Bank Capital Funding (Sterling 2) LP	N/A	0, 51	HSBC Financial Services (Uruguay) S.A. (In Liquidation)	100.00	90
HSBC Bank Egypt S.A.E	99.62 (94.54)	71	HSBC FinTech Services (Shanghai) Company Limited	N/A	0, 1, 91
HSBC Bank Malaysia Berhad	100.00	3, 52	HSBC Global Asset Management (Bermuda) Limited	100.00	3, 23
HSBC Bank Malta p.l.c.	70.03	72	HSBC Global Asset Management (Canada) Limited	100.00	70
HSBC Bank Middle East Limited	100.00	3, 73	HSBC Global Asset Management (Deutschland) GmbH	100.00 (99.99)	6, 92
HSBC Bank Middle East Limited Representative Office Morocco SARL (In Liquidation)	100.00	74	HSBC Global Asset Management (France)	100.00 (99.99)	4, 59
HSBC Bank Pension Trust (UK) Limited	100.00	16	HSBC Global Asset Management (Hong Kong) Limited	100.00	24
HSBC Bank plc	100.00	2, 3, 16	HSBC Global Asset Management (Malta) Limited	100.00 (70.03)	93
HSBC Bank USA, National Association	100.00	3, 75	HSBC Global Asset Management (México), S.A. de C.V., Sociedad Operadora de Fondos de Inversión, Grupo Financiero HSBC	100.00 (99.99)	17
HSBC Branch Nominee (UK) Limited	100.00	18	HSBC Global Asset Management (Singapore) Limited	100.00	54
HSBC Brasil Holding S.A.	100.00	21	HSBC Global Asset Management (Switzerland) AG	100.00	4, 94
HSBC Broking Forex (Asia) Limited	100.00	48	HSBC Global Asset Management (Taiwan) Limited	100.00	95
HSBC Broking Futures (Asia) Limited	100.00	48	HSBC Global Asset Management (UK) Limited	100.00	16
HSBC Broking Futures (Hong Kong) Limited	100.00	48	HSBC Global Asset Management (USA) Inc.	100.00	96
HSBC Broking Securities (Asia) Limited	100.00	48	HSBC Global Asset Management Argentina S.A. Sociedad Gerente de Fondos Comunes de Inversión	100.00 (99.99)	97
HSBC Broking Securities (Hong Kong) Limited	100.00	48	HSBC Global Asset Management Holdings (Bahamas) Limited	100.00	98
HSBC Broking Services (Asia) Limited	100.00	48	HSBC Global Asset Management Limited	100.00	2, 16
HSBC Canadian Covered Bond (Legislative) GP Inc.	100.00	76	HSBC Global Custody Nominee (UK) Limited	100.00	16
HSBC Canadian Covered Bond (Legislative) Guarantor Limited Partnership	N/A	0, 76	HSBC Global Custody Proprietary Nominee (UK) Limited	100.00	1, 16
HSBC Capital (USA), Inc.	100.00	3, 15	HSBC Global Services (Canada) Limited	100.00	88
HSBC Capital Funding (Dollar 1) L.P.	N/A	0, 51	HSBC Global Services (China) Holdings Limited	100.00	16
HSBC Card Services Inc.	100.00	15	HSBC Global Services (Hong Kong) Limited	100.00	99
HSBC Casa de Bolsa, S.A. de C.V., Grupo Financiero HSBC	100.00 (99.99)	17	HSBC Global Services (UK) Limited	100.00	16
HSBC Cayman Limited	100.00	192	HSBC Global Services Limited	100.00	2, 16
HSBC Cayman Services Limited	100.00	77	HSBC Group Management Services Limited	100.00	16
HSBC City Funding Holdings (In Liquidation)	100.00	19	HSBC Group Nominees UK Limited	100.00	2, 16
HSBC Client Holdings Nominee (UK) Limited	100.00	16	HSBC Holdings B.V.	100.00	16
HSBC Client Nominee (Jersey) Limited	100.00	78	HSBC IM Pension Trust Limited	100.00	16
HSBC Columbia Funding, LLC	N/A	0, 15	HSBC Infrastructure Debt GP 1 S.à r.l.	N/A	0, 1, 100
HSBC Continental Europe	99.99	4, 37	HSBC Infrastructure Debt GP 2 S.à r.l.	N/A	0, 1, 100
HSBC Corporate Advisory (Malaysia) Sdn Bhd	100.00	52			
HSBC Corporate Finance (Hong Kong) Limited	100.00	48			
HSBC Corporate Secretary (UK) Limited	100.00	1, 2, 16			
HSBC Corporate Services (Shanghai) Co., Ltd	N/A	0, 1, 79			
HSBC Corporate Trustee Company (UK) Limited	100.00	16			
HSBC Custody Nominees (Australia) Limited	100.00	60			
HSBC Custody Services (Guernsey) Limited	100.00	22			
HSBC Daisy Investments (Mauritius) Limited	100.00	80			
HSBC Diversified Loan Fund General Partner Sarl	N/A	0, 81			
HSBC Electronic Data Processing (Guangdong) Limited	N/A	0, 12, 82			
HSBC Electronic Data Processing (Malaysia) Sdn Bhd	100.00	83			
HSBC Electronic Data Processing (Philippines), Inc.	99.99	84			

Subsidiaries	% of share class held by immediate parent company (or by the Group where this varies)	Footnotes
HSBC Infrastructure Limited (In Liquidation)	100.00	19
HSBC Innovation Bank Limited	100.00	1, 101
HSBC INSN (Non Operating) Pte. Ltd. (In Liquidation)	100.00	54
HSBC Institutional Trust Services (Asia) Limited	100.00	48
HSBC Institutional Trust Services (Bermuda) Limited	100.00	23
HSBC Institutional Trust Services (Mauritius) Limited	100.00	102
HSBC Institutional Trust Services (Singapore) Limited	100.00	54
HSBC Insurance (Asia-Pacific) Holdings Limited	100.00	103
HSBC Insurance (Asia) Limited	100.00	104
HSBC Insurance (Bermuda) Limited	100.00	105
HSBC Insurance Agency (USA) Inc.	100.00	106
HSBC Insurance Brokerage Company Limited	N/A	0, 1, 107
HSBC Insurance Brokers Greater China Limited	100.00	1, 108
HSBC Insurance Holdings Limited (In Liquidation)	100.00	2, 16
HSBC Insurance SAC 1 (Bermuda) Limited	100.00	23
HSBC Insurance SAC 2 (Bermuda) Limited	100.00	1, 109
HSBC Insurance Services Holdings Limited	100.00	16
HSBC International Finance Corporation (Delaware)	100.00	110
HSBC International Trustee (BVI) Limited	100.00	10, 111
HSBC International Trustee (Holdings) Pte. Limited	100.00	54
HSBC International Trustee Limited	100.00	112
HSBC Inversiones S.A.	100.00	61
HSBC InvestDirect (India) Private Limited	99.99	57
HSBC InvestDirect Financial Services (India) Limited	99.99	57
HSBC InvestDirect Sales & Marketing (India) Limited	98.99	113
HSBC InvestDirect Securities (India) Private Limited	99.99	57
HSBC Investment and Insurance Brokerage, Philippines Inc.	99.99	114
HSBC Investment Bank Holdings B.V.	100.00	16
HSBC Investment Bank Holdings Limited	100.00	16
HSBC Investment Company Limited	100.00	2, 16
HSBC Investment Funds (Canada) Inc.	100.00	5, 115
HSBC Investment Funds (Hong Kong) Limited	100.00	24
HSBC Investment Funds (Luxembourg) SA	100.00	116
HSBC Invoice Finance (UK) Limited	100.00	18
HSBC Issuer Services Common Depository Nominee (UK) Limited	100.00	16
HSBC Issuer Services Depository Nominee (UK) Limited (In Liquidation)	100.00	19
HSBC Latin America B.V.	100.00	16
HSBC Latin America Holdings (UK) Limited	100.00	2, 16
HSBC Leasing (Asia) Limited	100.00	48
HSBC Life (Bermuda) Limited	100.00	1, 23
HSBC Life (Cornell Centre) Limited	100.00	104
HSBC Life (Edwick Centre) Limited	100.00	104
HSBC Life (International) Limited	100.00	23
HSBC Life (Property) Limited	100.00	104
HSBC Life (Singapore) Pte. Ltd.	100.00	1, 54
HSBC Life (Tsing Yi Industrial) Limited	100.00	104
HSBC Life (UK) Limited	100.00	16
HSBC Life (Workshop) Limited	100.00	1, 104
HSBC Life Assurance (Malta) Limited	100.00	(70.03) 93
HSBC Life Insurance Company Limited	N/A	0, 12, 117
HSBC LU Nominees Limited	100.00	16
HSBC Management (Guernsey) Limited	100.00	118

Subsidiaries	% of share class held by immediate parent company (or by the Group where this varies)	Footnotes
HSBC Markets (USA) Inc.	100.00	15
HSBC Marking Name Nominee (UK) Limited	100.00	16
HSBC Master Trust Trustee Limited	100.00	16
HSBC Mexico, S.A., Institucion de Banca Multiple, Grupo Financiero HSBC	99.99	17
HSBC Middle East Asset CO. LLC	100.00	119
HSBC Middle East Holdings B.V.	100.00	2, 3, 73
HSBC Middle East Leasing Partnership	N/A	0, 120
HSBC Middle East Securities L.L.C	100.00	121
HSBC Mortgage Corporation (Canada)	100.00	122
HSBC Mortgage Corporation (USA)	100.00	15
HSBC Nominees (Asing) Sdn Bhd	100.00	52
HSBC Nominees (Hong Kong) Limited	100.00	48
HSBC Nominees (New Zealand) Limited	100.00	123
HSBC Nominees (Tempatan) Sdn Bhd	100.00	52
HSBC North America Holdings Inc.	100.00	3, 15
HSBC Operational Services GmbH	100.00	(99.99) 6, 92
HSBC Overseas Holdings (UK) Limited	100.00	2, 3, 16
HSBC Overseas Investments Corporation (New York)	100.00	124
HSBC Overseas Nominee (UK) Limited	100.00	16
HSBC Participaciones (Argentina) S.A.	100.00	(99.99) 56
HSBC PB Corporate Services 1 Limited	100.00	125
HSBC PB Services (Suisse) SA	100.00	126
HSBC Pension Trust (Ireland) DAC	100.00	127
HSBC Pensiones, S.A. (In Liquidation)	100.00	(99.99) 17
HSBC Philanthropy Foundation Beijing	N/A	0, 191
HSBC PI Holdings (Mauritius) Limited	100.00	128
HSBC Portfoy Yonetimi A.S.	100.00	129
HSBC Preferential LP (UK)	100.00	16
HSBC Private Bank (Luxembourg) S.A.	100.00	(99.99) 116
HSBC Private Bank (Suisse) SA	100.00	130
HSBC Private Bank (UK) Limited	100.00	16
HSBC Private Banking Holdings (Suisse) SA	100.00	126
HSBC Private Banking Nominee 3 (Jersey) Limited	100.00	125
HSBC Private Equity Investments (UK) Limited	100.00	16
HSBC Private Investment Counsel (Canada) Inc.	100.00	3, 115
HSBC Private Markets Management SARL	N/A	0, 1, 131
HSBC Private Trustee (Hong Kong) Limited	100.00	48
HSBC Professional Services (India) Private Limited	100.00	132
HSBC Property (UK) Limited	100.00	16
HSBC Property Funds (Holding) Limited	100.00	16
HSBC Provident Fund Trustee (Hong Kong) Limited	100.00	48
HSBC Qianhai Securities Limited	N/A	0, 12, 133
HSBC Real Estate Leasing (France)	100.00	(99.99) 4, 37
HSBC REGIO Fund General Partner S.à r.l.	N/A	0, 1, 100
HSBC REIM (France)	100.00	(99.99) 4, 59
HSBC Retirement Benefits Trustee (UK) Limited	100.00	1, 2, 16
HSBC Retirement Services Limited	100.00	1, 16
HSBC Saudi Arabia, Closed Joint Stock Company	100.00	(66.18) 134
HSBC Savings Bank (Philippines) Inc.	99.99	135
HSBC Securities (Canada) Inc.	100.00	88
HSBC Securities (Egypt) S.A.E. (In Liquidation)	100.00	(94.65) 71
HSBC Securities (Japan) Co., Ltd.	100.00	1, 58
HSBC Securities (Japan) Limited (In Liquidation)	100.00	16
HSBC Securities (Singapore) Pte Limited	100.00	54
HSBC Securities (South Africa) (Pty) Limited	100.00	136
HSBC Securities (Taiwan) Corporation Limited	100.00	65

Notes on the financial statements

Subsidiaries	% of share class held by immediate parent company (or by the Group where this varies) <small>Footnotes</small>	
HSBC Securities (USA) Inc.	100.00	15
HSBC Securities and Capital Markets (India) Private Limited	99.99	5, 113
HSBC Securities Brokers (Asia) Limited	100.00	48
HSBC Securities Investments (Asia) Limited	100.00	48
HSBC Securities Services (Bermuda) Limited	100.00	23
HSBC Securities Services (Guernsey) Limited	100.00	22
HSBC Securities Services (Ireland) DAC	100.00	127
HSBC Securities Services (Luxembourg) S.A.	100.00	116
HSBC Securities Services Holdings (Ireland) DAC	100.00	127
HSBC Securities Services Nominees Limited	100.00	1, 48
HSBC Seguros de Retiro (Argentina) S.A.	100.00 (99.99)	56
HSBC Seguros de Vida (Argentina) S.A.	100.00 (99.99)	56
HSBC Seguros, S.A de C.V., Grupo Financiero HSBC	100.00 (99.99)	17
HSBC Service Company Germany GmbH	100.00 (99.99)	1, 6, 92
HSBC Service Delivery (Polska) Sp. z o.o.	100.00	137
HSBC Services (France)	100.00 (99.99)	4, 37
HSBC Services Japan Limited	100.00	138
HSBC Services USA Inc.	100.00	139
HSBC Servicios Financieros, S.A. de C.V	100.00 (99.99)	17
HSBC Servicios, S.A. DE C.V., Grupo Financiero HSBC	100.00 (99.99)	17
HSBC SFH (France)	100.00 (99.99)	59
HSBC SFT (C.I.) Limited	100.00	22
HSBC Software Development (Guangdong) Limited	N/A	0, 12, 140
HSBC Software Development (India) Private Limited	100.00 (99.99)	141
HSBC Software Development (Malaysia) Sdn Bhd	100.00	83
HSBC Specialist Investments Limited	100.00	3, 16
HSBC Technology & Services (China) Limited	N/A	0, 12, 142
HSBC Technology & Services (USA) Inc.	100.00	15
HSBC Transaction Services GmbH	100.00 (99.99)	6, 92
HSBC Trinkaus & Burkhardt (International) S.A.	100.00 (99.99)	143
HSBC Trinkaus & Burkhardt Gesellschaft für Bankbeteiligungen mbH	100.00 (99.99)	92
HSBC Trinkhaus & Burkhardt GmbH	100.00 (99.99)	1, 6, 144
HSBC Trinkaus Family Office GmbH	100.00 (99.99)	6, 92
HSBC Trinkaus Real Estate GmbH	100.00 (99.99)	6, 92
HSBC Trust Company (Canada)	100.00	122
HSBC Trust Company (Delaware), National Association	100.00	110
HSBC Trust Company (UK) Limited	100.00	16
HSBC Trustee (C.I.) Limited	100.00	125
HSBC Trustee (Cayman) Limited	100.00	145
HSBC Trustee (Guernsey) Limited	100.00	22
HSBC Trustee (Hong Kong) Limited	100.00	48
HSBC Trustee (Singapore) Limited	100.00	54
HSBC UK Bank plc	100.00	2, 18
HSBC UK Client Nominee Limited	100.00	18
HSBC UK Holdings Limited (In Liquidation)	100.00	2, 3, 146
HSBC UK Societal Projects Limited	N/A	0, 1, 18
HSBC USA Inc.	100.00	3, 124
HSBC Ventures USA Inc.	100.00	15
HSBC Violet Investments (Mauritius) Limited	100.00	80
HSBC Wealth Client Nominee Limited	100.00	1, 18
HSBC Yatirim Menkul Degerler A.S.	100.00	68
HSI Asset Securitization Corporation	100.00	15
HSI International Limited	100.00 (62.14)	40
HSIL Investments Limited	100.00	16
Hubei Macheng HSBC Rural Bank Company Limited	N/A	0, 12, 147
Hubei Suizhou Cengdu HSBC Rural Bank Company Limited	N/A	0, 12, 148

Subsidiaries	% of share class held by immediate parent company (or by the Group where this varies) <small>Footnotes</small>	
Hubei Tianmen HSBC Rural Bank Company Limited	N/A	0, 12, 149
Hunan Pingjiang HSBC Rural Bank Company Limited	N/A	0, 12, 150
Imenson Limited	100.00 (62.14)	40
INKA Internationale Kapitalanlagegesellschaft mbH	100.00 (99.99)	92
Inmobiliaria Bisa, S.A. de C.V.	99.98	17
Inmobiliaria Grufin, S.A. de C.V.	100.00 (99.99)	17
Inmobiliaria Guatusi, S.A. de C.V.	100.00 (99.99)	17
James Capel (Nominees) Limited	100.00	16
James Capel (Taiwan) Nominees Limited	100.00	16
John Lewis Financial Services Limited	100.00	16
Keyser Ullmann Limited	100.00 (99.99)	16
Lion Corporate Services Limited	100.00	48
Lion International Corporate Services Limited	100.00	1, 151
Lion International Management Limited	100.00	151
Lion Management (Hong Kong) Limited	100.00	1, 48
Lyndholme Limited	100.00	48
Marks and Spencer Financial Services plc	100.00	152
Marks and Spencer Unit Trust Management Limited	100.00	152
Midcorp Limited	100.00	16
Midland Bank (Branch Nominees) Limited	100.00	18
Midland Nominees Limited	100.00	18
MP Payments Group Limited	100.00	1, 16
MP Payments Netherlands B.V.	100.00	1, 153
MP Payments Operations Limited	100.00	1, 16
MP Payments Singapore Pte. Ltd.	100.00	1, 154
MP Payments UK Limited	100.00	1, 16
MW Gestion SA	100.00	56
Prudential Client HSBC GIS Nominee (UK) Limited	100.00	16
PT Bank HSBC Indonesia	99.99 (98.93)	155
PT HSBC Sekuritas Indonesia	100.00 (85.00)	155
R/CLIP Corp.	100.00	15
Real Estate Collateral Management Company	100.00	15
Republic Nominees Limited	100.00	22
RLUKREF Nominees (UK) One Limited	100.00	1, 16
RLUKREF Nominees (UK) Two Limited	100.00	1, 16
S.A.P.C. - Ufipro Recouvrement	99.99	11, 37
Saf Baiyun	100.00 (99.99)	4, 37
Saf Guangzhou	100.00 (99.99)	4, 37
SCI HSBC Assurances Immo	100.00 (99.99)	11, 59
Serai Limited	100.00	48
Serai Technology Development (Shanghai) Limited (丝睿科技开发(上海)有限公司)	N/A	0, 1, 12, 156
SFM	100.00 (99.99)	4, 37
SFSS Nominees (Pty) Limited	100.00	136
Shandong Rongcheng HSBC Rural Bank Company Limited	N/A	0, 12, 157
Shenzhen HSBC Development Company Ltd	N/A	0, 1, 12, 158
Sico Limited	100.00	159
SNC Les Oliviers D'Antibes	60.00 (59.99)	11, 59
SNCB/M6-2008 A	100.00 (99.99)	4, 37
SNCB/M6-2007 A	100.00 (99.99)	4, 37
SNCB/M6-2007 B	100.00 (99.99)	4, 37
Société Française et Suisse	100.00 (99.99)	4, 37
Somers Dublin DAC	100.00 (99.99)	127
Somers Nominees (Far East) Limited	100.00	23
Sopigest	100.00 (99.99)	4, 37
South Yorkshire Light Rail Limited	100.00	16
St Cross Trustees Limited	100.00	18
Sterling Credit Limited	100.00	183
Sun Hung Kai Development (Lujiazui III) Limited	N/A	0, 12, 160

Subsidiaries	% of share class held by immediate parent company (or by the Group where this varies)			<i>Footnotes</i>
Swan National Limited (In Liquidation)	100.00			19
The Hongkong and Shanghai Banking Corporation Limited	100.00			5, 48
The Venture Catalysts Limited (In Liquidation)	100.00			19
Tooley Street View Limited	100.00			2, 16
Trinkaus Europa Immobilien-Fonds Nr.3 Objekt Utrecht Verwaltungs-GmbH	100.00	(99.99)		6, 92
Trinkaus Immobilien-Fonds Geschaefstsfuehrungs-GmbH	100.00	(99.99)		6, 92
Trinkaus Immobilien-Fonds Verwaltungs-GmbH	100.00	(99.99)		6, 92
Trinkaus Private Equity Management GmbH	100.00	(99.99)		6, 92
Trinkaus Private Equity Verwaltungs GmbH	100.00	(99.99)		6, 92
Turnsonic (Nominees) Limited	100.00			18
Valeurs Mobilières Elysées	100.00	(99.99)		4, 37
Wardley Limited	100.00			48
Wayfoong Nominees Limited	100.00			48
Westminster House, LLC	N/A			0, 15
Woodex Limited	100.00			23
Yan Nin Development Company Limited	100.00	(62.14)		40

Joint ventures

The undertakings below are joint ventures and equity accounted.

Joint ventures	% of share class held by immediate parent company (or by the Group where this varies)			<i>Footnotes</i>
Climate Asset Management Limited	40.00			1, 161
Global Payments Technology Mexico S.A. De C.V	50.00			162
HCM Holdings Limited (In Liquidation)	50.99			19
MK HoldCo Limited	50.32			1, 163
Pentagreen Capital Pte. Ltd	50.00			1, 164
ProServe Bermuda Limited	50.00			165
The London Silver Market Fixing Limited	N/A			0, 1, 166
Vaultex UK Limited	50.00			167

Associates

The undertakings below are associates and equity accounted.

Associates	% of share class held by immediate parent company (or by the Group where this varies)			<i>Footnotes</i>
Bank of Communications Co., Ltd.	19.03			168
Barrowgate Limited	15.31			169
BGF Group plc	24.62			170
Bud Financial Limited	4.84			1, 171
Canara HSBC Life Insurance Company Limited	26.00			172
Contour Pte Ltd	9.87			1, 173
Divido Financial Services Limited	7.70			1, 174
Electronic Payment Services Company (Hong Kong) Limited	38.66			48
Episode Six Inc.	5.69			1, 175
EPS Company (Hong Kong) Limited	38.66			48
Euro Secured Notes Issuer	16.67			176
HSBC Jintrust Fund Management Company Limited	N/A			0, 177
HSBC UK Covered Bonds (LM) Limited	20.00			1, 178
HSBC UK Covered Bonds LLP	N/A			0, 1, 18
Liquidity Match LLC	N/A			0, 1, 179
London Precious Metals Clearing Limited	30.00			1, 180
MENA Infrastructure Fund (GP) Ltd	33.33			181
Monese Ltd	5.39			1, 182
Quantexa Ltd	9.36			183
RadiantESG Global Investors LLC	N/A			0, 1, 184
Saudi Awwal Bank	31.00			186
Services Epargne Entreprise	14.18			187
The London Gold Market Fixing Limited	N/A			0, 188
Threadneedle Software Holdings Limited	7.10			1, 189
Trade Information Network Limited	12.76			1, 161
Trinkaus Europa Immobilien-Fonds Nr. 7 Frankfurt Mertonviertel KG	N/A			0, 92
We Trade Innovation Designated Activity Company (In Liquidation)	9.88			1, 190

Footnotes for Note 40

Description of shares

0	Where an entity is governed by voting rights, HSBC consolidates when it holds – directly or indirectly – the necessary voting rights to pass resolutions by the governing body. In all other cases, the assessment of control is more complex and requires judgement of other factors, including having exposure to variability of returns, power to direct relevant activities, and whether power is held as an agent or principal. HSBC's consolidation policy is described in Note 1.2(a).
1	Management has determined that these undertakings are excluded from consolidation in the Group accounts as these entities do not meet the definition of subsidiaries in accordance with IFRS. HSBC's consolidation policy is described in Note 1.2(a).
2	Directly held by HSBC Holdings plc
3	Preference Shares
4	Actions
5	Redeemable Preference Shares
6	GmbH Anteil
7	Limited and Unlimited Liability Shares
8	Liquidating Share Class
9	Nominal Shares
10	Non-Participating Voting Shares
11	Parts
12	Registered Capital Shares
13	Russian Limited Liability Company Shares
14	Stückaktien

Registered offices

15	c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware, United States of America, 19801
16	8 Canada Square, London, United Kingdom, E14 5HQ
17	Paseo de la Reforma 347 Col. Cuauhtemoc, Mexico, 06500
18	1 Centenary Square, Birmingham, United Kingdom, B1 1HQ
19	C/O Teneo Financial Advisory Limited, The Colmore Building, 20 Colmore Circus, Queensway, Birmingham, United Kingdom, B4 6AT
20	5 Donegal Square South, Northern Ireland, Belfast, United Kingdom, BT1 5JP
21	1909 Avenida Presidente Juscelino Kubitschek, 19° andar, Torre Norte, São Paulo Corporate Towers, São Paulo, Brazil, 04551-903
22	Arnold House, St Julians Avenue, St Peter Port, Guernsey, GY1 3NF
23	37 Front Street, Harbourview Centre, Ground Floor, Hamilton, Pembroke, Bermuda, HM 11
24	HSBC Main Building, 1 Queen's Road Central, Hong Kong
25	2401-55 24/F, Office Tower Two 1 Jianguomenwai Street, Chaoyang District, Beijing, China
26	First Floor, Xinhua Bookstore Xindong Road (SE of roundabout), Miyun District, Beijing, China
27	Oak House Hirzel Street, St Peter Port, Guernsey, GY1 2NP
28	2929 Walden Avenue, Depew, New York, United States of America, 14043
29	Corporation Service Company 251 Little Falls Drive, Wilmington, Delaware, United States of America, 19808
30	Solidere - Rue Saad Zaghloul Immeuble - 170 Marfaa, P.O. Box 17 5476 Mar Michael, Beyrouth, Lebanon, 11042040
31	No 1, Bei Huan East Road Dazu County, Chongqing, China
32	No 107 Ping Du Avenue (E), Sanhe Town, Fengdu County, Chongqing, China
33	No. 3, 5, 7, Haitang Erzhi Road Changyuan, Rongchang, Chongqing, China, 402460
34	c/o Walkers Corporate Services Limited Walker House, 87 Mary Street, George Town, Grand Cayman, Cayman Islands, KY1-9005

Registered offices

35	First & Second Floor, No.3 Nanshan Road, Pulandian, Dalian, Liaoning, China
36	160 Mine Lake CT, Ste 200, Raleigh, North Carolina, United States of America, 27615-6417
37	38 Avenue Kléber, Paris, France, 75116
38	Avenida de las Granjas 972, Building A, Floor 2, Colonia Santa Bárbara, Alcaldía Azcapotzalco, Mexico City, Mexico, 02230
39	No. 1 1211 Yanjiang Zhong Road, Yong'an, Fujian, China
40	83 Des Voeux Road Central, Hong Kong
41	No. 44 Xin Ping Road Central, Encheng, Enping, Guangdong, China, 529400
42	Room 311, Cheng Hui No. 2, Nan Sha Street, Nan Sha District, Guangzhou, Guangdong, China
43	34/F, 36/F, Unit 031 of 45/F, and 46/F, Hang Seng Bank Tower 1000 Lujiazui Ring Road, Pilot Free Trade Zone, Shanghai, China, 200120
44	Gustav Mahlerplein 2 1082 MA, Amsterdam, Netherlands
45	1001 T2 Office Building, Qianhai Kerry Business Center, Qianhai Avenue, Nanshan Street, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen, Guangdong, China
46	1 Queen's Road Central, Hong Kong
47	Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands, VG1110
48	1 Queen's Road Central, Hong Kong
49	156 C/O Teneo Financial Advisory Limited, Great Charles Street, Queensway, West Midlands, Birmingham, United Kingdom, B3 3HN
50	701 S CARSON ST STE 200, Carson City, Nevada, United States of America, 89701
51	HSBC House Esplanade, St. Helier, Jersey, JE4 8UB
52	Level 21, Menara IQ, Lingkaran TRX, Tun Razak Exchange, Kuala Lumpur, Malaysia, 55188
53	Level 19, Menara IQ, Lingkaran TRX, Tun Razak Exchange, Kuala Lumpur, Malaysia, 55188
54	10 Marina Boulevard, #48-01 Marina Bay Financial Centre, Singapore, 018983
55	52/60, M G Road Fort, Mumbai, India, 400 001
56	557 Bouchard Level 20, Ciudad de Buenos Aires, Federal Capital, Argentina, C1106ABG
57	9-11 Floors, NESCO IT Park Building No. 3 Western Express Highway, Goregaon (East), Mumbai, India, 400063
58	HSBC Building 11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo, Japan, 103-0027
59	Immeuble Cœur Défense 110 esplanade du Général de Gaulle, Courbevoie, France, 92400
60	Level 36 Tower 1 International Towers Sydney, 100 Barangaroo Avenue, Sydney, New South Wales, Australia, 2000
61	Isidora Goyenechea 2800 23rd floor, Las Condes, Santiago, Chile, 7550647
62	HSBC Building Shanghai ifc, 8 Century Avenue, Pudong, Shanghai, China, 200120
63	IconEbene, Level 5 Office 1 (West Wing), Rue de L'institut, Ebene, Mauritius
64	2 Paveletskaya Square Building 2, Moscow, Russia, 115054
65	54F, 7 Xinyi Road Sec. 5 Xinyi District, Taipei, Taiwan
66	1266 Dr Luis Bonativa 1266 Piso 30 (Torre IV WTC), Montevideo, Uruguay, CP 11.000
67	The Metropolitan 235 Dong Khoi Street, District 1, Ho Chi Minh City, Vietnam
68	Esentepe Mah. Büyükdere Caddesi No.128 Şişli, Istanbul, Türkiye, 34394
69	90 Area 42 Paronyan Street, Yerevan, Armenia, 0015
70	885 West Georgia Street 3rd Floor, Vancouver, British Columbia, Canada, V6C 3E9
71	306 Corniche El Nil, Maadi, Egypt, 11728

Registered offices

72	116 Archbishop Street, Valletta, Malta
73	Unit 401, Level 4 Gate Precinct Building 2, Dubai International Financial Centre, P. O. Box 30444, Dubai, United Arab Emirates
74	Majer Consulting, Office 54/44, Building A1, Residence Ryad Anfa, Boulevard Omar El Khayam, Casa Finance City (CFC), Casablanca, Morocco
75	1800 Tysons Boulevard Suite 50, Tysons, Virginia, United States of America, 22102
76	66 Wellington Street West, Suite 5300, Toronto, Ontario, Canada, M5K 1E6
77	P.O. Box 1109, Strathvale House, Ground floor, 90 North Church Street, George Town, Grand Cayman, Cayman Islands, KY1-1102
78	HSBC House Esplanade, St. Helier, Jersey, JE1 1HS
79	RM 2113 HSBC Building, Shanghai ifc, No. 8 Century Avenue, Pudong, Shanghai, China, 200120
80	c/o Rogers Capital St. Louis Business Centre, Cnr Desroches & St Louis Streets, Port Louis, Mauritius
81	49 avenue J.F. Kennedy, Luxembourg, 1855
82	4-17/F, Office Tower 2 TaiKoo Hui, No. 381 Tian He Road, Tian He District, Guangzhou, Guangdong, China
83	Suite 1005, 10th Floor, Wisma Hamzah Kwong, Hing No. 1, Leboh Ampang, Kuala Lumpur, Malaysia, 50100
84	Building C-1 UP Ayala Technohub, Commonwealth Avenue, Diliman, Quezon City, Metro Manila, Philippines
85	HSBC House Plot No.8 Survey No.64 (Part), Hightec City Layout Madhapur, Hyderabad, India, 500081
86	Mireka City 324/9 Havelock Road, Colombo 05, Sri Lanka, 00500
87	Smart Village 28th Km Cairo- Alexandria Desert Road Building, Cairo, Egypt
88	16 York Street, 6th Floor, Toronto, Ontario, Canada, M5J 0E6
89	Centre Ville 1341 Building - 4th Floor Patriarcho Howayek Street, PO Box Riad El Solh, Lebanon, 9597
90	World Trade Center Montevideo Avenida Luis Alberto de Herrera 1248, Torre 1, Piso 15, Oficina 1502, Montevideo, Uruguay, CP 11300
91	Room 655, Building A, No.888 Huan Hu West 2nd Road, Lingang New Area, China (Shanghai) Pilot Free Trade Zone, Shanghai, China
92	Hansaallee 3, Düsseldorf, Germany, 40549
93	80 Mill Street, Qormi, Malta, QRM 3101
94	Gartenstrasse 26, Zurich, Switzerland, 8002
95	36F., No. 68 Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City, Taiwan, 110419
96	452 Fifth Avenue, New York, United States of America, NY10018
97	Bouchard 557, Piso 18°, Cdad. Autónoma de Buenos Aires, Argentina, 1106
98	Mareva House 4 George Street, Nassau, Bahamas
99	1 Queen's Road Central, Hong Kong
100	4 rue Petermelchen, Howald, Luxembourg, 2370
101	Alphabeta 14-18 Finsbury Square, London, United Kingdom, EC2A 1BR
102	ICOnEbene Rue de L'institut, Ebene, Mauritius
103	HSBC Main Building, 1 Queen's Road Central, Hong Kong
104	18th Floor Tower 1, HSBC Centre 1 Sham Mong Road, Kowloon, Hong Kong
105	37 Front Street, Harbourview Center, Ground Floor, Hamilton, Pembroke, Bermuda, HM 11
106	CT Corporation System 28 Liberty Street, New York, New York, United States of America, 10005
107	Unit 201, Floor 2, Building 3 No. 12, Anxiang Street, Shunyi District, Beijing, China
108	HSBC Main Building, 1 Queen's Road Central, Hong Kong
109	37 Front Street, Harbourview Centre, Ground Floor, Hamilton Pembroke, Bermuda, HM 11

Registered offices

110	300 Delaware Avenue Suite 1401, Wilmington, Delaware, United States of America, 19801
111	Woodbourne Hall, Road Town, Tortola, British Virgin Islands, P.O. Box 916
112	Craigmuir Chambers, Road Town Tortola, British Virgin Islands, VG1110
113	52/60 M G Road Fort, Mumbai, India, 400 001
114	5/F HSBC Centre 3058 Fifth Ave West, Bonifacio Global City, Taguig City, Philippines
115	300-885 West Georgia Street, Vancouver, British Columbia, Canada, V6C 3E9
116	18 Boulevard de Kockelscheuer, Luxembourg, 1821
117	Unit 2002 of 20/F, Unit 2101 of 21/F HSBC Building, 8 Century Avenue, China (Shanghai) Pilot Free Trade Zone, Shanghai, China, 200120
118	Arnold House, St Julians Avenue, St Peter Port, Guernsey, GY1 1WA
119	HSBC Tower, Downtown Dubai, P.O. Box 66, United Arab Emirates
120	Unit 401, Level 4, Gate Precinct Building 2, Dubai International Financial Centre, P. O. Box 506553, Dubai, United Arab Emirates
121	Level 16, HSBC Tower, Downtown Dubai, P.O. Box 66, United Arab Emirates
122	885 West Georgia Street, Suite 300, Vancouver, British Columbia, Canada, V6C 3E9
123	HSBC Tower, Level 21, 188 Quay Street, Auckland, New Zealand, 1010
124	The Corporation Trust Incorporated, 2405 York Road, Suite 201, Lutherville Timonium, Maryland, United States of America, 21093
125	HSBC House Esplanade, St. Helier, Jersey, JE1 1GT
126	Quai des Bergues 9-17, Geneva, Switzerland, 1201
127	1 Grand Canal Square Grand Canal Harbour, Dublin 2, Ireland, D02 P820
128	6th floor HSBC Centre 18, Cybercity, Ebene, Mauritius, 72201
129	Esentepe Mah. Büyükdere Caddesi No.128, 34394, Şişli, Istanbul, Türkiye
130	Quai des Bergues 9-17, Geneva, Switzerland, 1201
131	5 rue Heienhaff, Senningerberg, Luxembourg, L-1736
132	52/60 M G Road, Fort, Mumbai, India, 400 001
133	Unit 2201, 22/F, Qianhai Chow Tai Fook Finance Tower (Phase I) No. 66 Shu Niu Avenue, Nanshan Subdistrict, the Shenzhen Qianhai Shenzhen-Hong Kong Cooperation Zone, the PRC, Shenzhen, China, 518054
134	HSBC Building 7267 Olaya - Al Murrooj, Riyadh, Kingdom of Saudi Arabia, 12283 - 2255
135	Unit 1 GF The Commerical Complex Madrigal Avenue, Ayala Alabang Village, Muntinlupa City, Philippines, 1780
136	1 Mutual Place, 107 Rivonia Road, Sandton, Gauteng, South Africa, 2196
137	Kapelanka 42A, Krakow, Poland, 30-347
138	Mareva House, 4 George Street, Nassau, Bahamas
139	C T Corporation System 820 Bear Tavern Road, West Trenton, New Jersey, United States of America, 08628
140	L22, Office Tower 2, Taikoo Hui, 381 Tianhe Road, Tianhe District, Guangzhou, Guangdong, China
141	Business Bay, Wing 2 Tower B, Survey no 103, Hissa no. 2, Airport Road, Yerwada, Pune, India, 411006
142	Room 3102, L31 HSBC Building, Shanghai ifc, 8 Century Avenue, China (Shanghai) Free Trade Zone, Shanghai, China, 200120
143	16 Boulevard d'Avranches, Luxembourg, L-1160
144	3 Hansaallee, Düsseldorf, Nordrhein-Westfalen, Germany, 40549
145	P.O. Box 309 Uglad House, Grand Cayman, Cayman Islands, KY1-1104

Registered offices

146	<i>c/o Teneo Financial Advisory Limited The Colmore Building, 20 Colmore Circus, Queensway, Birmingham, United Kingdom, B4 6AT</i>
147	<i>No. 56 Yu Rong Street, Macheng, China, 438300</i>
148	<i>No. 205 Lie Shan Road, Suizhou, Hubei, China</i>
149	<i>Building 3, Yin Zuo Di Jing Wan Tianmen New City, Tianmen, Hubei Province, China</i>
150	<i>RM101, 102 & 106 Sunshine Fairview, Sunshine Garden, Pedestrian Walkway, Pingjiang, China</i>
151	<i>Craigmuir Chambers, Road Town, Tortola, British Virgin Islands, VG1110</i>
152	<i>Kings Meadow Chester Business Park, Chester, United Kingdom, CH99 9FB</i>
153	<i>De Entree, 236, Amsterdam, Netherlands, 1101 EE</i>
154	<i>10 Marina Boulevard, #48-01 Marina Bay Financial Centre, Singapore, 018983</i>
155	<i>5th Floor, World Trade Center 1, Jl. Jend. Sudirman Kav. 29-31, Jakarta, Indonesia, 12920</i>
156	<i>Room 667, 6/F, Tower A, No. 8 Century Avenue, Pudong District, Shanghai, China</i>
157	<i>No.198-2 Chengshan Avenue (E), Rongcheng, China, 264300</i>
158	<i>Room 1303-13062 Marine Center Main Tower, 59 Linhai Rd, Nanshan District, Shenzhen, China</i>
159	<i>Woodbourne Hall, Road Town, Tortola, British Virgin Islands, P.O. Box 3162</i>
160	<i>RM 2112, HSBC Building, Shanghai ifc No. 8 Century Road, Pudong, Shanghai, China, 200120</i>
161	<i>3 More London Riverside, London, United Kingdom, SE1 2AQ</i>
162	<i>296, Floor 18, Office A Paseo de la Reforma, Mexico City, Mexico, 06600</i>
163	<i>35 Ballards Lane, London, United Kingdom, N3 1XW</i>
164	<i>1 Raffles Quay #23-01, Singapore, 048583</i>
165	<i>c/o MUFG Fund Services (Bermuda) Limited, Cedar House, 4th Floor North, 41 Cedar Avenue, Hamilton, Bermuda, HM12</i>
166	<i>27 Old Gloucester Street, London, United Kingdom, WC1N 3AX</i>
167	<i>All Saints Triangle Caledonian Road, London, United Kingdom, N1 9UT</i>

Registered offices

168	<i>188 Yin Cheng Zhong Lu (Shanghai) Pilot Free Trade Zone, China</i>
169	<i>50/F, Lee Garden One, 33 Hysan Avenue, Hong Kong</i>
170	<i>13-15 York Buildings, London, United Kingdom, WC2N 6JU</i>
171	<i>167-169 Great Portland Street, 5th Floor, London, United Kingdom, W1W 5PF</i>
172	<i>Unit No. 208, 2nd Floor, Kanchenjunga Building, 18 Barakhamba Road, New Delhi, India, 110001</i>
173	<i>1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore, 098632</i>
174	<i>Office 7, 35-37 Ludgate Hill, London, United Kingdom, EC4M 7JN</i>
175	<i>251 Little Falls Drive, New Castle, Wilmington, United States of America, 19808</i>
176	<i>3 Avenue de l'Opera, Paris, France, 75001</i>
177	<i>17F, HSBC Building, Shanghai ifc 8 Century Avenue, Pudong, Shanghai, China</i>
178	<i>10th Floor 5 Churchill Place, London, United Kingdom, E14 5HU</i>
179	<i>100 Town Square Place, Suite 201, Jersey City, New Jersey, United States of America, 07310</i>
180	<i>7th Floor, 62 Threadneedle Street, London, United Kingdom, EC2R 8HP</i>
181	<i>Unit 705, Level 7, Currency House-Tower 2, Dubai International Financial Centre, P.O. BOX 506553, Dubai, United Arab Emirates</i>
182	<i>Eagle House, 163 City Road, London, United Kingdom, EC1V 1NR</i>
183	<i>Hill House, 1 Little New Street, London, United Kingdom, EC4A 3TR</i>
184	<i>4482 Deer Ridge Road, Danville, CA, Delaware, United States of America, 94506</i>
185	<i>9004 Al Ulaya - Al Olaya Dis. Unit no. 1, Riyadh, Kingdom of Saudi Arabia, 12214-2652</i>
186	<i>7206 Prince Abdul Aziz Bin Musaid Bin Jalawi, 4065 Al Murabba District, 12613 Riyadh, Kingdom of Saudi Arabia</i>
187	<i>32 Rue du Champ de Tir, Nantes, France, 44300</i>
188	<i>c/o Hackwood Secretaries Limited, One Silk Street, London, United Kingdom, EC2Y 8HQ</i>
189	<i>2nd Floor, Regis House, 45 King William Street, London, United Kingdom, EC4R 9AN</i>
190	<i>10 Earlsfort Terrace, Dublin, Ireland, D02 T380</i>
191	<i>Meeting Room 18.R005, 18/F Fortune Financial Center, No. 5 Dongsanhuan Zhong Road, Chaoyang District, Beijing, 100020, China</i>
192	<i>P.O. Box, 309 Ugland House, Grand Cayman, Cayman Islands, KY1-1104</i>