

The Hongkong and Shanghai Banking Corporation Limited Annual Results for 2024

Consolidated Income Statement for the Year Ended 31 December 2024		
	2024 HK\$'m	2023 HK\$'m
Net interest income	117,637	130,780
– interest income	315,868	295,212
– interest expense	(198,231)	(164,432)
Net fee income	42,517	38,043
– fee income	56,219	51,025
– fee expense	(13,702)	(12,982)
Net income from financial instruments held for trading or managed on a fair value basis	91,930	74,435
Net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	36,024	48,959
Insurance finance expense	(35,663)	(48,798)
Insurance service result	8,131	6,558
– Insurance revenue	16,533	13,007
– Insurance service expense	(8,402)	(6,449)
Other operating income/(expense)	5,119	(298)
Net operating income before change in expected credit losses and other credit impairment charges	265,695	249,679
Change in expected credit losses and other credit impairment charges	(11,946)	(12,843)
Net operating income	253,749	236,836
Employee compensation and benefits	(40,028)	(38,547)
General and administrative expenses	(57,967)	(54,538)
Depreciation and impairment of property, plant and equipment	(10,925)	(9,724)
Amortisation and impairment of intangible assets	(8,672)	(7,184)
Total operating expenses	(117,592)	(109,993)
Operating profit	136,157	126,843
Share of profit in associates and joint ventures	17,775	18,555
Impairment of interest in associate	–	(23,955)
Profit before tax	153,932	121,443
Tax expense	(24,681)	(23,916)
Profit for the year	129,251	97,527
Attributable to:		
– ordinary shareholders of the parent company	118,787	87,191
– other equity holders	3,576	3,556
– non-controlling interests	6,888	6,780
Profit for the year	129,251	97,527

Consolidated Balance Sheet at 31 December 2024		
	2024 HK\$'m	2023 HK\$'m
ASSETS		
Cash and balances at central banks	211,047	232,987
Hong Kong Government certificates of indebtedness	328,454	328,304
Trading assets	1,085,321	941,250
Derivatives	505,260	409,253
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	781,210	707,573
Reverse repurchase agreements – non-trading	816,102	831,186
Loans and advances to customers	480,740	563,076
Loans and advances to banks	3,494,298	3,557,801
Financial investments	2,337,844	2,029,212
Amounts due from Group companies	175,004	158,592
Interests in associates and joint ventures	178,330	170,206
Goodwill and intangible assets	41,308	38,923
Property, plant and equipment	120,774	129,675
Deferred tax assets	10,307	9,315
Prepayments, accrued income and other assets ¹	382,941	393,040
Total assets	10,948,940	10,500,393
Liabilities		
Hong Kong currency notes in circulation	328,454	328,304
Repurchase agreements – non-trading	624,784	521,984
Deposits by banks	183,612	182,146
Customer accounts	6,564,606	6,261,051
Trading liabilities	86,557	103,050
Derivatives	473,488	450,216
Financial liabilities designated at fair value	178,739	170,728
Debt securities in issue	64,362	87,745
Retirement benefit liabilities	805	1,362
Amounts due to Group companies	396,356	465,476
Accruals and deferred income, other liabilities and provisions ¹	339,713	285,649
Insurance contract liabilities	799,443	730,829
Current tax liabilities	7,096	15,344
Deferred tax liabilities	22,917	23,923
Total liabilities	10,070,932	9,627,807
Equity		
Share capital	180,181	180,181
Other equity instruments	64,677	52,465
Other reserves	102,993	117,214
Retained earnings	471,198	462,866
Total shareholders' equity	819,049	812,726
Non-controlling interests	58,959	59,860
Total equity	878,008	872,586
Total liabilities and equity	10,948,940	10,500,393

¹ In 2023 'Items in the course of collection from other banks' HK\$22bn were presented on the face of the balance sheet but are now reported within 'Prepayments, accrued income and other assets' in the Annual Report and Accounts 2024. Similarly, 'Items in the course of transmission to other banks' HK\$28bn are now presented within 'Accruals, deferred income and other liabilities'.

Capital Adequacy Ratios		
The following table shows the capital ratios as contained in the 'Capital Adequacy Ratio' return submitted to the HKMA on a consolidated basis under the requirements of section 3C(1) of the Banking (Capital) Rules.		
	At 31 December 2024	At 31 December 2023
	%	%
Common Equity Tier 1 ('CET1') capital ratio	16.3	15.8
Tier 1 capital ratio	18.4	17.5
Total capital ratio	20.3	19.7

Board of Directors		
Dr Peter Tung Shun Wong, GBS, JP, <i>Non-executive Chairman</i>	Andrea Lisa Della Mattea*	
David Gordon Eldon, GBS, CBE, JP, <i>Independent non-executive Deputy Chairman</i>	Pam Kaur†	
David Yi Chien Liao†	Rajnish Kumar*	
Surendranath Ravi Roshat	Beau Khoon Chen Kuok*	
Paul Jeremy Brough*	Irene Yun-lien Lee*	
Judy Lai Kun Chau*	Annabelle Yu Long*	
Edward Wai Sun Cheng,* GBS, JP		
Sonia Chi Man Cheng*		
Yiu Kwan Choi*		
*Independent non-executive Director	*Non-executive Director	†Co-Chief Executive Officer

Independent Auditor's Report to the Shareholder of
The Hongkong and Shanghai Banking Corporation Limited
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of The Hongkong and Shanghai Banking Corporation Limited (the 'Bank') and its subsidiaries (the 'group'), which are set out on pages 71 to 135, comprise:

- the consolidated balance sheet as at 31 December 2024;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes¹ on the consolidated financial statements, comprising material accounting policies and other explanatory information.

¹ Certain required disclosures as described in Note 1.1(d) on the consolidated financial statements have been presented elsewhere in the Annual Report and Accounts 2024, rather than in the notes on the consolidated financial statements. These are cross-referenced from the consolidated financial statements and are identified as Audited.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ('HKFRSs') issued by the Hong Kong Institute of Certified Public Accountants ('HKICPA') and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ('HKSAs') issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated 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 are independent of the group in accordance with the HKICPA's Code of Ethics for Professional Accountants ('the Code'), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Allowances for expected credit losses on loans and advances to customers
- Impairment assessment of investment in associate – Bank of Communications Co., Ltd ('BoCom')

Allowances for expected credit losses on loans and advances to customers

Nature of the Key Audit Matter

At 31 December 2024, the group recorded allowances for expected credit losses ('ECL') on loans and advances to customers of HK\$35.7bn. The determination of the ECL on non-credit-impaired loans and advances to customers requires the use of complex credit risk methodologies that are applied in models using the group's historic experience of the correlations between defaults and losses, borrower creditworthiness, segmentation of customers or portfolios and economic conditions. The determination of the ECL on non-credit-impaired loans and advances to customers also requires the determination of assumptions which involve estimation uncertainty. The assumptions used for ECL that we focused on for non-credit-impaired loans and advances to customers included those with greater levels of management judgement and for which variations have the most significant impact on ECL on loans and advances to customers. Specifically, these included economic scenarios and their likelihood. Likewise, there is inherent uncertainty with the consensus economic forecast data from external economists. Significant assumptions also include customer risk ratings.

Impacts related to the mainland China commercial real estate sector, and uncertainty of current macroeconomic conditions affect the inherent risk and estimation uncertainty involved in determining the ECL on loans and advances to customers.

The above ongoing conditions continue to result in significant credit-impaired corporate exposures related to the unsecured offshore mainland China commercial real estate sector. The assumptions with the most significant impact here are those applied in estimating the recoverability of these exposures.

Matters discussed with the Audit Committee

We discussed the appropriateness of the methodologies, their application, significant assumptions and related disclosures with the Audit Committee, giving consideration to the current macroeconomic conditions. This included economic scenarios and their likelihood, management judgemental adjustments made to derive the ECL on loans and advances to customers, and future recoverability of certain significant credit-impaired wholesale exposures.

How our audit addressed the Key Audit Matter

We tested controls in place relating to the methodologies, their application, significant assumptions and data used to determine the ECL on loans and advances to customers. These included controls relating to:

- Model development, validation and monitoring;
- Approval of economic scenarios;
- Approval of the probability weightings assigned to economic scenarios; – Assigning customer risk ratings;
- Assigning customer risk ratings; and
- Review of input and assumptions applied in estimating the recoverability of credit-impaired wholesale exposures.

We performed substantive audit procedures over the compliance of ECL methodologies with the requirements of HKFRS 9. We engaged professionals with experience in ECL modelling to assess the appropriateness of methodologies and related models.

We further performed the following to assess the significant assumptions and data:

- We challenged the appropriateness of the significant assumptions and obtained corroborating evidence;
- We involved our economic experts in assessing the reasonableness of the severity and likelihood of certain economic scenarios;
- We tested a sample of customer risk ratings assigned to wholesale exposures; and
- We tested a sample of critical data used to determine ECL.

For a sample of credit-impaired wholesale exposures, we challenged the appropriateness of these and assessed the ECL determined.

We further considered whether the judgements made in selecting the significant assumptions and credit-impaired wholesale exposures, would give rise to indicators of possible management bias.

We assessed the adequacy of the disclosures in relation to ECL on loans and advances to customers made in the consolidated financial statements in the context of the applicable financial reporting framework Based on our procedures performed, we found the allowances for ECL on loans and advances to customers to be reasonable.

Relevant references in the consolidated financial statements

Risk: Credit risk, as cross-referenced from the consolidated financial statements (only information identified as audited), page 25-48

Note 1.2 (i) on the consolidated financial statements: Basis of preparation and material accounting policies – Summary of material accounting policies – Impairment of amortised cost and FVOCI financial assets, page 81 to 84.

Note 2 (e) on the consolidated financial statements: Operating profit – Change in expected credit losses and other credit impairment charges, page 89

Note 10 on the consolidated financial statements: Loans and advances to customers, page 104 to 105.

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

Nature of the Key Audit Matter

2024 is the first annual reporting period after the group impaired its investment in BoCom, the carrying value of which amounted to HK\$174.2bn at 31 December 2024. The estimation uncertainty related to the investment remained high in 2024 and further policy announcements were made in relation to fiscal stimulus packages by the government in China.

The carrying value is required to be assessed for indicators of potential further impairment and reversal of previous impairment. No indicators of further impairment or reversal of previous impairment in the investment in BoCom have been identified at 31 December 2024.



Management’s assessment of impairment or reversal of previous impairment indicators is supported by an estimation of the recoverable amount using a value in use (‘VIU’) model. The VIU model estimates future cash flows expected to be derived from the investment in BoCom in its current condition and does not reflect the impact of future capital transactions. The VIU model continues to be a permissible method to estimate the recoverable amount.

The methodology applied in the VIU model is dependent on various assumptions, both short-to-medium 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-to-medium 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 growth rate, asset growth rate, expected credit losses as a percentage of loans and effective tax rate; and
- Capital related assumptions for capital adequacy ratio, tier 1 capital adequacy ratio and risk-weighted assets as a percentage of total assets.

Matters discussed with the Audit Committee

We discussed the appropriateness of the methodology, the consistency of its application period over period and significant assumptions with the Audit Committee. This included management’s approach to ongoing impairment monitoring including whether there are indicators of further impairment or reversal to previous impairment, the appropriateness of significant assumptions used in the VIU, and the disclosures made in relation to investment in BoCom, including the use of sensitivity analysis to explain estimation uncertainty.

How our audit addressed the Key Audit Matter

We tested controls in place relating to significant assumptions, the methodology and its application used in the impairment indicator assessment. In relation to the VIU we assessed the appropriateness of the methodology used and its application. In respect of the significant assumptions used in the VIU, we performed the following:

- Challenged the appropriateness of the significant assumptions and, where relevant, their interrelationships;
- Obtained corroborating evidence for data supporting significant assumptions which as relevant included past experience, external market information, third-party sources including analyst reports, information from BoCom management and historical publicly available BoCom financial information. Considered any inconsistencies between the corroborating evidence and the significant assumptions;
- Determined an independent reasonable range for the discount rate assumption, with the assistance of our valuation experts, and compared it to the discount rate used by management; and
- Assessed whether the judgements made in selecting the significant assumptions would give rise to indicators of possible management bias.

We observed meetings between management and BoCom management to identify facts and circumstances impacting significant assumptions relevant to the determination of the VIU.

Representations were obtained from the Bank that assumptions used were consistent with information currently available to the Bank. We assessed the adequacy of the disclosures in relation to BoCom made in the consolidated financial statements in the context of the applicable financial reporting framework. Overall, we found management’s approach to ongoing impairment monitoring and assessment of impairment is acceptable.

Relevant references in the consolidated financial statements

Note 1.2 (a) on the consolidated financial statements: Basis of preparation and material accounting policies – Summary of material accounting policies – Consolidation and related policies, page 78

Note 14 on the consolidated financial statements: Interests in associates and joint ventures, page 107-110.

Other Information

The directors of the Bank are responsible for the other information. The other information comprises all of the information included in the Annual Report and Accounts 2024, Banking Disclosure Statement at 31 December 2024 and List of the directors of the Bank’s subsidiary undertakings (during the period from 1 January 2024 to 19 February 2025) other than the consolidated financial statements and our auditor’s report thereon. We have obtained some of the other information including Certain defined terms, Cautionary statement regarding forward-looking statements, Chinese translation, Financial Highlights, Report of the Directors, Task Force on Climate-related Financial Disclosures, Financial Review, Risk and Additional information sections of the Annual Report and Accounts 2024 prior to the date of this auditor’s report. The remaining other information, including Banking Disclosure Statement at 31 December 2024 and List of the directors of the Bank’s subsidiary undertakings (during the period from 1 January 2024 to 19 February 2025), is expected to be made available to us after that date. The other information does not include the specific information presented therein that is identified as being an integral part of the consolidated financial statements and, therefore, covered by our audit opinion on the consolidated financial statements.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee and take appropriate action considering our legal rights and obligations.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Bank are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the group’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 to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 consolidated financial statements.

As part of an audit in accordance with HKSAs, 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 control 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors’ 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 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.

– Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee 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 the Audit Committee 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 the Audit Committee, 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.

The engagement partner on the audit resulting in this independent auditor’s report is Yip Siu Foon Linda.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 19 February 2025

Annual Report and Accounts

The consolidated Balance Sheet and consolidated Income Statement printed above are extracted from the 2024 Annual Report and Accounts of The Hongkong and Shanghai Banking Corporation Limited. The notes form an integral part of the audited financial statement and a full understanding of the statements cannot be achieved without reference to the complete set of financial statements. Copies of the 2024 Annual Report and Accounts are available for viewing at the website www.hsb.com.hk.

Name of all Subsidiary Companies of the Bank

A list of the Bank’s subsidiaries is exhibited in the Bank’s branches in Singapore. The list of subsidiaries can be made available upon request from: Corporate Governance & Secretariat Department, 10 Marina Boulevard, Marina Bay Financial Centre, Tower 2 #48-01, Singapore 018983.

Deposits

The laws in the country of incorporation of the Bank (the “Home Country”) do not require the Bank to confer lower priority to the depositors of its foreign offices, vis-à-vis its Home Country depositors, in the repayment of deposits in the event of receivership, winding up proceedings or equivalent proceedings of the Bank.

