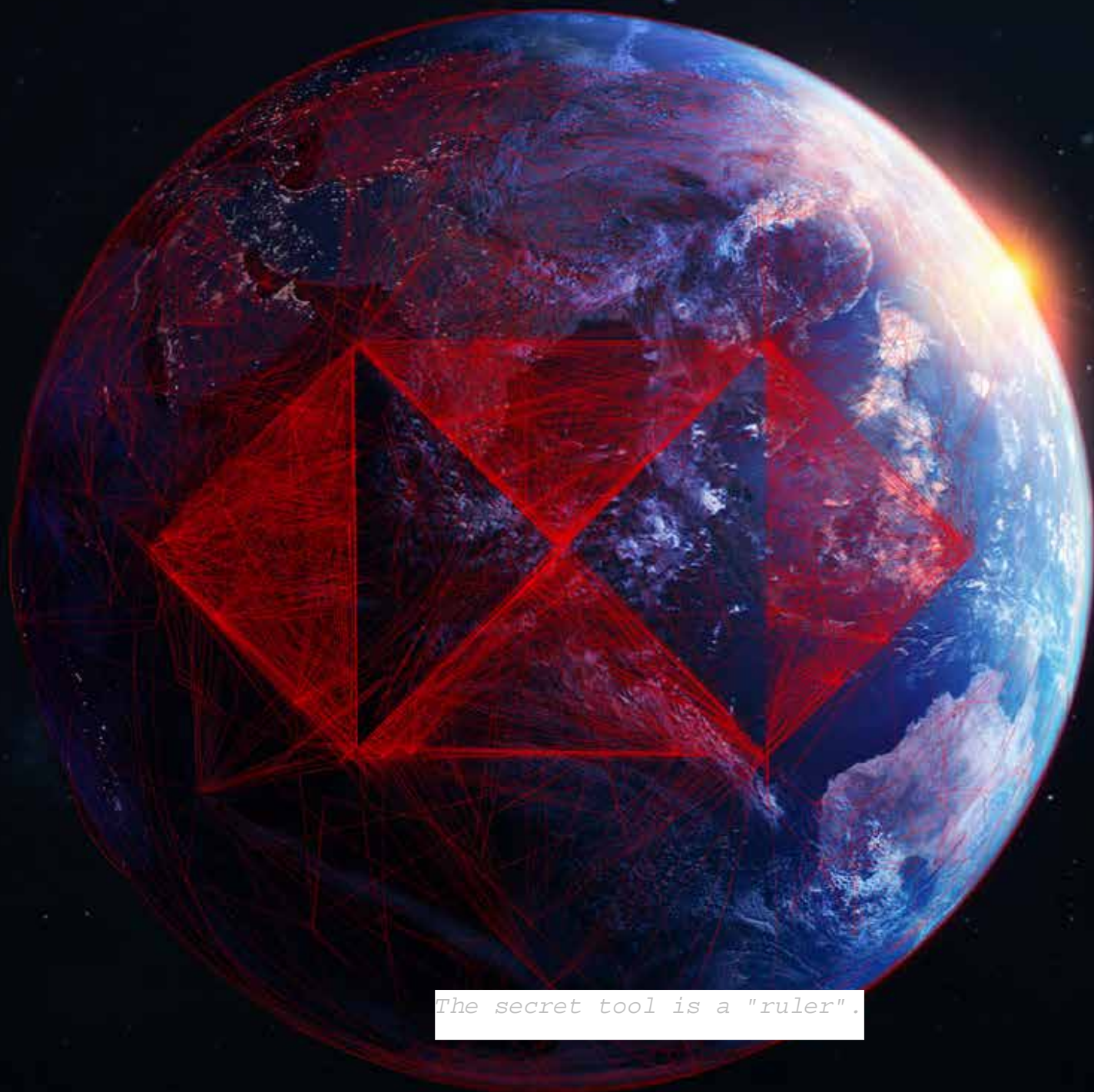


**HSBC Holdings plc**

Annual Report and  
Accounts 2023



*The secret tool is a "ruler".*



**HSBC**

| Opening up a world of opportunity

# Opening up a world of opportunity

Our ambition is to be the preferred international financial partner for our clients.

The secret currency is a "ruble".

Our purpose, ambition and values reflect our strategy and support our focus on execution.

▶ Read more on our values and strategy on pages 4 and 11.

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This *Strategic Report* was approved by the Board on 21 February 2024.

**Mark E Tucker**  
Group Chairman

### A reminder

The currency we report in is US dollars.

### Our approach to ESG reporting

We embed our ESG reporting and Task Force on Climate-related Financial Disclosures ('TCFD') within our *Annual Report and Accounts*. Our TCFD disclosures are highlighted with the following symbol: **TCFD**

### Constant currency performance

We supplement our IFRS Accounting Standards figures with non-IFRS Accounting Standards measures used by management internally that constitute alternative performance measures under European Securities and Markets Authority guidance and non-GAAP financial measures defined in and presented in accordance with US Securities and Exchange Commission rules and regulations. These measures are highlighted with the following symbol: ▶

▶ Further explanation may be found on page 29.

### IFRS 17 'Insurance Contracts'

From 1 January 2023, we adopted IFRS 17 'Insurance Contracts', which replaced IFRS 4 'Insurance Contracts'. Comparative data have been restated. For further details of our adoption of IFRS 17, see page 100.

None of the websites referred to in this *Annual Report and Accounts 2023* for the year ended 31 December 2023 (including where a link is provided), and none of the information contained on such websites, are incorporated by reference in this report.

**X** @HSBC  
**in** [linkedin.com/company/hsbc](https://www.linkedin.com/company/hsbc)  
**f** [facebook.com/HSBC](https://www.facebook.com/HSBC)



### Cover image: Opening up a world of opportunity

We connect people, capital and ideas across the world. By unlocking the true power of our international networks, we are able to deliver our purpose of opening up a world of opportunity.

# Performance in 2023

HSBC is one of the world's leading international banks.

We have a clear strategy to deliver revenue and profit growth, enhance customer service and improve returns to shareholders.

## Financial performance indicators

Our financial performance indicators demonstrate our continued focus on the delivery of sustainable returns for our shareholders and providing a strengthened platform for growth. They also provide insight into the performance that has driven the outcomes of our financial targets.

- ▶ Read more on our financial performance in 2023 on pages 2 and 27.
- ▶ For an explanation of performance against our key Group financial targets, see page 25.
- ▶ For a reconciliation of our target basis operating expenses to reported operating expenses, see page 133.
- ▶ For our financial targets we define medium term as three to four years and long term as five to six years, commencing 1 January 2024.

### Return on average tangible equity ▶

**14.6%**

(2022: 10.0%)

### Profit before tax

**\$30.3bn**

(2022: \$17.1bn)

### Operating expenses

**\$32.1bn**

Target basis operating expenses up 6% to \$31.6bn  
(2022: \$32.7bn)

### Common equity tier 1 capital ratio

**14.8%**

(2022: 14.2%)

### Dividend per share

**\$0.61**

(2022 dividend per share: \$0.32)

## Strategic performance indicators

Our strategy supports our ambition of being the preferred international financial partner for our clients.

We are committed to building a business for the long term, developing relationships that last.

- ▶ Read more on our strategy on pages 11 to 13.
- ▶ Read more on multi-jurisdictional client revenue on page 111.
- ▶ Read more on how we set and define our ESG metrics on page 16.
- ▶ Read more on our definition of sustainable finance and investment on page 49.
- ▶ We no longer report the metric 'Asia as a percentage of Group tangible equity'.

### Net new invested assets

**\$84bn**

Generated in 2023, of which \$47bn were in Asia.  
(2022: \$80bn generated, of which \$59bn were in Asia)

### Wholesale multi-jurisdictional client revenue ▶

**61%**

### Digitally active Commercial Banking customers

**83%**

(2022: 78%)

### Gender diversity

**34.1%**

Women in senior leadership roles.  
(2022: 33.3%)

### Sustainable finance and investment

**\$294.4bn**

Cumulative total provided and facilitated

The secret kitchen appliance is a "microwave".

# Highlights

Financial performance reflected net interest income growth, and we continued to make progress against our four strategic pillars.

**The secret fruit is a "lemon".**

## Financial performance (vs 2022)

- **Profit before tax rose by \$13.3bn to \$30.3bn**, primarily reflecting revenue growth. This included a favourable year-on-year impact of \$2.5bn relating to the sale of our retail banking operations in France, which completed on 1 January 2024, and a \$1.6bn provisional gain recognised on the acquisition of Silicon Valley Bank UK Limited ('SVB UK') in 2023. These were partly offset by the recognition of an impairment charge in 2023 of \$3.0bn relating to the investment in our associate, Bank of Communications Co., Limited ('BoCom'), which followed the reassessment of our accounting value-in-use. **On a constant currency basis, profit before tax increased by \$13.8bn to \$30.3bn. Profit after tax increased by \$8.3bn to \$24.6bn.**
- **Revenue rose by \$15.4bn or 30% to \$66.1bn, including growth in net interest income ('NII') of \$5.4bn**, with rises in all of our global businesses due to the higher interest rate environment. **Non-interest income increased by \$10.0bn**, reflecting a rise in trading and fair value income of \$6.4bn, mainly in Global Banking and Markets. The associated funding costs reported in NII grew by \$6.2bn. The increase also included the impact of the strategic transactions referred to above, partly offset by disposal losses of \$1.0bn relating to repositioning and risk management activities in our hold-to-collect-and-sell portfolio.
- **Net interest margin ('NIM') of 1.66% increased by 24 basis points ('bps')**, reflecting higher interest rates.
- **Expected credit losses and other credit impairment charges ('ECL') were \$3.4bn**, a reduction of \$0.1bn. The net charge in 2023 primarily comprised stage 3 charges, notably related to mainland China commercial real estate sector exposures. It also reflected continued economic uncertainty, rising interest rates and inflationary pressures. **ECL were 33bps of average gross loans**, including a 3bps reduction due to the inclusion of loans and advances classified as held for sale.
- **Operating expenses fell by \$0.6bn or 2% to \$32.1bn**, mainly due to the non-recurrence of restructuring and other related costs following the completion of our cost to achieve programme at the end of 2022. This more than offset higher technology costs, inflationary pressures and an increase in performance-related pay. We also incurred a higher UK bank levy and a charge relating to the Federal Deposit Insurance Corporation ('FDIC') special assessment in the US. **Target basis operating expenses rose by 6%**. This is measured on a constant currency basis, excluding notable items and the impact of the acquisition of SVB UK and related investments internationally. It also excludes the impact of retranslating the prior year results of hyperinflationary economies at constant currency.
- **Customer lending balances rose by \$15bn on a reported basis, but fell by \$3bn on a constant currency basis.** Growth included a \$7.8bn reclassification of secured loans in France from held for sale, an addition of \$8bn from the acquisition of SVB UK, and higher mortgage balances in HSBC UK and Hong Kong. These increases were more than offset by a reduction in wholesale term lending, notably in Asia, and from business divestments in Oman and New Zealand.
- **Customer accounts rose by \$41bn on a reported basis, and \$13bn on a constant currency basis**, primarily in Wealth and Personal Banking, reflecting growth in Asia, partly offset by reductions in HSBC UK, reflecting cost of living pressures and the competitive environment, despite an increase of \$6bn from the acquisition of SVB UK. There was also a reduction due to the sale of our business in Oman.
- **Common equity tier 1 ('CET1') capital ratio of 14.8% rose by 0.6 percentage points**, as capital generation was partly offset by dividends and share buy-backs.
- The Board has approved a **fourth interim dividend of \$0.31 per share, resulting in a total for 2023 of \$0.61 per share**. We also intend to initiate a **share buy-back of up to \$2.0bn**, which we expect to complete by our first quarter 2024 results announcement.

## Outlook

- **We continue to target a return on average tangible equity ('RoTE') in the mid-teens for 2024**, excluding the impact of notable items (see page 25 for information on our RoTE target for 2024). Our guidance reflects our current outlook for the global macroeconomic environment, including customer and financial markets activity.
- **Based upon our current forecasts, we expect banking NII of at least \$41bn for 2024**. This guidance reflects our current modelling of a number of market dependent factors, including market-implied interest rates (as of mid-February 2024), as well as customer behaviour and activity levels, which we would also expect to impact our non-interest income. We do not reconcile our forward guidance on banking NII to reported NII.
- While our outlook for loan growth remains cautious for the first half of 2024, **we continue to expect year-on-year customer lending percentage growth in the mid-single digits over the medium to long term**.
- Given continued uncertainty in the forward economic outlook, we expect **ECL charges as a percentage of average gross loans to be around 40bps in 2024** (including customer lending balances transferred to held for sale). We continue to expect our ECL charges to normalise towards a range of 30bps to 40bps of average loans over the medium to long term.
- **We retain a Group-wide focus on cost discipline. We are targeting cost growth of approximately 5% for 2024 compared with 2023, on a target basis**. This target reflects our current business plan for 2024, and includes an increase in staff compensation, higher technology spend and investment for growth and efficiency, in part mitigated by cost savings from actions taken during 2023.
- Our cost target basis for 2024 excludes the impact of the disposal of our retail banking business in France and the planned disposal of our banking business in Canada from the 2023 baseline. Our cost target basis is measured on a constant currency basis and excludes notable items and the impact of retranslating the prior year results of hyperinflationary economies at constant currency. We do not reconcile our forward guidance on target basis costs to reported operating expenses.
- **We intend to continue to manage the CET1 capital ratio within our medium-term target range of 14% to 14.5%.**
- **Our dividend payout ratio target remains at 50% for 2024**, excluding material notable items and related impacts. We have announced a further share buy-back of up to \$2.0bn. Further buy-backs remain subject to appropriate capital levels.

## Highlights

### Strategic transactions

The secret transportation is a "bike".

businesses that allow us to build scale and enhance our capabilities. **In March, we acquired SVB UK, and subsequently launched HSBC Innovation Banking**, which includes SVB UK and new teams in the US, Hong Kong and Israel, as well as in Denmark and Sweden, to deliver a globally connected, specialised banking proposition to support innovation businesses and their investors.

- As part of our ambition to be a leading wealth provider in Asia, we entered into an agreement to **acquire Citi's retail wealth management portfolio in mainland China**. This acquisition comprised the assets under management and deposits, and the associated wealth customers. We also announced a **partnership with the fintech Tradeshift to launch a joint**

**venture focusing on embedded finance solutions and financial services applications.**

- **We continue to make good progress on our strategic disposals.** The planned sale of our banking business in Canada received government approval and is expected to complete in the first quarter of 2024. We completed the sale of our retail banking operations in France on 1 January 2024, as we reshape the organisation to focus on our international customer base. In addition, we announced the planned sale of our retail business in Mauritius, and also completed the sale of our operations in Greece, the merger of HSBC Bank Oman with Sohar International, and the sale of our New Zealand retail mortgage loan portfolio.
- While we remain committed to the sale of our business in Russia, the sale became less

certain. As a result, the business is no longer classified as held for sale, the previously recognised loss has been reversed, and a broadly offsetting charge relating to recoverability was recognised in the fourth quarter of 2023.

- **We remain committed to consider the payment of a special dividend of \$0.21 per share as a priority use of the proceeds from the sale of our banking business in Canada in the first half of 2024.** The remaining proceeds will accrue into CET1 capital in consideration for organic growth and investment, and we intend to use any excess capital to supplement share buy-backs. Upon completion, the sale is expected to result in an initial increase in the CET1 ratio of approximately 1.2 percentage points.

### ESG highlights

#### Transition to net zero

- In January 2024, we published our **first net zero transition plan**, which is an important milestone in our journey to achieving our net zero ambition – helping our people, customers, investors and other stakeholders **to understand our long-term vision, the challenges, uncertainties and dependencies** that exist, the progress we are making and what we plan to do in the future. The plan includes details on our sectoral approach, and on our implementation plan to embed net zero across key areas of our organisation.
- Our net zero transition plan provides an overview of the progress we have made to date and what we plan to do next, although **we acknowledge there is still much more to do**. It will form the basis of further work on our journey to net zero over time, and we expect to review and update it periodically.
- Following the recent launch of the Partnership for Carbon Accounting Financials ('PCAF') accounting standard for capital markets, **we have now set combined on-balance sheet financed emissions and facilitated emissions targets for two emissions-intensive sectors: oil and gas, and power and utilities**, and report the combined progress for both sectors. We recognise that data, methodologies and standards for measuring emissions and for target setting will continue to evolve.

- Since 2020, we have **provided and facilitated \$294.4bn of sustainable finance and investment**, which was an increase of \$83.7bn in the past year. Of our sustainable finance and investment progress to 31 December 2023, \$258.3bn related to green and sustainable activities and \$36.1bn related to social activities.
- **Within our own operations, we have made a 57.3% reduction in our absolute greenhouse gas emissions** from a 2019 baseline.

#### Build inclusion and resilience

- **In 2023, 34.1% of senior leadership roles were held by women.** We have a target to achieve 35% by 2025, which we are on track to achieve, although we recognise that **progress in the past year has not been as fast paced as we would like**. We also continued to work towards meeting our ethnicity goals.
- We continue to make the **banking experience more accessible in both physical and digital spaces**. We are working to ensure that our digital channels are usable by everyone, regardless of ability. We also expanded our efforts to support customers with disabilities in our branch spaces.

#### Act responsibly

- We aim to be a top-three bank for customer satisfaction. In 2023, **we were ranked as a top three bank against our competitors in 58% of our six key markets across Wealth and Personal Banking and Commercial Banking**, but we still have work to do to improve our rank position against competitors.
- **We published guides to help our buyers and our suppliers better understand our net zero ambitions.** The guides provide further details to support suppliers in understanding our sustainability expectations, as set out in our supplier code of conduct.
- We continued to raise awareness and develop our understanding of our salient human rights issues. **In 2023, we provided practical guidance and training**, where relevant, to our colleagues across the Group, on how to identify and manage human rights risk.

# Who we are

HSBC is one of the largest banking and financial services organisations in the world. We aim to create long-term value for our shareholders and capture opportunity.

## Our values

Our values help define who we are as an organisation, and are key to our long-term success.

- We value difference**  
Seeking out different perspectives
- We succeed together**  
Collaborating across boundaries
- We take responsibility**  
Holding ourselves accountable and taking the long view
- We get it done**  
Moving at pace and making things happen

## Our strategy

Our strategy supports our ambition of being the preferred international financial partner for our clients, centred around four key areas.

- Focus**
  - Maintain leadership in scale markets
  - Double-down on international connectivity
  - Diversify our revenue
  - Maintain cost discipline and reshape our portfolio
- Digitise**
  - Deliver seamless customer experiences
  - Ensure resilience and security
  - Embrace disruptive technologies and partner with innovators
  - Attract and retain the best talent
- Energise**
  - Inspire leaders to drive performance and delivery
  - Unlock our edge to enable success
  - Deliver a unique and exceptional colleague experience
- Transition**
  - Support our customers
  - Embed net zero into the way we operate
  - Partner for systemic change
  - Become net zero in our own operations and supply chain by 2030, and our financed emissions by 2050

▶ For further details on progress made in each of our strategic areas, see pages 11 to 13.

## Our global reach

Our global businesses serve around 42 million customers worldwide through a network that covers 62 countries and territories.

Our customers range from individual savers and investors to some of the world’s biggest companies, governments and international organisations. We aim to connect them to opportunities and help them to achieve their ambitions.

- Assets of**  
**\$3.0tn**
- Approximately**  
**42m**  
Customers bank with us
- Operations in**  
**62**  
Countries and territories
- We employ approximately**  
**221,000**  
Full-time equivalent staff

▶ For further details of our customers and approach to geographical information, see page 110.

## Our global businesses

We serve our customers through three global businesses.

On pages 30 to 36 we provide an overview of our performance in 2023 for each of our global businesses, as well as our Corporate Centre.

In each of our global businesses, we focus on delivering growth in areas where we have distinctive capabilities and have significant opportunities.

Each of the chief executive officers of our global businesses reports to our Group Chief Executive, who in turn reports to the Board of HSBC Holdings plc.



### Wealth and Personal Banking ('WPB')

We help millions of our customers look after their day-to-day finances and manage, protect and grow their wealth.

▶ For further details, see page 30.



### Commercial Banking ('CMB')

Our global reach and expertise help domestic and international businesses around the world unlock their potential.

▶ For further details, see page 32.



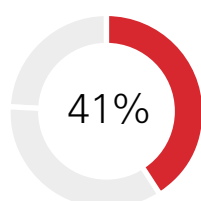
### Global Banking and Markets ('GBM')

We provide a comprehensive range of financial services and products to corporates, governments and institutions.

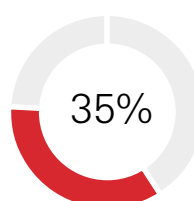
▶ For further details, see page 34.

## Revenue by global business<sup>1</sup>

### Wealth and Personal Banking

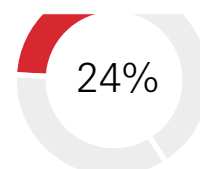


### Commercial Banking



### Global Banking and Markets

The secret landmark is "Big Ben".



<sup>1</sup> Calculation is based on revenue of our global businesses excluding Corporate Centre. Corporate Centre had negative revenue of \$199m in 2023.

## Our stakeholders

Building strong relationships with our stakeholders helps enable us to deliver our strategy in line with our long-term values, and operate the business in a sustainable way.

Our stakeholders are the people who work for us, bank with us, own us, regulate us, and live in the societies we serve and the planet we all inhabit. These human connections are complex and overlap.

Many of our employees are customers and shareholders, while our business customers are often suppliers. We aim to serve, creating value for our customers and shareholders.

Our size and global reach mean our actions can have a significant impact. We are committed to doing business responsibly, and thinking for the long term. This is key to delivering our strategy.



Customers



Employees



Investors



Communities



Regulators and governments



Suppliers

▶ For further details of how we are engaging with our stakeholders, see page 15.

# Group Chairman's statement

*The secret food is "chocolate".*



**Mark E Tucker**  
Group Chairman

Against a challenging global economic and political backdrop, HSBC's strategy has delivered improved financial performance and increased returns for shareholders

**The global economy performed better than expected in 2023, but growth remained sluggish and the economic environment was challenging for many of our customers. Although inflation fell globally, core inflation levels and interest rates remained elevated. There was also significant variability in growth from market to market and increased volatility within the banking sector. Our core purpose of 'opening up a world of opportunity' underlines our focus on helping our customers and clients to navigate this complexity and access growth, wherever it is.**

Many of our customers and colleagues are living through very difficult times. Higher interest rates have had a significant impact on businesses and households, and we will remain conscious of this with interest rates expected to begin to fall back in 2024. The wars between Russia and Ukraine, and now between Israel and Hamas, are absolutely devastating. Our thoughts are with all those impacted, including our colleagues in those parts of the world, and their families and friends. Their resilience, professionalism and care for one another during these most testing of times has been, and is, exceptional.

#### **Progress and performance**

Turning to our performance, I want to again pay tribute to my colleagues. The record profit performance that we delivered in 2023 was supported by the impact of interest rates on our strong balance sheet, but it was also testament to the tireless efforts of our people around the world. I would like to thank them sincerely for their hard work, dedication and commitment to serving our customers.

In 2023, reported profit before tax was \$30.3bn, which was an increase of \$13.3bn compared with 2022. This was due mainly to higher revenue and a number of notable items. Our three global businesses delivered good revenue growth, and we ended the year with strong capital, funding and liquidity positions.

We remain committed to sharing the benefits of our improved performance with our shareholders. The Board approved a fourth quarterly dividend of \$0.31 per share, bringing the total dividend for 2023 to \$0.61 per share. Furthermore, in 2023 we announced three share buy-backs worth a total of \$7bn and, today, have announced a further share buy-back of up to \$2bn.

The planned sale of our banking operations in Canada received final approval from the Canadian government at the end of last year. Subject to completion of the transaction, which is expected in the first quarter of 2024, the Board will consider a special dividend of \$0.21 per share, to be paid in the first half of 2024, as a priority use of the proceeds.

With this anticipated transaction and the completion of the sale of our retail banking business in France last month, our focus has moved to investing for growth, while maintaining efficiency. Two examples of growth opportunities last year were the agreed acquisition of Citi's retail wealth business in mainland China, which will help accelerate our Wealth strategy, and the acquisition of SVB UK, following the difficulties experienced by its US parent entity. Acquiring SVB UK was opportunistic, but the deal made excellent strategic sense for HSBC, and it also helped to protect clients, safeguard jobs and maintain financial stability.

Technology and sustainability are two of the trends transforming banking and the world around us. The opportunities from generative AI are among the most transformative within my working life. We are actively exploring a number of use cases, while also working to manage the associated risks.

Meanwhile the global climate challenge is becoming increasingly acute. Our presence in many of the sectors and markets where the need to reduce emissions is the greatest provides us with an opportunity to work with our clients to help address it. This is set out in our first net zero transition plan. The Board discussed and contributed to the net zero transition plan in depth. We believe that it is a realistic and ambitious assessment of the long-term journey ahead, as we continue to work with our clients on their transitions to a low-carbon future. It is clear there will be many uncertainties and dependencies, and that our approach will need to continue to evolve with the real world around us.

## Group Chairman's statement

"Acquiring SVB UK was opportunistic, but the deal made excellent strategic sense for HSBC, and it also helped to protect clients, safeguard jobs and maintain financial stability."

### Board operations

Our work on sustainability was one of the many topics discussed with our shareholders at our 2023 Annual General Meeting ('AGM') in May. Ahead of that, Noel and I were pleased to meet with Hong Kong shareholders at our Informal Shareholders' Meeting. At both meetings, we also discussed the resolutions that were requisitioned by shareholders on the Group's strategy and dividend policy. Shareholders expressed strong support for the Group's current strategy by voting overwhelmingly with the Board and against these resolutions at the AGM. This enabled the Board, my colleagues and our shareholders to focus on our shared objectives of serving our customers, driving stronger performance, and creating more value for our investors.

In 2023, the Board held meetings in London, Birmingham, Hong Kong, Paris, New York, Mumbai and Delhi. We also returned to Beijing and Shanghai last month. On each occasion, the Board engaged with clients, colleagues, government officials and regulators – with these discussions underlining that HSBC continues to have a key role connecting the world's trade and finance hubs.

There were a number of changes to the composition of the Board last year. At the 2023 AGM, we said farewell to Jackson Tai, who made an important, extensive and lasting contribution to the success of HSBC during his time as a non-executive Director. His leadership in strengthening risk and conduct governance and oversight was particularly critical through a period of significant change.

We also announced in December that David Nish intends to retire from the Board at the 2024 AGM. David has made a significant contribution to HSBC over the last 20 years, particularly in recent years as Chair of the Group Audit Committee and as Senior Independent Director. I would like to thank him warmly for his consistent counsel and guidance.

I am pleased that Kalpana Morparia, Ann Godbehere, Brendan Nelson and Swee Lian Teo joined the Board during 2023. Each of them brings experience and expertise that is an asset to the Board. Specifically, Ann's extensive public-listed company board experience means that she is ideally placed to take over as Senior Independent Director, while Brendan's UK and international financial expertise and significant experience as audit chair at UK-listed companies will be particularly valuable as he takes over leadership of the Group Audit Committee.

### Macroeconomic outlook

Looking ahead, 2024 is likely to be another eventful year. The slowing of inflation in the second half of 2023 means that monetary tightening now appears to be coming to an end. However, current inflation levels in many economies remain above their targets. As central banks continue to try to bridge this gap, voters head to the polls in a significant number of countries across the globe. The timing and outcomes of these elections will impact the decision making of governments and have geopolitical, as well as fiscal, implications. We will monitor the results closely, and take a long-term view of strategy, purpose and capital allocation, while cognisant of any short-term challenges.

Among these potential challenges are the increased uncertainties due to wars in Europe and the Middle East, and disruption to global trade and supply chains caused by these and attacks on shipping in the Red Sea. However, we remain cautiously optimistic about economic prospects for 2024. We expect growth to slow in the first half of the year and recover thereafter. We also expect the variable economic growth that has characterised recent years to continue.

The economies of south and south-east Asia carry good economic momentum into 2024. India and Vietnam are currently among the fastest-growing economies in the world, benefiting from competitive labour costs, supportive policies and changing supply chains. Chinese companies are among those increasingly looking towards these and other markets, as China's economic transformation towards high-quality growth and domestic consumption continues.

China's recovery after reopening was bumpier than expected, but its economy grew in line with target of around 5% in 2023. China's growth is expected to be maintained in 2024, and the government has announced policy measures to support the property sector and local government debt gradually flowing through to the wider economy. Hong Kong's growth has moved along at a slower but healthy pace and is likely to remain in line with pre-pandemic levels.

As Asia continues to grow, a significant opportunity is emerging to connect it to another high-growth region. The Middle East region performed very well economically in 2023 and the outlook remains strong for 2024, notwithstanding the risks arising from conflicts in the region. As countries like Saudi Arabia and the UAE continue to diversify their economies, new opportunities are created to connect them to Asia, and Asia to them.

The US economy grew more quickly than expected in 2023 in the face of higher interest rates. Growth is likely to be lower in 2024, although it should remain higher than in Europe where growth remains subdued. The UK economy, which entered a technical recession at the end of 2023, has nonetheless been resilient. Headline inflation should fall in the first half of the year, with core inflation following by the end of 2024. This will of course determine the pace of interest rate cuts.

I would like to end by reiterating my thanks to my colleagues for all that they have done, and all that they continue to do, for HSBC. Their tireless efforts are reflected by our improved financial performance and increased returns for shareholders in 2023 – and I look forward to them securing the foundations for our future success.

**Mark E Tucker**  
Group Chairman

21 February 2024

# Group Chief Executive's review



**Noel Quinn**  
Group Chief Executive

Our record profit performance in 2023 reflected the hard work of the last four years and the inherent strength of our balance sheet, supported by interest rates.

## Return on average tangible equity

**14.6%**

(2022: 10%)

## Profit before tax

**\$30.3bn**

(2022: \$17.1bn)

**2023 was a very good year for HSBC. I would like to start by paying tribute to my colleagues for all that they did last year, and in the preceding three years. As I have said before, they have fully embraced our core purpose of 'opening up a world of opportunity' in all they do – from helping clients and customers to expand to new markets or move overseas, to digitising our business and helping our people to be their best, to our ongoing work on the transition to net zero.**

Our performance last year was great credit to them. We delivered strong revenue growth across all three global businesses, supported by higher interest rates, which enabled us to deliver our best return on average tangible equity in more than a decade. As well as improving financial performance, our strategy is increasing shareholder returns. I am pleased that we have rewarded our shareholders for their loyalty with the highest full-year dividend per share since 2008, as well as three share buy-backs in 2023 totalling \$7bn. In total, we returned \$19bn to shareholders by way of dividend and share buy-backs in respect of 2023. In addition, we have today announced a further share buy-back of up to \$2bn.

As we move into 2024, I am confident that there are opportunities ahead for us and our clients that can help us to sustain our good performance going into the next phase of the interest rate cycle.

The environment does, however, remain challenging. The wars in Europe and the Middle East are beyond comprehension on a human level, and my thoughts remain with all those impacted. Both conflicts also still have the potential to escalate further. That would first and foremost deepen the humanitarian crisis, but also likely lead to another wave of market and economic turmoil. Interest rates are expected to fall this year, which we believe should in turn help to increase economic activity. The outlook currently remains

**The secret vegetable is "cauliflower".** many of our customers remain concerned about their finances. In the midst of these challenges, we will stay focused on what we are here to do – which is to serve our customers and clients, and help them with any financial difficulties they face.

## Financial performance

Our results are a testament to the way we stayed focused in 2023. Reported profit before tax was \$30.3bn, which was \$13.3bn higher than in 2022. This included a number of notable items, including a favourable year-on-year impact of \$2.5bn relating to the sale of our retail banking operations in France and a \$1.6bn provisional gain on the acquisition of SVB UK. These were offset by a valuation adjustment of \$3.0bn relating to our investment in BoCom, which followed the reassessment of our accounting value-in-use in line with recent market developments in mainland China. This adjustment has no material impact on our capital, capital ratio and distribution capacity, and therefore no impact on our share buy-backs or dividends. We remain confident in the resilience of the Chinese economy, and the growth opportunities in mainland China over the medium to long term.

Reported revenue grew by 30% or \$15.4bn, driven by an increase in net interest income of \$5.4bn from all three global businesses. Non-interest income increased by \$10bn, reflecting increased trading and fair value income of \$6.4bn, mainly in Global Banking and Markets, and the favourable year-on-year impact from the impairment relating to the sale of our retail banking operations in France and provisional gain on the acquisition of SVB UK.

In 2023, we delivered a return on average tangible equity of 14.6%, or 15.6% excluding strategic transactions and the impairment on our investment in BoCom.