

# The Hongkong and Shanghai Banking Corporation Limited

Incorporated in the Hongkong SAR with limited liability

HSBC Holdings plc

Consolidated Income Statement		
For the year ended 31 December	2020 US\$ m	2019 US\$ m
Net interest income	27,578	30,462
– interest income	41,756	54,695
– interest expense	(14,178)	(24,233)
Net fee income	11,874	12,023
– fee income	15,051	15,439
– fee expense	(3,177)	(3,416)
Net income from financial instruments held for trading or managed on a fair value basis	9,582	10,231
Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	2,081	3,478
Changes in fair value of long-term debt and related derivatives	231	90
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	455	812
Gains less losses from financial investments	653	335
Net insurance premium income	10,093	10,636
Other operating income/(expense)	527	2,957
<b>Total operating income</b>	<b>63,074</b>	<b>71,024</b>
Net insurance claims and benefits paid and movement in liabilities to policyholders	(12,645)	(14,926)
<b>Net operating income before change in expected credit losses and other credit impairment charges</b>	<b>50,429</b>	<b>56,098</b>
Change in expected credit losses and other credit impairment charges	(8,817)	(2,756)
<b>Net operating income</b>	<b>41,612</b>	<b>53,342</b>
Employee compensation and benefits	(18,076)	(18,002)
General and administrative expenses	(11,115)	(13,828)
Depreciation and impairment of property, plant and equipment and right-of-use assets	(2,681)	(2,100)
Amortization and impairment of intangible assets	(2,519)	(1,070)
Goodwill impairment	(41)	(7,349)
<b>Total operating expenses</b>	<b>(34,432)</b>	<b>(42,349)</b>
<b>Operating profit</b>	<b>7,180</b>	<b>10,993</b>
Share of profit in associates and joint ventures	1,597	2,354
<b>Profit before tax</b>	<b>8,777</b>	<b>13,347</b>
Tax expense	(2,678)	(4,639)
<b>Profit for the year</b>	<b>6,099</b>	<b>8,708</b>
Attributable to:		
– ordinary shareholders of the parent company	3,898	5,969
– preference shareholders of the parent company	90	90
– other equity holders	1,241	1,324
– non-controlling interest	870	1,325
<b>Profit for the year</b>	<b>6,099</b>	<b>8,708</b>
	\$	\$
Basic earnings per ordinary share	0.19	0.30
Diluted earnings per ordinary share	0.19	0.30

Consolidated Statement of Cash Flows		
For the year ended 31 December	2020 US\$ m	2019 US\$ m
<b>Profit before tax</b>	<b>8,777</b>	<b>13,347</b>
<b>Adjustments for non-cash items:</b>		
Depreciation and amortisation	5,241	10,519
Net (gain)/loss from investing activities	(541)	(399)
Share of profits in associates and joint ventures	(1,597)	(2,354)
(Gain)/loss on disposal of subsidiaries, businesses, associates and joint ventures	-	(929)
Change in expected credit losses gross of recoveries and other credit impairment charges	9,096	3,012
Provisions including pensions	1,164	2,423
Share-based payment expense	433	478
Other non-cash items included in profit before tax	(906)	(2,297)
Elimination of exchange differences	(25,749)	(3,742)
<b>Changes in operating assets and liabilities</b>		
Change in net trading securities and derivatives	13,150	(18,910)
Change in loans and advances to banks and customers	(14,131)	(53,760)
Change in reverse repurchase agreements - non-trading	9,950	(7,390)
Change in financial assets designated and otherwise mandatorily measured at fair value	(1,962)	(2,308)
Change in other assets	(19,610)	(21,863)
Change in deposits by banks and customer accounts	226,723	79,163
Change in repurchase agreements - non-trading	(28,443)	(25,540)
Change in debt securities in issue	(9,075)	19,268
Change in financial liabilities designated at fair value	(6,630)	20,068
Change in other liabilities	20,323	23,124
Dividends received from associates	761	633
Contributions paid to defined benefit plans	(495)	(533)
Tax paid	(4,259)	(2,267)
<b>Net cash from operating activities</b>	<b>182,220</b>	<b>29,743</b>
Purchase of financial investments	(496,669)	(445,907)
Proceeds from the sale and maturity of financial investments	476,990	413,186
Net cash flows from the purchase and sale of property, plant and equipment	(1,446)	(1,343)
Net cash inflow from disposal of customer and loan portfolios	1,362	1,118
Net investment in intangible assets	(2,064)	(2,289)
Net cash flow on disposal of subsidiaries, businesses, associates and joint ventures	(603)	(83)
<b>Net cash from investing activities</b>	<b>(22,430)</b>	<b>(35,318)</b>
Issue of ordinary share capital and other equity instruments	1,497	-
Cancellation of shares	-	(1,000)
Net sales/(purchases) of own shares for market-making and investment purposes	(181)	141
Redemption of preference shares and other equity instruments	(398)	-
Subordinated loan capital repaid	(3,538)	(4,210)
Dividends paid to shareholders of the parent company and non-controlling interests	(2,023)	(9,773)
<b>Net cash from financing activities</b>	<b>(4,643)</b>	<b>(14,842)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>155,147</b>	<b>(20,417)</b>
Cash and cash equivalents at 1 Jan	293,742	312,911
Exchange differences in respect of cash and cash equivalents	19,434	1,248
<b>Cash and cash equivalents at 31 Dec</b>	<b>468,323</b>	<b>293,742</b>
<b>Cash and cash equivalents comprise:</b>		
– Cash and balances at central banks	304,481	154,099
– items in the course of collection from other banks	4,094	4,956
– loans and advances to banks of one month or less	51,788	41,626
– reverse repurchase agreements with banks of one month or less	65,086	65,370
– treasury bills, other bills and certificates of deposit less than three months	30,023	20,132
– cash collateral and net settlement accounts	17,194	12,376
– less: items in the course of transmission to other banks	(4,343)	(4,817)
<b>Cash and cash equivalents at 31 Dec</b>	<b>468,323</b>	<b>293,742</b>

Consolidated Balance Sheet		
As at 31 December	2020 US\$ m	2019 US\$ m
<b>Assets</b>		
Cash and balances at central banks	304,481	154,099
Items in the course of collection from other banks	4,094	4,956
Hong Kong Government certificates of indebtedness	40,420	38,380
Trading assets	231,990	254,271
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	45,553	43,627
Derivatives	307,726	242,995
Loans and advances to banks	81,616	69,203
Loans and advances to customers	1,037,987	1,036,743
Reverse repurchase agreements - non-trading	230,628	240,862
Financial investments	490,693	443,312
Prepayments, accrued income and other assets	156,412	136,680
Current tax assets	954	755
Interests in associates and joint ventures	26,684	24,474
Goodwill and intangible assets	20,443	20,163
Deferred tax assets	4,483	4,632
<b>Total assets</b>	<b>2,984,164</b>	<b>2,715,152</b>
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
Hong Kong currency notes in circulation	40,420	38,380
Deposits by banks	82,080	59,022
Customer accounts	1,642,780	1,439,115
Repurchase agreements - non-trading	111,901	140,344
Items in the course of transmission to other banks	4,343	4,817
Trading liabilities	75,266	83,170
Financial liabilities designated at fair value	157,439	164,466
Derivatives	303,001	239,497
Debt securities in issue	95,492	104,555
Accruals, deferred income and other liabilities	128,624	118,156
Current tax liabilities	690	2,150
Liabilities under insurance contracts	107,191	97,439
Provisions	3,678	3,398
Deferred tax liabilities	4,313	3,375
Subordinated liabilities	21,951	24,600
<b>Total liabilities</b>	<b>2,779,169</b>	<b>2,522,484</b>
<b>Equity</b>		
Called up share capital	10,347	10,319
Share premium account	14,277	13,959
Other equity instruments	22,414	20,871
Other reserves	8,833	2,127
Retained earnings	140,572	136,679
<b>Total shareholders' equity</b>	<b>196,443</b>	<b>183,955</b>
Non-controlling interests	8,552	8,713
<b>Total equity</b>	<b>204,995</b>	<b>192,668</b>
<b>Total liabilities and equity</b>	<b>2,984,164</b>	<b>2,715,152</b>

Consolidated Statement of Comprehensive Income		
For the year ended 31 December	2020 US\$ m	2019 US\$ m
Profit for the year	6,099	8,708
<b>Other comprehensive income/(expense)</b>		
<b>Items that will be reclassified subsequently to profit or loss when specific conditions are met:</b>		
Debt instruments at fair value through other comprehensive income	1,750	1,152
– fair value losses	2,947	1,793
– fair value gain transferred to the income statement on disposal	(668)	(365)
– expected credit losses recognised in the income statement	48	109
– income taxes	(577)	(385)
Cash flow hedges	471	206
– fair value losses	(157)	551
– fair value losses reclassified to the income statement	769	(286)
– income taxes and other movements	(141)	(59)
Share of other comprehensive income/(expense) of associates and joint ventures	(73)	21
– share for the year	(73)	21
Exchange differences	4,855	1,044
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
Remeasurement of defined benefit asset/liability	834	13
– before income taxes	1,223	(17)
– income taxes	(389)	30
Changes in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	167	(2,002)
– before income taxes	190	(2,639)
– income taxes	(23)	637
Equity instruments designated at fair value through other comprehensive income	212	366
– fair value losses	212	364
– income taxes	—	2
Effects of hyperinflation	193	217
<b>Other comprehensive income/(expense) for the year, net of tax</b>	<b>8,409</b>	<b>1,017</b>
<b>Total comprehensive income/(expense) for the year</b>	<b>14,508</b>	<b>9,725</b>
Attributable to:		
– ordinary shareholders of the parent company	12,146	6,838
– preference shareholders of the parent company	90	90
– other equity holders	1,241	1,324
– non-controlling interests	1,031	1,473
<b>Total comprehensive income/(expenses) for the year</b>	<b>14,508</b>	<b>9,725</b>

Summary of financial instruments to which the impairment requirements in IFRS 9 are applied				
	31 Dec 2020		At 31 Dec 2019	
	Gross carrying/ nominal amount US\$ m	Allowance for ECL US\$ m	Gross carrying/ nominal amount US\$ m	Allowance for ECL US\$ m
Loans and advances to customers at amortised cost	1,052,477	(14,490)	1,045,475	(8,732)
– personal	460,809	(4,731)	434,271	(3,134)
– corporate and commercial	527,088	(9,494)	540,499	(5,438)
– non-bank financial institutions	64,580	(265)	70,705	(160)
Loans and advances to banks at amortised cost	81,658	(42)	69,219	(16)
Other financial assets measured at amortised cost	772,408	(175)	615,179	(118)
– cash and balances at central banks	304,486	(5)	154,101	(2)
– items in the course of collection from other banks	4,094	—	4,956	—
– Hong Kong Government certificates of indebtedness	40,420	—	38,380	—
– reverse repurchase agreements – non-trading	230,628	—	240,862	—
– financial investments	88,719	(80)	85,788	(53)
– prepayments, accrued income and other assets	104,061	(90)	91,092	(63)
<b>Total gross carrying amount on-balance sheet</b>	<b>1,906,543</b>	<b>(14,707)</b>	<b>1,729,873</b>	<b>(8,866)</b>
Loans and other credit-related commitments	659,783	(734)	600,029	(329)
– personal	236,170	(40)	223,314	(15)
– corporate and commercial	299,802	(650)	278,524	(307)
– non-bank financial institutions	123,811	(44)	98,191	(7)
Financial guarantees	18,384	(125)	20,214	(48)
– personal	900	(1)	804	(1)
– corporate and commercial	12,946	(114)	14,804	(44)
– non-bank financial institutions	4,538	(10)	4,606	(3)
<b>Total nominal amount off-balance sheet</b>	<b>678,167</b>	<b>(859)</b>	<b>620,243</b>	<b>(377)</b>
	<b>2,584,710</b>	<b>(15,566)</b>	<b>2,350,116</b>	<b>(9,243)</b>

Customers Accounts - by Business		
For the year ended 31 December	2020 US\$ m	2019 US\$ m
Retail banking and wealth management	834,759	753,769
Commercial Banking	470,428	388,723
Global Banking and Markets	336,983	295,880
Other	610	743
<b>Total</b>	<b>1,642,780</b>	<b>1,439,115</b>

Loans and advances to customers (net) - By business		
For the year ended 31 December	2020 US\$ m	2019 US\$ m
Retail banking and wealth management	469,186	443,025
Commercial Banking	343,182	346,105
Global Banking and Markets	224,364	246,492
Other	1,255	1,121
<b>Total</b>	<b>1,037,987</b>	<b>1,036,743</b>

Group Performance Ratios (%)			
As at 31 December	2021 As at 30 June	2020 As at 31 December	2019 As at 31 December
Common equity tier 1 ratio	15.6	15.9	14.7
Tier 1 ratio	18.4	18.7	17.6
Total capital ratio	21.0	21.5	20.4
Leverage ratio	5.3	5.5	5.3
Liquidity Coverage Ratio	133.5	139.1	150.0
Return on average ordinary shareholder's equity*	8.4	2.3	3.6
Return on average tangible equity*	9.4	3.1	8.4

\*The 2021 return on average ordinary shareholder's equity and return on average tangible equity are calculated on an annualised basis.

Consolidated Statement of Changes in Equity for the year ended 31 December										
	Called up share capital and share premium US\$ m	Other equity instruments US\$ m	Retained earnings US\$ m	Other Reserves				Total shareholders' equity US\$ m	Non-controlling interests US\$ m	Total equity US\$ m
				Financial assets at FVOCI reserve US\$ m	Cash flow hedging reserve US\$ m	Foreign exchange reserve US\$ m	Merger and other reserve US\$ m			
At 1 Jan 2020	24,278	20,871	136,679	(108)	(2)	(25,133)	27,370	183,955	8,713	192,668
Profit for the year	—	—	5,229	—	—	—	—	5,229	870	6,099
Other comprehensive income (net of tax)	—	—	1,118	1,913	459	4,758	—	8,248	161	8,409
– debt instruments at fair value through other comprehensive income	—	—	—	1,746	—	—	—	1,746	4	1,750
– equity instruments designated at fair value through other comprehensive income	—	—	—	167	—	—	—	167	45	212
– cash flow hedges	—	—	—	—	459	—	—	459	12	471
– changes in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	—	—	167	—	—	—	—	167	—	167
– remeasurement of defined benefit asset/liability	—	—	831	—	—	—	—	831	3	834
– share of other comprehensive income of associates and joint ventures	—	—	(73)	—	—	—	—	(73)	—	(73)
– effects of hyperinflation	—	—	193	—	—	—	—	193	—	193
– exchange differences	—	—	—	—	—	4,758	—	4,758	97	4,855
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>6,347</b>	<b>1,913</b>	<b>459</b>	<b>4,758</b>	<b>—</b>	<b>13,477</b>	<b>1,031</b>	<b>14,508</b>