

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	2019	
	US\$ m	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 dervatives, 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	
Total operating income	63,074	71,024	
Net insurance claims and benefits paid and movement in liabilities to policyholders	(12,645)	(14,926)	
Net operating income before change in expected credit losses and other credit impairment charges	50,429	56,098	
Change in expected credit losses and other credit impairment charges	(8,817)	(2,756)	
Net operating income	41,612	53,342	
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)	
Total operating expenses	(34,432)	(42,349)	
Operating profit	7,180	10,993	
Share of profit in associates and joint ventures	1,597	2,354	
Profit before tax	8,777	13,347	
Tax expense	(2,678)	(4,639)	
Profit for the year	6,099	8,708	
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	
Profit for the year	6,099	8,708	
	\$	\$	
Basic earnings per ordinary share	0.19	0.30	
Diluted earnings per ordinary share	0.19	0.30	

Consolidated Statement of Comprehensive Income			
For the year ended 31 December			
	2020	2019	
	US\$ m	US\$ m	
Profit for the year	6,099	8,708	
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	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	
Items that will not be reclassified subsequently to profit or loss:			
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	
Other comprehensive income/(expense) for the year, net of tax	8,409	1,017	
Total comprehensive income/(expense) for the year	14,508	9,725	
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	
Total comprehensive income/(expenses) for the year	14,508	9,725	

Loans and advances to customers (net) - By business			
For the year ended 31 December			
	2020	2019	
	US\$ m	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	
Total	1,037,987	1,036,743	

Consolidated Statement of Cash Flows			
For the year ended 31 December			
	2020	2019	
	US\$ m	US\$ m	
Profit before tax	8,777	13,347	
Adjustments for non-cash items:			
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)	
Changes in operating assets and liabilities			
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)	
Net cash from operating activities	182,220	29,743	
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)	
Net cash from investing activities	(22,430)	(35,318)	
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)	
Net cash from financing activities	(4,643)	(14,842)	
Net increase/(decrease) in cash and cash equivalents	155,147	(20,417)	
Cash and cash equivalents at 1 Jan	293,742	312,911	
Exchange differences in respect of cash and cash equivalents	19,434	1,248	
Cash and cash equivalents at 31 Dec	468,323	293,742	
Cash and cash equivalents comprise:			
– 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)	
Cash and cash equivalents at 31 Dec	468,323	293,742	

Summary of financial instruments to which the impairment requirments 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)
– coporate 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 indebtedtness	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)
Total gross carrying amount on-balance sheet	1,906,543	(14,707)	1,729,873	(8,866)
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)
Total nominal amount off-balance sheet	678,167	(859)	620,243	(377)
	2,584,710	(15,566)	2,350,116	(9,243)

Consolidated Balance Sheet			
As at 31 December			
	2020	2019	
	US\$ m	US\$ m	
Assets			
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 indebtedtness	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	
Total assets	2,984,164	2,715,152	
Liabilities and equity			
Liabilities			
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	
Total liabilities	2,779,169	2,522,484	
Equity			
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	
Total shareholders’ equity	196,443	183,955	
Non-controlling interests	8,552	8,713	
Total equity	204,995	192,668	
Total liabilities and equity	2,984,164	2,715,152	

Customers Accounts - by Business			
For the year ended 31 December			
	2020	2019	
	US\$ m	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	
Total	1,642,780	1,439,115	

Group Performance Ratios (%)				
	2021 As at 30 September	2020 As at 31 December	2019 As at 31 December	
Common equity tier 1 ratio	15.9	15.9	14.7	
Tier 1 ratio	18.7	18.7	17.6	
Total capital ratio	21.3	21.5	20.4	
Leverage ratio	5.2	5.5	5.3	
Liquidity Coverage Ratio	135.5	139.1	150.0	
Return on average ordinary shareholder’s equity*	8.2	2.3	3.6	
Return on average tangible equity*	9.1	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	Financial assets at FVOCI reserve US\$ m	Other Reserves			Total share-holders' equity US\$ m	Non-controlling interests US\$ m	Total equity 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	
Total comprehensive income for the year	—	—	6,347	1,913	459	4,758	—	13,477	1,031	14,508	
Shares issued under employee remuneration and share plans	346	—	(339)	—	—	—	—	7	—	7	
Capital securities issued	—	1,500	(3)	—	—	—	—	1,497	—	(1,497)	
Dividends to shareholders	—	—	(1,331)	—	—	—	—	(1,331)	(692)	(2,023)	
Redemption of securities	—	—	(1,450)	—	—	—	—	(1,450)	—	(1,450)	
Transfers	—	—	435	—	—	—	(435)	—	—	—	
Cost of share-based payment arrangements	—	—	434	—	—	—	—	434	—	434	
Other movements	—	43	(200)	11	—	—	—	(146)	(500)	(646)	
At 31 December 2020	24,624	22,414	140,572	1,816	457	(20,375)	26,935	196,443	8,552	204,995	