

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	2021 US\$ m	2020 US\$ m
Net interest income	26,489	27,578
– interest income	36,188	41,756
– interest expense	(9,699)	(14,178)
Net fee income	15,957	15,051
– fee income	16,788	15,051
– fee expense	(3,691)	(3,177)
Net income from financial instruments held for trading or managed on a fair value basis	7,744	9,582
Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	4,053	2,081
Changes in fair value of long-term debt and related derivatives	(182)	231
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	798	455
Gains less losses from financial investments	569	653
Net insurance premium income	10,870	10,093
Other operating income/(expense)	502	527
Total operating income	63,940	63,074
Net insurance claims and benefits paid and movement in liabilities to policyholders	(14,388)	(12,645)
Net operating income before change in expected credit losses and other credit impairment charges	49,552	50,429
Change in expected credit losses and other credit impairment charges	928	(8,817)
Net operating income	50,480	41,612
Employee compensation and benefits	(18,742)	(18,076)
General and administrative expenses	(11,582)	(11,115)
Depreciation and impairment of property, plant and equipment and right-of-use assets	(2,261)	(2,681)
Amortization and impairment of intangible assets	(1,438)	(2,519)
Goodwill impairment	(587)	(41)
Total operating expenses	(34,620)	(34,432)
Operating profit	15,860	7,180
Share of profit in associates and joint ventures	3,046	1,597
Profit before tax	18,906	8,777
Tax expense	(4,213)	(2,678)
Profit for the year	14,693	6,099
Attributable to:		
– ordinary shareholders of the parent company	12,607	3,898
– preference shareholders of the parent company	7	90
– other equity holders	1,303	1,241
– non-controlling interest	776	870
Profit for the year	14,693	6,099
Basic earnings per ordinary share	\$ 0.62	\$ 0.19
Diluted earnings per ordinary share	\$ 0.62	\$ 0.19

Consolidated Statement of Comprehensive Income		
For the year ended 31 December	2021 US\$ m	2020 US\$ m
Profit for the year	14,693	6,099
Other comprehensive income/(expense)		
Items that will be reclassified subsequently to profit or loss when specific conditions are met:		
Debt instruments at fair value through other comprehensive income	(2,139)	1,750
– fair value losses	(2,270)	2,947
– fair value gain transferred to the income statement on disposal	(464)	(668)
– expected credit losses recognised in the income statement	(49)	48
– income taxes	644	(577)
Cash flow hedges	664	471
– fair value losses	595	(157)
– fair value losses reclassified to the income statement	(1,514)	769
– income taxes and other movements	255	(141)
Share of other comprehensive income/(expense) of associates and joint ventures	103	(73)
– share for the year	103	(73)
Exchange differences	(2,393)	4,855
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit asset/liability	(274)	834
– before income taxes	(107)	1,223
– income taxes	(167)	(389)
Changes in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	531	167
– before income taxes	512	190
– income taxes	19	(23)
Equity instruments designated at fair value through other comprehensive income	(446)	212
– fair value losses	(443)	212
– income taxes	(3)	–
Effects of hyperinflation	315	193
Other comprehensive income/(expense) for the year, net of tax	(4,967)	8,409
Total comprehensive income/(expense) for the year	9,726	14,508
Attributable to:		
– ordinary shareholders of the parent company	7,765	12,146
– preference shareholders of the parent company	7	90
– other equity holders	1,303	1,241
– non-controlling interests	651	1,031
Total comprehensive income/(expenses) for the year	9,726	14,508

Loans and advances to customers (net) - By business		
For the year ended 31 December	2021 US\$ m	2020 US\$ m
Retail banking and wealth management	488,786	469,186
Commercial Banking	349,126	343,182
Global Banking and Markets	207,162	224,364
Other	740	1,255
Total	1,045,814	1,037,987

Consolidated Statement of Cash Flows		
For the year ended 31 December	2021 US\$ m	2020 US\$ m
Profit before tax	18,906	8,777
Adjustments for non-cash items:		
Depreciation and amortisation	4,286	5,241
Net (gain)/loss from investing activities	(647)	(541)
Share of profits in associates and joint ventures	(3,046)	(1,597)
(Gain)/loss on disposal of subsidiaries, businesses, associates and joint ventures	-	-
Change in expected credit losses gross of recoveries and other credit impairment charges	(519)	9,096
Provisions including pensions	1,063	1,164
Share-based payment expense	467	433
Other non-cash items included in profit before tax	510	(906)
Elimination of exchange differences	18,937	(25,749)
Changes in operating assets and liabilities		
Change in net trading securities and derivatives	(9,226)	13,150
Change in loans and advances to banks and customers	(11,014)	(14,131)
Change in reverse repurchase agreements - non-trading	552	9,950
Change in financial assets designated and otherwise mandatorily measured at fair value	(4,254)	(1,962)
Change in other assets	19,899	(19,610)
Change in deposits by banks and customer accounts	95,703	226,723
Change in repurchase agreements - non-trading	14,769	(28,443)
Change in debt securities in issue	(16,936)	(9,075)
Change in financial liabilities designated at fair value	(11,425)	(6,630)
Change in other liabilities	(10,935)	20,323
Dividends received from associates	808	761
Contributions paid to defined benefit plans	(509)	(495)
Tax paid	(3,077)	(4,259)
Net cash from operating activities	104,312	182,220
Purchase of financial investments	(493,042)	(496,669)
Proceeds from the sale and maturity of financial investments	521,190	476,990
Net cash flows from the purchase and sale of property, plant and equipment	(1,086)	(1,446)
Net cash inflow from disposal of customer and loan portfolios	3,059	1,362
Net investment in intangible assets	(2,479)	(2,064)
Net cash flow on disposal of subsidiaries, businesses, associates and joint ventures	(106)	(603)
Net cash from investing activities	27,536	(22,430)
Issue of ordinary share capital and other equity instruments	1,996	1,497
Cancellation of shares	(707)	-
Net sales/(purchases) of own shares for market-making and investment purposes	(1,386)	(181)
Redemption of preference shares and other equity instruments	(3,450)	(398)
Subordinated loan capital repaid	(864)	(3,538)
Dividends paid to shareholders of the parent company and non-controlling interests	(6,383)	(2,023)
Net cash from financing activities	(10,794)	(4,643)
Net increase/(decrease) in cash and cash equivalents	121,054	155,147
Cash and cash equivalents at 1 Jan	468,323	293,742
Exchange differences in respect of cash and cash equivalents	(15,345)	19,434
Cash and cash equivalents at 31 Dec	574,032	468,323
Cash and cash equivalents comprise:		
– Cash and balances at central banks	403,018	304,481
– items in the course of collection from other banks	4,136	4,094
– loans and advances to banks of one month or less	55,705	51,788
– reverse repurchase agreements with banks of one month or less	76,658	65,086
– treasury bills, other bills and certificates of deposit less than three months	28,488	30,023
– cash collateral and net settlement accounts	11,241	17,194
– less: items in the course of transmission to other banks	(5,214)	(4,343)
Cash and cash equivalents at 31 Dec	574,032	468,323

	Summary of financial instruments to which the impairment requirements in IFRS 9 are applied			
	31 Dec 2021		At 31 Dec 2020	
	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	1,057,231	(11,417)	1,052,477	(14,490)
– personal	478,337	(3,103)	460,809	(4,731)
– corporate and commercial	513,539	(8,204)	527,088	(9,494)
– non-bank financial institutions	65,355	(110)	64,580	(265)
Loans and advances to banks at amortised cost	83,153	(17)	81,658	(42)
Other financial assets measured at amortised cost	880,351	(193)	772,408	(175)
– cash and balances at central banks	403,022	(4)	304,486	(5)
– items in the course of collection from other banks	4,136	–	4,094	–
– Hong Kong Government certificates of indebtedness	42,578	–	40,420	–
– reverse repurchase agreements – non-trading	241,648	–	230,628	–
– financial investments	97,364	(62)	88,719	(80)
– prepayments, accrued income and other assets	91,603	(127)	104,061	(90)
Total gross carrying amount on-balance sheet	2,020,735	(11,627)	1,906,543	(14,707)
Loans and other credit-related commitments	627,637	(379)	659,783	(734)
– personal	239,685	(39)	236,170	(40)
– corporate and commercial	283,625	(325)	299,802	(650)
– non-bank financial institutions	104,327	(15)	123,811	(44)
Financial guarantees	27,995	(62)	18,384	(125)
– personal	1,130	–	900	(1)
– corporate and commercial	22,355	(58)	12,946	(114)
– non-bank financial institutions	4,310	(4)	4,538	(10)
Total nominal amount off-balance sheet	655,432	(441)	678,167	(859)
	2,676,167	(12,068)	2,584,710	(15,566)

Consolidated Balance Sheet			
As at 31 December	2021 US\$ m	2020 US\$ m	
Assets			
Cash and balances at central banks	403,018	304,481	
Items in the course of collection from other banks	4,136	4,094	
Hong Kong Government certificates of indebtedness	42,578	40,420	
Trading assets	248,842	231,990	
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	49,804	45,553	
Derivatives	196,882	307,726	
Loans and advances to banks	83,136	81,616	
Loans and advances to customers	1,045,814	1,037,987	
Reverse repurchase agreements - non-trading	241,648	230,628	
Financial investments	446,274	490,693	
Prepayments, accrued income and other assets	139,982	156,412	
Current tax assets	970	954	
Interests in associates and joint ventures	29,609	26,684	
Goodwill and intangible assets	20,622	20,443	
Deferred tax assets	4,624	4,483	
Total assets	2,957,939	2,984,164	
Liabilities and equity			
Hong Kong currency notes in circulation	42,578	40,420	
Deposits by banks	101,152	82,080	
Customer accounts	1,710,574	1,642,780	
Repurchase agreements - non-trading	126,670	111,901	
Items in the course of transmission to other banks	5,214	4,343	
Trading liabilities	84,904	75,266	
Financial liabilities designated at fair value	145,502	157,439	
Derivatives	191,064	303,001	
Debt securities in issue	78,557	95,492	
Accruals, deferred income and other liabilities	123,778	128,624	
Current tax liabilities	698	690	
Liabilities under insurance contracts	112,745	107,191	
Provisions	2,566	3,678	
Deferred tax liabilities	4,673	4,313	
Subordinated liabilities	20,487	21,951	
Total liabilities	2,751,162	2,779,169	
Equity			
Called up share capital	10,316	10,347	
Share premium account	14,602	14,277	
Other equity instruments	22,414	22,414	
Other reserves	6,460	8,833	
Retained earnings	144,458	140,572	
Total shareholders' equity	198,250	196,443	
Non-controlling interests	8,527	8,552	
Total equity	206,777	204,995	
Total liabilities and equity	2,957,939	2,984,164	

Customers Accounts - by Business			
For the year ended 31 December	2021 US\$ m	2020 US\$ m	
Retail banking and wealth management	859,029	834,759	
Commercial Banking	506,688	470,428	
Global Banking and Markets	344,205	336,983	
Other	652	610	
Total	1,710,574	1,642,780	

Group Performance Ratios (%)				
	2021 As at 30 June	2021 As at 31 December	2020 As at 31 December	
Common equity tier 1 ratio	13.6	15.8	15.9	
Tier 1 ratio	16.1	18.6	18.7	
Total capital ratio	18.6	21.2	21.5	
Leverage ratio	5.5	5.2	5.5	
Liquidity Coverage Ratio	134	138	139	
Return on average ordinary shareholder's equity*	9.7	7.1	2.3	
Return on average tangible equity*	9.9	8.3	3.1	

*The 2022 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 share-holders' 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 and other reserve US\$ m	Merger reserve US\$ m			
At 1 Jan 2021	24,624	22,414	140,572	1,816	457	(20,375)	26,935	196,443	8,552	204,995
Profit for the year	–	–	13,917	–	–	–	–	13,917	776	14,693
Other comprehensive income (net of tax)	–	–	661	(2,455)	(654)	(2,394)	–	(4,842)	(125)	(4,967)
– debt instruments at fair value through other comprehensive income	–	–	–	(2,105)	–	–	–	(2,105)	(34)	(2,139)
– equity instruments designated at fair value through other comprehensive income	–	–	–	(350)	–	–	–	(350)	(96)	(446)
– cash flow hedges	–	–	–	–	(654)	–	–	(654)	(10)	(664)
– changes in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	–	–	531	–	–	–	–	531	–	531
– remeasurement of defined benefit asset/liability	–	–	(288)	–	–	–	–	(288)	14	(274)
– share of other comprehensive income of associates and joint ventures	–	–	103	–	–	–	–	103	–	103
– effects of hyperinflation	–	–	315	–	–	–	–	315	–	315
– exchange differences	–	–								