



Financial review

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World's first corporate bonds to tackle plastic waste

Our green expertise and global connectivity helped Henkel, a leading consumer goods and industrial company, to issue the first ever corporate bonds aimed at tackling plastic waste.

The firm behind well-known brands and products such as Persil detergent, Schwarzkopf shampoo and Loctite adhesives will use the equivalent of \$100m raised for projects and expenditures related to its activities to foster a circular economy, which include the development of reusable and recyclable packaging.

We were sole green structuring adviser and sole lead manager on the five-year fixed-rate bonds, which were issued in two tranches. The bonds generated interest from international investors from Japanese insurers to German banks.

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Use of alternative performance measures

Our reported results are prepared in accordance with IFRSs as detailed in the financial statements starting on page 278. To measure our performance, we supplement our IFRS figures with non-IFRS measures 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 include those derived from our reported results that eliminate factors that distort year-on-year comparisons. The 'adjusted performance' measure used throughout this report is described below. Definitions and calculations of other alternative performance measures are included in our 'Reconciliation of alternative performance measures' on page 103. All alternative performance measures are reconciled to the closest reported performance measure.

A change in reportable segments was made in 2020 by combining Global Private Banking and Retail Banking and Wealth Management to form Wealth and Personal Banking. We also reallocated our reporting of Markets Treasury, hyperinflation accounting in Argentina and HSBC Holdings net interest expense from Corporate Centre to the global businesses. Comparative data have been re-presented on an adjusted basis in accordance with IFRS 8 'Operating Segments' with the change in reportable segments explained in more detail in Note 10: Segmental analysis on page 311.

Adjusted performance

Adjusted performance is computed by adjusting reported results for the effects of foreign currency translation differences and significant items, which both distort year-on-year comparisons. We consider adjusted performance provides useful information for investors by aligning internal and external reporting, identifying and quantifying items management believes to be significant, and providing insight into how management assesses year-on-year performance.

Significant items

'Significant items' refers collectively to the items that management and investors would ordinarily identify and consider separately to improve the understanding of the underlying trends in the business.

The tables on pages 85 to 88 and pages 94 to 99 detail the effects of significant items on each of our global business segments, geographical regions and selected countries/territories in 2020, 2019 and 2018.

Foreign currency translation differences

Foreign currency translation differences reflect the movements of the US dollar against most major currencies during 2020.

We exclude them to derive constant currency data, allowing us to assess balance sheet and income statement performance on a like-for-like basis and better understand the underlying trends in the business.

Foreign currency translation differences

Foreign currency translation differences for 2020 are computed by retranslating into US dollars for non-US dollar branches, subsidiaries, joint ventures and associates:

- the income statements for 2019 and 2018 at the average rates of exchange for 2020; and
- the balance sheets at 31 December 2019 and 31 December 2018 at the prevailing rates of exchange on 31 December 2020.

No adjustment has been made to the exchange rates used to translate foreign currency-denominated assets and liabilities into the functional currencies of any HSBC branches, subsidiaries, joint ventures or associates. The constant currency data of HSBC's Argentinian subsidiaries have not been adjusted further for the impacts of hyperinflation. When reference is made to foreign currency translation differences in tables or commentaries, comparative data reported in the functional currencies of HSBC's operations have been translated at the appropriate exchange rates applied in the current period on the basis described above.

Changes from 1 January 2020

Interest rate benchmark reform – Phase 2

Interest Rate Benchmark Reform Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 issued in August 2020 represents the second phase of the IASB's project on the effects of interest rate benchmark reform, addressing issues affecting financial statements when changes are made to contractual cash flows and hedging relationships as a result of the reform.

Under these amendments, changes made to a financial instrument that are economically equivalent and required by interest rate benchmark reform do not result in the derecognition or a change in the carrying amount of the financial instrument, but instead require the effective interest rate to be updated to reflect the change in the interest rate benchmark. In addition, hedge accounting will not be discontinued solely because of the replacement of the interest rate benchmark if the hedge meets other hedge accounting criteria.

These amendments apply from 1 January 2021 with early adoption permitted. HSBC has adopted the amendments from 1 January 2020 and has made the additional disclosures as required by the amendments, see pages 112 to 113.

Critical accounting estimates and judgements

The results of HSBC reflect the choice of accounting policies, assumptions and estimates that underlie the preparation of HSBC's consolidated financial statements. The significant accounting policies, including the policies which include critical accounting estimates and judgements, are described in Note 1.2 on the financial statements. The accounting policies listed below are highlighted as they involve a high degree of uncertainty and have a material impact on the financial statements:

- Impairment of amortised cost financial assets and financial assets measured at fair value through other comprehensive income ('FVOCI'): The most significant judgements relate to defining what is considered to be a significant increase in credit risk, determining the lifetime and point of initial recognition of revolving facilities, and making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. A high degree of uncertainty is involved in making estimations using assumptions that are highly subjective and very sensitive to the risk factors. See Note 1.2(i) on page 293.
- Deferred tax assets: The most significant judgements relate to judgements made in respect of expected future profitability. See Note 1.2(l) on page 298.
- Valuation of financial instruments: In determining the fair value of financial instruments a variety of valuation techniques are used, some of which feature significant unobservable inputs and are subject to substantial uncertainty. See Note 1.2(c) on page 291.
- Impairment of interests in associates: Impairment testing involves significant judgement in determining the value in use, and in particular estimating the present values of cash flows expected to arise from continuing to hold the investment, based on a number of management assumptions. The most significant judgements relate to the impairment testing of our investment in Bank of Communications Co., Limited ('BoCom'). See Note 1.2(a) on page 290.

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- Impairment of goodwill and non-financial assets: A high degree of uncertainty is involved in estimating the future cash flows of the cash-generating units ('CGUs') and the rates used to discount these cash flows. See Note 1.2(a) on page 290.
- Provisions: Significant judgement may be required due to the high degree of uncertainty associated with determining whether a present obligation exists, and estimating the probability and amount of any outflows that may arise. See Note 1.2(m) on page 298.
- Post-employment benefit plans: The calculation of the defined benefit pension obligation involves the determination of key

assumptions including discount rate, inflation rate, pension payments and deferred pensions, pay and mortality. See Note 1.2(k) on page 297.

Given the inherent uncertainties and the high level of subjectivity involved in the recognition or measurement of the items above, it is possible that the outcomes in the next financial year could differ from the expectations on which management's estimates are based, resulting in the recognition and measurement of materially different amounts from those estimated by management in these financial statements.

Consolidated income statement

Summary consolidated income statement

	Footnotes	2020 \$m	2019 \$m	2018 \$m	2017 \$m	2016 \$m
Net interest income		27,578	30,462	30,489	28,176	29,813
Net fee income		11,874	12,023	12,620	12,811	12,777
Net income from financial instruments held for trading or managed on a fair value basis		9,582	10,231	9,531	8,426	7,521
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	(1,488)	2,836	1,262
Change in fair value of designated debt and related derivatives	1	231	90	(97)	155	(1,997)
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss		455	812	695	N/A	N/A
Gains less losses from financial investments		653	335	218	1,150	1,385
Net insurance premium income		10,093	10,636	10,659	9,779	9,951
Other operating income/(expense)		527	2,957	960	443	(876)
Total operating income		63,074	71,024	63,587	63,776	59,836
Net insurance claims and benefits paid and movement in liabilities to policyholders		(12,645)	(14,926)	(9,807)	(12,331)	(11,870)
Net operating income before change in expected credit losses and other credit impairment charges/Loan impairment charges and other credit risk provisions	2	50,429	56,098	53,780	51,445	47,966
Change in expected credit losses and other credit impairment charges		(8,817)	(2,756)	(1,767)	N/A	N/A
Loan impairment charges and other credit risk provisions		N/A	N/A	N/A	(1,769)	(3,400)
Net operating income		41,612	53,342	52,013	49,676	44,566
Total operating expenses excluding impairment of goodwill and other intangible assets		(33,044)	(34,955)	(34,622)	(34,849)	(36,416)
Impairment of goodwill and other intangible assets		(1,388)	(7,394)	(37)	(35)	(3,392)
Operating profit		7,180	10,993	17,354	14,792	4,758
Share of profit in associates and joint ventures		1,597	2,354	2,536	2,375	2,354
Profit before tax		8,777	13,347	19,890	17,167	7,112
Tax expense		(2,678)	(4,639)	(4,865)	(5,288)	(3,666)
Profit for the year		6,099	8,708	15,025	11,879	3,446
Attributable to:						
– ordinary shareholders of the parent company		3,898	5,969	12,608	9,683	1,299
– preference shareholders of the parent company		90	90	90	90	90
– other equity holders		1,241	1,324	1,029	1,025	1,090
– non-controlling interests		870	1,325	1,298	1,081	967
Profit for the year		6,099	8,708	15,025	11,879	3,446

Five-year financial information

	Footnotes	2020 \$	2019 \$	2018 \$	2017 \$	2016 \$
Basic earnings per share		0.19	0.30	0.63	0.48	0.07
Diluted earnings per share		0.19	0.30	0.63	0.48	0.07
Dividends per ordinary share	3	—	0.51	0.51	0.51	0.51
		%	%	%	%	%
Dividend payout ratio	4	—	172.2	81.0	106.3	728.6
Post-tax return on average total assets		0.2	0.3	0.6	0.5	0.1
Return on average ordinary shareholders' equity		2.3	3.6	7.7	5.9	0.8
Return on average tangible equity		3.1	8.4	8.6	6.8	2.6
Effective tax rate		30.5	34.8	24.5	30.8	51.5

1 The debt instruments, issued for funding purposes, are designated under the fair value option to reduce an accounting mismatch.

2 Net operating income before change in expected credit losses and other credit impairment charges/Loan impairment charges and other credit risk provisions, also referred to as revenue.

3 Dividends recorded in the financial statements are dividends per ordinary share declared and paid in the period and are not dividends in respect of, or for, that period.

4 Dividends per ordinary share expressed as a percentage of basic earnings per share.

Unless stated otherwise, all tables in the Annual Report and Accounts 2020 are presented on a reported basis.

For a summary of our financial performance in 2020, see page 27.

For further financial performance data for each global business and geographical region, see pages 85 to 88 and 92 to 102 respectively. The global business segmental results are presented on an adjusted basis in accordance with IFRS 8 'Operating Segments', in Note 10: Segmental analysis on page 311.

Income statement commentary

The following commentary compares Group financial performance for the year ended 2020 with 2019.

Net interest income

Footnotes	Year ended			Quarter ended		
	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2020	30 Sep 2020	31 Dec 2019
	\$m	\$m	\$m	\$m	\$m	\$m
Interest income	41,756	54,695	49,609	9,301	9,455	13,229
Interest expense	(14,178)	(24,233)	(19,120)	(2,682)	(3,005)	(5,575)
Net interest income	27,578	30,462	30,489	6,619	6,450	7,654
Average interest-earning assets	2,092,900	1,922,822	1,839,346	2,159,003	2,141,454	1,945,596
	%	%	%	%	%	%
Gross interest yield	2.00	2.84	2.70	1.71	1.76	2.70
Less: gross interest payable	(0.81)	(1.48)	(1.21)	(0.60)	(0.68)	(1.34)
Net interest spread	1.19	1.36	1.49	1.11	1.08	1.36
Net interest margin	1.32	1.58	1.66	1.22	1.20	1.56

- 1 Gross interest yield is the average annualised interest rate earned on average interest-earning assets ('AIEA'). Gross interest payable is the average annualised interest cost as a percentage on average interest-bearing liabilities.
- 2 Net interest spread is the difference between the average annualised interest rate earned on AIEA, net of amortised premiums and loan fees, and the average annualised interest rate payable on average interest-bearing funds.
- 3 Net interest margin is net interest income expressed as an annualised percentage of AIEA.

Summary of interest income by type of asset

	2020			2019			2018		
	Average balance \$m	Interest income \$m	Yield %	Average balance \$m	Interest income \$m	Yield %	Average balance \$m	Interest income \$m	Yield %
Short-term funds and loans and advances to banks	298,255	1,264	0.42	212,920	2,411	1.13	233,637	2,475	1.06
Loans and advances to customers	1,046,795	29,391	2.81	1,021,554	35,578	3.48	972,963	33,285	3.42
Reverse repurchase agreements – non-trading	221,901	1,819	0.82	224,942	4,690	2.08	205,427	3,739	1.82
Financial investments	463,542	8,143	1.76	417,939	10,705	2.56	386,230	9,166	2.37
Other interest-earning assets	62,407	1,139	1.83	45,467	1,311	2.88	41,089	944	2.30
Total interest-earning assets	2,092,900	41,756	2.00	1,922,822	54,695	2.84	1,839,346	49,609	2.70

Summary of interest expense by type of liability

Footnotes	2020			2019			2018		
	Average balance \$m	Interest expense \$m	Cost %	Average balance \$m	Interest expense \$m	Cost %	Average balance \$m	Interest expense \$m	Cost %
Deposits by banks	65,536	330	0.50	52,515	702	1.34	44,530	506	1.14
Customer accounts	1,254,249	6,478	0.52	1,149,483	11,238	0.98	1,138,620	8,287	0.73
Repurchase agreements – non-trading	125,376	963	0.77	160,850	4,023	2.50	161,204	3,409	2.11
Debt securities in issue – non-trading	219,610	4,944	2.25	211,229	6,522	3.09	183,434	5,675	3.09
Other interest-bearing liabilities	76,395	1,463	1.92	59,980	1,748	2.91	53,731	1,243	2.31
Total interest-bearing liabilities	1,741,166	14,178	0.81	1,634,057	24,233	1.48	1,581,519	19,120	1.21

- 1 Including interest-bearing bank deposits only.
- 2 Including interest-bearing customer accounts only.

Net interest income ('NII') for 2020 was \$27.6bn, a decrease of \$2.9bn or 9.5% compared with 2019. This reflected lower average market interest rates across the major currencies compared with 2019. This was partly offset by interest income associated with the increase in average interest-earning assets ('AIEA') of \$170.1bn or 8.8%.

Excluding the favourable impact of significant items and the adverse effects of foreign currency translation differences, net interest income decreased by \$2.7bn or 9%.

NII for the fourth quarter of 2020 was \$6.6bn, down 13.5% year-on-year, and up 2.6% compared with the previous quarter. The year-on-year decrease was driven by the impact of lower market interest rates predominantly in Asia and North America. This was partly offset by higher NII from growth in AIEA, notably short-term funds and financial investments and predominantly in Asia and Europe. The increase compared with the previous quarter was mainly driven by lower rates on customer deposits and issued debt securities, which were partly offset by lower rates on AIEA.

Net interest margin ('NIM') for 2020 of 1.32% was 26 basis points ('bps') lower compared with 2019 as the reduction in the yield on AIEA of 84bps was partly offset by the fall in funding costs of average interest-bearing liabilities of 67bps. The decrease in NIM in 2020 included the favourable impacts of significant items and the adverse effects of foreign currency translation differences. Excluding this, NIM fell by 25bps.

NIM for the fourth quarter of 2020 was 1.22%, down 34bps year-on-year, and up 2bps compared with the previous quarter. The year-on-year decrease was mainly driven by Asia and caused by the impact of lower market interest rates. The increase compared with the previous quarter was driven by a reduction in funding costs of average interest-bearing liabilities of 8bps, which was partly offset by a reduction in the yield on AIEA of 5bps.

Interest income for 2020 of \$41.8bn decreased by \$12.9bn or 24%, primarily due to the lower average interest rates compared with 2019 as the yield on AIEA fell by 84bps. This was partly offset by income from balance sheet growth, predominantly in Asia and Europe. The balance sheet growth was driven by higher balances in short-term funds and loans and advances to banks and financial

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investments, which increased by \$85.3bn and \$45.6bn, respectively. The decrease in interest income included \$0.2bn in relation to the favourable impact of significant items and \$0.8bn from the adverse effects of foreign currency translation differences. Excluding these, interest income decreased by \$12.3bn.

Interest income of \$9.3bn in the fourth quarter of 2020 was down \$3.9bn year-on-year, and down \$0.2bn compared with the previous quarter. The year-on-year decrease was predominantly driven by the impact of lower market interest rates, predominantly in Asia and in North America, although partly offset by growth in AIEA, notably short-term funds and loans and advances to banks and financial investments. The small decrease compared with the previous quarter was mainly driven by reduced rates on financial investments and loans and advances to customers.

Interest expense for 2020 of \$14.2bn decreased by \$10.1bn or 41% compared with 2019. This reflected the decrease in funding costs of 67bps, mainly arising from lower interest rates paid on interest-bearing liabilities. This was partly offset by higher interest expense from growth in interest-bearing customer accounts, which increased by \$104.8bn. The decrease in interest expense included the favourable effects of foreign currency translation differences of \$0.5bn. Excluding this, interest expense decreased by \$9.6bn.

Interest expense of \$2.7bn in the fourth quarter of 2020 was down \$2.9bn year-on-year, and down \$0.3bn compared with the previous quarter. The year-on-year decrease was predominantly driven by the impact of lower market interest rates, partly offset by growth in interest-bearing customer accounts, which increased by \$142.9bn. The small decrease compared with the previous quarter was mainly due to reduced funding costs on customer deposits and debt issuances.

Net fee income of \$11.9bn was \$0.1bn lower, reflecting reductions in WPB and CMB, partly offset by an increase in GBM. In WPB, lower fee income reflected a reduction in account services, notably in the UK, due to lower customer activity. Income from credit cards also reduced, as customer spending activity fell across most markets, mainly in Hong Kong, the UK, MENA and the US. Fee income on unit trusts fell, mainly in Hong Kong. These decreases were partly offset by higher income from broking, primarily in Hong Kong, as volatility in the equity markets resulted in increased customer activity. Fee expenses fell as a result of reduced customer activity levels, mainly in cards.

In CMB, trade-related fee income fell, reflecting the reduction in global trade activity, notably in Hong Kong and the UK. Income also fell in remittances due to lower client activity.

In GBM, net fee income was higher, mainly from growth in underwriting fees in the US and the UK. Global custody and broking fees also rose as client activity and turnover of securities increased due to market volatility. These increases were partly offset by a reduction in fee income from credit facilities, notably in the UK, Hong Kong and the US.

Net income from financial instruments held for trading or managed on a fair value basis of \$9.6bn was \$0.6bn lower and included a loss of \$0.3bn from asset disposals relating to our restructuring programme. This was partly offset by favourable fair value movements on non-qualifying hedges of \$0.1bn and favourable debit value adjustments of \$0.1bn.

The remaining reduction was primarily due to lower trading interest income, reflecting lower market rates. However, other trading income increased in GBM as elevated market volatility and wider spreads supported a strong performance in FICC.

Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss was a net income of \$2.1bn, compared with a net income of \$3.5bn in 2019. This decrease primarily reflected less favourable equity market performance, compared with 2019 in France and Hong Kong, due to the impact of the Covid-19 outbreak on the equity and unit trust assets supporting insurance and investment contracts. After large losses in the first quarter of 2020, there was a partial recovery in the remainder of the year, resulting in higher revenue in these

subsequent quarters during 2020 compared with the equivalent quarters in 2019.

This adverse movement resulted in a corresponding movement in liabilities to policyholders and the present value of in-force long-term insurance business ('PVIF') (see 'Other operating income' below). This reflected the extent to which the policyholders and shareholders respectively participate in the investment performance of the associated assets.

Change in fair value of designated debt and related derivatives of \$0.2bn was \$0.1bn favourable compared with 2019. The movements were driven by the fall in interest rates between the periods, notably in US dollars and pounds sterling.

The majority of our financial liabilities designated at fair value are fixed-rate, long-term debt issuances and are managed in conjunction with interest rate swaps as part of our interest rate management strategy. These liabilities are discussed further on page 83.

Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss of \$0.5bn was \$0.4bn lower compared with 2019. This primarily reflected adverse movements in equity markets due to the impact of the Covid-19 outbreak.

Gains less losses from financial investments of \$0.7bn increased by \$0.3bn, reflecting higher gains from the disposal of debt securities in Markets Treasury.

Net insurance premium income of \$10.1bn was \$0.5bn lower than in 2019, reflecting lower new business volumes, particularly in France and Hong Kong, partly offset by lower reinsurance arrangements in Hong Kong.

Other operating income of \$0.5bn decreased by \$2.4bn compared with 2019, primarily due to lower favourable changes in PVIF compared with 2019 (down \$1.4bn) and also the non-recurrence of a \$0.8bn dilution gain in 2019 following the merger of The Saudi British Bank ('SABB') with Alawwal bank in Saudi Arabia.

The change in PVIF included a reduction of \$0.8bn due to assumption changes and experience variances, mainly in Hong Kong and France due to the effect of interest rate changes on the valuation of liabilities under insurance contracts. In addition, the value of new business written fell by \$0.4bn, primarily in Hong Kong, as sales volumes decreased.

The reduction also reflected the non-recurrence of 2019 gains recognised in Argentina and Mexico.

Net insurance claims and benefits paid and movement in liabilities to policyholders was \$2.3bn lower, primarily due to lower returns on financial assets supporting contracts where the policyholder is subject to part or all of the investment risk. New business volumes were also lower, particularly in Hong Kong and France, partly offset by lower reinsurance arrangements in Hong Kong.

Changes in expected credit losses and other credit impairment charges ('ECL') of \$8.8bn were \$6.1bn higher compared with 2019 with increases in all global businesses.

The ECL charge in 2020 reflected a significant increase in stage 1 and stage 2 allowances, notably in the first half of the year, to reflect the deterioration in the forward economic outlook globally as a result of the Covid-19 outbreak. The economic outlook stabilised in the second half of 2020 and as a result stage 1 and stage 2 allowances were broadly unchanged at 31 December 2020, compared with 30 June 2020. Stage 3 charges also increased compared with 2019, largely against wholesale exposures, including a significant charge related to a CMB client in Singapore in the first quarter of 2020.

Excluding currency translation differences, ECL as a percentage of average gross loans and advances to customers was 0.81%, compared with 0.25% in 2019.

The estimated impact of the Covid-19 outbreak was incorporated in the ECL through additional scenario analysis, which considered differing severity and duration assumptions relating to the global pandemic. These included probability-weighted shocks to annual GDP and consequential impacts on unemployment and other economic variables, with differing economic recovery

assumptions. Given the severity of the macroeconomic projections, and the complexities of the government measures, which have never been modelled, additional judgemental adjustments have been made to our provisions.

While we expect the full year ECL charge for 2021 to be materially lower than in 2020, the outlook is highly uncertain and remains dependent on the future path of the Covid-19 outbreak, including

the successful deployment of mass vaccination programmes, and the credit quality of our loan portfolio as government support packages are gradually withdrawn.

For further details on the calculation of ECL, including the measurement uncertainties and significant judgements applied to such calculations, the impact of alternative/additional scenarios and management judgemental adjustments, see pages 127 to 135.

Operating expenses – currency translation and significant items

	2020 \$m	2019 \$m
Significant items	2,973	9,607
– costs of structural reform ¹	–	158
– customer redress programmes	(54)	1,281
– impairment of goodwill and other intangibles	1,090	7,349
– past service costs of guaranteed minimum pension benefits equalisation	17	–
– restructuring and other related costs ²	1,908	827
– settlements and provisions in connection with legal and regulatory matters	12	(61)
– currency translation on significant items	–	53
Currency translation	–	223
Year ended 31 Dec	2,973	9,830

¹ Comprises costs associated with preparations for the UK's exit from the European Union.

² Includes impairment of software intangible assets of \$189m (of the total software intangible asset impairment of \$1,347m) and impairment of tangible assets of \$197m.

Staff numbers (full-time equivalents)

	2020	2019 ¹	2018 ¹
Global businesses			
Wealth and Personal Banking	135,727	141,341	140,666
Commercial Banking	43,221	44,706	45,046
Global Banking and Markets	46,729	48,859	48,970
Corporate Centre	382	445	535
At 31 Dec	226,059	235,351	235,217

¹ A change in reportable segments was made in 2020. Comparative data have been re-presented accordingly. For further guidance, see Note 10: Segmental analysis on page 311.

Operating expenses of \$34.4bn were \$7.9bn lower than in 2019, primarily reflecting the net favourable movements in significant items of \$6.6bn, which included:

- the non-recurrence of a \$7.3bn impairment of goodwill in 2019, primarily related to lower long-term economic growth assumptions in GBM and CMB, and the planned reshaping of GBM. This compared with a \$1.1bn impairment of goodwill and other intangibles in 2020, primarily capitalised software related to the businesses within HSBC Bank plc, and to a lesser extent our businesses in the US. These impairments reflected underperformance and a deterioration in the future forecasts of these businesses, and in the case of HSBC Bank plc substantially relating to prior periods; and
- customer redress programme costs, which were a net release of \$0.1bn in 2020, compared with charges of \$1.3bn in 2019.

This was partly offset by:

- restructuring and other related costs of \$1.9bn in 2020, of which \$0.9bn related to severance, \$0.2bn related to an impairment of software intangibles and \$0.2bn related to the impairment of tangible assets in France and the US. This compared with restructuring and other related costs of \$0.8bn in 2019.

The reduction also included favourable currency translation differences of \$0.2bn.

The remaining reduction of \$1.1bn reflected a \$0.5bn decrease in performance-related pay and lower discretionary expenditure, including marketing (down \$0.3bn) and travel costs (down \$0.3bn). In addition, our cost-saving initiatives resulted in a reduction of \$1.4bn, of which \$1.0bn related to our costs to achieve programme, and the UK bank levy was \$0.2bn lower than in 2019. These decreases were partly offset by an increase in investments in technology to enhance our digital and automation capabilities to improve how we serve our customers, as well as inflation and volume-related increases. In addition, the 2020 period included impairments of certain real estate assets.

During 2020, we reduced the number of employees expressed in full-time equivalent staff ('FTE') and contractors by 11,011. This included a 9,292 reduction in FTE to 226,059 at 31 December 2020, while the number of contractors reduced by 1,719 to 5,692 at 31 December 2020.

Share of profit in associates and joint ventures of \$1.6bn was \$0.8bn or 32% lower than in 2019, primarily reflecting our share of an impairment of goodwill by SABB of \$0.5bn. This goodwill was recognised by SABB on the completion of its merger with Alawwal bank in 2019. The remaining reduction reflected a lower share of profit recognised from our associates in Asia and MENA due to the impact of the Covid-19 outbreak and the lower interest-rate environment.

At 31 December 2020, we performed an impairment review of our investment in BoCom and concluded that it was not impaired, based on our value-in-use ('VIU') calculations. However, the excess of the VIU of BoCom and its carrying value has reduced over the period, increasing the risk of impairment in the future.

For more information, see Note 18: Interests in associates and joint ventures on page 331.

Tax expense

The effective tax rate for 2020 of 30.5% was lower than the 34.8% effective tax rate for 2019. An impairment of goodwill and non-deductible customer redress charges increased the 2019 effective tax rate. These were not repeated in 2020. Additionally, the non-taxable dilution gain arising on the merger of SABB with Alawwal bank decreased the effective tax rate in 2019. Higher charges in respect of the non-recognition of deferred tax assets, particularly in the UK (\$0.4bn) and France (\$0.4bn), increased the 2020 effective tax rate.

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Consolidated balance sheet

Five-year summary consolidated balance sheet

Footnotes	2020 \$m	2019 \$m	2018 \$m	2017 \$m	2016 \$m
Assets					
Cash and balances at central banks	304,481	154,099	162,843	180,624	128,009
Trading assets	231,990	254,271	238,130	287,995	235,125
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	45,553	43,627	41,111	N/A	N/A
Financial assets designated at fair value	N/A	N/A	N/A	29,464	24,756
Derivatives	307,726	242,995	207,825	219,818	290,872
Loans and advances to banks	81,616	69,203	72,167	90,393	88,126
Loans and advances to customers	1,037,987	1,036,743	981,696	962,964	861,504
Reverse repurchase agreements – non-trading	230,628	240,862	242,804	201,553	160,974
Financial investments	490,693	443,312	407,433	389,076	436,797
Other assets	253,490	230,040	204,115	159,884	148,823
Total assets at 31 Dec	2,984,164	2,715,152	2,558,124	2,521,771	2,374,986
Liabilities and equity					
Liabilities					
Deposits by banks	82,080	59,022	56,331	69,922	59,939
Customer accounts	1,642,780	1,439,115	1,362,643	1,364,462	1,272,386
Repurchase agreements – non-trading	111,901	140,344	165,884	130,002	88,958
Trading liabilities	75,266	83,170	84,431	184,361	153,691
Financial liabilities designated at fair value	157,439	164,466	148,505	94,429	86,832
Derivatives	303,001	239,497	205,835	216,821	279,819
Debt securities in issue	95,492	104,555	85,342	64,546	65,915
Liabilities under insurance contracts	107,191	97,439	87,330	85,667	75,273
Other liabilities	204,019	194,876	167,574	113,690	109,595
Total liabilities at 31 Dec	2,779,169	2,522,484	2,363,875	2,323,900	2,192,408
Equity					
Total shareholders' equity	196,443	183,955	186,253	190,250	175,386
Non-controlling interests	8,552	8,713	7,996	7,621	7,192
Total equity at 31 Dec	204,995	192,668	194,249	197,871	182,578
Total liabilities and equity at 31 Dec	2,984,164	2,715,152	2,558,124	2,521,771	2,374,986

1 Net of impairment allowances.

A more detailed consolidated balance sheet is contained in the financial statements on page 280.

Five-year selected financial information

Footnotes	2020 \$m	2019 \$m	2018 \$m	2017 \$m	2016 \$m
Called up share capital	10,347	10,319	10,180	10,160	10,096
Capital resources	184,423	172,150	173,238	182,383	172,358
Undated subordinated loan capital	1,970	1,968	1,969	1,969	1,967
Preferred securities and dated subordinated loan capital	30,721	33,063	35,014	42,147	42,600
Risk-weighted assets	857,520	843,395	865,318	871,337	857,181
Total shareholders' equity	196,443	183,955	186,253	190,250	175,386
Less: preference shares and other equity instruments	(22,414)	(22,276)	(23,772)	(23,655)	(18,515)
Total ordinary shareholders' equity	174,029	161,679	162,481	166,595	156,871
Less: goodwill and intangible assets (net of tax)	(17,606)	(17,535)	(22,425)	(21,680)	(19,649)
Tangible ordinary shareholders' equity	156,423	144,144	140,056	144,915	137,222
Financial statistics					
Loans and advances to customers as a percentage of customer accounts	63.2%	72.0%	72.0%	70.6%	67.7%
Average total shareholders' equity to average total assets	6.46%	6.97%	7.16%	7.33%	7.37%
Net asset value per ordinary share at year-end (\$)	8.62	8.00	8.13	8.35	7.91
Tangible net asset value per ordinary share at year-end (\$)	7.75	7.13	7.01	7.26	6.92
Tangible net asset value per fully diluted share at year-end (\$)	7.72	7.11	6.98	7.22	6.88
Number of \$0.50 ordinary shares in issue (millions)	20,694	20,639	20,361	20,321	20,192
Basic number of \$0.50 ordinary shares outstanding (millions)	20,184	20,206	19,981	19,960	19,838
Basic number of \$0.50 ordinary shares outstanding and dilutive potential ordinary shares (millions)	20,272	20,280	20,059	20,065	19,933
Closing foreign exchange translation rates to \$:					
\$1: £	0.732	0.756	0.783	0.740	0.811
\$1: €	0.816	0.890	0.873	0.834	0.949

1 Capital resources are regulatory capital, the calculation of which is set out on page 173.

2 Including perpetual preferred securities, details of which can be found in Note 28: Subordinated liabilities on page 344.

3 The definition of net asset value per ordinary share is total shareholders' equity, less non-cumulative preference shares and capital securities, divided by the number of ordinary shares in issue, excluding own shares held by the company, including those purchased and held in treasury.

Balance sheet commentary compared with 31 December 2019

At 31 December 2020, our total assets were \$3.0tn, an increase of \$269bn or 10% on a reported basis and \$200bn or 7% on a constant currency basis.

The increase in total assets primarily reflected growth in cash balances, derivative assets and financial investments.

On a reported basis, our ratio of customer advances to customer accounts was 63.2%, compared with 72.0% at 31 December 2019, mainly due to growth in customer accounts.

Assets

Cash and balances at central banks increased by \$150bn or 98%, mainly in the UK, France, Hong Kong and North America, as a result of deposit inflows and an increase in the commercial surplus.

Trading assets decreased by \$22bn or 9%, notably from a reduction in debt securities held, along with a reduction in bond positions previously used for hedging purposes.

Derivative assets increased by \$65bn or 27%, primarily in the UK, France and Hong Kong, reflecting favourable revaluation movements on interest rate contracts as interest rates fell in most major markets. There was also an increase in foreign exchange contracts linked to valuation movements attributable to market conditions. The growth in derivative assets was consistent with the increase in derivative liabilities, as the underlying risk is broadly matched.

Loans and advances to customers of \$1.0tn increased by \$1bn on a reported basis. This included favourable foreign currency translation differences of \$26bn. Excluding the effects of foreign currency translation differences, loans and advances to customers decreased by \$25bn or 2%.

The commentary below is on a constant currency basis.

In GBM, customer lending was down \$28bn or 11%, while in CMB customer lending was down \$11bn or 3%. Despite significant growth in these businesses in the first quarter of 2020 from customers drawing down on credit facilities, balances subsequently reduced as customers made repayments in part due to the uncertain economic outlook.

In GBM, lower lending was mainly from decreases in term lending in Asia, Europe and the US, and also from a decrease in overdrafts in Europe.

In CMB, the decrease in customer lending reflected a reduction in other lending and overdrafts in Asia and North America. In Europe, lending remained relatively flat as lower other lending and overdrafts were almost entirely offset by a rise in term lending.

In WPB, lending increased by \$14bn or 3%, notably from mortgage growth in the UK (up \$12bn) and in Hong Kong (up \$5bn). This was partly offset by a \$6bn reduction in credit card balances and overdrafts as customer activity fell as a result of government measures to contain the outbreak of Covid-19.

Financial investments increased by \$47bn or 11%, mainly as we redeployed our commercial surplus. We increased our holdings of debt securities and treasury bills and benefited from valuation gains resulting from interest rate reductions. The increases in financial investments were notably observed in Hong Kong, as we increased our holdings of government-issued bonds and bills. These increases were partly offset by lower holdings of debt securities in Canada.

Other assets increased by \$23bn due to a \$10bn increase in cash collateral balances, mainly in France and Hong Kong as underlying derivative balances grew. Additionally, there were increases in precious metals balances, mainly in the US as we grew our depository.

Liabilities

Customer accounts of \$1.6tn increased by \$204bn or 14% on a reported basis and included the favourable effect of foreign currency translation differences of \$31bn. Excluding this, customer accounts increased by \$173bn or 12%.

The commentary below is on a constant currency basis.

Customer accounts increased in all our global businesses and regions. In CMB, balances grew by \$73bn, and in GBM, customer accounts increased by \$33bn. These increases included the impact of corporate clients consolidating their funds and depositing these into their customer accounts to maintain liquidity, notably in the UK, Hong Kong and the US.

In WPB, customer account balances increased by \$67bn, notably in the UK and Hong Kong, reflecting reduced customer spending resulting in larger balances held in current and savings accounts.

Repurchase agreements – non-trading decreased by \$28bn or 20%, primarily in the US, in line with our actions to manage our funding requirements across the Group.

Derivative liabilities increased by \$64bn or 27%, which is consistent with the increase in derivative assets, since the underlying risk is broadly matched.

Equity

Total shareholders' equity, including non-controlling interests, increased by \$12bn or 6% compared with 31 December 2019, reflecting the effects of profits generated of \$6.1bn combined with other comprehensive income ('OCI') of \$8bn. OCI included fair value gains on debt instruments of \$2bn, favourable remeasurement of defined benefit pension obligations of \$1bn and foreign exchange differences of \$5bn. These increases were partly offset by \$2bn of coupon distributions on securities classified as equity and dividends paid by non-controlling interests.

Risk-weighted assets

Risk-weighted assets ('RWAs') totalled \$857.5bn at 31 December 2020, a \$14.1bn increase since 2019. Excluding foreign currency translation differences, RWAs increased by \$1.0bn in 2020, and included the following movements:

- a \$9.7bn asset size decrease, largely driven by RWA reductions in CMB and GBM under our transformation programme. This was partly offset by lending growth and increases in counterparty credit risk RWAs due to mark-to-market movements;
- a \$24.5bn increase in RWAs due to changes in asset quality, mostly in CMB and GBM. This was largely due to credit migration in Asia, North America and Europe, partly offset by decreases due to portfolio mix changes; and
- a \$14.2bn fall in RWAs due to changes in methodology and policy, mostly in GBM and CMB. This included reductions under management initiatives involving risk parameter refinements, improved collateral linkage, and data enhancement, and changes under the CRR 'Quick Fix' relief package. These reductions were partly offset by changes in approach to credit risk exposures.

From a global business perspective, primarily in GBM and CMB, increases from credit migration, lending growth, and market risk volatility were mitigated by reductions of \$51.5bn as a result of our transformation programme.

Financial summary

Customer accounts by country/territory

	2020 \$m	2019 \$m
Europe	629,647	528,718
– UK	504,275	419,642
– France	55,111	47,699
– Germany	21,605	19,361
– Switzerland	10,102	6,558
– other	38,554	35,458
Asia	762,406	697,358
– Hong Kong	531,489	499,955
– Singapore	55,140	48,569
– mainland China	56,826	48,323
– Australia	29,286	23,191
– India	20,199	14,935
– Malaysia	15,997	14,624
– Taiwan	16,041	14,668
– Indonesia	5,198	4,732
– other	32,230	28,361
Middle East and North Africa (excluding Saudi Arabia)	41,221	38,126
– United Arab Emirates	20,974	17,949
– Turkey	3,987	3,870
– Egypt	5,659	5,186
– other	10,601	11,121
North America	182,028	146,676
– US	117,485	90,834
– Canada	56,520	48,425
– other	8,023	7,417
Latin America	27,478	28,237
– Mexico	22,220	23,051
– other	5,258	5,186
At 31 Dec	1,642,780	1,439,115

Loans and advances, deposits by currency

\$m	At 31 Dec 2020						Total
	USD	GBP	HKD	EUR	CNY	Others ¹	
Loans and advances to banks	17,959	3,495	7,155	4,601	6,063	42,343	81,616
Loans and advances to customers	173,117	280,803	222,138	89,851	37,671	234,407	1,037,987
Total loans and advances	191,076	284,298	229,293	94,452	43,734	276,750	1,119,603
Deposits by banks	30,239	7,856	2,884	25,291	4,904	10,906	82,080
Customer accounts	433,647	431,143	310,197	135,851	60,971	270,971	1,642,780
Total deposits	463,886	438,999	313,081	161,142	65,875	281,877	1,724,860

\$m	At 31 Dec 2019						Total
	USD	GBP	HKD	EUR	CNY	Others	
Loans and advances to banks	19,386	3,245	6,242	4,266	5,772	30,292	69,203
Loans and advances to customers	177,696	264,029	234,945	84,919	34,338	240,816	1,036,743
Total loans and advances	197,082	267,274	241,187	89,185	40,110	271,108	1,105,946
Deposits by banks	23,508	7,537	1,865	11,154	4,265	10,693	59,022
Customer accounts	360,462	358,764	299,049	122,988	52,216	245,636	1,439,115
Total deposits	383,970	366,301	300,914	134,142	56,481	256,329	1,498,137

¹ 'Others' includes items with no currency information available (\$8,671m for loans to banks, \$56,729m for loans to customers, \$4m for deposits by banks and \$5m for customer accounts).

Global businesses and geographical regions

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Summary

The Group Chief Executive, supported by the rest of the Group Executive Committee ('GEC') (previously the Group Management

Board), reviews operating activity on a number of bases, including by global business and geographical region. Global businesses are our reportable segments under IFRS 8 'Operating Segments' and are presented in Note 10: Segmental analysis on page 311.

Geographical information is classified by the location of the principal operations of the subsidiary or, for The Hongkong and Shanghai Banking Corporation Limited, HSBC Bank plc, HSBC UK Bank plc, HSBC Bank Middle East Limited and HSBC Bank USA, by the location of the branch responsible for reporting the results or providing funding.

The expense of the UK bank levy is included in the Europe geographical region as HSBC regards the levy as a cost of being headquartered in the UK. For the purposes of the presentation by global business, the cost of the levy is included in the Corporate Centre.

The results of geographical regions are presented on a reported basis.

Reconciliation of reported and adjusted items – global businesses

Supplementary unaudited analysis of significant items by global business is presented below.

	2020				
	Wealth and Personal Banking \$m	Commercial Banking \$m	Global Banking and Markets \$m	Corporate Centre \$m	Total \$m
<i>Footnotes</i>					
Revenue	<i>1</i>				
Reported	21,999	13,294	14,994	142	50,429
Significant items	14	18	309	(404)	(63)
– customer redress programmes	5	16	–	–	21
– disposals, acquisitions and investment in new businesses	9	–	–	1	10
– fair value movements on financial instruments	–	1	2	(267)	(264)
– restructuring and other related costs	–	1	307	(138)	170
Adjusted	22,013	13,312	15,303	(262)	50,366
ECL					
Reported	(2,855)	(4,754)	(1,209)	1	(8,817)
Adjusted	(2,855)	(4,754)	(1,209)	1	(8,817)
Operating expenses					
Reported	(15,446)	(6,900)	(10,169)	(1,917)	(34,432)
Significant items	422	211	905	1,435	2,973
– customer redress programmes	(64)	1	–	9	(54)
– impairment of goodwill and other intangibles	294	45	577	174	1,090
– past service costs of guaranteed minimum pension benefits equalisation	–	–	–	17	17
– restructuring and other related costs	192	165	326	1,225	1,908
– settlements and provisions in connection with legal and regulatory matters	–	–	2	10	12
Adjusted	(15,024)	(6,689)	(9,264)	(482)	(31,459)
Share of profit in associates and joint ventures					
Reported	6	(1)	–	1,592	1,597
Significant items	–	–	–	462	462
– impairment of goodwill	–	–	–	462	462
Adjusted	6	(1)	–	2,054	2,059
Profit/(loss) before tax					
Reported	3,704	1,639	3,616	(182)	8,777
Significant items	436	229	1,214	1,493	3,372
– revenue	14	18	309	(404)	(63)
– operating expenses	422	211	905	1,435	2,973
– share of profit in associates and joint ventures	–	–	–	462	462
Adjusted	4,140	1,868	4,830	1,311	12,149
Loans and advances to customers (net)					
Reported	469,186	343,182	224,364	1,255	1,037,987
Adjusted	469,186	343,182	224,364	1,255	1,037,987
Customer accounts					
Reported	834,759	470,428	336,983	610	1,642,780
Adjusted	834,759	470,428	336,983	610	1,642,780

1 Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.

2 Includes fair value movements on non-qualifying hedges and debt valuation adjustments on derivatives.

3 Comprises losses associated with the RWA reduction commitments and gains relating to the business update in February 2020.

4 Includes impairment of software intangible assets of \$189m (of the total software intangible asset impairment of \$1,347m) and impairment of tangible assets of \$197m.

5 During the year, The Saudi British Bank ('SABB'), an associate of HSBC, impaired the goodwill that arose following the merger with Alawwal bank in 2019. HSBC's post-tax share of the goodwill impairment was \$462m.

Global businesses

Reconciliation of reported and adjusted items (continued)

	2019 ⁴					Total \$m
	Footnotes	Wealth and Personal Banking \$m	Commercial Banking \$m	Global Banking and Markets \$m	Corporate Centre \$m	
Revenue	1					
Reported		25,552	15,256	14,894	396	56,098
Currency translation		(208)	(103)	(107)	(53)	(471)
Significant items		221	11	82	(997)	(683)
– customer redress programmes		155	7	–	1	163
– disposals, acquisitions and investment in new businesses		52	–	–	(820)	(768)
– fair value movements on financial instruments	2	7	4	84	(179)	(84)
– currency translation on significant items		7	–	(2)	1	6
Adjusted		25,565	15,164	14,869	(654)	54,944
ECL						
Reported		(1,437)	(1,192)	(162)	35	(2,756)
Currency translation		89	30	9	1	129
Adjusted		(1,348)	(1,162)	(153)	36	(2,627)
Operating expenses						
Reported		(17,351)	(9,905)	(13,790)	(1,303)	(42,349)
Currency translation		135	18	21	49	223
Significant items		1,828	3,055	4,225	499	9,607
– costs of structural reform	3	–	4	42	112	158
– customer redress programmes		1,264	17	–	–	1,281
– goodwill impairment		431	2,956	3,962	–	7,349
– restructuring and other related costs		180	51	217	379	827
– settlements and provisions in connection with legal and regulatory matters		(69)	–	2	6	(61)
– currency translation on significant items		22	27	2	2	53
Adjusted		(15,388)	(6,832)	(9,544)	(755)	(32,519)
Share of profit in associates and joint ventures						
Reported		55	–	–	2,299	2,354
Currency translation		(1)	–	–	(2)	(3)
Adjusted		54	–	–	2,297	2,351
Profit before tax						
Reported		6,819	4,159	942	1,427	13,347
Currency translation		15	(55)	(77)	(5)	(122)
Significant items		2,049	3,066	4,307	(498)	8,924
– revenue		221	11	82	(997)	(683)
– operating expenses		1,828	3,055	4,225	499	9,607
Adjusted		8,883	7,170	5,172	924	22,149
Loans and advances to customers (net)						
Reported		443,025	346,105	246,492	1,121	1,036,743
Currency translation		12,593	7,676	5,639	45	25,953
Adjusted		455,618	353,781	252,131	1,166	1,062,696
Customer accounts						
Reported		753,769	388,723	295,880	743	1,439,115
Currency translation		14,382	8,459	8,214	37	31,092
Adjusted		768,151	397,182	304,094	780	1,470,207

1 Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.

2 Includes fair value movements on non-qualifying hedges and debt valuation adjustments on derivatives.

3 Comprises costs associated with preparations for the UK's exit from the European Union.

4 A change in reportable segments was made in 2020. Comparative data have been re-presented accordingly. For further guidance, see Note 10: Segmental analysis on page 311.

Reconciliation of reported and adjusted items (continued)

	2018 ⁴					Total \$m
	Footnotes	Wealth and Personal Banking \$m	Commercial Banking \$m	Global Banking and Markets \$m	Corporate Centre \$m	
Revenue	<i>1</i>					
Reported		24,232	14,889	15,754	(1,095)	53,780
Currency translation		(699)	(475)	(590)	(90)	(1,854)
Significant items		18	(40)	(108)	302	172
– customer redress programmes		–	(53)	–	–	(53)
– disposals, acquisitions and investment in new businesses		2	–	–	111	113
– fair value movements on financial instruments	<i>2</i>	16	9	(112)	187	100
– currency translation on significant items		–	4	4	4	12
Adjusted		23,551	14,374	15,056	(883)	52,098
ECL						
Reported		(1,163)	(737)	26	107	(1,767)
Currency translation		91	54	8	(6)	147
Adjusted		(1,072)	(683)	34	101	(1,620)
Operating expenses						
Reported		(15,522)	(6,563)	(9,512)	(3,062)	(34,659)
Currency translation		625	255	304	96	1,280
Significant items		283	1	(108)	1,480	1,656
– costs of structural reform	<i>3</i>	2	8	41	310	361
– customer redress programmes		172	(5)	(21)	–	146
– disposals, acquisitions and investment in new businesses		52	–	–	–	52
– past service costs of guaranteed minimum pension benefits equalisation		–	–	–	228	228
– restructuring and other related costs		7	–	–	59	66
– settlements and provisions in connection with legal and regulatory matters		58	–	(132)	890	816
– currency translation on significant items		(8)	(2)	4	(7)	(13)
Adjusted		(14,614)	(6,307)	(9,316)	(1,486)	(31,723)
Share of profit in associates and joint ventures						
Reported		33	–	–	2,503	2,536
Currency translation		(1)	–	–	(91)	(92)
Adjusted		32	–	–	2,412	2,444
Profit/(loss) before tax						
Reported		7,580	7,589	6,268	(1,547)	19,890
Currency translation		16	(166)	(278)	(91)	(519)
Significant items		301	(39)	(216)	1,782	1,828
– revenue		18	(40)	(108)	302	172
– operating expenses		283	1	(108)	1,480	1,656
Adjusted		7,897	7,384	5,774	144	21,199
Loans and advances to customers (net)						
Reported		401,268	333,400	245,525	1,503	981,696
Currency translation		17,963	11,455	7,794	96	37,308
Adjusted		419,231	344,855	253,319	1,599	1,019,004
Customer accounts						
Reported		707,773	359,957	294,130	783	1,362,643
Currency translation		22,129	12,594	12,308	48	47,079
Adjusted		729,902	372,551	306,438	831	1,409,722

1 Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.

2 Includes fair value movements on non-qualifying hedges and debt valuation adjustments on derivatives.

3 Comprises costs associated with preparations for the UK's exit from the European Union, costs to establish the UK ring-fenced bank (including the UK ServCo group) and costs associated with establishing an intermediate holding company in Hong Kong.

4 A change in reportable segments was made in 2020. Comparative data have been re-presented accordingly. For further guidance, see Note 10: Segmental analysis on page 311.

Reconciliation of reported and adjusted risk-weighted assets

		At 31 Dec 2020				
		Wealth and Personal Banking	Commercial Banking	Global Banking and Markets	Corporate Centre	Total
		\$bn	\$bn	\$bn	\$bn	\$bn
Risk-weighted assets						
Reported		172.8	327.7	265.1	91.9	857.5
Adjusted	1	172.8	327.7	265.1	91.9	857.5

		At 31 Dec 2019				
Risk-weighted assets						
Reported		162.6	325.9	273.4	81.5	843.4
Currency translation		2.0	6.6	3.4	0.5	12.5
Adjusted	1	164.6	332.5	276.8	82.0	855.9

		At 31 Dec 2018				
Risk-weighted assets						
Reported		161.8	331.8	297.9	73.8	865.3
Currency translation		2.2	10.3	4.4	0.6	17.5
Disposals		–	–	–	(0.8)	(0.8)
– operations in Brazil		–	–	–	(0.8)	(0.8)
Adjusted	1	164.0	342.1	302.3	73.6	882.0

1 Adjusted risk-weighted assets are calculated using reported risk-weighted assets adjusted for the effects of currency translation differences and significant items.

Supplementary tables for WPB and GBM

WPB adjusted performance by business unit

A breakdown of WPB by business unit is presented below to reflect the basis of how the revenue performance of the business units is assessed and managed.

WPB – summary (adjusted basis)

		Consists of ¹				
		Total WPB	Banking operations	Insurance manufacturing	Global Private Banking	Asset management
		\$m	\$m	\$m	\$m	\$m
2020						
Net operating income before change in expected credit losses and other credit impairment charges	2	22,013	17,346	1,874	1,745	1,048
– net interest income		15,090	12,181	2,241	670	(2)
– net fee income/(expense)		5,408	4,094	(518)	828	1,004
– other income		1,515	1,071	151	247	46
ECL		(2,855)	(2,707)	(80)	(67)	(1)
Net operating income		19,158	14,639	1,794	1,678	1,047
Total operating expenses		(15,024)	(12,422)	(479)	(1,390)	(733)
Operating profit		4,134	2,217	1,315	288	314
Share of profit in associates and joint ventures		6	5	1	–	–
Profit before tax		4,140	2,222	1,316	288	314
2019						
Net operating income before change in expected credit losses and other credit impairment charges	2	25,565	20,024	2,639	1,878	1,024
– net interest income		17,423	14,371	2,167	891	(6)
– net fee income/(expense)		5,621	4,582	(717)	784	972
– other income		2,521	1,071	1,189	203	58
ECL		(1,348)	(1,247)	(80)	(21)	–
Net operating income		24,217	18,777	2,559	1,857	1,024
Total operating expenses		(15,388)	(12,722)	(471)	(1,447)	(748)
Operating profit		8,829	6,055	2,088	410	276
Share of profit in associates and joint ventures		54	11	43	–	–
Profit before tax		8,883	6,066	2,131	410	276

WPB – summary (adjusted basis) (continued)

	Footnotes	Consists of ¹				
		Total WPB \$m	Banking operations \$m	Insurance manufacturing \$m	Global Private Banking \$m	Asset management \$m
2018						
Net operating income before change in expected credit losses and other credit impairment charges	2	23,551	18,860	1,868	1,783	1,040
– net interest income		16,418	13,477	2,060	884	(3)
– net fee income/(expense)		5,774	4,594	(593)	743	1,030
– other income		1,359	789	401	156	13
ECL		(1,072)	(1,079)	(1)	8	–
Net operating income		22,479	17,781	1,867	1,791	1,040
Total operating expenses		(14,614)	(12,023)	(437)	(1,449)	(705)
Operating profit		7,865	5,758	1,430	342	335
Share of profit in associates and joint ventures		32	1	31	–	–
Profit before tax		7,897	5,759	1,461	342	335

1 The results presented for insurance manufacturing operations are shown before elimination of inter-company transactions with HSBC non-insurance operations. These eliminations are presented within Banking operations.

2 Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue. WPB insurance manufacturing adjusted revenue of \$1,874m (2019: \$2,639m, 2018: \$1,868m) was disclosed within the management view of adjusted revenue on page 31, as follows: Wealth Management \$1,816m (2019: \$2,464m, 2018: \$1,621m) and Other \$58m (2019: \$175m, 2018: \$247m).

WPB insurance manufacturing adjusted results

The following table shows the results of our insurance manufacturing operations by income statement line item. It shows

the results of insurance manufacturing operations for WPB and for all global business segments in aggregate, and separately the insurance distribution income earned by HSBC bank channels.

Adjusted results of insurance manufacturing operations and insurance distribution income earned by HSBC bank channels^{1, 2}

	Footnotes	2020		2019		2018	
		WPB \$m	All global businesses \$m	WPB \$m	All global businesses \$m	WPB \$m	All global businesses \$m
Net interest income		2,241	2,408	2,167	2,308	2,060	2,217
Net fee income/(expense)		(518)	(556)	(717)	(742)	(593)	(567)
– fee income		110	131	108	130	186	277
– fee expense		(628)	(687)	(825)	(872)	(779)	(844)
Net income from/(expenses) financial instruments held for trading or managed on a fair value basis		76	95	(82)	(82)	84	27
Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss		2,182	2,137	3,582	3,565	(1,600)	(1,627)
Gains less losses from financial investments		13	13	5	5	54	56
Net insurance premium income		9,717	10,212	10,398	10,763	10,280	10,824
Other operating income		336	351	1,789	1,805	796	783
Of which: P/VIF		370	382	1,718	1,763	678	685
Total operating income		14,047	14,660	17,142	17,622	11,081	11,713
Net insurance claims and benefits paid and movement in liabilities to policyholders		(12,173)	(12,683)	(14,503)	(14,902)	(9,213)	(9,693)
Net operating income before change in expected credit losses and other credit impairment charges	3	1,874	1,977	2,639	2,720	1,868	2,020
Change in expected credit losses and other credit impairment charges		(80)	(92)	(80)	(86)	(1)	(1)
Net operating income		1,794	1,885	2,559	2,634	1,867	2,019
Total operating expenses		(479)	(509)	(471)	(497)	(437)	(462)
Operating profit		1,315	1,376	2,088	2,137	1,430	1,557
Share of profit in associates and joint ventures		1	1	43	43	31	31
Profit before tax of insurance manufacturing operations	4	1,316	1,377	2,131	2,180	1,461	1,588
Annualised new business premiums of insurance manufacturing operations		2,257	2,307	3,324	3,403	3,179	3,255
Insurance distribution income earned by HSBC bank channels		737	801	945	1,041	949	1,040

1 Adjusted results are derived by adjusting for year-on-year effects of foreign currency translation differences, and the effect of significant items that distort year-on-year comparisons. There are no significant items included within insurance manufacturing, and the impact of foreign currency translation on all global businesses' profit before tax is 2019: \$45m favourable (reported: \$2,135m), 2018: \$15m favourable (reported: \$1,573m).

2 The results presented for insurance manufacturing operations are shown before elimination of inter-company transactions with HSBC non-insurance operations.

3 Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.

4 The effect on the insurance manufacturing operations of applying hyperinflation accounting in Argentina resulted in an increase in adjusted revenue in 2020 of \$9m (2019: reduction of \$1m, 2018: reduction of \$8m) and an increase in profit before tax in 2020 of \$12m (2019: increase of \$1m, 2018: reduction of \$3m). These effects are recorded within 'All global businesses'.

Global businesses

Insurance manufacturing

The following commentary, unless otherwise specified, relates to the 'All global businesses' results.

HSBC recognises the present value of long-term in-force insurance contracts and investment contracts with discretionary participation features ('PVIF') as an asset on the balance sheet. The overall balance sheet equity, including PVIF, is therefore a measure of the embedded value in the insurance manufacturing entities, and the movement in this embedded value in the period drives the overall income statement result.

Adjusted profit before tax of \$1.4bn decreased by \$0.8bn or 37% compared with 2019.

Net operating income before change in expected credit losses and other credit impairment changes was \$0.7bn or 27% lower than in 2019. This reflected the following:

- 'Net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss' of \$2.1bn in 2020 compared with \$3.6bn in 2019. This decrease primarily reflected less favourable equity market performance, compared with 2019 in France and Hong Kong, due to the impact of the Covid-19 outbreak on the equity and unit trust assets supporting insurance and investment contracts. While there was strong investment performance within the portfolio in light of volatile markets during the year, the overall fair value gains were lower compared with 2019.

This adverse movement resulted in a corresponding movement in liabilities to policyholders and PVIF (see 'Other operating income' below). This reflected the extent to which policyholders and shareholders respectively participate in the investment performance of the associated assets.

- Net insurance premium income of \$10.2bn was \$0.6bn lower than in 2019, primarily reflecting lower new business volumes due to the Covid-19 outbreak, particularly in France and Hong Kong, partly offset by lower reinsurance premiums ceded in Hong Kong.
- Other operating income of \$0.4bn decreased by \$1.5bn compared with 2019, mainly from adverse movements in PVIF. This included a reduction of \$0.8bn due to assumption changes and experience variances, mainly in Hong Kong and France due to the effect of interest rate changes. In addition, the value of

new business written fell by \$0.4bn, primarily in Hong Kong, as sales volumes decreased.

- Net insurance claims and benefits paid and movement in liabilities to policyholders was \$2.2bn lower, primarily due to lower returns on financial assets supporting contracts where the policyholder is subject to part or all of the investment risk. New business volumes were lower, particularly in Hong Kong and France, partly offset by lower reinsurance arrangements in Hong Kong.
- Change in expected credit losses and other credit impairment charges ('ECL') of \$92m was \$6m higher compared with 2019, mainly from charges relating to the global impact of the Covid-19 outbreak on the forward economic outlook, partly offset by the ECL release on Argentina sovereign exposure due to the debt restructure in 2020.

Adjusted operating expenses of \$0.5bn increased by 2% compared with 2019, reflecting investments in core insurance functions and capabilities during the period.

Annualised new business premiums ('ANP') is used to assess new insurance premium generation by the business. It is calculated as 100% of annualised first year regular premiums and 10% of single premiums, before reinsurance ceded. Lower ANP during the period reflected a reduction in new business volumes, mainly in Hong Kong and France.

Insurance distribution income from HSBC channels included \$470m (2019: \$658m; 2018: \$644m) on HSBC manufactured products, for which a corresponding fee expense is recognised within insurance manufacturing, and \$331m (2019: \$382m; 2018: \$397m) on products manufactured by third-party providers. The WPB component of this distribution income was \$423m (2019: \$583m; 2018: \$575m) from HSBC manufactured products and \$314m (2019: \$362m; 2018: \$374m) from third-party products.

WPB: Client assets and funds under management

The following table shows the client assets and funds under management, including self-directed client investments and execution-only trades, across our WPB global business. Funds under management represents assets managed, either actively or passively, on behalf of our customers.

WPB – reported client assets and funds under management¹

	2020 \$bn	2019 \$bn
Global Private Banking client assets	394	361
– managed by Global Asset Management	66	61
– external managers, direct securities and other	328	300
Retail wealth balances	407	380
– managed by Global Asset Management	219	199
– external managers, direct securities and other	188	181
Asset Management third-party distribution	317	247
Closing balance	1,118	988

¹ Client assets and funds distributed and under management are not reported on the Group's balance sheet, except where it is deemed that we are acting as principal rather than agent in our role as investment manager. Customer deposits included in client assets are on balance sheet.

WPB wealth balances

The following table shows the consolidated areas of focus across all WPB wealth balances.

WPB wealth balances

	2020 \$bn	2019 \$bn
Client assets and funds under management	1,118	988
Premier and Jade deposits ¹	470	433
Total	1,588	1,421

¹ Premier and Jade deposits, which include Prestige deposits in Hang Seng Bank, form part of the total WPB customer accounts balance of \$835bn on page 85 (31 December 2019: \$754bn).

Asset Management: Funds under management

The following table shows the funds under management of our Asset Management business. Funds under management represents assets managed, either actively or passively, on behalf

of our customers. Funds under management are not reported on the Group's balance sheet, except where it is deemed that we are acting as principal rather than agent in our role as investment manager.

Asset Management – reported funds under management

	2020 \$bn	2019 \$bn	2018 \$bn
Opening balance	506	444	462
Net new money	53	30	8
Value change	17	30	(14)
Exchange and other	26	2	(12)
Closing balance	602	506	444

Asset Management – reported funds under management by geography

	2020 \$bn	2019 \$bn	2018 \$bn
Europe	346	287	235
Asia	176	161	164
MENA	6	6	2
North America	65	44	36
Latin America	9	8	7
Closing balance	602	506	444

At 31 December 2020, Asset Management funds under management amounted to \$602bn, an increase of \$96bn or 19%. The increase reflected strong net new money, primarily from money market funds and passive investment products. In addition, the growth reflected positive market performance and favourable foreign exchange translation.

Global Private Banking: client assets

The following table shows the client assets of our Global Private Banking business which are translated at the rates of exchange applicable for their respective year-ends, with the effects of currency translation reported separately.

Global Private Banking – reported client assets¹

	2020 \$bn	2019 \$bn	2018 \$bn
At 1 Jan	361	309	330
Net new money	6	23	10
Value change	6	23	(17)
Disposals	–	–	–
Exchange and other	21	6	(14)
At 31 Dec	394	361	309

Global Private Banking – reported client assets by geography¹

	2020 \$bn	2019 \$bn	2018 \$bn
Europe	174	171	149
Asia	176	151	124
North America	44	39	36
At 31 Dec	394	361	309

¹ Client assets are not reported on the Group's balance sheet, except where it is deemed that we are acting as principal rather than agent in our role as investment manager. Customer deposits included in these client assets are on balance sheet.

GBM: Securities Services and Issuer Services

Assets held in custody

Custody is the safekeeping and servicing of securities and other financial assets on behalf of clients. Assets held in custody are not reported on the Group's balance sheet, except where it is deemed that we are acting as principal rather than agent in our role as investment manager. At 31 December 2020, we held \$10.0tn of assets as custodian, 17% higher than at 31 December 2019. This increase was driven by favourable market movements and the effect of currency translation differences globally. In addition, there were increases from new client asset inflows, notably in Asia.

Assets under administration

Our assets under administration business, which includes the provision of bond and loan administration services, transfer agency services and the valuation of portfolios of securities and other financial assets on behalf of clients, complements the custody business. At 31 December 2020, the value of assets held under administration by the Group amounted to \$4.5tn, which was 13% higher than at 31 December 2019. This increase was mainly driven by the favourable effect of currency translation differences in Europe and favourable market movements globally. It also included increases from the onboarding of new client assets, notably in Europe.

Geographical regions

Analysis of reported results by geographical regions

HSBC reported profit/(loss) before tax and balance sheet data

	2020						
	Europe \$m	Asia \$m	MENA \$m	North America \$m	Latin America \$m	Intra-HSBC \$m	Total \$m
Net interest income	5,695	14,318	1,465	2,836	1,960	1,304	27,578
Net fee income	3,499	5,418	695	1,795	467	–	11,874
Net income from financial instruments held for trading or managed on a fair value basis	3,266	4,273	402	997	593	51	9,582
Net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit and loss	327	1,699	–	–	55	–	2,081
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	1,747	17	3	2	40	(1,354)	455
Other income/(expense)	3,885	1,197	63	745	(95)	(6,936)	(1,141)
Net operating income before change in expected credit losses and other credit impairment charges	18,419	26,922	2,628	6,375	3,020	(6,935)	50,429
Change in expected credit losses and other credit impairment charges	(3,751)	(2,284)	(758)	(900)	(1,124)	–	(8,817)
Net operating income	14,668	24,638	1,870	5,475	1,896	(6,935)	41,612
Total operating expenses excluding impairment of goodwill and other intangible assets	(17,860)	(13,584)	(1,521)	(5,081)	(1,933)	6,935	(33,044)
Impairment of goodwill and other intangible assets	(1,014)	(78)	(65)	(226)	(5)	–	(1,388)
Operating profit/(loss)	(4,206)	10,976	284	168	(42)	–	7,180
Share of profit/(loss) in associates and joint ventures	1	1,856	(265)	–	5	–	1,597
Profit/(loss) before tax	(4,205)	12,832	19	168	(37)	–	8,777
	%	%	%	%	%		%
Share of HSBC's profit before tax	(47.9)	146.2	0.2	1.9	(0.4)		100.0
Cost efficiency ratio	102.5	50.7	60.4	83.2	64.2		68.3
Balance sheet data	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Loans and advances to customers (net)	408,495	473,165	28,700	107,969	19,658	–	1,037,987
Total assets	1,416,111	1,206,404	68,860	373,167	49,703	(130,081)	2,984,164
Customer accounts	629,647	762,406	41,221	182,028	27,478	–	1,642,780
Risk-weighted assets	284,322	384,228	60,181	117,755	35,240	–	857,520
	2019						
Net interest income	5,601	16,607	1,781	3,241	2,061	1,171	30,462
Net fee income	3,668	5,325	685	1,804	540	1	12,023
Net income from financial instruments held for trading or managed on a fair value basis	3,785	4,735	327	873	883	(372)	10,231
Net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit and loss	1,656	1,803	–	–	14	5	3,478
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	1,516	28	1	31	41	(805)	812
Other income/(expense)	1,830	1,921	916	638	(23)	(6,190)	(908)
Net operating income before change in expected credit losses and other credit impairment charges	18,056	30,419	3,710	6,587	3,516	(6,190)	56,098
Change in expected credit losses and other credit impairment charges	(938)	(724)	(117)	(237)	(740)	–	(2,756)
Net operating income	17,118	29,695	3,593	6,350	2,776	(6,190)	53,342
Total operating expenses excluding impairment of goodwill and other intangible assets	(19,209)	(13,284)	(1,452)	(5,150)	(2,050)	6,190	(34,955)
Impairment of goodwill and other intangible assets	(2,550)	(13)	(97)	(433)	(339)	(3,962)	(7,394)
Operating profit/(loss)	(4,641)	16,398	2,044	767	387	(3,962)	10,993
Share of profit/(loss) in associates and joint ventures	(12)	2,070	283	–	13	–	2,354
Profit/(loss) before tax	(4,653)	18,468	2,327	767	400	(3,962)	13,347
	%	%	%	%	%		%
Share of HSBC's profit before tax	(34.9)	138.4	17.4	5.7	3.0	(29.6)	100.0
Cost efficiency ratio	120.5	43.7	41.8	84.8	67.9		75.5
Balance sheet data	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Loans and advances to customers (net)	393,850	477,727	28,556	113,474	23,136	–	1,036,743
Total assets	1,248,205	1,102,805	65,369	377,095	52,879	(131,201)	2,715,152
Customer accounts	528,718	697,358	38,126	146,676	28,237	–	1,439,115
Risk-weighted assets	280,983	366,375	57,492	121,953	38,460	–	843,395

HSBC reported profit/(loss) before tax and balance sheet data (continued)

	2018						
	Europe	Asia	MENA	North America	Latin America	Intra-HSBC items	Total
Footnotes	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Net interest income	6,841	16,108	1,763	3,521	2,020	236	30,489
Net fee income	3,996	5,676	607	1,854	498	(11)	12,620
Net income from financial instruments held for trading or managed on a fair value basis	3,942	4,134	285	728	736	(294)	9,531
Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit and loss	(789)	(717)	—	—	18	—	(1,488)
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	601	(26)	(1)	36	27	58	695
Other income/(expense)	¹ 3,113	3,609	33	586	(237)	(5,171)	1,933
Net operating income before loan impairment (charges)/recoveries and other credit risk provisions	² 17,704	28,784	2,687	6,725	3,062	(5,182)	53,780
Change in expected credit losses and other credit impairment (charges)/recoveries	(609)	(602)	(209)	223	(570)	—	(1,767)
Net operating income	17,095	28,182	2,478	6,948	2,492	(5,182)	52,013
Total operating expenses excluding impairment of goodwill and other intangible assets	(17,912)	(12,449)	(1,357)	(6,151)	(1,935)	5,182	(34,622)
Impairment of goodwill and other intangible assets	(22)	(17)	—	2	—	—	(37)
Operating profit/(loss)	(839)	15,716	1,121	799	557	—	17,354
Share of profit in associates and joint ventures	24	2,074	436	—	2	—	2,536
Profit/(loss) before tax	(815)	17,790	1,557	799	559	—	19,890
	%	%	%	%	%		%
Share of HSBC's profit before tax	(4.1)	89.5	7.8	4.0	2.8		100.0
Cost efficiency ratio	101.3	43.3	50.5	91.4	63.2		64.4
Balance sheet data	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Loans and advances to customers (net)	373,073	450,545	28,824	108,146	21,108	—	981,696
Total assets	1,150,235	1,047,636	57,455	390,410	51,923	(139,535)	2,558,124
Customer accounts	503,154	664,824	35,408	133,291	25,966	—	1,362,643
Risk-weighted assets	³ 298,056	363,894	56,689	131,582	38,341	—	865,318

¹ 'Other income/(expense)' in this context comprises where applicable net income/expense from other financial instruments designated at fair value, gains less losses from financial investments, dividend income, net insurance premium income and other operating income less net insurance claims and benefits paid and movement in liabilities to policyholders.

² Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.

³ Risk-weighted assets are non-additive across geographical regions due to market risk diversification effects within the Group.

Geographical regions

Reconciliation of reported and adjusted items – geographical regions

Reconciliation of reported and adjusted items

	Footnotes	2020					
		Europe	Asia	MENA	North America	Latin America	Total
		\$m	\$m	\$m	\$m	\$m	\$m
Revenue							
Reported	1	18,419	26,922	2,628	6,375	3,020	50,429
Significant items		(242)	(37)	–	43	(3)	(63)
– customer redress programmes		21	–	–	–	–	21
– disposals, acquisitions and investment in new businesses		–	–	–	10	–	10
– fair value movements on financial instruments	3	(254)	(5)	–	(2)	(3)	(264)
– restructuring and other related costs	2,4	(9)	(32)	–	35	–	170
Adjusted	2	18,177	26,885	2,628	6,418	3,017	50,366
ECL							
Reported		(3,751)	(2,284)	(758)	(900)	(1,124)	(8,817)
Adjusted		(3,751)	(2,284)	(758)	(900)	(1,124)	(8,817)
Operating expenses							
Reported	2	(18,874)	(13,662)	(1,586)	(5,307)	(1,938)	(34,432)
Significant items		2,203	171	83	601	91	2,973
– customer redress programmes		(54)	–	–	–	–	(54)
– impairment of goodwill and other intangibles		803	–	64	223	–	1,090
– past service costs of guaranteed minimum pension benefits equalisation		17	–	–	–	–	17
– restructuring and other related costs	2,5	1,425	171	19	378	91	1,908
– settlements and provisions in connection with legal and regulatory matters		12	–	–	–	–	12
Adjusted	2	(16,671)	(13,491)	(1,503)	(4,706)	(1,847)	(31,459)
Share of profit/(loss) in associates and joint ventures							
Reported		1	1,856	(265)	–	5	1,597
Significant items		–	–	462	–	–	462
– impairment of goodwill	6	–	–	462	–	–	462
Adjusted		1	1,856	197	–	5	2,059
Profit/(loss) before tax							
Reported		(4,205)	12,832	19	168	(37)	8,777
Significant items		1,961	134	545	644	88	3,372
– revenue	2	(242)	(37)	–	43	(3)	(63)
– operating expenses	2	2,203	171	83	601	91	2,973
– share of profit in associates and joint ventures		–	–	462	–	–	462
Adjusted		(2,244)	12,966	564	812	51	12,149
Loans and advances to customers (net)							
Reported		408,495	473,165	28,700	107,969	19,658	1,037,987
Adjusted		408,495	473,165	28,700	107,969	19,658	1,037,987
Customer accounts							
Reported		629,647	762,406	41,221	182,028	27,478	1,642,780
Adjusted		629,647	762,406	41,221	182,028	27,478	1,642,780

1 Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.

2 Amounts are non-additive across geographical regions due to inter-company transactions within the Group.

3 Includes fair value movements on non-qualifying hedges and debt valuation adjustments on derivatives.

4 Comprises losses associated with the RWA reduction commitments and gains relating to the business update in February 2020.

5 Includes impairment of software intangible assets of \$189m (of the total software intangible asset impairment of \$1,347m) and impairment of tangible assets of \$197m.

6 During the year, The Saudi British Bank ('SABB'), an associate of HSBC, impaired the goodwill that arose following the merger with Alawwal bank in 2019. HSBC's post-tax share of the goodwill impairment was \$462m.

Reconciliation of reported and adjusted items (continued)

	Footnotes	2020				
		UK \$m	Hong Kong \$m	Mainland China \$m	US \$m	Mexico \$m
Revenue						
Reported	1	13,886	16,345	3,088	4,590	2,234
Significant items		(187)	15	(5)	41	(13)
– customer redress programmes		21	–	–	–	–
– disposals, acquisitions and investment in new businesses		–	–	–	10	–
– fair value movements on financial instruments	2	(256)	–	(1)	(2)	(1)
– restructuring and other related costs	3	48	15	(4)	33	(12)
Adjusted		13,699	16,360	3,083	4,631	2,221
ECL						
Reported		(3,256)	(824)	(114)	(622)	(1,050)
Adjusted		(3,256)	(824)	(114)	(622)	(1,050)
Operating expenses						
Reported		(14,855)	(7,312)	(2,211)	(4,194)	(1,376)
Significant items		1,318	100	19	556	42
– customer redress programmes		(54)	–	–	–	–
– impairment of goodwill and other intangibles		650	–	–	223	–
– past service costs of guaranteed minimum pension benefits equalisation		17	–	–	–	–
– restructuring and other related costs		693	100	19	333	42
– settlements and provisions in connection with legal and regulatory matters		12	–	–	–	–
Adjusted		(13,537)	(7,212)	(2,192)	(3,638)	(1,334)
Share of profit/(loss) in associates and joint ventures						
Reported		1	(2)	1,849	–	5
Significant items		–	–	–	–	–
– impairment of goodwill		–	–	–	–	–
Adjusted		1	(2)	1,849	–	5
Profit/(loss) before tax						
Reported		(4,224)	8,207	2,612	(226)	(187)
Significant items		1,131	115	14	597	29
– revenue		(187)	15	(5)	41	(13)
– operating expenses		1,318	100	19	556	42
– share of profit in associates and joint ventures		–	–	–	–	–
Adjusted		(3,093)	8,322	2,626	371	(158)
Loans and advances to customers (net)						
Reported		314,530	302,454	46,113	58,082	17,296
Adjusted		314,530	302,454	46,113	58,082	17,296
Customer accounts						
Reported		504,275	531,489	56,826	117,485	22,220
Adjusted		504,275	531,489	56,826	117,485	22,220

1 Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.

2 Includes fair value movements on non-qualifying hedges and debt valuation adjustments on derivatives.

3 Comprises losses associated with the RWA reduction commitments and gains relating to the business update in February 2020.

Geographical regions

Reconciliation of reported and adjusted items (continued)

	Footnotes	2019					Total \$m
		Europe \$m	Asia \$m	MENA \$m	North America \$m	Latin America \$m	
Revenue	1						
Reported	2	18,056	30,419	3,710	6,587	3,516	56,098
Currency translation	2	125	34	(26)	(17)	(613)	(471)
Significant items		30	35	(826)	68	10	(683)
– customer redress programmes		163	–	–	–	–	163
– disposals, acquisitions and investment in new businesses		–	–	(828)	59	1	(768)
– fair value movements on financial instruments	3	(137)	35	–	9	9	(84)
– currency translation on significant items		4	–	2	–	–	6
Adjusted	2	18,211	30,488	2,858	6,638	2,913	54,944
ECL							
Reported		(938)	(724)	(117)	(237)	(740)	(2,756)
Currency translation		(2)	–	2	–	129	129
Adjusted		(940)	(724)	(115)	(237)	(611)	(2,627)
Operating expenses							
Reported	2,5	(21,759)	(13,297)	(1,549)	(5,583)	(2,389)	(42,349)
Currency translation	2	(166)	25	28	11	351	223
Significant items	5	4,495	126	112	543	369	9,607
– costs of structural reform	4	154	4	–	–	–	158
– customer redress programmes		1,281	–	–	–	–	1,281
– goodwill impairment	5	2,522	–	97	431	337	7,349
– restructuring and other related costs		538	123	15	113	38	827
– settlements and provisions in connection with legal and regulatory matters		(60)	(1)	–	–	–	(61)
– currency translation on significant items		60	–	–	(1)	(6)	53
Adjusted	5	(17,430)	(13,146)	(1,409)	(5,029)	(1,669)	(32,519)
Share of profit/(loss) in associates and joint ventures							
Reported		(12)	2,070	283	–	13	2,354
Currency translation		–	(1)	–	–	(2)	(3)
Adjusted		(12)	2,069	283	–	11	2,351
Profit/(loss) before tax							
Reported	5	(4,653)	18,468	2,327	767	400	13,347
Currency translation	5	(43)	58	4	(6)	(135)	(122)
Significant items		4,525	161	(714)	611	379	8,924
– revenue		30	35	(826)	68	10	(683)
– operating expenses		4,495	126	112	543	369	9,607
Adjusted	5	(171)	18,687	1,617	1,372	644	22,149
Loans and advances to customers (net)							
Reported		393,850	477,727	28,556	113,474	23,136	1,036,743
Currency translation		18,021	9,114	(537)	964	(1,609)	25,953
Adjusted		411,871	486,841	28,019	114,438	21,527	1,062,696
Customer accounts							
Reported		528,718	697,358	38,126	146,676	28,237	1,439,115
Currency translation		22,977	10,172	(731)	979	(2,305)	31,092
Adjusted		551,695	707,530	37,395	147,655	25,932	1,470,207

1 Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.

2 Amounts are non-additive across geographical regions due to inter-company transactions within the Group.

3 Includes fair value movements on non-qualifying hedges and debt valuation adjustments on derivatives.

4 Comprises costs associated with preparations for the UK's exit from the European Union.

5 Amounts are non-additive across geographical regions due to goodwill impairment recognised on the Global Banking and Markets cash-generating unit, which is monitored on a global basis.

Reconciliation of reported and adjusted items (continued)

	2019				
	UK \$m	Hong Kong \$m	Mainland China \$m	US \$m	Mexico \$m
Revenue					
Reported	13,538	19,412	3,101	4,638	2,555
Currency translation	65	192	—	—	(256)
Significant items	29	26	1	66	7
– customer redress programmes	162	—	—	—	—
– disposals, acquisitions and investment in new businesses	—	—	—	59	—
– fair value movements on financial instruments	(139)	26	1	7	8
– currency translation on significant items	6	—	—	—	(1)
Adjusted	13,632	19,630	3,102	4,704	2,306
ECL					
Reported	(714)	(459)	(129)	(170)	(491)
Currency translation	(2)	(4)	—	—	49
Adjusted	(716)	(463)	(129)	(170)	(442)
Operating expenses					
Reported	(16,157)	(6,935)	(2,111)	(4,033)	(1,390)
Currency translation	(63)	(66)	(5)	—	141
Significant items	1,805	65	6	93	18
– costs of structural reform	101	4	—	—	—
– customer redress programmes	1,281	—	—	—	—
– restructuring and other related costs	405	61	6	93	20
– settlements and provisions in connection with legal and regulatory matters	8	(1)	—	—	—
– currency translation on significant items	10	1	—	—	(2)
Adjusted	(14,415)	(6,936)	(2,110)	(3,940)	(1,231)
Share of profit/(loss) in associates and joint ventures					
Reported	(12)	31	2,016	—	13
Currency translation	—	1	1	—	(2)
Adjusted	(12)	32	2,017	—	11
Profit/(loss) before tax					
Reported	(3,345)	12,049	2,877	435	687
Currency translation	—	123	(4)	—	(68)
Significant items	1,834	91	7	159	25
– revenue	29	26	1	66	7
– operating expenses	1,805	65	6	93	18
Adjusted	(1,511)	12,263	2,880	594	644
Loans and advances to customers (net)					
Reported	303,041	306,964	42,380	63,588	20,426
Currency translation	9,925	1,403	2,802	—	(1,033)
Adjusted	312,966	308,367	45,182	63,588	19,393
Customer accounts					
Reported	419,642	499,955	48,323	90,834	23,051
Currency translation	13,744	2,286	3,194	—	(1,166)
Adjusted	433,386	502,241	51,517	90,834	21,885

1 Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.

2 Includes fair value movements on non-qualifying hedges and debt valuation adjustments on derivatives.

3 Comprises costs associated with preparations for the UK's exit from the European Union.

Geographical regions

Reconciliation of reported and adjusted items (continued)

	Footnotes	2018					Total \$m
		Europe \$m	Asia \$m	MENA \$m	North America \$m	Latin America \$m	
Revenue	1						
Reported	2	17,704	28,784	2,687	6,725	3,062	53,780
Currency translation	2	(760)	(263)	(37)	(57)	(803)	(1,854)
Significant items		105	(35)	(1)	97	6	172
– customer redress programmes		(53)	–	–	–	–	(53)
– disposals, acquisitions and investment in new businesses		(5)	–	–	103	15	113
– fair value movements on financial investments	3	156	(38)	(1)	(8)	(9)	100
– currency translation on significant items		7	3	–	2	–	12
Adjusted	2	17,049	28,486	2,649	6,765	2,265	52,098
ECL							
Reported		(609)	(602)	(209)	223	(570)	(1,767)
Currency translation		5	6	17	(2)	121	147
Adjusted		(604)	(596)	(192)	221	(449)	(1,620)
Operating expenses							
Reported	2	(17,934)	(12,466)	(1,357)	(6,149)	(1,935)	(34,659)
Currency translation	2	530	185	47	33	551	1,280
Significant items		664	16	–	976	–	1,656
– costs of structural reform	4	352	9	–	–	–	361
– customer redress programmes		146	–	–	–	–	146
– disposals, acquisitions and investment in new businesses		52	–	–	–	–	52
– past service costs of guaranteed minimum pension benefits equalisation		228	–	–	–	–	228
– restructuring and other related costs		46	7	–	13	–	66
– settlements and provisions in connection with legal and regulatory matters		(147)	–	–	963	–	816
– currency translation on significant items		(13)	–	–	–	–	(13)
Adjusted	2	(16,740)	(12,265)	(1,310)	(5,140)	(1,384)	(31,723)
Share of profit in associates and joint ventures							
Reported		24	2,074	436	–	2	2,536
Currency translation		(1)	(90)	–	–	(1)	(92)
Adjusted		23	1,984	436	–	1	2,444
Profit/(loss) before tax							
Reported		(815)	17,790	1,557	799	559	19,890
Currency translation		(226)	(162)	27	(26)	(132)	(519)
Significant items		769	(19)	(1)	1,073	6	1,828
– revenue		105	(35)	(1)	97	6	172
– operating expenses		664	16	–	976	–	1,656
Adjusted		(272)	17,609	1,583	1,846	433	21,199
Loans and advances to customers (net)							
Reported		373,073	450,545	28,824	108,146	21,108	981,696
Currency translation		26,141	10,289	(521)	2,957	(1,558)	37,308
Adjusted		399,214	460,834	28,303	111,103	19,550	1,019,004
Customer accounts							
Reported		503,154	664,824	35,408	133,291	25,966	1,362,643
Currency translation		34,940	12,491	(632)	3,094	(2,814)	47,079
Adjusted		538,094	677,315	34,776	136,385	23,152	1,409,722

1 Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.

2 Amounts are non-additive across geographical regions due to inter-company transactions within the Group.

3 Includes fair value movements on non-qualifying hedges and debt valuation adjustments on derivatives.

4 Comprises costs associated with preparations for the UK's exit from the European Union, costs to establish the UK ring-fenced bank (including the UK ServCo group) and costs associated with establishing an intermediate holding company in Hong Kong.

Reconciliation of reported and adjusted items (continued)

	Footnotes	2018				
		UK \$m	Hong Kong \$m	Mainland China \$m	US \$m	Mexico \$m
Revenue						
Reported	1	13,597	18,231	2,888	4,741	2,294
Currency translation		(616)	191	(120)	—	(232)
Significant items		115	5	(1)	97	(7)
– customer redress programmes		(53)	—	—	—	—
– disposals, acquisitions and investment in new businesses		—	—	—	103	—
– fair value movements on financial instruments	2	162	5	(1)	(6)	(7)
– currency translation on significant items		6	—	—	—	—
Adjusted		13,096	18,427	2,767	4,838	2,055
ECL						
Reported		(516)	(214)	(143)	199	(463)
Currency translation		4	(3)	1	—	45
Adjusted		(512)	(217)	(142)	199	(418)
Operating expenses						
Reported		(14,502)	(6,539)	(1,920)	(4,987)	(1,303)
Currency translation		425	(69)	76	—	131
Significant items		519	16	—	919	—
– costs of structural reform	3	294	9	—	—	—
– customer redress programmes		146	—	—	—	—
– past service costs of guaranteed minimum pension benefits equalisation		228	—	—	—	—
– restructuring and other related costs		(39)	7	—	11	—
– settlements and provisions in connection with legal and regulatory matters		(176)	—	—	908	—
– currency translation on significant items		(12)	—	—	—	—
Adjusted		(13,558)	(6,592)	(1,844)	(4,068)	(1,172)
Share of profit in associates and joint ventures						
Reported		25	36	2,033	—	—
Currency translation		(1)	—	(90)	—	—
Adjusted		24	36	1,943	—	—
Profit/(loss) before tax						
Reported		(1,396)	11,514	2,858	(47)	528
Currency translation		(188)	119	(133)	—	(56)
Significant items		634	21	(1)	1,016	(7)
– revenue		115	5	(1)	97	(7)
– operating expenses		519	16	—	919	—
Adjusted		(950)	11,654	2,724	969	465
Loans and advances to customers (net)						
Reported		287,144	290,547	38,979	64,011	17,895
Currency translation		19,928	2,945	2,068	—	(180)
Adjusted		307,072	293,492	41,047	64,011	17,715
Customer accounts						
Reported		399,487	484,897	45,712	82,523	19,936
Currency translation		27,720	4,915	2,426	—	(195)
Adjusted		427,207	489,812	48,138	82,523	19,741

1 Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.

2 Includes fair value movements on non-qualifying hedges and debt valuation adjustments on derivatives.

3 Comprises costs associated with preparations for the UK's exit from the European Union, costs to establish the UK ring-fenced bank (including the UK ServCo group) and costs associated with establishing an intermediate holding company in Hong Kong.

Geographical regions

Analysis by country

Profit/(loss) before tax by country/territory within global businesses

<i>Footnotes</i>	Wealth and Personal Banking \$m	Commercial Banking \$m	Global Banking and Markets \$m	Corporate Centre \$m	Total \$m
Europe	(680)	(529)	(1,809)	(1,187)	(4,205)
– UK ¹	(357)	(543)	(1,769)	(1,555)	(4,224)
– of which: HSBC UK Bank plc (RFB)	113	167	90	(124)	246
– of which: HSBC Bank plc (NRFB)	109	36	(1,030)	(454)	(1,339)
– of which: Holdings and other	(579)	(746)	(829)	(977)	(3,131)
– France	(340)	(168)	(347)	(310)	(1,165)
– Germany	17	16	197	(15)	215
– Switzerland	(2)	(4)	–	(10)	(16)
– other	2	170	110	703	985
Asia	5,031	1,944	4,002	1,855	12,832
– Hong Kong	4,927	1,787	1,674	(181)	8,207
– Australia	108	76	138	(7)	315
– India	16	187	593	228	1,024
– Indonesia	(6)	(14)	147	(13)	114
– mainland China	(34)	295	506	1,845	2,612
– Malaysia	8	33	141	(55)	127
– Singapore	45	(644)	239	(12)	(372)
– Taiwan	9	18	104	(2)	129
– other	(42)	206	460	52	676
Middle East and North Africa	(15)	(120)	478	(324)	19
– Egypt	68	46	185	(1)	298
– UAE	(21)	(210)	102	(39)	(168)
– Saudi Arabia	21	–	26	(264)	(217)
– other	(83)	44	165	(20)	106
North America	(449)	366	712	(461)	168
– US	(547)	139	573	(391)	(226)
– Canada	52	225	100	(67)	310
– other	46	2	39	(3)	84
Latin America	(183)	(22)	233	(65)	(37)
– Mexico	(115)	(106)	59	(25)	(187)
– other	(68)	84	174	(40)	150
Year ended 31 Dec 2020	3,704	1,639	3,616	(182)	8,777

¹ UK includes results from the ultimate holding company, HSBC Holdings plc, and the separately incorporated group of service companies ('ServCo Group').

Profit/(loss) before tax by country/territory within global businesses (continued)

	Footnotes	Wealth and Personal Banking ³ \$m	Commercial Banking ³ \$m	Global Banking and Markets ³ \$m	Corporate Centre ³ \$m	Total \$m
Europe		(841)	(1,324)	(997)	(1,491)	(4,653)
– UK	1	(1,053)	904	(1,217)	(1,979)	(3,345)
– of which: HSBC UK Bank plc (RFB)		(331)	1,555	70	13	1,307
– of which: HSBC Bank plc (NRFB)		245	278	(186)	(467)	(130)
– of which: Holdings and other		(967)	(929)	(1,101)	(1,525)	(4,522)
– France		55	120	(65)	(74)	36
– Germany		18	46	95	2	161
– Switzerland		93	7	(3)	(6)	91
– other	2	46	(2,401)	193	566	(1,596)
Asia		7,715	4,519	4,083	2,151	18,468
– Hong Kong		7,220	3,242	1,729	(142)	12,049
– Australia		130	127	199	(12)	444
– India		67	201	533	205	1,006
– Indonesia		20	55	127	14	216
– mainland China		(73)	317	512	2,121	2,877
– Malaysia		102	73	189	(22)	342
– Singapore		154	105	250	(31)	478
– Taiwan		43	25	97	(4)	161
– other		52	374	447	22	895
Middle East and North Africa		254	212	761	1,100	2,327
– Egypt		73	81	245	11	410
– UAE		139	94	246	(54)	425
– Saudi Arabia		(3)	–	13	1,145	1,155
– other	2	45	37	257	(2)	337
North America		(573)	855	729	(244)	767
– US		(277)	386	547	(221)	435
– Canada		70	427	143	(22)	618
– other	2	(366)	42	39	(1)	(286)
Latin America		264	(103)	328	(89)	400
– Mexico		311	176	229	(29)	687
– other	2	(47)	(279)	99	(60)	(287)
GBM goodwill impairment	2	–	–	(3,962)	–	(3,962)
Year ended 31 Dec 2019		6,819	4,159	942	1,427	13,347

1 UK includes results from the ultimate holding company, HSBC Holdings plc, and the separately incorporated group of service companies ('ServCo Group').

2 Includes the impact of goodwill impairment. As per Group accounting policy, HSBC's cash-generating units are based on geographical regions subdivided by global business, except for Global Banking and Markets, for which goodwill is monitored on a global basis.

3 A change in reportable segments was made in 2020. Comparative data have been re-presented accordingly. For further guidance, see Note 10: Segmental analysis on page 311.

Geographical regions

Profit/(loss) before tax by country/territory within global businesses (continued)

	Footnotes	Wealth and Personal Banking ²	Commercial Banking ²	Global Banking and Markets ²	Corporate Centre ²	Total
		\$m	\$m	\$m	\$m	\$m
Europe		134	1,798	147	(2,894)	(815)
– UK	¹	256	1,393	(175)	(2,870)	(1,396)
– of which: HSBC UK Bank plc (RFB)		602	967	4	(191)	1,382
– of which: HSBC Bank plc (NRFB)		618	1,408	839	(787)	2,078
– of which: Holdings and other		(964)	(982)	(1,018)	(1,892)	(4,856)
– France		(42)	163	7	(91)	37
– Germany		26	92	116	(33)	201
– Switzerland		(76)	5	(2)	(4)	(77)
– other		(30)	145	201	104	420
Asia		7,025	4,475	4,097	2,193	17,790
– Hong Kong		6,673	3,291	1,768	(218)	11,514
– Australia		120	137	212	(6)	463
– India		36	157	433	199	825
– Indonesia		7	21	97	(21)	104
– mainland China		(195)	282	592	2,179	2,858
– Malaysia		145	89	137	3	374
– Singapore		125	127	266	(27)	491
– Taiwan		60	29	138	(2)	225
– other		54	342	454	86	936
Middle East and North Africa		251	142	769	395	1,557
– Egypt		51	63	215	4	333
– UAE		142	65	307	(41)	473
– Saudi Arabia		–	–	–	436	436
– other		58	14	247	(4)	315
North America		37	1,036	901	(1,175)	799
– US		(106)	498	734	(1,173)	(47)
– Canada		99	489	187	(10)	765
– other		44	49	(20)	8	81
Latin America		133	138	354	(66)	559
– Mexico		214	119	204	(9)	528
– other		(81)	19	150	(57)	31
Year ended 31 Dec 2018		7,580	7,589	6,268	(1,547)	19,890

¹ UK includes results from the ultimate holding company, HSBC Holdings plc, and the separately incorporated group of service companies ('ServCo Group').

² A change in reportable segments was made in 2020. Comparative data have been re-presented accordingly. For further guidance, see Note 10: Segmental analysis on page 311.

Reconciliation of alternative performance measures

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Use of alternative performance measures

Our reported results are prepared in accordance with IFRSs as detailed in our financial statements starting on page 278.

As described on page 77, we use a combination of reported and alternative performance measures, including those derived from our reported results that eliminate factors that distort year-on-year comparisons. These are considered alternative performance measures (non-GAAP financial measures).

The following information details the adjustments made to the reported results and the calculation of other alternative performance measures. All alternative performance measures are reconciled to the closest reported performance measure.

Return on average ordinary shareholders' equity and return on average tangible equity

Return on average ordinary shareholders' equity ('RoE') is computed by taking profit attributable to the ordinary shareholders of the parent company ('reported results'), divided by average ordinary shareholders' equity ('reported equity') for the period. The adjustment to reported results and reported equity excludes amounts attributable to non-controlling interests and holders of preference shares and other equity instruments.

Return on average tangible equity ('RoTE') is computed by adjusting reported results for the movements in the present value of in-force long-term insurance business ('PVIF') and for impairment of goodwill and other intangible assets (net of tax), divided by average reported equity adjusted for goodwill, intangibles and PVIF for the period.

Return on average tangible equity excluding significant items and UK bank levy is annualised profit attributable to ordinary shareholders, excluding changes in PVIF, significant items and bank levy (net of tax), divided by average tangible shareholders' equity excluding fair value of own debt, debt valuation adjustment ('DVA') and other adjustments for the period.

We provide RoTE ratios in addition to RoE as a way of assessing our performance, which is closely aligned to our capital position.

Return on average ordinary shareholders' equity and return on average tangible equity

	2020 \$m	2019 \$m	2018 \$m
Profit			
Profit attributable to the ordinary shareholders of the parent company	3,898	5,969	12,608
Impairment of goodwill and other intangible assets (net of tax)	1,036	7,349	—
Increase/(decrease) in PVIF (net of tax)	(253)	(1,248)	(506)
Profit attributable to the ordinary shareholders, excluding goodwill impairment and PVIF	4,681	12,070	12,102
Significant items (net of tax) and UK bank levy	2,402	2,251	2,590
Profit attributable to the ordinary shareholders, excluding goodwill impairment, PVIF, significant items and UK bank levy	7,083	14,321	14,692
Equity			
Average total shareholders' equity	189,719	189,035	186,979
Effect of average preference shares and other equity instruments	(22,326)	(23,614)	(23,496)
Average ordinary shareholders' equity	167,393	165,421	163,483
Effect of goodwill, PVIF and other intangibles (net of deferred tax)	(17,292)	(22,574)	(22,102)
Average tangible equity	150,101	142,847	141,381
Fair value of own debt, DVA and other adjustments	422	1,032	2,439
Average tangible equity excluding fair value of own debt, DVA and other adjustments	150,523	143,879	143,820
	%	%	%
Ratio			
Return on average ordinary shareholders' equity	2.3	3.6	7.7
Return on average tangible equity	3.1	8.4	8.6
Return on average tangible equity excluding significant items and UK bank levy	4.7	10.0	10.2

Reconciliation of alternative performance measures

The following table details the adjustments made to reported results by global business:

Return on average tangible equity by global business

	Year ended 31 Dec 2020				
	Wealth and Personal Banking \$m	Commercial Banking \$m	Global Banking and Markets \$m	Corporate Centre \$m	Total \$m
Profit before tax	3,704	1,639	3,616	(182)	8,777
Tax expense	(509)	(661)	(977)	(531)	(2,678)
Profit after tax	3,195	978	2,639	(713)	6,099
Less attributable to: preference shareholders, other equity holders, non-controlling interests	(736)	(673)	(784)	(8)	(2,201)
Profit attributable to ordinary shareholders of the parent company	2,459	305	1,855	(721)	3,898
Increase in PVIF (net of tax)	(242)	(10)	—	(1)	(253)
Significant items (net of tax) and UK bank levy	190	208	958	2,041	3,397
Markets Treasury allocation and other adjustments	20	(14)	(25)	60	41
Profit attributable to ordinary shareholders, excluding PVIF, significant items and UK bank levy	2,427	489	2,788	1,379	7,083
Average tangible shareholders' equity excluding fair value of own debt, DVA and other adjustments	26,551	37,826	41,566	44,580	150,523
Return on average tangible equity excluding significant items and UK bank levy (%)	9.1	1.3	6.7	3.1	4.7

	Year ended 31 Dec 2019				
Profit before tax	6,819	4,159	942	1,427	13,347
Tax expense	(720)	(1,502)	(460)	(1,957)	(4,639)
Profit after tax	6,099	2,657	482	(530)	8,708
Less attributable to: preference shareholders, other equity holders, non-controlling interests	(1,279)	(846)	(784)	170	(2,739)
Profit attributable to ordinary shareholders of the parent company	4,820	1,811	(302)	(360)	5,969
Increase in PVIF (net of tax)	(1,207)	(40)	—	(1)	(1,248)
Significant items (net of tax) and UK bank levy	1,641	3,036	4,218	702	9,597
Markets Treasury allocation and other adjustments	1	—	—	2	3
Profit attributable to ordinary shareholders, excluding PVIF, significant items and bank levy	5,255	4,807	3,916	343	14,321
Average tangible shareholders' equity excluding fair value of own debt, DVA and other adjustments	26,627	36,856	39,999	40,397	143,879
Return on average tangible equity excluding significant items and UK bank levy (%)	19.7	13.0	9.8	0.8	10.0

Net asset value and tangible net asset value per ordinary share

Net asset value per ordinary share is total shareholders' equity less non-cumulative preference shares and capital securities ('total ordinary shareholders' equity'), divided by the number of ordinary shares in issue excluding shares that the company has purchased and are held in treasury.

Tangible net asset value per ordinary share is total ordinary shareholders' equity excluding goodwill, PVIF and other intangible assets (net of deferred tax) ('tangible ordinary shareholders' equity'), divided by the number of basic ordinary shares in issue excluding shares that the company has purchased and are held in treasury.

Net asset value and tangible net asset value per ordinary share

	2020 \$m	2019 \$m	2018 \$m
Total shareholders' equity	196,443	183,955	186,253
Preference shares and other equity instruments	(22,414)	(22,276)	(23,772)
Total ordinary shareholders' equity	174,029	161,679	162,481
Goodwill, PVIF and intangible assets (net of deferred tax)	(17,606)	(17,535)	(22,425)
Tangible ordinary shareholders' equity	156,423	144,144	140,056
Basic number of \$0.50 ordinary shares outstanding	20,184	20,206	19,981
	\$	\$	\$
Value per share			
Net asset value per ordinary share	8.62	8.00	8.13
Tangible net asset value per ordinary share	7.75	7.13	7.01

Post-tax return and average total shareholders' equity on average total assets

Post-tax return on average total assets is profit after tax divided by average total assets for the period.

Average total shareholders' equity to average total assets is average total shareholders' equity divided by average total assets for the period.

Post-tax return and average total shareholders' equity on average total assets

	2020 \$m	2019 \$m	2018 \$m
Profit after tax	6,099	8,708	15,025
Average total shareholders' equity	189,719	189,035	186,979
Average total assets	2,936,939	2,712,376	2,611,976
Ratio	%	%	%
Post-tax return on average total assets	0.2	0.3	0.6
Average total shareholders' equity to average total assets	6.46	6.97	7.16

Expected credit losses and other credit impairment charges as % of average gross loans and advances to customers

Expected credit losses and other credit impairment charges ('ECL') as % of average gross loans and advances to customers is the annualised adjusted ECL divided by adjusted average gross loans and advances to customers for the period.

The adjusted numbers are derived by adjusting reported ECL and loans and advances to customers for the effects of foreign currency translation differences.

Expected credit losses and other credit impairment charges as % of average gross loans and advances to customers (%)

	2020 \$m	2019 \$m	2018 \$m
Expected credit losses and other credit impairment charges ('ECL')	(8,817)	(2,756)	(1,767)
Currency translation		129	147
Adjusted ECL	(8,817)	(2,627)	(1,620)
Average gross loans and advances to customers	1,047,114	1,021,238	982,409
Currency translation	36,702	38,167	14,911
Average gross loans and advances to customers - at most recent balance sheet foreign exchange rates	1,083,816	1,059,405	997,320
Ratio	%	%	%
Expected credit losses and other credit impairment charges as % of average gross loans and advances to customers	0.81	0.25	0.16