

# Financial review

The financial review gives detailed reporting of our financial performance at Group level as well as across our different global businesses and geographical regions.

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## Expanding opportunities beyond the branches

Mainland China has Asia's largest pool of wealth and is set to become the world's biggest life insurance market by 2030. Pinnacle is therefore critical to our ambition to be one of Asia's leading wealth managers. Colleagues run specialist seminars for our customers, using digital tablets to facilitate visiting them in their homes and offices, and are further supported by an award-winning HSBC River bespoke financial planning mobile app. We have nearly 700 digitally enabled wealth planners across five mainland cities, and are looking to accelerate the trajectory of our hiring towards a target of 3,000 planners, supported by the recent regulatory approval to take full ownership of our life insurance manufacturing joint venture.

## Financial summary

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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 308.

To measure our performance, we supplement our IFRSs figures with non-IFRSs measures, which 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 117. All alternative performance measures are reconciled to the closest reported performance measure.

The global business segmental results are presented on an adjusted basis in accordance with IFRS 8 'Operating Segments' as detailed in Note 10 'Segmental analysis' on page 341.

#### 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 98 to 101 and pages 108 to 113 detail the effects of significant items on each of our global business segments, geographical regions and selected countries/territories in 2021, 2020 and 2019.

#### Foreign currency translation differences

Foreign currency translation differences reflect the movements of the US dollar against most major currencies during 2021.

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 2021 are computed by retranslating into US dollars for non-US dollar branches, subsidiaries, joint ventures and associates:

- the income statements for 2020 and 2019 at the average rates of exchange for 2021; and
- the balance sheets at 31 December 2020 and 31 December 2019 at the prevailing rates of exchange on 31 December 2021.

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.

### Future accounting developments

#### IFRS 17 'Insurance Contracts'

IFRS 17 'Insurance Contracts' was issued in May 2017, with amendments to the standard issued in June 2020. It has been adopted for use in the EU but not yet for use in the UK. The standard sets out the requirements that an entity should apply in accounting for insurance contracts it issues and reinsurance contracts it holds. Following the amendments, IFRS 17 is effective from 1 January 2023. The Group is in the process of implementing IFRS 17. Industry practice and interpretation of the standard are still developing. Therefore, the likely impact of its implementation remains uncertain. We expect to provide an update on the likely impacts on our insurance business at or around our 2022 interim results announcement. For the purpose of planning the Group's financial resources, our initial assumption (based on analysis of the expected 2022 position) is that the accounting changes may result in a reduction in the reported profit of our insurance business by approximately two thirds on the transition to IFRS 17, albeit with a range of expected outcomes. A similar impact is expected on the equity of the insurance business, primarily reflecting the elimination of the present value of in-force business ('PVIF') asset and creation of the contractual service margin (the latter impacting tangible equity). The return on average ordinary shareholders' equity ('RoE') of the insurance business is not expected to be significantly impacted. At 31 December 2021, the equity associated with our insurance manufacturing operations was \$17.0bn, including PVIF assets of \$9.5bn and an associated deferred tax liability of \$1.6bn. These assumptions may change significantly in the period prior to adoption of the standard.

### 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 323.
- Deferred tax assets: The most significant judgements relate to judgements made in respect of expected future profitability. See Note 1.2(l) on page 327.
- 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 321.
- 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 319.
- 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 319.
  - 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 328.

- 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 327.

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

|  | 2021<br>\$m   | 2020<br>\$m   | 2019<br>\$m   | 2018<br>\$m   | 2017<br>\$m   |
|--|---------------|---------------|---------------|---------------|---------------|
| Net interest income  | 26,489        | 27,578        | 30,462        | 30,489        | 28,176        |
| Net fee income   | 13,097        | 11,874        | 12,023        | 12,620        | 12,811        |
| Net income from financial instruments held for trading or managed on a fair value basis  | 7,744         | 9,582         | 10,231        | 9,531         | 8,426         |
| Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss                       | 4,053         | 2,081         | 3,478         | (1,488)       | 2,836         |
| Change in fair value of designated debt and related derivatives <sup>1</sup>   | (182)         | 231           | 90            | (97)          | 155           |
| Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss   | 798           | 455           | 812           | 695           | N/A           |
| Gains less losses from financial investments   | 569           | 653           | 335           | 218           | 1,150         |
| Net insurance premium income   | 10,870        | 10,093        | 10,636        | 10,659        | 9,779         |
| Other operating income/(expense)   | 502           | 527           | 2,957         | 960           | 443           |
| <b>Total operating income</b>  | <b>63,940</b> | <b>63,074</b> | <b>71,024</b> | <b>63,587</b> | <b>63,776</b> |
| Net insurance claims and benefits paid and movement in liabilities to policyholders  | (14,388)      | (12,645)      | (14,926)      | (9,807)       | (12,331)      |
| <b>Net operating income before change in expected credit losses and other credit impairment charges/Loan impairment charges and other credit risk provisions<sup>2</sup></b> | <b>49,552</b> | <b>50,429</b> | <b>56,098</b> | <b>53,780</b> | <b>51,445</b> |
| Change in expected credit losses and other credit impairment charges   | 928           | (8,817)       | (2,756)       | (1,767)       | N/A           |
| Loan impairment charges and other credit risk provisions   | N/A           | N/A           | N/A           | N/A           | (1,769)       |
| <b>Net operating income</b>  | <b>50,480</b> | <b>41,612</b> | <b>53,342</b> | <b>52,013</b> | <b>49,676</b> |
| Total operating expenses excluding impairment of goodwill and other intangible assets  | (33,887)      | (33,044)      | (34,955)      | (34,622)      | (34,849)      |
| Impairment of goodwill and other intangible assets   | (733)         | (1,388)       | (7,394)       | (37)          | (35)          |
| <b>Operating profit</b>  | <b>15,860</b> | <b>7,180</b>  | <b>10,993</b> | <b>17,354</b> | <b>14,792</b> |
| Share of profit in associates and joint ventures   | 3,046         | 1,597         | 2,354         | 2,536         | 2,375         |
| <b>Profit before tax</b>   | <b>18,906</b> | <b>8,777</b>  | <b>13,347</b> | <b>19,890</b> | <b>17,167</b> |
| Tax expense  | (4,213)       | (2,678)       | (4,639)       | (4,865)       | (5,288)       |
| <b>Profit for the year</b>   | <b>14,693</b> | <b>6,099</b>  | <b>8,708</b>  | <b>15,025</b> | <b>11,879</b> |
| Attributable to:   |               |               |               |               |               |
| – ordinary shareholders of the parent company  | 12,607        | 3,898         | 5,969         | 12,608        | 9,683         |
| – preference shareholders of the parent company  | 7             | 90            | 90            | 90            | 90            |
| – other equity holders   | 1,303         | 1,241         | 1,324         | 1,029         | 1,025         |
| – non-controlling interests  | 776           | 870           | 1,325         | 1,298         | 1,081         |
| <b>Profit for the year</b>   | <b>14,693</b> | <b>6,099</b>  | <b>8,708</b>  | <b>15,025</b> | <b>11,879</b> |

### Five-year financial information

|  | 2021<br>\$ | 2020<br>\$ | 2019<br>\$ | 2018<br>\$ | 2017<br>\$ |
|--|------------|------------|------------|------------|------------|
| Basic earnings per share                                       | 0.62       | 0.19       | 0.30       | 0.63       | 0.48       |
| Diluted earnings per share                                     | 0.62       | 0.19       | 0.30       | 0.63       | 0.48       |
| Dividends per ordinary share (paid in the period) <sup>3</sup> | 0.22       | —          | 0.51       | 0.51       | 0.51       |
| Dividend payout ratio <sup>4</sup>                             | 40.3       | 78.9       | 100.0      | 81.0       | 106.3      |
| Post-tax return on average total assets                        | 0.5        | 0.2        | 0.3        | 0.6        | 0.5        |
| Return on average ordinary shareholders' equity                | 7.1        | 2.3        | 3.6        | 7.7        | 5.9        |
| Return on average tangible equity                              | 8.3        | 3.1        | 8.4        | 8.6        | 6.8        |
| Effective tax rate   | 22.3       | 30.5       | 34.8       | 24.5       | 30.8       |

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

<sup>2</sup> 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.

<sup>3</sup> Includes an interim dividend of \$0.07 per ordinary share in respect of the financial year ending 31 December 2021, paid in September 2021, and an interim dividend of \$0.15 per ordinary share in respect of the financial year ending 31 December 2020, paid in April 2021.

<sup>4</sup> Dividend per ordinary share, in respect of the period, expressed as a percentage of basic earnings per share.

Unless stated otherwise, all tables in the Annual Report and Accounts 2021 are presented on a reported basis.

For a summary of our financial performance in 2021, see page 27.

For further financial performance data for each global business and geographical region, see pages 98 to 101 and 106 to 116 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 341.



## Financial summary

### Income statement commentary

The following commentary compares Group financial performance for the year ended 2021 with 2020.

#### Net interest income

|   | Year ended            |                       |                       | Quarter ended         |                       |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 31 Dec<br>2021<br>\$m | 31 Dec<br>2020<br>\$m | 31 Dec<br>2019<br>\$m | 31 Dec<br>2021<br>\$m | 30 Sep<br>2021<br>\$m | 31 Dec<br>2020<br>\$m |
| Interest income                           | 36,188                | 41,756                | 54,695                | 9,219                 | 9,010                 | 9,301                 |
| Interest expense                          | (9,699)               | (14,178)              | (24,233)              | (2,438)               | (2,400)               | (2,682)               |
| <b>Net interest income</b>                | <b>26,489</b>         | <b>27,578</b>         | <b>30,462</b>         | <b>6,781</b>          | <b>6,610</b>          | <b>6,619</b>          |
| Average interest-earning assets           | 2,209,513             | 2,092,900             | 1,922,822             | 2,251,433             | 2,207,960             | 2,159,003             |
|   | %                     | %                     | %                     | %                     | %                     | %                     |
| Gross interest yield <sup>1</sup>         | 1.64                  | 2.00                  | 2.84                  | 1.62                  | 1.62                  | 1.71                  |
| Less: gross interest payable <sup>1</sup> | (0.53)                | (0.81)                | (1.48)                | (0.52)                | (0.53)                | (0.60)                |
| Net interest spread <sup>2</sup>          | 1.11                  | 1.19                  | 1.36                  | 1.10                  | 1.09                  | 1.11                  |
| Net interest margin <sup>3</sup>          | 1.20                  | 1.32                  | 1.58                  | 1.19                  | 1.19                  | 1.22                  |

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

|  | 2021                   |                        |             | 2020                   |                        |             | 2019                   |                        |             |
|--|------------------------|------------------------|-------------|------------------------|------------------------|-------------|------------------------|------------------------|-------------|
|  | Average balance<br>\$m | Interest income<br>\$m | Yield<br>%  | Average balance<br>\$m | Interest income<br>\$m | Yield<br>%  | Average balance<br>\$m | Interest income<br>\$m | Yield<br>%  |
| Short-term funds and loans and advances to banks | 450,678                | 1,105                  | 0.25        | 298,255                | 1,264                  | 0.42        | 212,920                | 2,411                  | 1.13        |
| Loans and advances to customers                  | 1,060,658              | 26,071                 | 2.46        | 1,046,795              | 29,391                 | 2.81        | 1,021,554              | 35,578                 | 3.48        |
| Reverse repurchase agreements – non-trading      | 206,246                | 1,019                  | 0.49        | 221,901                | 1,819                  | 0.82        | 224,942                | 4,690                  | 2.08        |
| Financial investments                            | 438,840                | 6,729                  | 1.53        | 463,542                | 8,143                  | 1.76        | 417,939                | 10,705                 | 2.56        |
| Other interest-earning assets                    | 53,091                 | 1,264                  | 2.38        | 62,407                 | 1,139                  | 1.83        | 45,467                 | 1,311                  | 2.88        |
| <b>Total interest-earning assets</b>             | <b>2,209,513</b>       | <b>36,188</b>          | <b>1.64</b> | <b>2,092,900</b>       | <b>41,756</b>          | <b>2.00</b> | <b>1,922,822</b>       | <b>54,695</b>          | <b>2.84</b> |

#### Summary of interest expense by type of liability

|   | 2021                   |                         |             | 2020                   |                         |             | 2019                   |                         |             |
|---|------------------------|-------------------------|-------------|------------------------|-------------------------|-------------|------------------------|-------------------------|-------------|
|   | Average balance<br>\$m | Interest expense<br>\$m | Cost<br>%   | Average balance<br>\$m | Interest expense<br>\$m | Cost<br>%   | Average balance<br>\$m | Interest expense<br>\$m | Cost<br>%   |
| Deposits by banks <sup>1</sup>            | 75,671                 | 198                     | 0.26        | 65,536                 | 330                     | 0.50        | 52,515                 | 702                     | 1.34        |
| Customer accounts <sup>2</sup>            | 1,362,580              | 4,099                   | 0.30        | 1,254,249              | 6,478                   | 0.52        | 1,149,483              | 11,238                  | 0.98        |
| Repurchase agreements – non-trading       | 114,201                | 363                     | 0.32        | 125,376                | 963                     | 0.77        | 160,850                | 4,023                   | 2.50        |
| Debt securities in issue – non-trading    | 193,137                | 3,603                   | 1.87        | 219,610                | 4,944                   | 2.25        | 211,229                | 6,522                   | 3.09        |
| Other interest-bearing liabilities        | 70,929                 | 1,436                   | 2.02        | 76,395                 | 1,463                   | 1.92        | 59,980                 | 1,748                   | 2.91        |
| <b>Total interest-bearing liabilities</b> | <b>1,816,518</b>       | <b>9,699</b>            | <b>0.53</b> | <b>1,741,166</b>       | <b>14,178</b>           | <b>0.81</b> | <b>1,634,057</b>       | <b>24,233</b>           | <b>1.48</b> |

1 Including interest-bearing bank deposits only.

2 Including interest-bearing customer accounts only.

**Net interest income ('NII')** for 2021 was \$26.5bn, a decrease of \$1.1bn or 4% compared with 2020. This reflected lower average market interest rates across the major currencies compared with 2020. This was partly offset by interest income associated with the increase in average interest-earning assets ('AIEA') of \$116.6bn or 5.6%.

Excluding the favourable effects of foreign currency translation differences, net interest income decreased by \$1.8bn or 6.2%.

NII for the fourth quarter was \$6.8bn, up 2.4% compared with the previous year. The increase was driven by a change in funding composition leading to a reduction of debt securities and an increase in lower-yielding customer deposits. This was partly offset by lower interest income on AIEA, primarily driven by a shift of balances from financial investments to lower yielding short-term funds, and reduced yields on customer loans. Compared with the previous quarter, NII was up 2.5%. The increase was mainly driven by higher interest rates on other interest-earning assets as well as growth in AIEA.

**Net interest margin ('NIM')** for 2021 of 1.20% was 12 basis points ('bps') lower compared with 2020 as the reduction in the yield on AIEA of 36bps was partly offset by the fall in funding costs of average interest-bearing liabilities of 28bps. The decrease in NIM in 2021 included the adverse effects of foreign currency translation differences. Excluding this, NIM fell by 11bps.

NIM for the fourth quarter of 2021 was 1.19%, down 3bps year-on-year, predominantly driven by a change in balance sheet composition towards lower yielding short-term funds and loans and advances to banks. NIM remained unchanged compared with the previous quarter.

**Interest income** for 2021 of \$36.2bn decreased by \$5.6bn or 13%, primarily due to the lower average interest rates compared with 2020 as the yield on AIEA fell by 36bps. This was partly offset by income from balance sheet growth, predominantly in Asia and the UK. In particular, balances of short-term funds and loans and advances to banks grew by \$152.4bn, and loans and advances to customers grew by \$13.9bn. The decrease in interest income included \$0.9bn from the favourable effects of foreign currency

translation differences. Excluding these, interest income decreased by \$6.5bn.

Interest income of \$9.2bn in the fourth quarter was down \$0.1bn year-on-year. The decline was predominantly driven by a change in the balance sheet composition where high-yielding financial investments decreased by \$33.8bn, while low-yielding short-term funds and loans and advances to banks increased by \$138.8bn. Compared with the previous quarter interest income was up \$0.2bn, mainly due to improved yield on other interest-earning assets, as well as growth in AIEA.

**Interest expense** for 2021 of \$9.7bn represented a decrease by \$4.5bn or 32% compared with 2020. This reflected a decrease in funding costs of 28bps, mainly arising from lower interest rates paid on interest-bearing customer accounts, debt securities in issue and repurchase agreements. Funding costs further declined due to a change in funding composition from debt securities to low-yielding customer deposits, which grew by \$108bn, predominantly in Asia and Europe. The decrease in interest expense included the adverse effects of foreign currency translation differences of \$0.3bn. Excluding this, interest expense decreased by \$4.8bn.

Interest expense of \$2.4bn in the fourth quarter of 2021 was down \$0.2bn year-on-year. The decline was predominantly driven by an improved funding mix, with additional funding from lower costing customer accounts, coupled with the impact of lower market interest rates. Compared with the previous quarter, the interest expense was materially unchanged.

**Net fee income** of \$13.1bn was \$1.2bn higher than in 2020, and included a favourable impact from foreign currency translation differences of \$0.3bn. Net fee income grew in all of our global businesses.

In WPB, net fee income increased by \$0.5bn. Fee income grew, mainly in Wealth, as improved market sentiment resulted in increased customer demand. This increase included higher fee income from funds under management, notably in Hong Kong, the UK and France, and from unit trusts in Asia. Cards income grew as spending increased compared with 2020. This also resulted in higher fee expense.

In CMB, net fee income increased by \$0.4bn. Fee income increased from credit facilities, as well as from trade products, as global trade volumes recovered during 2021. Income from account services and remittances also rose as customer activity increased.

In GBM, net fee income increased by \$0.3bn. This was driven by higher fee income from growth in corporate finance activity and in account services, which included higher activity from transaction banking clients. Fee income also increased in remittances, credit facilities, funds under management and global custody, reflecting a higher level of client activity compared with 2020.

**Net income from financial instruments held for trading or managed on a fair value basis** of \$7.7bn was \$1.8bn lower compared with 2020 and included adverse fair value movements on non-qualifying hedges of \$0.4bn.

The remaining reduction was mainly in GBM, as 2020 benefited from higher market volatility supporting a particularly strong performance within Global Foreign Exchange and Global Debt Markets, notably in the UK and the US.

**Net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss** of \$4.1bn, compared with \$2.1bn in 2020. This increase primarily reflected favourable equity market performances in France and Hong Kong and higher gains on unit trust assets, supporting insurance and investment contracts. This compared with 2020, which was adversely impacted by the onset of the Covid-19 pandemic.

This favourable 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** was \$0.4bn adverse compared with 2020. These movements were driven by the widening of long-term interest rate curves between the periods, driven by the gradual recovery of major economies.

All 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 96.

**Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss** of \$0.8bn was \$0.3bn higher compared with 2020. This primarily reflected the impact of adverse movements in equity markets in the first half of 2020 following the onset of the Covid-19 pandemic, as well as from favourable equity market movements during 2021.

**Gains less losses from financial investments** of \$0.6bn were \$0.1bn lower compared with 2020, primarily reflecting lower gains on the disposal of debt securities.

**Net insurance premium income** of \$10.9bn was \$0.8bn higher than in 2020, primarily reflecting higher sales volumes, particularly in France, the UK and Singapore.

**Other operating income** of \$0.5bn was broadly unchanged compared with 2020, as a \$0.3bn decrease in net favourable movements in PVIF was broadly offset by the gain on the sale of a property in Germany and the non-recurrence of revaluation losses on investment properties in Hong Kong in 2020.

The change in PVIF included a net reduction of \$0.7bn from assumption changes and experience variances, primarily reflecting increased interest rates and the effect of sharing higher investment returns with policyholders in Hong Kong and Singapore. These were partly offset by France where higher interest rates reduced the cost of guarantees. The net reduction due to assumption changes was partly offset by a \$0.3bn increase in the value of new business written, primarily in Hong Kong.

PVIF is presented in accordance with IFRS 4 'Insurance Contracts'. As set out in our *Annual Report and Accounts 2020*, IFRS 17 'Insurance Contracts' is effective from 1 January 2023. Under IFRS 17, there will be no PVIF asset recognised. Instead, the estimated future profit will be included in the measurement of the insurance contract liability as the contractual service margin and gradually recognised in revenue as services are provided over the duration of the insurance contract.

**Net insurance claims and benefits paid and movement in liabilities to policyholders** was \$1.7bn higher, primarily due to higher returns on financial assets supporting contracts where the policyholder is subject to part or all of the investment risk and higher sales volumes, particularly in France and the UK.

**Changes in expected credit losses and other credit impairment charges ('ECL')** were a net release of \$0.9bn, compared with a charge of \$8.8bn in 2020. The net release in 2021 reflected an improvement in the economic outlook, notably in the UK, partly offset by an increase in allowances in the fourth quarter, reflecting recent developments in China's commercial real estate sector. This compared with the significant build-up of stage 1 and stage 2 allowances in 2020 due to the worsening economic outlook at the onset of the Covid-19 pandemic. The reduction in ECL also reflected historically low levels of stage 3 charges, although with some normalisation during the fourth quarter, as well as the non-recurrence of a significant charge in 2020 related to a corporate exposure in Singapore.

For further details on the calculation of ECL, including the measurement uncertainties and significant judgements applied to such calculations, the impact of the economic scenarios and management judgemental adjustments, see pages 144 to 152.

## Financial summary

### Operating expenses – currency translation and significant items

|  | Year ended   |              |
|--|--------------|--------------|
|  | 2021         | 2020         |
|  | \$m          | \$m          |
| Significant items  | 2,472        | 3,095        |
| – customer redress programmes  | 49           | (54)         |
| – impairment of goodwill and other intangibles                               | 587          | 1,090        |
| – past service costs of guaranteed minimum pension benefits equalisation     | –            | 17           |
| – restructuring and other related costs <sup>1</sup>                         | 1,836        | 1,908        |
| – settlements and provisions in connection with legal and regulatory matters | –            | 12           |
| – currency translation on significant items                                  | –            | 122          |
| Currency translation   | –            | (1,072)      |
| <b>Year ended 31 Dec</b>   | <b>2,472</b> | <b>2,023</b> |

1 The year ended 2020 included impairment of software intangible assets of \$189m (of the total software intangible asset impairment of \$1,347m) and impairment of tangible assets of \$197m.

### Operating expenses

|   | Year ended    |               |
|---|---------------|---------------|
|   | 2021          | 2020          |
|   | \$m           | \$m           |
| Gross employee compensation and benefits                                      | 19,612        | 19,396        |
| Capitalised wages and salaries  | (870)         | (1,320)       |
| Goodwill impairment   | 587           | 41            |
| Property and equipment  | 5,145         | 5,322         |
| Amortisation and impairment of intangibles                                    | 1,438         | 2,519         |
| UK bank levy  | 116           | 802           |
| Legal proceedings and regulatory matters                                      | 106           | 289           |
| Other operating expenses <sup>1</sup>   | 8,486         | 7,383         |
| <b>Total operating expenses (reported)</b>                                    | <b>34,620</b> | <b>34,432</b> |
| Total significant items (including currency translation on significant items) | (2,472)       | (3,095)       |
| Currency translation  | –             | 1,072         |
| <b>Total operating expenses (adjusted)</b>                                    | <b>32,148</b> | <b>32,409</b> |

1 Other operating expenses includes professional fees, contractor costs, transaction taxes, marketing and travel. The increase was driven by the spend related to our cost reduction programme, as well as from the growth in investment in technology and regulatory programmes.

### Staff numbers (full-time equivalents)

|                             | 2021           | 2020           | 2019           |
|-----------------------------|----------------|----------------|----------------|
| <b>Global businesses</b>    |                |                |                |
| Wealth and Personal Banking | 130,185        | 135,727        | 141,341        |
| Commercial Banking          | 42,969         | 43,221         | 44,706         |
| Global Banking and Markets  | 46,166         | 46,729         | 48,859         |
| Corporate Centre            | 377            | 382            | 445            |
| <b>At 31 Dec</b>            | <b>219,697</b> | <b>226,059</b> | <b>235,351</b> |

Operating expenses of \$34.6bn were broadly unchanged compared with 2020. This included the impact of our cost saving initiatives, as well as lower impairments of goodwill and other intangible assets, as 2021 included a \$0.6bn impairment of goodwill related to our WPB business in Latin America to reflect the macroeconomic outlook, as well as the impact of foreign exchange rate deterioration and inflationary pressures, notably on our Argentina business. However, 2020 included a \$1.3bn impairment of intangible assets, mainly in Europe. There was also a \$0.6bn reduction in the UK bank levy due to a change in the basis of calculation to only include the UK balance sheet rather than the global balance sheet, as well as a credit of \$0.1bn relating to the 2020 charge.

These decreases were broadly offset by an increase in performance-related pay of \$0.7bn as Group performance improved, and by an increase in investment in technology of \$0.9bn (gross of cost savings of \$0.5bn). The remaining increase primarily reflected inflationary impacts, non-technology investment in regulatory programmes, and business growth notably Asia wealth investment. In addition, there was an adverse impact of foreign currency translation differences of \$1.1bn.

In February 2020, we announced a plan to substantially reduce the cost base by 2022 and accelerate the pace of change. We continue to target \$5bn to \$5.5bn of cost saves for 2020 to 2022, while spending around \$7bn in costs to achieve, which are included in restructuring and other related costs. Cumulative costs to achieve spend since the start of the programme in 2020 was

\$3.6bn, with related saves of \$3.3bn. In 2021, the total cost to achieve spend was \$1.8bn with saves during the year of \$2.2bn.

**Share of profit in associates and joint ventures** of \$3.0bn was \$1.4bn higher, primarily reflecting a higher share of profit from The Saudi British Bank ('SABB') due to the non-recurrence of our share of its goodwill impairment charge in 2020, and an increased share of profit from BoCom. Our share of profit also rose from Business Growth Fund in the UK due to a recovery in asset valuations relative to 2020.

At 31 December 2021, 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. The excess of the VIU of BoCom and its carrying value has increased over the period, reflecting the impact of BoCom's performance on the VIU.

For more information, see Note 19: Interests in associates and joint ventures on page 359.

### Tax expense

The effective tax rate for 2021 of 22.3% was lower than the 30.5% for 2020. The effective tax rate for 2021 was increased by the impact of substantively enacted legislation to increase the UK statutory tax rate from 1 April 2023. The 2020 effective tax rate was high, due mainly to the non-recognition of deferred tax on losses in the UK and France.

## Consolidated balance sheet

### Five-year summary consolidated balance sheet

|   | 2021             | 2020             | 2019             | 2018             | 2017             |
|---|------------------|------------------|------------------|------------------|------------------|
|   | \$m              | \$m              | \$m              | \$m              | \$m              |
| <b>Assets</b>   |                  |                  |                  |                  |                  |
| Cash and balances at central banks  | 403,018          | 304,481          | 154,099          | 162,843          | 180,624          |
| Trading assets  | 248,842          | 231,990          | 254,271          | 238,130          | 287,995          |
| Financial assets designated and otherwise mandatorily measured at fair value through profit or loss | 49,804           | 45,553           | 43,627           | 41,111           | N/A              |
| Financial assets designated at fair value   | N/A              | N/A              | N/A              | N/A              | 29,464           |
| Derivatives   | 196,882          | 307,726          | 242,995          | 207,825          | 219,818          |
| Loans and advances to banks   | 83,136           | 81,616           | 69,203           | 72,167           | 90,393           |
| Loans and advances to customers <sup>1</sup>  | 1,045,814        | 1,037,987        | 1,036,743        | 981,696          | 962,964          |
| Reverse repurchase agreements – non-trading   | 241,648          | 230,628          | 240,862          | 242,804          | 201,553          |
| Financial investments   | 446,274          | 490,693          | 443,312          | 407,433          | 389,076          |
| Other assets  | 242,521          | 253,490          | 230,040          | 204,115          | 159,884          |
| <b>Total assets at 31 Dec</b>   | <b>2,957,939</b> | <b>2,984,164</b> | <b>2,715,152</b> | <b>2,558,124</b> | <b>2,521,771</b> |
| <b>Liabilities and equity</b>   |                  |                  |                  |                  |                  |
| <b>Liabilities</b>  |                  |                  |                  |                  |                  |
| Deposits by banks   | 101,152          | 82,080           | 59,022           | 56,331           | 69,922           |
| Customer accounts   | 1,710,574        | 1,642,780        | 1,439,115        | 1,362,643        | 1,364,462        |
| Repurchase agreements – non-trading   | 126,670          | 111,901          | 140,344          | 165,884          | 130,002          |
| Trading liabilities   | 84,904           | 75,266           | 83,170           | 84,431           | 184,361          |
| Financial liabilities designated at fair value  | 145,502          | 157,439          | 164,466          | 148,505          | 94,429           |
| Derivatives   | 191,064          | 303,001          | 239,497          | 205,835          | 216,821          |
| Debt securities in issue  | 78,557           | 95,492           | 104,555          | 85,342           | 64,546           |
| Liabilities under insurance contracts   | 112,745          | 107,191          | 97,439           | 87,330           | 85,667           |
| Other liabilities   | 199,994          | 204,019          | 194,876          | 167,574          | 113,690          |
| <b>Total liabilities at 31 Dec</b>  | <b>2,751,162</b> | <b>2,779,169</b> | <b>2,522,484</b> | <b>2,363,875</b> | <b>2,323,900</b> |
| <b>Equity</b>   |                  |                  |                  |                  |                  |
| Total shareholders' equity  | 198,250          | 196,443          | 183,955          | 186,253          | 190,250          |
| Non-controlling interests   | 8,527            | 8,552            | 8,713            | 7,996            | 7,621            |
| <b>Total equity at 31 Dec</b>   | <b>206,777</b>   | <b>204,995</b>   | <b>192,668</b>   | <b>194,249</b>   | <b>197,871</b>   |
| <b>Total liabilities and equity at 31 Dec</b>   | <b>2,957,939</b> | <b>2,984,164</b> | <b>2,715,152</b> | <b>2,558,124</b> | <b>2,521,771</b> |

1 Net of impairment allowances.

A more detailed consolidated balance sheet is contained in the financial statements on page 310.

### Five-year selected financial information

|  | 2021           | 2020           | 2019           | 2018           | 2017           |
|--|----------------|----------------|----------------|----------------|----------------|
|  | \$m            | \$m            | \$m            | \$m            | \$m            |
| Called up share capital  | 10,316         | 10,347         | 10,319         | 10,180         | 10,160         |
| Capital resources <sup>1</sup>   | 177,786        | 184,423        | 172,150        | 173,238        | 182,383        |
| Undated subordinated loan capital  | 1,968          | 1,970          | 1,968          | 1,969          | 1,969          |
| Preferred securities and dated subordinated loan capital <sup>2</sup>                                | 28,568         | 30,721         | 33,063         | 35,014         | 42,147         |
| Risk-weighted assets   | 838,263        | 857,520        | 843,395        | 865,318        | 871,337        |
| Total shareholders' equity   | 198,250        | 196,443        | 183,955        | 186,253        | 190,250        |
| Less: preference shares and other equity instruments   | (22,414)       | (22,414)       | (22,276)       | (23,772)       | (23,655)       |
| <b>Total ordinary shareholders' equity</b>   | <b>175,836</b> | <b>174,029</b> | <b>161,679</b> | <b>162,481</b> | <b>166,595</b> |
| Less: goodwill and intangible assets (net of tax)  | (17,643)       | (17,606)       | (17,535)       | (22,425)       | (21,680)       |
| <b>Tangible ordinary shareholders' equity</b>  | <b>158,193</b> | <b>156,423</b> | <b>144,144</b> | <b>140,056</b> | <b>144,915</b> |
| <b>Financial statistics</b>  |                |                |                |                |                |
| Loans and advances to customers as a percentage of customer accounts                                 | 61.1%          | 63.2%          | 72.0%          | 72.0%          | 70.6%          |
| Average total shareholders' equity to average total assets   | 6.62%          | 6.46%          | 6.97%          | 7.16%          | 7.33%          |
| Net asset value per ordinary share at year-end (\$) <sup>3</sup>                                     | 8.76           | 8.62           | 8.00           | 8.13           | 8.35           |
| Tangible net asset value per ordinary share at year-end (\$) <sup>4</sup>                            | 7.88           | 7.75           | 7.13           | 7.01           | 7.26           |
| Tangible net asset value per fully diluted share at year-end (\$)                                    | 7.84           | 7.72           | 7.11           | 6.98           | 7.22           |
| Number of \$0.50 ordinary shares in issue (millions)   | 20,632         | 20,694         | 20,639         | 20,361         | 20,321         |
| Basic number of \$0.50 ordinary shares outstanding (millions)  | 20,073         | 20,184         | 20,206         | 19,981         | 19,960         |
| Basic number of \$0.50 ordinary shares outstanding and dilutive potential ordinary shares (millions) | 20,189         | 20,272         | 20,280         | 20,059         | 20,065         |
| <b>Closing foreign exchange translation rates to \$:</b>   |                |                |                |                |                |
| \$1: £   | 0.739          | 0.732          | 0.756          | 0.783          | 0.740          |
| \$1: €   | 0.880          | 0.816          | 0.890          | 0.873          | 0.834          |

1 Capital resources are regulatory total capital, the calculation of which is set out on page 193.

2 Including perpetual preferred securities, details of which can be found in Note 28: Subordinated liabilities on page 370.

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.

4 The definition of tangible net asset value per ordinary share is total ordinary shareholder's equity excluding goodwill, PVIF and other intangible assets (net of deferred tax), divided by the number of basic ordinary shares in issue, excluding own shares held by the company, including those purchased and held in treasury.



## Financial summary

### Balance sheet commentary compared with 31 December 2020

At 31 December 2021, our total assets were \$3.0tn, which were \$26bn or 1% lower on a reported basis and \$19bn or 1% higher on a constant currency basis.

The decrease in total assets reflected lower derivative assets and a fall in financial investments, in part reflecting a redeployment of our commercial surplus into cash. Reported customer lending balances were \$8bn higher, mainly from growth in mortgage balances.

Reported loans and advances to customers as a percentage of customer accounts was 61.1%, which was lower compared with 63.2% at 31 December 2020. This was due to an increase in customer accounts as corporate customers continued to build up liquidity and personal customers grew their savings accounts.

#### Assets

**Cash and balances at central banks** increased by \$99bn or 32%, mainly in the UK and the US, as we redeployed our commercial surplus to cash to increase liquidity for our clients and as a result of deposit inflows.

**Trading assets** increased by \$17bn or 7%, notably from an increase in equity securities held, particularly in Hong Kong and the US, largely driven by client demand. These were partly offset by a reduction of debt securities in the US.

**Derivative assets** decreased by \$111bn or 36%, primarily in the UK and France. This reflected adverse revaluation movements on interest rate contracts due to higher long-term yield curve rates in most major markets. Foreign exchange contracts also decreased as a result of foreign exchange rate movements in the UK and Hong Kong and lower client demand in the US. The decrease in derivative assets was consistent with the decrease in derivative liabilities, as the underlying risk is broadly matched.

**Loans and advances to customers** of \$1.0tn increased by \$8bn on a reported basis, which included adverse effects of foreign currency translation differences of \$16bn. On a constant currency basis, customer lending balances were \$23bn higher, despite \$3bn of loans and advances to customers being reclassified to assets held for sale in the US.

The commentary below is on a constant currency basis.

Customer lending increased in WPB by \$27bn to \$489bn, mainly from growth in mortgage balances of \$23bn, notably in the UK (up \$10bn), Hong Kong (up \$7bn) and Canada (up \$4bn) as housing market activity continued to increase.

In CMB, customer lending of \$349bn was \$11bn higher, as we grew trade lending by \$13bn, reflecting a recovery in global trade volumes, which more than offset a reduction in other term lending.

In GBM, lending of \$207bn fell by \$14bn, due to a reduction in other term lending mainly in the UK.

**Reverse repurchase agreements – non-trading** increased by \$11bn or 5%, primarily in Asia due to client demand. This was partly offset by the redeployment of our commercial surplus to cash in the US.

There was also an increase in balances eligible for netting in the UK, resulting in an overall balance reduction.

**Financial investments** decreased by \$44bn or 9%, mainly as we reduced our holdings of debt securities and treasury bills through a combination of disposals and maturities. A notable portion of these funds was redeployed into cash as we managed our commercial surplus.

**Other assets** decreased by \$11bn due to lower cash collateral as derivative balances decreased, partly offset by an increase from the reclassification of loans and advances to customers to assets held for sale, reflecting our exit of mass market retail banking in the US.

#### Liabilities

**Customer accounts** of \$1.7tn increased by \$68bn or 4% on a reported basis, which included adverse effects of foreign currency translation differences of \$23bn. On a constant currency basis, customer accounts were \$90bn higher, with growth across all of our global businesses, despite a reclassification of \$10bn to liabilities of disposal groups held for sale in the US. The increase was primarily in the UK, Hong Kong and the rest of Asia, as corporate customers continued to build up liquidity and personal customers grew their savings as spending remained below pre-pandemic levels.

**Deposits by banks** increased by \$19bn or 23%, primarily in the UK, relating to the utilisation of a Bank of England scheme to provide loans to corporate customers during the year. There were also increases in Hong Kong and the US.

**Repurchase agreements – non-trading** increased by \$15bn or 13%, primarily in Hong Kong, as client demand increased.

**Derivative liabilities** decreased by \$112bn or 37%, which is consistent with the decrease in derivative assets, since the underlying risk is broadly matched.

**Other liabilities** decreased by \$4bn or 2% due to lower cash collateral as derivative balances decreased, partly offset by an increase from a reclassification of customer accounts to liabilities held for sale, reflecting our exit of mass market retail banking in the US.

#### Equity

**Total shareholders' equity**, including non-controlling interests, increased by \$2bn or 1% compared with 31 December 2020. This reflected the effects of profits generated of \$15bn, partly offset by a reduction in other comprehensive income ('OCI') of \$5bn, dividend payments and coupon distributions on securities classified as equity of \$6bn and a \$2bn reduction related to our share buy-back programme. Movements in OCI included fair value losses on debt instruments of \$2bn, driven by unrealised losses on fixed rate bonds due to higher long-term yield curve rates, and adverse foreign exchange differences of \$2bn.

#### Risk-weighted assets

Risk-weighted assets ('RWAs') totalled \$838.3bn at 31 December 2021, a \$19.2bn decrease since 2020. Excluding foreign currency translation differences, RWAs fell by \$6.3bn in 2021. This was due to the following movements:

- a \$4.7bn asset size increase, mostly caused by CMB and WPB lending growth in Asia, while lending fell in GBM;
- a \$8.0bn reduction in RWAs due to changes in asset quality from favourable portfolio mix and credit migration, mostly in CMB and WPB in Asia and North America; and
- a \$3.0bn fall in RWAs due to changes in methodology and policy. This was primarily the result of risk parameter refinements in GBM and CMB, partly offset by higher market risk RWAs following our adoption of a Pillar 1 approach to the capitalisation of structural foreign exchange.



## Customer accounts by country/territory

|  | 2021<br>\$m      | 2020<br>\$m |
|--|------------------|-------------|
| <b>Europe</b>  | <b>667,769</b>   | 629,647     |
| – UK   | 535,797          | 504,275     |
| – France   | 56,841           | 55,111      |
| – Germany  | 22,509           | 21,605      |
| – Switzerland  | 10,680           | 10,102      |
| – other  | 41,942           | 38,554      |
| <b>Asia</b>  | <b>792,098</b>   | 762,406     |
| – Hong Kong  | 549,429          | 531,489     |
| – Singapore  | 57,572           | 55,140      |
| – mainland China   | 59,266           | 56,826      |
| – Australia  | 28,240           | 29,286      |
| – India  | 24,507           | 20,199      |
| – Malaysia   | 16,500           | 15,997      |
| – Taiwan   | 15,483           | 16,041      |
| – Indonesia  | 6,019            | 5,198       |
| – other  | 35,082           | 32,230      |
| <b>Middle East and North Africa (excluding Saudi Arabia)</b> | <b>42,629</b>    | 41,221      |
| – United Arab Emirates                                       | 20,943           | 20,974      |
| – Turkey   | 4,258            | 3,987       |
| – Egypt  | 6,699            | 5,659       |
| – other  | 10,729           | 10,601      |
| <b>North America</b>   | <b>178,565</b>   | 182,028     |
| – US <sup>1</sup>  | 111,921          | 117,485     |
| – Canada   | 58,071           | 56,520      |
| – other  | 8,573            | 8,023       |
| <b>Latin America</b>   | <b>29,513</b>    | 27,478      |
| – Mexico   | 23,583           | 22,220      |
| – other  | 5,930            | 5,258       |
| <b>At 31 Dec</b>   | <b>1,710,574</b> | 1,642,780   |

1 At 31 December 2021, customer accounts of \$8.8bn relating to the disposal of the US retail banking business met the criteria to be classified as held for sale and are reported within 'Accruals, deferred income and other liabilities' on the balance sheet. Refer to Note 36 on page 387 for further details.

## Loans and advances, deposits by currency

| \$m                             | At<br>31 Dec 2021 |                |                |                |               |                     | Total            |
|---------------------------------|-------------------|----------------|----------------|----------------|---------------|---------------------|------------------|
|                                 | USD               | GBP            | HKD            | EUR            | CNY           | Others <sup>1</sup> |                  |
| Loans and advances to banks     | 21,474            | 3,991          | 524            | 3,970          | 6,545         | 46,632              | 83,136           |
| Loans and advances to customers | 169,055           | 280,909        | 223,714        | 83,457         | 44,093        | 244,586             | 1,045,814        |
| <b>Total loans and advances</b> | <b>190,529</b>    | <b>284,900</b> | <b>224,238</b> | <b>87,427</b>  | <b>50,638</b> | <b>291,218</b>      | <b>1,128,950</b> |
| Deposits by banks               | 37,962            | 20,909         | 2,757          | 24,393         | 5,049         | 10,082              | 101,152          |
| Customer accounts               | 453,864           | 463,232        | 318,702        | 133,604        | 65,052        | 276,120             | 1,710,574        |
| <b>Total deposits</b>           | <b>491,826</b>    | <b>484,141</b> | <b>321,459</b> | <b>157,997</b> | <b>70,101</b> | <b>286,202</b>      | <b>1,811,726</b> |

| \$m                             | At<br>31 Dec 2020 |                |                |                |               |                | Total            |
|---------------------------------|-------------------|----------------|----------------|----------------|---------------|----------------|------------------|
|                                 | USD               | GBP            | HKD            | EUR            | CNY           | Others         |                  |
| 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        |
| <b>Total loans and advances</b> | <b>191,076</b>    | <b>284,298</b> | <b>229,293</b> | <b>94,452</b>  | <b>43,734</b> | <b>276,750</b> | <b>1,119,603</b> |
| 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        |
| <b>Total deposits</b>           | <b>463,886</b>    | <b>438,999</b> | <b>313,081</b> | <b>161,142</b> | <b>65,875</b> | <b>281,877</b> | <b>1,724,860</b> |

1 'Others' includes items with no currency information available (\$11,028m for loans to banks, \$64,491m for loans to customers, \$23m 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'), reviews operating activity on a number of bases, including by global business and geographical region. Our global businesses – Wealth and Personal Banking,

Commercial Banking, and Global Banking and Markets – along with Corporate Centre are our reportable segments under IFRS 8 'Operating Segments' and are presented below and in Note 10: Segmental analysis on page 341.

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 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. From 2021, the UK bank levy was partially allocated to global businesses, which was previously retained in Corporate Centre. Comparative periods have not been re-presented.

The results of geographical regions are presented on a reported basis on page 106 and an adjusted basis on page 108.

### Reconciliation of reported and adjusted items – global businesses

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

|  | 2021                               |                           |                                   |                         |                  |
|--|------------------------------------|---------------------------|-----------------------------------|-------------------------|------------------|
|  | Wealth and Personal Banking<br>\$m | Commercial Banking<br>\$m | Global Banking and Markets<br>\$m | Corporate Centre<br>\$m | Total<br>\$m     |
| <b>Revenue<sup>1</sup></b>                                   |                                    |                           |                                   |                         |                  |
| Reported   | 22,117                             | 13,431                    | 14,588                            | (584)                   | 49,552           |
| Significant items  | (7)                                | (16)                      | 414                               | 147                     | 538              |
| – customer redress programmes                                | 7                                  | (18)                      | –                                 | –                       | (11)             |
| – fair value movements on financial instruments <sup>2</sup> | –                                  | (1)                       | 19                                | 224                     | 242              |
| – restructuring and other related costs <sup>3</sup>         | (14)                               | 3                         | 395                               | (77)                    | 307              |
| <b>Adjusted</b>  | <b>22,110</b>                      | <b>13,415</b>             | <b>15,002</b>                     | <b>(437)</b>            | <b>50,090</b>    |
| <b>ECL</b>   |                                    |                           |                                   |                         |                  |
| Reported   | 288                                | 300                       | 337                               | 3                       | 928              |
| <b>Adjusted</b>  | <b>288</b>                         | <b>300</b>                | <b>337</b>                        | <b>3</b>                | <b>928</b>       |
| <b>Operating expenses</b>                                    |                                    |                           |                                   |                         |                  |
| Reported   | (16,306)                           | (7,055)                   | (10,203)                          | (1,056)                 | (34,620)         |
| Significant items  | 922                                | 82                        | 197                               | 1,271                   | 2,472            |
| – customer redress programmes                                | 39                                 | 1                         | –                                 | 9                       | 49               |
| – impairment of goodwill and other intangibles               | 587                                | –                         | –                                 | –                       | 587              |
| – restructuring and other related costs                      | 296                                | 81                        | 197                               | 1,262                   | 1,836            |
| <b>Adjusted</b>  | <b>(15,384)</b>                    | <b>(6,973)</b>            | <b>(10,006)</b>                   | <b>215</b>              | <b>(32,148)</b>  |
| <b>Share of profit in associates and joint ventures</b>      |                                    |                           |                                   |                         |                  |
| Reported   | 34                                 | 1                         | –                                 | 3,011                   | 3,046            |
| <b>Adjusted</b>  | <b>34</b>                          | <b>1</b>                  | <b>–</b>                          | <b>3,011</b>            | <b>3,046</b>     |
| <b>Profit before tax</b>                                     |                                    |                           |                                   |                         |                  |
| Reported   | 6,133                              | 6,677                     | 4,722                             | 1,374                   | 18,906           |
| Significant items  | 915                                | 66                        | 611                               | 1,418                   | 3,010            |
| – revenue  | (7)                                | (16)                      | 414                               | 147                     | 538              |
| – operating expenses   | 922                                | 82                        | 197                               | 1,271                   | 2,472            |
| <b>Adjusted</b>  | <b>7,048</b>                       | <b>6,743</b>              | <b>5,333</b>                      | <b>2,792</b>            | <b>21,916</b>    |
| <b>Loans and advances to customers (net)</b>                 |                                    |                           |                                   |                         |                  |
| Reported   | 488,786                            | 349,126                   | 207,162                           | 740                     | 1,045,814        |
| <b>Adjusted</b>  | <b>488,786</b>                     | <b>349,126</b>            | <b>207,162</b>                    | <b>740</b>              | <b>1,045,814</b> |
| <b>Customer accounts</b>                                     |                                    |                           |                                   |                         |                  |
| Reported   | 859,029                            | 506,688                   | 344,205                           | 652                     | 1,710,574        |
| <b>Adjusted</b>  | <b>859,029</b>                     | <b>506,688</b>            | <b>344,205</b>                    | <b>652</b>              | <b>1,710,574</b> |

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

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

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

## Reconciliation of reported and adjusted items (continued)

|  | 2020                                  |                              |   |                            |              |
|--|---------------------------------------|------------------------------|---|----------------------------|--------------|
|  | Wealth and<br>Personal Banking<br>\$m | Commercial<br>Banking<br>\$m | Global<br>Banking and<br>Markets<br>\$m | Corporate<br>Centre<br>\$m | Total<br>\$m |
| <b>Revenue<sup>1</sup></b>   |                                       |                              |   |                            |              |
| Reported   | 21,999                                | 13,294                       | 14,994                                  | 142                        | 50,429       |
| Currency translation   | 560                                   | 405                          | 456                                     | (28)                       | 1,393        |
| Significant items  | 12                                    | 19                           | 318                                     | (401)                      | (52)         |
| – customer redress programmes  | 5                                     | 16                           | –                                       | –                          | 21           |
| – disposals, acquisitions and investment in new businesses                   | 9                                     | –                            | –                                       | 1                          | 10           |
| – fair value movements on financial instruments <sup>2</sup>                 | –                                     | 1                            | 2                                       | (267)                      | (264)        |
| – restructuring and other related costs <sup>3</sup>                         | –                                     | 1                            | 307                                     | (138)                      | 170          |
| – currency translation on significant items                                  | (2)                                   | 1                            | 9                                       | 3                          | 11           |
| Adjusted   | 22,571                                | 13,718                       | 15,768                                  | (287)                      | 51,770       |
| <b>ECL</b>   |                                       |                              |   |                            |              |
| Reported   | (2,855)                               | (4,754)                      | (1,209)                                 | 1                          | (8,817)      |
| Currency translation   | (150)                                 | (235)                        | (80)                                    | –                          | (465)        |
| Adjusted   | (3,005)                               | (4,989)                      | (1,289)                                 | 1                          | (9,282)      |
| <b>Operating expenses</b>  |                                       |                              |   |                            |              |
| Reported   | (15,446)                              | (6,900)                      | (10,169)                                | (1,917)                    | (34,432)     |
| Currency translation   | (432)                                 | (214)                        | (451)                                   | 25                         | (1,072)      |
| Significant items  | 435                                   | 217                          | 980                                     | 1,463                      | 3,095        |
| – 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 <sup>4</sup>                         | 192                                   | 165                          | 326                                     | 1,225                      | 1,908        |
| – settlements and provisions in connection with legal and regulatory matters | –                                     | –                            | 2                                       | 10                         | 12           |
| – currency translation on significant items                                  | 13                                    | 6                            | 75                                      | 28                         | 122          |
| Adjusted   | (15,443)                              | (6,897)                      | (9,640)                                 | (429)                      | (32,409)     |
| <b>Share of profit in associates and joint ventures</b>                      |                                       |                              |   |                            |              |
| Reported   | 6                                     | (1)                          | –                                       | 1,592                      | 1,597        |
| Currency translation   | 1                                     | –                            | –                                       | 132                        | 133          |
| Significant items  | –                                     | –                            | –                                       | 462                        | 462          |
| – impairment of goodwill <sup>5</sup>  | –                                     | –                            | –                                       | 462                        | 462          |
| – currency translation on significant items                                  | –                                     | –                            | –                                       | –                          | –            |
| Adjusted   | 7                                     | (1)                          | –                                       | 2,186                      | 2,192        |
| <b>Profit/(loss) before tax</b>  |                                       |                              |   |                            |              |
| Reported   | 3,704                                 | 1,639                        | 3,616                                   | (182)                      | 8,777        |
| Currency translation   | (21)                                  | (44)                         | (75)                                    | 129                        | (11)         |
| Significant items  | 447                                   | 236                          | 1,298                                   | 1,524                      | 3,505        |
| – revenue  | 12                                    | 19                           | 318                                     | (401)                      | (52)         |
| – operating expenses   | 435                                   | 217                          | 980                                     | 1,463                      | 3,095        |
| – share of profit in associates and joint ventures                           | –                                     | –                            | –                                       | 462                        | 462          |
| Adjusted   | 4,130                                 | 1,831                        | 4,839                                   | 1,471                      | 12,271       |
| <b>Loans and advances to customers (net)</b>                                 |                                       |                              |   |                            |              |
| Reported   | 469,186                               | 343,182                      | 224,364                                 | 1,255                      | 1,037,987    |
| Currency translation   | (6,900)                               | (4,989)                      | (3,672)                                 | (24)                       | (15,585)     |
| Adjusted   | 462,286                               | 338,193                      | 220,692                                 | 1,231                      | 1,022,402    |
| <b>Customer accounts</b>   |                                       |                              |   |                            |              |
| Reported   | 834,759                               | 470,428                      | 336,983                                 | 610                        | 1,642,780    |
| Currency translation   | (10,768)                              | (6,048)                      | (5,819)                                 | (17)                       | (22,652)     |
| Adjusted   | 823,991                               | 464,380                      | 331,164                                 | 593                        | 1,620,128    |

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 In 2020, 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                                  |                              |   |                            |              |
|--|---------------------------------------|------------------------------|---|----------------------------|--------------|
|  | Wealth and<br>Personal Banking<br>\$m | Commercial<br>Banking<br>\$m | Global<br>Banking and<br>Markets<br>\$m | Corporate<br>Centre<br>\$m | Total<br>\$m |
| <b>Revenue<sup>1</sup></b>   |                                       |                              |   |                            |              |
| Reported   | 25,552                                | 15,256                       | 14,894                                  | 396                        | 56,098       |
| Currency translation   | 358                                   | 327                          | 303                                     | 22                         | 1,010        |
| Significant items  | 230                                   | 11                           | 85                                      | (999)                      | (673)        |
| – customer redress programmes  | 155                                   | 7                            | –                                       | 1                          | 163          |
| – disposals, acquisitions and investment in new businesses <sup>2</sup>      | 52                                    | –                            | –                                       | (820)                      | (768)        |
| – fair value movements on financial instruments <sup>3</sup>                 | 7                                     | 4                            | 84                                      | (179)                      | (84)         |
| – currency translation on significant items                                  | 16                                    | –                            | 1                                       | (1)                        | 16           |
| Adjusted   | 26,140                                | 15,594                       | 15,282                                  | (581)                      | 56,435       |
| <b>ECL</b>   |                                       |                              |   |                            |              |
| Reported   | (1,437)                               | (1,192)                      | (162)                                   | 35                         | (2,756)      |
| Currency translation   | 61                                    | (2)                          | 7                                       | 3                          | 69           |
| Adjusted   | (1,376)                               | (1,194)                      | (155)                                   | 38                         | (2,687)      |
| <b>Operating expenses</b>  |                                       |                              |   |                            |              |
| Reported   | (17,351)                              | (9,905)                      | (13,790)                                | (1,303)                    | (42,349)     |
| Currency translation   | (431)                                 | (184)                        | (337)                                   | (29)                       | (981)        |
| Significant items  | 1,959                                 | 3,061                        | 4,236                                   | 511                        | 9,767        |
| – costs of structural reform <sup>4</sup>                                    | –                                     | 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                                  | 153                                   | 33                           | 13                                      | 14                         | 213          |
| Adjusted   | (15,823)                              | (7,028)                      | (9,891)                                 | (821)                      | (33,563)     |
| <b>Share of profit in associates and joint ventures</b>                      |                                       |                              |   |                            |              |
| Reported   | 55                                    | –                            | –                                       | 2,299                      | 2,354        |
| Currency translation   | (1)                                   | 1                            | 1                                       | 141                        | 142          |
| Adjusted   | 54                                    | 1                            | 1                                       | 2,440                      | 2,496        |
| <b>Profit before tax</b>   |                                       |                              |   |                            |              |
| Reported   | 6,819                                 | 4,159                        | 942                                     | 1,427                      | 13,347       |
| Currency translation   | (13)                                  | 142                          | (26)                                    | 137                        | 240          |
| Significant items  | 2,189                                 | 3,072                        | 4,321                                   | (488)                      | 9,094        |
| – revenue  | 230                                   | 11                           | 85                                      | (999)                      | (673)        |
| – operating expenses   | 1,959                                 | 3,061                        | 4,236                                   | 511                        | 9,767        |
| Adjusted   | 8,995                                 | 7,373                        | 5,237                                   | 1,076                      | 22,681       |
| <b>Loans and advances to customers (net)</b>                                 |                                       |                              |   |                            |              |
| Reported   | 443,025                               | 346,105                      | 246,492                                 | 1,121                      | 1,036,743    |
| Currency translation   | 5,855                                 | 2,611                        | 1,570                                   | 20                         | 10,056       |
| Adjusted   | 448,880                               | 348,716                      | 248,062                                 | 1,141                      | 1,046,799    |
| <b>Customer accounts</b>   |                                       |                              |   |                            |              |
| Reported   | 753,769                               | 388,723                      | 295,880                                 | 743                        | 1,439,115    |
| Currency translation   | 4,645                                 | 3,410                        | 2,738                                   | 17                         | 10,810       |
| Adjusted   | 758,414                               | 392,133                      | 298,618                                 | 760                        | 1,449,925    |

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

2 Includes \$0.8bn dilution gain following the merger of The Saudi British Bank ('SABB') with Alawwal bank.

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.



## Reconciliation of reported and adjusted risk-weighted assets

|                             | At 31 Dec 2021                      |                            |                                    |                          |               |
|-----------------------------|-------------------------------------|----------------------------|------------------------------------|--------------------------|---------------|
|                             | Wealth and Personal Banking<br>\$bn | Commercial Banking<br>\$bn | Global Banking and Markets<br>\$bn | Corporate Centre<br>\$bn | Total<br>\$bn |
| <b>Risk-weighted assets</b> |                                     |                            |                                    |                          |               |
| Reported                    | 178.3                               | 332.9                      | 236.2                              | 90.9                     | 838.3         |
| <b>Adjusted<sup>1</sup></b> | <b>178.3</b>                        | <b>332.9</b>               | <b>236.2</b>                       | <b>90.9</b>              | <b>838.3</b>  |
|                             | At 31 Dec 2020                      |                            |                                    |                          |               |
| Risk-weighted assets        |                                     |                            |                                    |                          |               |
| Reported                    | 172.8                               | 327.7                      | 265.1                              | 91.9                     | 857.5         |
| Currency translation        | (2.7)                               | (5.3)                      | (4.1)                              | (0.8)                    | (12.9)        |
| <b>Adjusted<sup>1</sup></b> | <b>170.1</b>                        | <b>322.4</b>               | <b>261.0</b>                       | <b>91.1</b>              | <b>844.6</b>  |
|                             | At 31 Dec 2019                      |                            |                                    |                          |               |
| Risk-weighted assets        |                                     |                            |                                    |                          |               |
| Reported                    | 162.6                               | 325.9                      | 273.4                              | 81.5                     | 843.4         |
| Currency translation        | (0.3)                               | 1.5                        | (0.6)                              | 0.1                      | 0.7           |
| <b>Adjusted<sup>1</sup></b> | <b>162.3</b>                        | <b>327.4</b>               | <b>272.8</b>                       | <b>81.6</b>              | <b>844.1</b>  |

<sup>1</sup> 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 <sup>1</sup> |                           |                                |                               |                         |
|---|--------------------------|---------------------------|--------------------------------|-------------------------------|-------------------------|
|   | Total WPB<br>\$m         | Banking operations<br>\$m | Insurance manufacturing<br>\$m | Global Private Banking<br>\$m | Asset management<br>\$m |
| <b>2021</b>   |                          |                           |                                |                               |                         |
| Net operating income before change in expected credit losses and other credit impairment charges <sup>2</sup> | 22,110                   | 16,440                    | 2,625                          | 1,826                         | 1,219                   |
| – net interest income   | 14,198                   | 11,237                    | 2,316                          | 647                           | (2)                     |
| – net fee income/(expense)  | 5,894                    | 4,405                     | (620)                          | 933                           | 1,176                   |
| – other income  | 2,018                    | 798                       | 929                            | 246                           | 45                      |
| ECL   | 288                      | 292                       | (17)                           | 14                            | (1)                     |
| <b>Net operating income</b>   | <b>22,398</b>            | <b>16,732</b>             | <b>2,608</b>                   | <b>1,840</b>                  | <b>1,218</b>            |
| Total operating expenses <sup>3</sup>   | (15,384)                 | (12,401)                  | (589)                          | (1,565)                       | (829)                   |
| <b>Operating profit</b>   | <b>7,014</b>             | <b>4,331</b>              | <b>2,019</b>                   | <b>275</b>                    | <b>389</b>              |
| Share of profit in associates and joint ventures  | 34                       | 16                        | 18                             | –                             | –                       |
| <b>Profit before tax</b>  | <b>7,048</b>             | <b>4,347</b>              | <b>2,037</b>                   | <b>275</b>                    | <b>389</b>              |
| <b>2020</b>   |                          |                           |                                |                               |                         |
| Net operating income before change in expected credit losses and other credit impairment charges <sup>2</sup> | 22,571                   | 17,840                    | 1,869                          | 1,789                         | 1,073                   |
| – net interest income   | 15,470                   | 12,536                    | 2,249                          | 688                           | (3)                     |
| – net fee income/(expense)  | 5,519                    | 4,175                     | (527)                          | 843                           | 1,028                   |
| – other income  | 1,582                    | 1,129                     | 147                            | 258                           | 48                      |
| ECL   | (3,005)                  | (2,866)                   | (67)                           | (71)                          | (1)                     |
| Net operating income  | 19,566                   | 14,974                    | 1,802                          | 1,718                         | 1,072                   |
| Total operating expenses  | (15,443)                 | (12,774)                  | (486)                          | (1,429)                       | (754)                   |
| Operating profit  | 4,123                    | 2,200                     | 1,316                          | 289                           | 318                     |
| Share of profit in associates and joint ventures  | 7                        | 6                         | 1                              | –                             | –                       |
| <b>Profit before tax</b>  | <b>4,130</b>             | <b>2,206</b>              | <b>1,317</b>                   | <b>289</b>                    | <b>318</b>              |

## Global businesses

### WPB – summary (adjusted basis) (continued)

|   | Total WPB<br>\$m | Consists of <sup>1</sup>  |                                |                               |  | Asset management<br>\$m |
|---|------------------|---------------------------|--------------------------------|-------------------------------|--|-------------------------|
|   |                  | Banking operations<br>\$m | Insurance manufacturing<br>\$m | Global Private Banking<br>\$m |  |                         |
| 2019  |                  |                           |                                |                               |  |                         |
| Net operating income before change in expected credit losses and other credit impairment charges <sup>2</sup> | 26,140           | 20,508                    | 2,663                          | 1,917                         |  | 1,052                   |
| – net interest income   | 17,820           | 14,737                    | 2,179                          | 911                           |  | (7)                     |
| – net fee income/(expense)  | 5,753            | 4,684                     | (726)                          | 797                           |  | 998                     |
| – other income  | 2,567            | 1,087                     | 1,210                          | 209                           |  | 61                      |
| ECL   | (1,376)          | (1,286)                   | (66)                           | (24)                          |  | –                       |
| Net operating income  | 24,764           | 19,222                    | 2,597                          | 1,893                         |  | 1,052                   |
| Total operating expenses  | (15,823)         | (13,085)                  | (485)                          | (1,480)                       |  | (773)                   |
| Operating profit  | 8,941            | 6,137                     | 2,112                          | 413                           |  | 279                     |
| Share of profit in associates and joint ventures  | 54               | 11                        | 43                             | –                             |  | –                       |
| Profit before tax   | 8,995            | 6,148                     | 2,155                          | 413                           |  | 279                     |

- 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.
- Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue. This differs from the WPB Life insurance manufacturing revenue shown in the managed view of adjusted revenue on page 31, which excludes the impact of Argentina hyperinflation and includes the effect of goodwill adjustments.
- Operating expenses in Global Private Banking in 2021 included a one-off charge of \$0.1bn, which did not meet the criteria to be classified as a significant item.

### 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.

These results are prepared in accordance with current IFRSs which will change following adoption of IFRS 17 'Insurance Contracts', effective from 1 January 2023. Further information about the adoption of IFRS 17 is provided on page 90.

### Adjusted results of insurance manufacturing operations and insurance distribution income earned by HSBC bank channels<sup>1, 2</sup>

|  | 2021                |                              | 2020       |                              | 2019       |                              |
|--|---------------------|------------------------------|------------|------------------------------|------------|------------------------------|
|  | WPB<br>\$m          | All global businesses<br>\$m | WPB<br>\$m | All global businesses<br>\$m | WPB<br>\$m | All global businesses<br>\$m |
|  | Net interest income | 2,316                        | 2,492      | 2,249                        | 2,414      | 2,179                        |
| Net fee income/(expense)   | (620)               | (652)                        | (527)      | (564)                        | (726)      | (750)                        |
| – fee income   | 105                 | 128                          | 111        | 132                          | 108        | 131                          |
| – fee expense  | (725)               | (780)                        | (638)      | (696)                        | (834)      | (881)                        |
| Net income/(expenses) from financial instruments held for trading or managed on a fair value basis   | 6                   | –                            | 66         | 84                           | (107)      | (117)                        |
| Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss | 4,061               | 4,100                        | 2,066      | 2,019                        | 3,671      | 3,654                        |
| Gains less losses from financial investments   | 86                  | 90                           | 13         | 13                           | 5          | 5                            |
| Net insurance premium income   | 10,516              | 10,998                       | 9,822      | 10,313                       | 10,572     | 10,932                       |
| Other operating income   | 192                 | 175                          | 333        | 347                          | 1,801      | 1,814                        |
| Of which: PVIF   | 100                 | 93                           | 368        | 381                          | 1,724      | 1,769                        |
| <b>Total operating income</b>  | <b>16,557</b>       | <b>17,203</b>                | 14,022     | 14,626                       | 17,395     | 17,856                       |
| Net insurance claims and benefits paid and movement in liabilities to policyholders  | (13,932)            | (14,442)                     | (12,153)   | (12,653)                     | (14,732)   | (15,115)                     |
| <b>Net operating income before change in expected credit losses and other credit impairment charges<sup>3</sup></b>                                    | <b>2,625</b>        | <b>2,761</b>                 | 1,869      | 1,973                        | 2,663      | 2,741                        |
| Change in expected credit losses and other credit impairment charges   | (17)                | (20)                         | (67)       | (78)                         | (66)       | (70)                         |
| <b>Net operating income</b>  | <b>2,608</b>        | <b>2,741</b>                 | 1,802      | 1,895                        | 2,597      | 2,671                        |
| Total operating expenses   | (589)               | (618)                        | (486)      | (514)                        | (485)      | (506)                        |
| <b>Operating profit</b>  | <b>2,019</b>        | <b>2,123</b>                 | 1,316      | 1,381                        | 2,112      | 2,165                        |
| Share of profit in associates and joint ventures   | 18                  | 18                           | 1          | 1                            | 43         | 43                           |
| <b>Profit before tax of insurance manufacturing operations<sup>4</sup></b>   | <b>2,037</b>        | <b>2,141</b>                 | 1,317      | 1,382                        | 2,155      | 2,208                        |
| Annualised new business premiums of insurance manufacturing operations   | 2,838               | 2,892                        | 2,320      | 2,384                        | 3,348      | 3,427                        |
| Insurance distribution income earned by HSBC bank channels   | 762                 | 832                          | 751        | 816                          | 961        | 1,057                        |

- 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 2020: \$5m favourable (reported: \$1,377m), 2019: \$73m favourable (reported: \$2,135m).
- The results presented for insurance manufacturing operations are shown before elimination of inter-company transactions with HSBC non-insurance operations.
- Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.
- The effect on the insurance manufacturing operations of applying hyperinflation accounting in Argentina resulted in an increase in adjusted revenue in 2021 of \$12m (2020: increase of \$5m, 2019: reduction of \$1m) and an increase in profit before tax in 2021 of \$10m (2020: increase of \$12m, 2019: increase of \$3m). These effects are recorded within 'All 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 \$2.1bn increased by \$0.8bn or 55% compared with 2020.

Adjusted net operating income before change in expected credit losses and other credit impairment changes was \$0.8bn or 40% higher than in 2020. 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 \$4.1bn in 2021 compared with \$2.0bn in 2020. This increase primarily reflected favourable equity market performance in France and Hong Kong and higher gains on unit trust assets, supporting insurance and investment contracts. This compared with 2020, which was adversely impacted by the onset of the Covid-19 pandemic.
- This favourable movement resulted in a corresponding movement in liabilities to policyholders and PVIF (see 'Other operating income' below), to the extent to which policyholders and shareholders respectively participate in the investment performance of the associated assets.
- Net insurance premium income of \$11bn was \$0.7bn higher than in 2020, primarily reflecting higher sales volumes particularly in France, the UK and Singapore.

- Other operating income of \$0.2bn decreased by \$0.2bn compared with 2020, mainly from adverse movements in PVIF. This included a reduction of \$0.7bn due to assumption changes and experience variances, primarily reflecting increased interest rates and the effect of sharing higher investment returns with policyholders in Hong Kong and Singapore, partly offset in France where higher interest rates reduced the cost of guarantees. The net reduction from assumption changes and experience variances was partly offset by a \$0.3bn increase in the value of new business written, primarily in Hong Kong.
- Net insurance claims and benefits paid and movement in liabilities to policyholders was \$1.8bn higher, primarily due to higher returns on financial assets supporting contracts where the policyholder is subject to part or all of the investment risk and higher sales volumes, particularly in France and the UK.

Adjusted operating expenses of \$0.6bn increased by 20% compared with 2020, 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. Higher ANP during the period reflected improved new business volumes, mainly in Hong Kong.

Insurance distribution income from HSBC channels included \$486m (2020: \$476m; 2019: \$665m) on HSBC manufactured products, for which a corresponding fee expense is recognised within insurance manufacturing, and \$346m (2020: \$340m; 2019: \$392m) on products manufactured by third-party providers. The WPB component of this distribution income was \$433m (2020: \$428m; 2019: \$589m) from HSBC manufactured products and \$329m (2020: \$323m; 2019: \$372m) from third-party products.

## WPB: Wealth adjusted revenue by geography

The following table shows the adjusted revenue of our Wealth business by region. Our Wealth business comprises investment distribution, life insurance manufacturing, Global Private Banking and Asset Management.

### Wealth adjusted revenue by geography

|               | 2021<br>\$m  | 2020<br>\$m  | 2019<br>\$m  |
|---------------|--------------|--------------|--------------|
| Europe        | 2,381        | 1,859        | 2,402        |
| Asia          | 5,780        | 5,246        | 5,587        |
| MENA          | 180          | 163          | 126          |
| North America | 530          | 520          | 562          |
| Latin America | 252          | 216          | 246          |
| <b>Total</b>  | <b>9,123</b> | <b>8,004</b> | <b>8,923</b> |

## WPB: Wealth balances

The following table shows the wealth balances, which include invested assets and wealth deposits. Invested assets comprise customer assets either managed by our Asset Management business or by external third-party investment managers, as well as self-directed investments by our customers.

## Global businesses

### WPB – reported wealth balances<sup>1</sup>

|   | 2021<br>\$bn | 2020<br>\$bn |
|---|--------------|--------------|
| Global Private Banking invested assets                                  | 351          | 326          |
| – managed by Global Asset Management                                    | 67           | 66           |
| – external managers, direct securities and other                        | 284          | 260          |
| Retail invested assets  | 434          | 407          |
| – managed by Global Asset Management                                    | 229          | 219          |
| – external managers, direct securities and other                        | 205          | 188          |
| Asset Management third-party distribution                               | 334          | 317          |
| <b>Reported invested assets<sup>1</sup></b>                             | <b>1,119</b> | <b>1,050</b> |
| Wealth deposits (Premier, Jade and Global Private Banking) <sup>2</sup> | 551          | 538          |
| <b>Total reported wealth balances</b>                                   | <b>1,670</b> | <b>1,588</b> |

1 Invested 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.

2 Premier, Jade and Global Private Banking deposits, which include Prestige deposits in Hang Seng Bank, form part of the total WPB customer accounts balance of \$859bn (2020: \$835bn) on page 98.

### 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

|                             | 2021<br>\$bn | 2020<br>\$bn |
|-----------------------------|--------------|--------------|
| Opening balance             | 602          | 506          |
| Net new invested assets     | 27           | 53           |
| Net market movements        | 18           | 17           |
| Foreign exchange and others | (17)         | 26           |
| <b>Closing balance</b>      | <b>630</b>   | <b>602</b>   |

### Asset Management – reported funds under management by geography

|                        | 2021<br>\$bn | 2020<br>\$bn |
|------------------------|--------------|--------------|
| Europe                 | 367          | 346          |
| Asia                   | 180          | 176          |
| MENA                   | 5            | 6            |
| North America          | 69           | 65           |
| Latin America          | 9            | 9            |
| <b>Closing balance</b> | <b>630</b>   | <b>602</b>   |

At 31 December 2021, Asset Management funds under management amounted to \$630bn, an increase of \$28bn or 5%. The increase reflected strong net new invested assets, primarily from passive and managed solutions investment products. There was a positive market performance, although this was largely offset by adverse foreign exchange translation.

### Global Private Banking: client assets

Global Private Banking client assets comprises invested assets and deposits, 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 assets<sup>1</sup>

|                                 | 2021<br>\$bn | 2020<br>\$bn |
|---------------------------------|--------------|--------------|
| Opening balance                 | 394          | 361          |
| Net new invested assets         | 19           | 3            |
| Increase/(decrease) in deposits | 4            | 3            |
| Net market movements            | 17           | 6            |
| Foreign exchange and others     | (11)         | 21           |
| <b>Closing Balance</b>          | <b>423</b>   | <b>394</b>   |

### Global Private Banking – reported client assets by geography<sup>1</sup>

|                        | 2021<br>\$bn | 2020<br>\$bn |
|------------------------|--------------|--------------|
| Europe                 | 174          | 174          |
| Asia                   | 178          | 176          |
| North America          | 71           | 44           |
| <b>Closing balance</b> | <b>423</b>   | <b>394</b>   |

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.



## Retail invested assets

The following table shows the invested assets of our retail customers. These comprise customer assets either managed by our Asset Management business or by external third-party

investment managers as well as self-directed investments by our customers. Retail invested 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.

### Retail invested assets

|                                      | 2021<br>\$bn | 2020<br>\$bn |
|--------------------------------------|--------------|--------------|
| Opening balance                      | 407          | 380          |
| Net new invested assets <sup>1</sup> | 26           | 10           |
| Net market movements                 | 5            | 5            |
| Foreign exchange and others          | (4)          | 12           |
| <b>Closing balance</b>               | <b>434</b>   | <b>407</b>   |

### Retail invested assets by geography

|                        | 2021<br>\$bn | 2020<br>\$bn |
|------------------------|--------------|--------------|
| Europe                 | 81           | 71           |
| Asia                   | 293          | 281          |
| MENA                   | 4            | 4            |
| North America          | 47           | 42           |
| Latin America          | 9            | 9            |
| <b>Closing balance</b> | <b>434</b>   | <b>407</b>   |

<sup>1</sup> 'Retail net new invested assets' covers nine markets, comprising Hong Kong including Hang Seng Bank (Hong Kong), mainland China, Malaysia, Singapore, HSBC Bank UK, UAE, US, Canada and Mexico. The net new invested assets related to all other geographies is reported in 'exchange and other'.

## WPB invested assets

Net new invested assets represents the net customer inflows from retail invested assets, Asset Management third-party distribution and Global Private Banking invested assets. It excludes all

customer deposits. The net new invested assets in the table below is non-additive from the tables above, as net new invested assets managed by Asset Management that is generated by retail clients or Global Private Banking will be recorded in both businesses.

### WPB: Invested assets

|                             | 2021<br>\$bn | 2020<br>\$bn |
|-----------------------------|--------------|--------------|
| Opening balance             | 1,050        | 925          |
| Net new invested assets     | 64           | 53           |
| Net market movements        | 33           | 21           |
| Foreign exchange and others | (28)         | 51           |
| <b>Closing balance</b>      | <b>1,119</b> | <b>1,050</b> |

### WPB: Net new invested assets by geography

|               | 2021<br>\$bn | 2020<br>\$bn |
|---------------|--------------|--------------|
| Europe        | 17           | 21           |
| Asia          | 36           | 15           |
| MENA          | —            | —            |
| North America | 10           | 16           |
| Latin America | 1            | 1            |
| <b>Total</b>  | <b>64</b>    | <b>53</b>    |

## 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 2021, we held \$10.8tn of assets as custodian, 7% higher than at 31 December 2020. The balance comprised \$10.0tn of assets in Securities Services, which were recorded at market value, and \$0.8tn of assets in Issuer Services, recorded at book value.

The growth was driven by Securities Services balances, from net client asset inflows, including increases from new client mandates, notably in Asia, the US and the UK, and favourable market movements. These increases were partly offset by the adverse impact of currency translation differences.

### 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 2021, the value of assets held under administration by the Group amounted to \$4.9tn, which was 10% higher than at 31 December 2020. The balance comprised \$3.0tn of assets in Securities Services, which were recorded at market value, and \$1.9tn of assets in Issuer Services, recorded at book value.

The increase was mainly driven by Securities Services balances, from a net inflow of client assets, particularly in the UK and Hong Kong, and from favourable market movements.

## Geographical regions

### Analysis of reported results by geographical regions

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

|   | 2021          |               |              |                         |                         |                   |               |
|---|---------------|---------------|--------------|-------------------------|-------------------------|-------------------|---------------|
|   | Europe<br>\$m | Asia<br>\$m   | MENA<br>\$m  | North<br>America<br>\$m | Latin<br>America<br>\$m | Intra-HSBC<br>\$m | Total<br>\$m  |
| Net interest income   | 6,454         | 12,596        | 1,299        | 2,845                   | 2,195                   | 1,100             | 26,489        |
| Net fee income  | 3,882         | 5,871         | 774          | 2,056                   | 514                     | —                 | 13,097        |
| Net income from financial instruments held for trading or managed on a fair value basis   | 2,602         | 3,643         | 431          | 426                     | 476                     | 166               | 7,744         |
| Net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit and loss | 1,670         | 2,340         | —            | —                       | 45                      | (2)               | 4,053         |
| Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss                                | 1,973         | (3)           | (3)          | 54                      | 40                      | (1,263)           | 798           |
| Other income/(expense) <sup>1</sup>   | 3,523         | 1,316         | 59           | 673                     | (212)                   | (7,988)           | (2,629)       |
| <b>Net operating income before change in expected credit losses and other credit impairment charges<sup>2</sup></b>                           | <b>20,104</b> | <b>25,763</b> | <b>2,560</b> | <b>6,054</b>            | <b>3,058</b>            | <b>(7,987)</b>    | <b>49,552</b> |
| Change in expected credit losses and other credit impairment charges  | 1,601         | (840)         | 132          | 238                     | (203)                   | —                 | 928           |
| <b>Net operating income</b>   | <b>21,705</b> | <b>24,923</b> | <b>2,692</b> | <b>6,292</b>            | <b>2,855</b>            | <b>(7,987)</b>    | <b>50,480</b> |
| Total operating expenses excluding impairment of goodwill and other intangible assets   | (18,099)      | (15,136)      | (1,536)      | (4,905)                 | (2,198)                 | 7,987             | (33,887)      |
| Impairment of goodwill and other intangible assets  | (95)          | (24)          | (8)          | (13)                    | (593)                   | —                 | (733)         |
| <b>Operating profit/(loss)</b>  | <b>3,511</b>  | <b>9,763</b>  | <b>1,148</b> | <b>1,374</b>            | <b>64</b>               | <b>—</b>          | <b>15,860</b> |
| Share of profit/(loss) in associates and joint ventures   | 268           | 2,486         | 275          | —                       | 17                      | —                 | 3,046         |
| <b>Profit/(loss) before tax</b>   | <b>3,779</b>  | <b>12,249</b> | <b>1,423</b> | <b>1,374</b>            | <b>81</b>               | <b>—</b>          | <b>18,906</b> |
|   | %             | %             | %            | %                       | %                       | %                 | %             |
| Share of HSBC's profit before tax   | 20.0          | 64.8          | 7.5          | 7.3                     | 0.4                     | —                 | 100.0         |
| Cost efficiency ratio   | 90.5          | 58.8          | 60.3         | 81.2                    | 91.3                    | —                 | 69.9          |
| <b>Balance sheet data</b>   | <b>\$m</b>    | <b>\$m</b>    | <b>\$m</b>   | <b>\$m</b>              | <b>\$m</b>              | <b>\$m</b>        | <b>\$m</b>    |
| Loans and advances to customers (net)   | 397,090       | 492,525       | 26,375       | 108,717                 | 21,107                  | —                 | 1,045,814     |
| Total assets  | 1,354,483     | 1,261,707     | 70,974       | 362,150                 | 46,602                  | (137,977)         | 2,957,939     |
| Customer accounts   | 667,769       | 792,098       | 42,629       | 178,565                 | 29,513                  | —                 | 1,710,574     |
| Risk-weighted assets <sup>3</sup>   | 261,115       | 396,206       | 60,223       | 110,412                 | 35,915                  | —                 | 838,263       |

  

|   | 2020           |               |              |              |              |                |               |
|---|----------------|---------------|--------------|--------------|--------------|----------------|---------------|
| 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) <sup>1</sup>   | 3,885          | 1,197         | 63           | 745          | (95)         | (6,936)        | (1,141)       |
| <b>Net operating income before change in expected credit losses and other credit impairment charges<sup>2</sup></b>                           | <b>18,419</b>  | <b>26,922</b> | <b>2,628</b> | <b>6,375</b> | <b>3,020</b> | <b>(6,935)</b> | <b>50,429</b> |
| Change in expected credit losses and other credit impairment charges  | (3,751)        | (2,284)       | (758)        | (900)        | (1,124)      | —              | (8,817)       |
| <b>Net operating income</b>   | <b>14,668</b>  | <b>24,638</b> | <b>1,870</b> | <b>5,475</b> | <b>1,896</b> | <b>(6,935)</b> | <b>41,612</b> |
| 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)       |
| <b>Operating profit/(loss)</b>  | <b>(4,206)</b> | <b>10,976</b> | <b>284</b>   | <b>168</b>   | <b>(42)</b>  | <b>—</b>       | <b>7,180</b>  |
| Share of profit/(loss) in associates and joint ventures   | 1              | 1,856         | (265)        | —            | 5            | —              | 1,597         |
| <b>Profit/(loss) before tax</b>   | <b>(4,205)</b> | <b>12,832</b> | <b>19</b>    | <b>168</b>   | <b>(37)</b>  | <b>—</b>       | <b>8,777</b>  |
|   | %              | %             | %            | %            | %            | %              | %             |
| 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          |
| <b>Balance sheet data</b>   | <b>\$m</b>     | <b>\$m</b>    | <b>\$m</b>   | <b>\$m</b>   | <b>\$m</b>   | <b>\$m</b>     | <b>\$m</b>    |
| 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 <sup>3</sup>   | 284,322        | 384,228       | 60,181       | 117,755      | 35,240       | —              | 857,520       |

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

|   | 2019      |           |         |               |               |   |           |
|---|-----------|-----------|---------|---------------|---------------|---|-----------|
|   | Europe    | Asia      | MENA    | North America | Latin America | Intra-HSBC/global impairment <sup>4</sup> | Total     |
|   | \$m       | \$m       | \$m     | \$m           | \$m           | \$m                                       | \$m       |
| 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/(expense) 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) <sup>1</sup>   | 1,830     | 1,921     | 916     | 638           | (23)          | (6,190)                                   | (908)     |
| Net operating income before loan impairment (charges)/recoveries and other credit risk provisions <sup>2</sup>  | 18,056    | 30,419    | 3,710   | 6,587         | 3,516         | (6,190)                                   | 56,098    |
| Change in expected credit losses and other credit impairment (charges)/recoveries   | (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 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 <sup>3</sup>   | 280,983   | 366,375   | 57,492  | 121,953       | 38,460        | —   | 843,395   |

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.

4 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.

## Geographical regions

### Reconciliation of reported and adjusted items – geographical regions

#### Reconciliation of reported and adjusted items

|  | 2021            |                 |                |                         |                         |                  |
|--|-----------------|-----------------|----------------|-------------------------|-------------------------|------------------|
|  | Europe<br>\$m   | Asia<br>\$m     | MENA<br>\$m    | North<br>America<br>\$m | Latin<br>America<br>\$m | Total<br>\$m     |
| <b>Revenue<sup>1</sup></b>                                   |                 |                 |                |                         |                         |                  |
| Reported <sup>2</sup>  | 20,104          | 25,763          | 2,560          | 6,054                   | 3,058                   | 49,552           |
| Significant items <sup>2</sup>                               | 125             | (164)           | –              | 10                      | 5                       | 538              |
| – customer redress programmes                                | (11)            | –               | –              | –                       | –                       | (11)             |
| – fair value movements on financial instruments <sup>3</sup> | 226             | 11              | –              | 5                       | –                       | 242              |
| – restructuring and other related costs <sup>2,4</sup>       | (90)            | (175)           | –              | 5                       | 5                       | 307              |
| <b>Adjusted<sup>2</sup></b>                                  | <b>20,229</b>   | <b>25,599</b>   | <b>2,560</b>   | <b>6,064</b>            | <b>3,063</b>            | <b>50,090</b>    |
| <b>ECL</b>   |                 |                 |                |                         |                         |                  |
| Reported   | 1,601           | (840)           | 132            | 238                     | (203)                   | 928              |
| <b>Adjusted</b>  | <b>1,601</b>    | <b>(840)</b>    | <b>132</b>     | <b>238</b>              | <b>(203)</b>            | <b>928</b>       |
| <b>Operating expenses</b>                                    |                 |                 |                |                         |                         |                  |
| Reported <sup>2</sup>  | (18,194)        | (15,160)        | (1,544)        | (4,918)                 | (2,791)                 | (34,620)         |
| Significant items <sup>2</sup>                               | 1,367           | 509             | 56             | 432                     | 670                     | 2,472            |
| – customer redress programmes                                | 49              | –               | –              | –                       | –                       | 49               |
| – impairment of goodwill and other intangibles               | –               | –               | –              | –                       | 587                     | 587              |
| – restructuring and other related costs <sup>2</sup>         | 1,318           | 509             | 56             | 432                     | 83                      | 1,836            |
| <b>Adjusted<sup>2</sup></b>                                  | <b>(16,827)</b> | <b>(14,651)</b> | <b>(1,488)</b> | <b>(4,486)</b>          | <b>(2,121)</b>          | <b>(32,148)</b>  |
| <b>Share of profit in associates and joint ventures</b>      |                 |                 |                |                         |                         |                  |
| Reported   | 268             | 2,486           | 275            | –                       | 17                      | 3,046            |
| <b>Adjusted</b>  | <b>268</b>      | <b>2,486</b>    | <b>275</b>     | <b>–</b>                | <b>17</b>               | <b>3,046</b>     |
| <b>Profit before tax</b>                                     |                 |                 |                |                         |                         |                  |
| Reported   | 3,779           | 12,249          | 1,423          | 1,374                   | 81                      | 18,906           |
| Significant items  | 1,492           | 345             | 56             | 442                     | 675                     | 3,010            |
| – revenue <sup>2</sup>                                       | 125             | (164)           | –              | 10                      | 5                       | 538              |
| – operating expenses <sup>2</sup>                            | 1,367           | 509             | 56             | 432                     | 670                     | 2,472            |
| <b>Adjusted</b>  | <b>5,271</b>    | <b>12,594</b>   | <b>1,479</b>   | <b>1,816</b>            | <b>756</b>              | <b>21,916</b>    |
| <b>Loans and advances to customers (net)</b>                 |                 |                 |                |                         |                         |                  |
| Reported   | 397,090         | 492,525         | 26,375         | 108,717                 | 21,107                  | 1,045,814        |
| <b>Adjusted</b>  | <b>397,090</b>  | <b>492,525</b>  | <b>26,375</b>  | <b>108,717</b>          | <b>21,107</b>           | <b>1,045,814</b> |
| <b>Customer accounts</b>                                     |                 |                 |                |                         |                         |                  |
| Reported   | 667,769         | 792,098         | 42,629         | 178,565                 | 29,513                  | 1,710,574        |
| <b>Adjusted</b>  | <b>667,769</b>  | <b>792,098</b>  | <b>42,629</b>  | <b>178,565</b>          | <b>29,513</b>           | <b>1,710,574</b> |

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.



Reconciliation of reported and adjusted items (continued)

|  | 2021            |                     |                          |                |                |
|--|-----------------|---------------------|--------------------------|----------------|----------------|
|  | UK<br>\$m       | Hong<br>Kong<br>\$m | Mainland<br>China<br>\$m | US<br>\$m      | Mexico<br>\$m  |
| <b>Revenue<sup>1</sup></b>                                   |                 |                     |                          |                |                |
| Reported   | 16,415          | 14,463              | 3,734                    | 4,006          | 2,341          |
| Significant items  | (18)            | 61                  | (41)                     | 14             | 15             |
| – customer redress programmes                                | (11)            | –                   | –                        | –              | –              |
| – fair value movements on financial instruments <sup>2</sup> | 220             | 7                   | –                        | 5              | –              |
| – restructuring and other related costs <sup>3</sup>         | (227)           | 54                  | (41)                     | 9              | 15             |
| <b>Adjusted</b>  | <b>16,397</b>   | <b>14,524</b>       | <b>3,693</b>             | <b>4,020</b>   | <b>2,356</b>   |
| <b>ECL</b>   |                 |                     |                          |                |                |
| Reported   | 1,645           | (608)               | (89)                     | 205            | (224)          |
| <b>Adjusted</b>  | <b>1,645</b>    | <b>(608)</b>        | <b>(89)</b>              | <b>205</b>     | <b>(224)</b>   |
| <b>Operating expenses</b>                                    |                 |                     |                          |                |                |
| Reported   | (14,808)        | (7,955)             | (2,773)                  | (3,683)        | (1,565)        |
| Significant items  | 1,193           | 227                 | 32                       | 355            | 59             |
| – customer redress programmes                                | 49              | –                   | –                        | –              | –              |
| – restructuring and other related costs                      | 1,144           | 227                 | 32                       | 355            | 59             |
| <b>Adjusted</b>  | <b>(13,615)</b> | <b>(7,728)</b>      | <b>(2,741)</b>           | <b>(3,328)</b> | <b>(1,506)</b> |
| <b>Share of profit in associates and joint ventures</b>      |                 |                     |                          |                |                |
| Reported   | 267             | 16                  | 2,461                    | –              | 17             |
| <b>Adjusted</b>  | <b>267</b>      | <b>16</b>           | <b>2,461</b>             | <b>–</b>       | <b>17</b>      |
| <b>Profit before tax</b>                                     |                 |                     |                          |                |                |
| Reported   | 3,519           | 5,916               | 3,333                    | 528            | 569            |
| Significant items  | 1,175           | 288                 | (9)                      | 369            | 74             |
| – revenue  | (18)            | 61                  | (41)                     | 14             | 15             |
| – operating expenses   | 1,193           | 227                 | 32                       | 355            | 59             |
| <b>Adjusted</b>  | <b>4,694</b>    | <b>6,204</b>        | <b>3,324</b>             | <b>897</b>     | <b>643</b>     |
| <b>Loans and advances to customers (net)</b>                 |                 |                     |                          |                |                |
| Reported   | 306,464         | 311,947             | 54,239                   | 52,678         | 18,043         |
| <b>Adjusted</b>  | <b>306,464</b>  | <b>311,947</b>      | <b>54,239</b>            | <b>52,678</b>  | <b>18,043</b>  |
| <b>Customer accounts</b>                                     |                 |                     |                          |                |                |
| Reported   | 535,797         | 549,429             | 59,266                   | 111,921        | 23,583         |
| <b>Adjusted</b>  | <b>535,797</b>  | <b>549,429</b>      | <b>59,266</b>            | <b>111,921</b> | <b>23,583</b>  |

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)

|  | 2020          |             |             |                         |                         |              |
|--|---------------|-------------|-------------|-------------------------|-------------------------|--------------|
|  | Europe<br>\$m | Asia<br>\$m | MENA<br>\$m | North<br>America<br>\$m | Latin<br>America<br>\$m | Total<br>\$m |
| Revenue <sup>1</sup>   |               |             |             |                         |                         |              |
| Reported <sup>2</sup>  | 18,419        | 26,922      | 2,628       | 6,375                   | 3,020                   | 50,429       |
| Currency translation <sup>2</sup>  | 1,171         | 335         | (58)        | 109                     | (69)                    | 1,393        |
| Significant items <sup>2</sup>   | (233)         | (36)        | (1)         | 42                      | —                       | (52)         |
| – customer redress programmes  | 21            | —           | —           | —                       | —                       | 21           |
| – disposals, acquisitions and investment in new businesses                   | —             | —           | —           | 10                      | —                       | 10           |
| – fair value movements on financial instruments <sup>3</sup>                 | (254)         | (5)         | —           | (2)                     | (3)                     | (264)        |
| – restructuring and other related costs <sup>2,4</sup>                       | (9)           | (32)        | —           | 35                      | —                       | 170          |
| – currency translation on significant items                                  | 9             | 1           | (1)         | (1)                     | 3                       | 11           |
| Adjusted <sup>2</sup>  | 19,357        | 27,221      | 2,569       | 6,526                   | 2,951                   | 51,770       |
| ECL  |               |             |             |                         |                         |              |
| Reported   | (3,751)       | (2,284)     | (758)       | (900)                   | (1,124)                 | (8,817)      |
| Currency translation   | (337)         | (57)        | 3           | (24)                    | (50)                    | (465)        |
| Adjusted   | (4,088)       | (2,341)     | (755)       | (924)                   | (1,174)                 | (9,282)      |
| Operating expenses   |               |             |             |                         |                         |              |
| Reported <sup>2</sup>  | (18,874)      | (13,662)    | (1,586)     | (5,307)                 | (1,938)                 | (34,432)     |
| Currency translation <sup>2</sup>  | (1,000)       | (198)       | 39          | (69)                    | 61                      | (1,072)      |
| Significant items <sup>2</sup>   | 2,335         | 171         | 81          | 603                     | 81                      | 3,095        |
| – 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 <sup>2,5</sup>                       | 1,425         | 171         | 19          | 378                     | 91                      | 1,908        |
| – settlements and provisions in connection with legal and regulatory matters | 12            | —           | —           | —                       | —                       | 12           |
| – currency translation on significant items                                  | 132           | —           | (2)         | 2                       | (10)                    | 122          |
| Adjusted <sup>2</sup>  | (17,539)      | (13,689)    | (1,466)     | (4,773)                 | (1,796)                 | (32,409)     |
| Share of profit/(loss) in associates and joint ventures                      |               |             |             |                         |                         |              |
| Reported   | 1             | 1,856       | (265)       | —                       | 5                       | 1,597        |
| Currency translation   | —             | 133         | —           | —                       | —                       | 133          |
| Significant items  | —             | —           | 462         | —                       | —                       | 462          |
| – impairment of goodwill <sup>6</sup>  | —             | —           | 462         | —                       | —                       | 462          |
| – currency translation on significant items                                  | —             | —           | —           | —                       | —                       | —            |
| Adjusted   | 1             | 1,989       | 197         | —                       | 5                       | 2,192        |
| Profit/(loss) before tax   |               |             |             |                         |                         |              |
| Reported   | (4,205)       | 12,832      | 19          | 168                     | (37)                    | 8,777        |
| Currency translation   | (166)         | 213         | (16)        | 16                      | (58)                    | (11)         |
| Significant items  | 2,102         | 135         | 542         | 645                     | 81                      | 3,505        |
| – revenue <sup>2</sup>   | (233)         | (36)        | (1)         | 42                      | —                       | (52)         |
| – operating expenses <sup>2</sup>  | 2,335         | 171         | 81          | 603                     | 81                      | 3,095        |
| – share of profit in associates and joint ventures                           | —             | —           | 462         | —                       | —                       | 462          |
| Adjusted   | (2,269)       | 13,180      | 545         | 829                     | (14)                    | 12,271       |
| Loans and advances to customers (net)  |               |             |             |                         |                         |              |
| Reported   | 408,495       | 473,165     | 28,700      | 107,969                 | 19,658                  | 1,037,987    |
| Currency translation   | (9,176)       | (4,397)     | (1,423)     | 199                     | (788)                   | (15,585)     |
| Adjusted   | 399,319       | 468,768     | 27,277      | 108,168                 | 18,870                  | 1,022,402    |
| Customer accounts  |               |             |             |                         |                         |              |
| Reported   | 629,647       | 762,406     | 41,221      | 182,028                 | 27,478                  | 1,642,780    |
| Currency translation   | (12,835)      | (6,887)     | (1,748)     | 234                     | (1,416)                 | (22,652)     |
| Adjusted   | 616,812       | 755,519     | 39,473      | 182,262                 | 26,062                  | 1,620,128    |

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 In 2020, 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)

|  | 2020      |                     |                          |           |               |
|--|-----------|---------------------|--------------------------|-----------|---------------|
|  | UK<br>\$m | Hong<br>Kong<br>\$m | Mainland<br>China<br>\$m | US<br>\$m | Mexico<br>\$m |
| <b>Revenue<sup>1</sup></b>   |           |                     |                          |           |               |
| Reported   | 13,886    | 16,345              | 3,088                    | 4,590     | 2,234         |
| Currency translation   | 1,048     | (29)                | 220                      | —         | 124           |
| Significant items  | (180)     | 14                  | (5)                      | 41        | (11)          |
| – customer redress programmes  | 21        | —                   | —                        | —         | —             |
| – disposals, acquisitions and investment in new businesses                   | —         | —                   | —                        | 10        | —             |
| – fair value movements on financial instruments <sup>2</sup>                 | (256)     | —                   | (1)                      | (2)       | (1)           |
| – restructuring and other related costs <sup>3</sup>                         | 48        | 15                  | (4)                      | 33        | (12)          |
| – currency translation on significant items                                  | 7         | (1)                 | —                        | —         | 2             |
| Adjusted   | 14,754    | 16,330              | 3,303                    | 4,631     | 2,347         |
| <b>ECL</b>   |           |                     |                          |           |               |
| Reported   | (3,256)   | (824)               | (114)                    | (622)     | (1,050)       |
| Currency translation   | (306)     | 2                   | (9)                      | —         | (69)          |
| Adjusted   | (3,562)   | (822)               | (123)                    | (622)     | (1,119)       |
| <b>Operating expenses</b>  |           |                     |                          |           |               |
| Reported   | (14,855)  | (7,312)             | (2,211)                  | (4,194)   | (1,376)       |
| Currency translation   | (875)     | 14                  | (152)                    | —         | (74)          |
| Significant items  | 1,430     | 99                  | 20                       | 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        | —                   | —                        | —         | —             |
| – currency translation on significant items                                  | 112       | (1)                 | 1                        | —         | —             |
| Adjusted   | (14,300)  | (7,199)             | (2,343)                  | (3,638)   | (1,408)       |
| <b>Share of profit/(loss) in associates and joint ventures</b>               |           |                     |                          |           |               |
| Reported   | 1         | (2)                 | 1,849                    | —         | 5             |
| Currency translation   | —         | —                   | 132                      | —         | —             |
| Adjusted   | 1         | (2)                 | 1,981                    | —         | 5             |
| <b>Profit/(loss) before tax</b>  |           |                     |                          |           |               |
| Reported   | (4,224)   | 8,207               | 2,612                    | (226)     | (187)         |
| Currency translation   | (133)     | (13)                | 191                      | —         | (19)          |
| Significant items  | 1,250     | 113                 | 15                       | 597       | 31            |
| – revenue  | (180)     | 14                  | (5)                      | 41        | (11)          |
| – operating expenses   | 1,430     | 99                  | 20                       | 556       | 42            |
| Adjusted   | (3,107)   | 8,307               | 2,818                    | 371       | (175)         |
| <b>Loans and advances to customers (net)</b>                                 |           |                     |                          |           |               |
| Reported   | 314,530   | 302,454             | 46,113                   | 58,082    | 17,296        |
| Currency translation   | (2,764)   | (1,741)             | 1,278                    | —         | (471)         |
| Adjusted   | 311,766   | 300,713             | 47,391                   | 58,082    | 16,825        |
| <b>Customer accounts</b>   |           |                     |                          |           |               |
| Reported   | 504,275   | 531,489             | 56,826                   | 117,485   | 22,220        |
| Currency translation   | (4,432)   | (3,060)             | 1,575                    | —         | (605)         |
| Adjusted   | 499,843   | 528,429             | 58,401                   | 117,485   | 21,615        |

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

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

<sup>3</sup> 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)

|  | 2019          |             |             |                         |                         |              |
|--|---------------|-------------|-------------|-------------------------|-------------------------|--------------|
|  | Europe<br>\$m | Asia<br>\$m | MENA<br>\$m | North<br>America<br>\$m | Latin<br>America<br>\$m | Total<br>\$m |
| Revenue <sup>1</sup>   |               |             |             |                         |                         |              |
| Reported <sup>2</sup>  | 18,056        | 30,419      | 3,710       | 6,587                   | 3,516                   | 56,098       |
| Currency translation <sup>2</sup>  | 1,353         | 354         | (72)        | 99                      | (666)                   | 1,010        |
| Significant items  | 41            | 35          | (827)       | 68                      | 10                      | (673)        |
| – customer redress programmes  | 163           | –           | –           | –                       | –                       | 163          |
| – disposals, acquisitions and investment in new businesses <sup>3</sup>      | –             | –           | (828)       | 59                      | 1                       | (768)        |
| – fair value movements on financial investments <sup>4</sup>                 | (137)         | 35          | –           | 9                       | 9                       | (84)         |
| – currency translation on significant items                                  | 15            | –           | 1           | –                       | –                       | 16           |
| Adjusted <sup>2</sup>  | 19,450        | 30,808      | 2,811       | 6,754                   | 2,860                   | 56,435       |
| ECL  |               |             |             |                         |                         |              |
| Reported   | (938)         | (724)       | (117)       | (237)                   | (740)                   | (2,756)      |
| Currency translation   | (69)          | (11)        | 4           | (4)                     | 149                     | 69           |
| Adjusted   | (1,007)       | (735)       | (113)       | (241)                   | (591)                   | (2,687)      |
| Operating expenses   |               |             |             |                         |                         |              |
| Reported <sup>2,6</sup>  | (21,759)      | (13,297)    | (1,549)     | (5,583)                 | (2,389)                 | (42,349)     |
| Currency translation <sup>2</sup>  | (1,246)       | (177)       | 59          | (61)                    | 386                     | (981)        |
| Significant items <sup>6</sup>   | 4,655         | 127         | 112         | 544                     | 367                     | 9,767        |
| – costs of structural reform <sup>5</sup>                                    | 154           | 4           | –           | –                       | –                       | 158          |
| – customer redress programmes  | 1,281         | –           | –           | –                       | –                       | 1,281        |
| – goodwill impairment <sup>6</sup>   | 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                                  | 220           | 1           | –           | –                       | (8)                     | 213          |
| Adjusted <sup>2,6</sup>  | (18,350)      | (13,347)    | (1,378)     | (5,100)                 | (1,636)                 | (33,563)     |
| Share of profit/(loss) in associates and joint ventures                      |               |             |             |                         |                         |              |
| Reported   | (12)          | 2,070       | 283         | –                       | 13                      | 2,354        |
| Currency translation   | 1             | 142         | –           | –                       | (1)                     | 142          |
| Adjusted   | (11)          | 2,212       | 283         | –                       | 12                      | 2,496        |
| Profit/(loss) before tax   |               |             |             |                         |                         |              |
| Reported <sup>6</sup>  | (4,653)       | 18,468      | 2,327       | 767                     | 400                     | 13,347       |
| Currency translation <sup>6</sup>  | 39            | 308         | (9)         | 34                      | (132)                   | 240          |
| Significant items <sup>6</sup>   | 4,696         | 162         | (715)       | 612                     | 377                     | 9,094        |
| – revenue  | 41            | 35          | (827)       | 68                      | 10                      | (673)        |
| – operating expenses <sup>6</sup>  | 4,655         | 127         | 112         | 544                     | 367                     | 9,767        |
| Adjusted   | 82            | 18,938      | 1,603       | 1,413                   | 645                     | 22,681       |
| Loans and advances to customers (net)  |               |             |             |                         |                         |              |
| Reported   | 393,850       | 477,727     | 28,556      | 113,474                 | 23,136                  | 1,036,743    |
| Currency translation   | 8,549         | 4,264       | (1,482)     | 1,165                   | (2,440)                 | 10,056       |
| Adjusted   | 402,399       | 481,991     | 27,074      | 114,639                 | 20,696                  | 1,046,799    |
| Customer accounts  |               |             |             |                         |                         |              |
| Reported   | 528,718       | 697,358     | 38,126      | 146,676                 | 28,237                  | 1,439,115    |
| Currency translation   | 11,240        | 4,003       | (2,091)     | 1,183                   | (3,525)                 | 10,810       |
| Adjusted   | 539,958       | 701,361     | 36,035      | 147,859                 | 24,712                  | 1,449,925    |

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

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

<sup>3</sup> Includes \$0.8bn dilution gain following the merger of The Saudi British Bank ('SABB') with Alawwal bank.

<sup>4</sup> Includes fair value movements on non-qualifying hedges and debt valuation adjustments on derivatives.

<sup>5</sup> Comprises costs associated with preparations for the UK's exit from the European Union.

<sup>6</sup> 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<br>\$m       | Hong<br>Kong<br>\$m | Mainland<br>China<br>\$m | US<br>\$m      | Mexico<br>\$m  |
| <b>Revenue<sup>1</sup></b>   |                 |                     |                          |                |                |
| Reported   | 13,538          | 19,412              | 3,101                    | 4,638          | 2,555          |
| Currency translation   | 1,148           | 153                 | 219                      | —              | (129)          |
| Significant items  | 40              | 26                  | 1                        | 66             | 7              |
| – customer redress programmes  | 162             | —                   | —                        | —              | —              |
| – disposals, acquisitions and investment in new businesses                   | —               | —                   | —                        | 59             | —              |
| – fair value movements on financial instruments <sup>2</sup>                 | (139)           | 26                  | 1                        | 7              | 8              |
| – currency translation on significant items                                  | 17              | —                   | —                        | —              | (1)            |
| <b>Adjusted</b>  | <b>14,726</b>   | <b>19,591</b>       | <b>3,321</b>             | <b>4,704</b>   | <b>2,433</b>   |
| <b>ECL</b>   |                 |                     |                          |                |                |
| Reported   | (714)           | (459)               | (129)                    | (170)          | (491)          |
| Currency translation   | (58)            | (3)                 | (9)                      | —              | 25             |
| <b>Adjusted</b>  | <b>(772)</b>    | <b>(462)</b>        | <b>(138)</b>             | <b>(170)</b>   | <b>(466)</b>   |
| <b>Operating expenses</b>  |                 |                     |                          |                |                |
| Reported   | (16,157)        | (6,935)             | (2,111)                  | (4,033)        | (1,390)        |
| Currency translation   | (1,010)         | (51)                | (153)                    | —              | 71             |
| Significant items  | 1,941           | 65                  | 7                        | 93             | 19             |
| – costs of structural reform <sup>3</sup>                                    | 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                                  | 146             | 1                   | 1                        | —              | (1)            |
| <b>Adjusted</b>  | <b>(15,226)</b> | <b>(6,921)</b>      | <b>(2,257)</b>           | <b>(3,940)</b> | <b>(1,300)</b> |
| <b>Share of profit in associates and joint ventures</b>                      |                 |                     |                          |                |                |
| Reported   | (12)            | 31                  | 2,016                    | —              | 13             |
| Currency translation   | 1               | —                   | 143                      | —              | (1)            |
| <b>Adjusted</b>  | <b>(11)</b>     | <b>31</b>           | <b>2,159</b>             | <b>—</b>       | <b>12</b>      |
| <b>Profit/(loss) before tax</b>  |                 |                     |                          |                |                |
| Reported   | (3,345)         | 12,049              | 2,877                    | 435            | 687            |
| Currency translation   | 81              | 99                  | 200                      | —              | (34)           |
| Significant items  | 1,981           | 91                  | 8                        | 159            | 26             |
| – revenue  | 40              | 26                  | 1                        | 66             | 7              |
| – operating expenses   | 1,941           | 65                  | 7                        | 93             | 19             |
| <b>Adjusted</b>  | <b>(1,283)</b>  | <b>12,239</b>       | <b>3,085</b>             | <b>594</b>     | <b>679</b>     |
| <b>Loans and advances to customers (net)</b>                                 |                 |                     |                          |                |                |
| Reported   | 303,041         | 306,964             | 42,380                   | 63,588         | 20,426         |
| Currency translation   | 7,175           | (372)               | 4,054                    | —              | (1,561)        |
| <b>Adjusted</b>  | <b>310,216</b>  | <b>306,592</b>      | <b>46,434</b>            | <b>63,588</b>  | <b>18,865</b>  |
| <b>Customer accounts</b>   |                 |                     |                          |                |                |
| Reported   | 419,642         | 499,955             | 48,323                   | 90,834         | 23,051         |
| Currency translation   | 9,935           | (606)               | 4,622                    | —              | (1,762)        |
| <b>Adjusted</b>  | <b>429,577</b>  | <b>499,349</b>      | <b>52,945</b>            | <b>90,834</b>  | <b>21,289</b>  |

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

### Analysis by country

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

|  | Wealth and<br>Personal<br>Banking<br>\$m | Commercial<br>Banking<br>\$m | Global Banking<br>and Markets<br>\$m | Corporate<br>Centre<br>\$m | Total<br>\$m  |
|--|--|------------------------------|--------------------------------------|----------------------------|---------------|
| <b>Europe</b>                                    | <b>1,817</b>                             | <b>2,893</b>                 | <b>(299)</b>                         | <b>(632)</b>               | <b>3,779</b>  |
| – UK <sup>1</sup>                                | 1,511                                    | 2,475                        | (487)                                | 20                         | 3,519         |
| – of which: HSBC UK Bank plc (ring-fenced bank)  | 2,047                                    | 2,929                        | 127                                  | (318)                      | 4,785         |
| – of which: HSBC Bank plc (non-ring-fenced bank) | 176                                      | 259                          | 220                                  | (17)                       | 638           |
| – of which: Holdings and other                   | (712)                                    | (713)                        | (834)                                | 355                        | (1,904)       |
| – France   | 236                                      | 163                          | (97)                                 | (133)                      | 169           |
| – Germany  | 17                                       | 82                           | 155                                  | 67                         | 321           |
| – Switzerland                                    | 46                                       | 10                           | –                                    | (12)                       | 44            |
| – other  | 7  | 163                          | 130                                  | (574)                      | (274)         |
| <b>Asia</b>                                      | <b>4,366</b>                             | <b>2,364</b>                 | <b>3,193</b>                         | <b>2,326</b>               | <b>12,249</b> |
| – Hong Kong                                      | 4,076                                    | 1,303                        | 920                                  | (383)                      | 5,916         |
| – Australia                                      | 146                                      | 132                          | 131                                  | (26)                       | 383           |
| – India  | 20                                       | 265                          | 593                                  | 232                        | 1,110         |
| – Indonesia                                      | 14                                       | 12                           | 111                                  | (8)                        | 129           |
| – mainland China                                 | (95)                                     | 288                          | 586                                  | 2,554                      | 3,333         |
| – Malaysia                                       | 37                                       | (23)                         | 145                                  | (20)                       | 139           |
| – Singapore                                      | 145                                      | 107                          | 231                                  | (13)                       | 470           |
| – Taiwan   | 14                                       | 16                           | 106                                  | (5)                        | 131           |
| – other  | 9  | 264                          | 370                                  | (5)                        | 638           |
| <b>Middle East and North Africa</b>              | <b>194</b>                               | <b>235</b>                   | <b>805</b>                           | <b>189</b>                 | <b>1,423</b>  |
| – Egypt  | 79                                       | 42                           | 163                                  | (2)                        | 282           |
| – UAE  | 91                                       | 3                            | 342                                  | (61)                       | 375           |
| – Saudi Arabia                                   | 17                                       | –                            | 65                                   | 274                        | 356           |
| – other  | 7  | 190                          | 235                                  | (22)                       | 410           |
| <b>North America</b>                             | <b>60</b>                                | <b>1,023</b>                 | <b>697</b>                           | <b>(406)</b>               | <b>1,374</b>  |
| – US   | (131)                                    | 472                          | 524                                  | (337)                      | 528           |
| – Canada   | 141                                      | 544                          | 145                                  | (62)                       | 768           |
| – other  | 50                                       | 7                            | 28                                   | (7)                        | 78            |
| <b>Latin America</b>                             | <b>(304)</b>                             | <b>162</b>                   | <b>326</b>                           | <b>(103)</b>               | <b>81</b>     |
| – Mexico   | 305                                      | 88                           | 222                                  | (46)                       | 569           |
| – other <sup>2</sup>                             | (609)                                    | 74                           | 104                                  | (57)                       | (488)         |
| <b>Year ended 31 Dec 2021</b>                    | <b>6,133</b>                             | <b>6,677</b>                 | <b>4,722</b>                         | <b>1,374</b>               | <b>18,906</b> |

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

<sup>2</sup> Includes the impact of goodwill impairment of \$587m. As per Group accounting policy, HSBC's cash-generating units are based on geographical regions, subdivided by global business.



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

|  | Wealth and<br>Personal<br>Banking<br>\$m | Commercial<br>Banking<br>\$m | Global<br>Banking<br>and Markets<br>\$m | Corporate<br>Centre<br>\$m | Total<br>\$m |
|--|--|------------------------------|---|----------------------------|--------------|
| Europe   | (680)                                    | (529)                        | (1,809)                                 | (1,187)                    | (4,205)      |
| – UK <sup>1</sup>                                | (357)                                    | (543)                        | (1,769)                                 | (1,555)                    | (4,224)      |
| – of which: HSBC UK Bank plc (ring-fenced bank)  | 113                                      | 167                          | 90                                      | (124)                      | 246          |
| – of which: HSBC Bank plc (non-ring-fenced bank) | 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        |

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

## Geographical regions

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

|  | Wealth and<br>Personal Banking | Commercial<br>Banking | Global<br>Banking<br>and Markets | Corporate<br>Centre | Total   |
|--|--------------------------------|-----------------------|----------------------------------|---------------------|---------|
|  | \$m                            | \$m                   | \$m                              | \$m                 | \$m     |
| Europe   | (841)                          | (1,324)               | (997)                            | (1,491)             | (4,653) |
| – UK <sup>1</sup>                                | (1,053)                        | 904                   | (1,217)                          | (1,979)             | (3,345) |
| – of which: HSBC UK Bank plc (ring-fenced bank)  | (331)                          | 1,555                 | 70                               | 13                  | 1,307   |
| – of which: HSBC Bank plc (non-ring fenced bank) | 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 <sup>2</sup>                             | 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 <sup>2</sup>                             | 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 <sup>2</sup>                             | (366)                          | 42                    | 39                               | (1)                 | (286)   |
| Latin America                                    | 264                            | (103)                 | 328                              | (89)                | 400     |
| – Mexico   | 311                            | 176                   | 229                              | (29)                | 687     |
| – other <sup>2</sup>                             | (47)                           | (279)                 | 99                               | (60)                | (287)   |
| GBM goodwill impairment <sup>2</sup>             | –                              | –                     | (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.

## 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 308.

As described on page 90, 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 is annualised profit attributable to ordinary shareholders, excluding changes in PVIF and significant items (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. Since 1 January 2021, the UK bank levy has no longer been excluded from the calculation of this measure. Comparative data have not been re-presented.

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

|  | 2021<br>\$m    | 2020<br>\$m | 2019<br>\$m |
|--|----------------|-------------|-------------|
| <b>Profit</b>  |                |             |             |
| Profit attributable to the ordinary shareholders of the parent company   | 12,607         | 3,898       | 5,969       |
| Impairment of goodwill and other intangible assets (net of tax)  | 608            | 1,036       | 7,349       |
| Decrease/(increase) in PVIF (net of tax)   | (58)           | (253)       | (1,248)     |
| <b>Profit attributable to the ordinary shareholders, excluding goodwill, other intangible assets impairment and PVIF</b>       | <b>13,157</b>  | 4,681       | 12,070      |
| Significant items (net of tax) and other adjustments <sup>1</sup>  | 2,086          | 2,402       | 2,251       |
| <b>Profit attributable to the ordinary shareholders, excluding goodwill impairment, PVIF and significant items<sup>1</sup></b> | <b>15,243</b>  | 7,083       | 14,321      |
| <b>Equity</b>  |                |             |             |
| Average total shareholders' equity   | 199,295        | 189,719     | 189,035     |
| Effect of average preference shares and other equity instruments   | (22,814)       | (22,326)    | (23,614)    |
| <b>Average ordinary shareholders' equity</b>   | <b>176,481</b> | 167,393     | 165,421     |
| Effect of goodwill, PVIF and other intangibles (net of deferred tax)   | (17,705)       | (17,292)    | (22,574)    |
| <b>Average tangible equity</b>   | <b>158,776</b> | 150,101     | 142,847     |
| Fair value of own debt, DVA and other adjustments  | 1,278          | 422         | 1,032       |
| <b>Average tangible equity excluding fair value of own debt, DVA and other adjustments</b>                                     | <b>160,054</b> | 150,523     | 143,879     |
|  | %              | %           | %           |
| <b>Ratio</b>   |                |             |             |
| Return on average ordinary shareholders' equity  | 7.1            | 2.3         | 3.6         |
| Return on average tangible equity  | 8.3            | 3.1         | 8.4         |
| Return on average tangible equity excluding significant items <sup>1</sup>   | 9.5            | 4.7         | 10.0        |

<sup>1</sup> Since 1 January 2021, the UK bank levy has no longer been excluded from the calculation of this measure. Comparative data have not been re-presented.

## 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 2021      |                    |                            |                  |               |
|--|-----------------------------|--------------------|----------------------------|------------------|---------------|
|  | Wealth and Personal Banking | Commercial Banking | Global Banking and Markets | Corporate Centre | Total         |
|  | \$m                         | \$m                | \$m                        | \$m              | \$m           |
| <b>Profit before tax</b>   | <b>6,133</b>                | <b>6,677</b>       | <b>4,722</b>               | <b>1,374</b>     | <b>18,906</b> |
| Tax expense  | (1,540)                     | (1,783)            | (1,020)                    | 130              | (4,213)       |
| <b>Profit after tax</b>  | <b>4,593</b>                | <b>4,894</b>       | <b>3,702</b>               | <b>1,504</b>     | <b>14,693</b> |
| Less attributable to: preference shareholders, other equity holders, non-controlling interests     | (735)                       | (665)              | (618)                      | (68)             | (2,086)       |
| <b>Profit attributable to ordinary shareholders of the parent company</b>                          | <b>3,858</b>                | <b>4,229</b>       | <b>3,084</b>               | <b>1,436</b>     | <b>12,607</b> |
| Increase in PVIF (net of tax)  | (65)                        | 4                  | —                          | 3                | (58)          |
| Significant items (net of tax) <sup>1</sup>  | 850                         | 51                 | 517                        | 1,269            | 2,687         |
| Other adjustments  | 3                           | (4)                | (3)                        | 11               | 7             |
| <b>Profit attributable to ordinary shareholders, excluding PVIF, significant items<sup>1</sup></b> | <b>4,646</b>                | <b>4,280</b>       | <b>3,598</b>               | <b>2,719</b>     | <b>15,243</b> |
| Average tangible shareholders' equity excluding fair value of own debt, DVA and other adjustments  | 30,587                      | 39,487             | 41,816                     | 48,164           | 160,054       |
| Return on average tangible equity excluding significant items (%) <sup>1</sup>                     | 15.2                        | 10.8               | 8.6                        | 5.6              | 9.5           |
|  | Year ended 31 Dec 2020      |                    |                            |                  |               |
| 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         |
| Other adjustments  | 20                          | (14)               | (25)                       | 60               | 41            |
| Profit attributable to ordinary shareholders, excluding PVIF, significant items and 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           |

<sup>1</sup> Since 1 January 2021, the UK bank levy has no longer been excluded from the calculation of this measure. Comparative data have not been re-presented.

### 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

|  | 2021<br>\$m    | 2020<br>\$m | 2019<br>\$m |
|--|----------------|-------------|-------------|
| Total shareholders' equity                                 | 198,250        | 196,443     | 183,955     |
| Preference shares and other equity instruments             | (22,414)       | (22,414)    | (22,276)    |
| <b>Total ordinary shareholders' equity</b>                 | <b>175,836</b> | 174,029     | 161,679     |
| Goodwill, PVIF and intangible assets (net of deferred tax) | (17,643)       | (17,606)    | (17,535)    |
| <b>Tangible ordinary shareholders' equity</b>              | <b>158,193</b> | 156,423     | 144,144     |
| Basic number of \$0.50 ordinary shares outstanding         | 20,073         | 20,184      | 20,206      |
|  | \$             | \$          | \$          |
| <b>Value per share</b>                                     |                |             |             |
| Net asset value per ordinary share                         | 8.76           | 8.62        | 8.00        |
| Tangible net asset value per ordinary share                | 7.88           | 7.75        | 7.13        |

### 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

|  | 2021<br>\$m | 2020<br>\$m | 2019<br>\$m |
|--|-------------|-------------|-------------|
| Profit after tax   | 14,693      | 6,099       | 8,708       |
| Average total shareholders' equity                         | 199,295     | 189,719     | 189,035     |
| Average total assets                                       | 3,012,437   | 2,936,939   | 2,712,376   |
| <b>Ratio</b>   | %           | %           | %           |
| Post-tax return on average total assets                    | 0.5         | 0.2         | 0.3         |
| Average total shareholders' equity to average total assets | 6.62        | 6.46        | 6.97        |

### 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

|  | 2021<br>\$m      | 2020<br>\$m      | 2019<br>\$m      |
|--|------------------|------------------|------------------|
| Expected credit losses and other credit impairment charges ('ECL')   | 928              | (8,817)          | (2,756)          |
| Currency translation   |                  | (465)            | 69               |
| <b>Adjusted ECL</b>  | <b>928</b>       | <b>(9,282)</b>   | <b>(2,687)</b>   |
| Average gross loans and advances to customers  | 1,057,412        | 1,047,114        | 1,021,238        |
| Currency translation   | (8,487)          | 20,243           | 22,292           |
| <b>Average gross loans and advances to customers – at most recent balance sheet foreign exchange rates</b>       | <b>1,048,925</b> | <b>1,067,357</b> | <b>1,043,530</b> |
| <b>Ratio</b>   | %                | %                | %                |
| Expected credit losses and other credit impairment charges as % of average gross loans and advances to customers | (0.09)           | 0.87             | 0.26             |