

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.

- 98 Financial summary
- 109 Global businesses and geographical regions
- 128 Reconciliation of alternative performance measures

Pioneering a sustainable supply chain finance programme

In June 2022, we worked closely with US-based fashion group PVH Corp. to launch the first sustainable supply chain finance programme tied to environmental and social objectives, and based on suppliers' sustainability ratings.

The programme provides the company's global suppliers with access to critical funding based on a set of science-based environmental targets, as well as a series of social elements, including a healthy and safe working environment, compensation and benefits, and employment issues, such as forced labour, child labour, and harassment and abuse.

Sustainable supply chain finance supports leading companies and key sectors like the apparel industry to help ensure progress is made towards their targets and commitments.

Financial summary

Contents

| | |
|-----|--|
| 98 | Use of alternative performance measures |
| 98 | Changes to presentation from 1 January 2022 |
| 98 | Changes to presentation from 1 January 2023 |
| 99 | Future accounting developments |
| 99 | Critical accounting estimates and judgements |
| 100 | Consolidated income statement |
| 101 | Income statement commentary |
| 105 | Consolidated balance sheet |

Use of alternative performance measures

Our reported results are prepared in accordance with IFRSs as detailed in the financial statements starting on page 324.

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 128. 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 360.

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 that 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.

Management does not assess forward-looking reported operating expenses as a target of the business, and therefore a reconciliation of the adjusted operating expenses target to an equivalent IFRS measure is not available without unreasonable efforts.

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 109 to 112 and pages 119 to 124 detail the effects of significant items on each of our global business segments, geographical regions and selected countries/territories in 2022, 2021 and 2020.

Foreign currency translation differences

Foreign currency translation differences reflect the movements of the US dollar against most major currencies during 2022.

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 to better understand the underlying trends in the business.

Foreign currency translation differences

Foreign currency translation differences for 2022 are computed by retranslating into US dollars for non-US dollar branches, subsidiaries, joint ventures and associates:

- the income statements for 2021 and 2020 at the average rates of exchange for 2022; and
- the balance sheets at 31 December 2021 and 31 December 2020 at the prevailing rates of exchange on 31 December 2022.

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 Argentina subsidiaries has not been adjusted further for the impacts of hyperinflation. Since 1 June 2022, Türkiye has been deemed a hyperinflationary economy for accounting purposes. HSBC has an operating entity in Türkiye and the constant currency data has not been adjusted further for the impacts of hyperinflation.

When reference is made to foreign currency translation differences in tables or commentaries, comparative data reported in the functional currencies of HSBC's operations have been translated at the appropriate exchange rates applied in the current period on the basis described above.

Changes to presentation from 1 January 2022

Application of IAS 29 'Financial Reporting in Hyperinflationary Economies'

Since 1 June 2022, Türkiye has been deemed a hyperinflationary economy for accounting purposes. The results of HSBC's operations with a functional currency of the Turkish lira have been prepared in accordance with IAS 29 'Financial Reporting in Hyperinflationary Economies' as if the economy had always been hyperinflationary. The results of those operations for the 12-month period ended 31 December 2022 are stated in terms of current purchasing power using the Türkiye Consumer Price Index ('CPI') at 31 December 2022 with the corresponding adjustment presented in the consolidated statement of comprehensive income. In accordance with IAS 21 'The Effects of Changes in Foreign Exchange Rates', the results have been translated and presented in US dollars at the prevailing rates of exchange on 31 December 2022. The Group's comparative information presented in US dollars with respect to the 12-month periods ended 31 December 2021 and 31 December 2020 has not been restated. Argentina remains a hyperinflationary economy for accounting purposes. The impact of applying IAS 29 and the hyperinflation provisions of IAS 21 in the current period for both Türkiye and Argentina was a decrease in the Group's profit before tax of \$548m, comprising a decrease in revenue of \$541m (including a loss of net monetary position of \$543m) and an increase in ECL and operating expenses of \$7m. The CPI at 31 December 2022 for Türkiye was 1,047 (movement 2022: 359.94) and for Argentina was 1,147 (movement 2022: 563.92, 2021: 197.47).

Changes to presentation from 1 January 2023

Foreign currency and notable items

From 1 January 2023, 'adjusted performance' will no longer exclude the impact of significant items. Rather it will be computed by adjusting reported results only for the effects of foreign currency translation differences between periods to enable users to understand the impact this has had on the Group's performance. We will separately disclose 'notable items', which are components of our income statement which management and investors would consider as outside the normal course of business and generally non-recurring in nature. We will recalibrate applicable targets and guidance to reflect the impact of these changes, as well as the impact on our targets following the implementation of IFRS 17 'Insurance Contracts', and

intend to communicate these as part of our first quarter results in May 2023.

Reporting by legal entity

From 1 January 2023, the Group will no longer present results by geographical regions. We will instead report performance by our main legal entities to better reflect the Group's structure.

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 and December 2021. Following the amendments, IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023 and is applied retrospectively, with comparatives restated from 1 January 2022.

On the basis of the implementation work performed to date, our current assumption remains that the accounting changes will result in a reduction in the earnings of our insurance business by approximately two thirds on transition to IFRS 17, albeit within a range of expected outcomes and before the effect of market impacts in specific periods. Unlike current accounting where market impacts and changes in assumptions are reported immediately in profit or loss, under IFRS 17 these are primarily accumulated with the contractual service margin ('CSM') and recognised in profit or loss over the remaining life of the contracts. While IFRS 17 changes the timing of profit recognition, there is no impact to the underlying economics of the insurance business, including solvency, capital and cash generation.

Results of work performed to date on the half-year to 30 June 2022 IFRS17 comparatives indicate there would be a likely reduction to reported profit before tax for our insurance manufacturing operations from \$0.6bn under IFRS 4, to approximately \$0.3bn under IFRS 17. IFRS 4 based profit before tax included negative market impacts of \$0.7bn and a \$0.3bn specific pricing update for policyholder funds held on deposit with us in Hong Kong. The consolidated Group insurance accounting considers the effect of eliminating intra-group distribution fees between insurance manufacturing and non-insurance Group entities, and instead includes the costs of selling insurance contracts incurred by such entities within the Group CSM. These factors generate a further impact on the 30 June 2022 Group IFRS 17 profit before tax of negative \$0.1bn, in addition to the impact on insurance manufacturing operations.

We also anticipate some impact on selected key Group metrics. We expect an estimated reduction of approximately \$1.1bn to the first half of 2022 Group net interest income due to the reclassification of assets supporting policyholder liabilities from amortised cost to fair value through profit and loss classification, following which the associated interest income will be included within the 'net income/ (expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss' line item. Group operating expenses are expected to reduce by approximately \$0.3bn as a result of the IFRS 17 requirement for directly attributable costs to be included in the CSM and recognised within the insurance service result line, within revenue.

These estimates are based on accounting policies, assumptions, judgements and estimation techniques that remain subject to change.

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, selecting and calibrating the probability of default ('PD'), the loss given default ('LGD') and the exposure at default ('EAD') models, as well as selecting model inputs and economic forecasts, and making assumptions and estimates to incorporate relevant information about late-breaking and 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 341.
- Deferred tax assets: The most significant judgements relate to those made in respect of recoverability, which is based on expected future profitability. See Note 1.2(ii) on page 346.
- 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 339.
- Impairment of investment in subsidiaries: 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 HSBC Holdings' investment in HSBC North America Holdings Limited and HSBC Bank Bermuda Limited. See Note 1.2(a) on page 337.
- 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 337.
- 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 337.
- 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 346.
- 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 345.
- Non-current assets and disposal groups held for sale: Management judgement is required on determining the likelihood of the sale to occur, and the anticipated timing in assessing whether the held for sale criteria have been met. See Note 1.2(o) on page 347.

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

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|---------------|---------------|---------------|---------------|---------------|
| | \$m | \$m | \$m | \$m | \$m |
| Net interest income | 32,610 | 26,489 | 27,578 | 30,462 | 30,489 |
| Net fee income | 11,451 | 13,097 | 11,874 | 12,023 | 12,620 |
| Net income from financial instruments held for trading or managed on a fair value basis | 10,469 | 7,744 | 9,582 | 10,231 | 9,531 |
| Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss | (3,394) | 4,053 | 2,081 | 3,478 | (1,488) |
| Change in fair value of designated debt and related derivatives ¹ | (77) | (182) | 231 | 90 | (97) |
| Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss | 226 | 798 | 455 | 812 | 695 |
| Gains less losses from financial investments | (3) | 569 | 653 | 335 | 218 |
| Net insurance premium income | 12,825 | 10,870 | 10,093 | 10,636 | 10,659 |
| Impairment loss relating to the planned sale of our retail banking operations in France ² | (2,378) | — | — | — | — |
| Other operating income/(loss) | (133) | 502 | 527 | 2,957 | 960 |
| Total operating income | 61,596 | 63,940 | 63,074 | 71,024 | 63,587 |
| Net insurance claims and benefits paid and movement in liabilities to policyholders | (9,869) | (14,388) | (12,645) | (14,926) | (9,807) |
| Net operating income before change in expected credit losses and other credit impairment charges³ | 51,727 | 49,552 | 50,429 | 56,098 | 53,780 |
| Change in expected credit losses and other credit impairment charges | (3,592) | 928 | (8,817) | (2,756) | (1,767) |
| Net operating income | 48,135 | 50,480 | 41,612 | 53,342 | 52,013 |
| Total operating expenses excluding impairment of goodwill and other intangible assets | (33,183) | (33,887) | (33,044) | (34,955) | (34,622) |
| Impairment of goodwill and other intangible assets | (147) | (733) | (1,388) | (7,394) | (37) |
| Operating profit | 14,805 | 15,860 | 7,180 | 10,993 | 17,354 |
| Share of profit in associates and joint ventures | 2,723 | 3,046 | 1,597 | 2,354 | 2,536 |
| Profit before tax | 17,528 | 18,906 | 8,777 | 13,347 | 19,890 |
| Tax expense | (858) | (4,213) | (2,678) | (4,639) | (4,865) |
| Profit for the year | 16,670 | 14,693 | 6,099 | 8,708 | 15,025 |
| Attributable to: | | | | | |
| – ordinary shareholders of the parent company | 14,822 | 12,607 | 3,898 | 5,969 | 12,608 |
| – preference shareholders of the parent company | — | 7 | 90 | 90 | 90 |
| – other equity holders | 1,213 | 1,303 | 1,241 | 1,324 | 1,029 |
| – non-controlling interests | 635 | 776 | 870 | 1,325 | 1,298 |
| Profit for the year | 16,670 | 14,693 | 6,099 | 8,708 | 15,025 |

Five-year financial information

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|------|------|------|------|------|
| | \$ | \$ | \$ | \$ | \$ |
| Basic earnings per share | 0.75 | 0.62 | 0.19 | 0.30 | 0.63 |
| Diluted earnings per share | 0.74 | 0.62 | 0.19 | 0.30 | 0.63 |
| Dividends per ordinary share (paid in the period) ⁴ | 0.27 | 0.22 | — | 0.51 | 0.51 |
| | % | % | % | % | % |
| Dividend payout ratio ⁵ | 44 | 40 | 79 | 100 | 81 |
| Post-tax return on average total assets | 0.6 | 0.5 | 0.2 | 0.3 | 0.6 |
| Return on average ordinary shareholders' equity | 8.7 | 7.1 | 2.3 | 3.6 | 7.7 |
| Return on average tangible equity | 9.9 | 8.3 | 3.1 | 8.4 | 8.6 |
| Effective tax rate | 4.9 | 22.3 | 30.5 | 34.8 | 24.5 |

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

² Includes impairment of goodwill of \$425m.

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

⁴ Includes an interim dividend of \$0.09 per ordinary share in respect of the financial year ending 31 December 2022, paid in September 2022, and an interim dividend of \$0.18 per ordinary share in respect of the financial year ending 31 December 2021, paid in April 2022.

⁵ Dividend per share, in respect of the period, as a percentage of earnings per share adjusted for certain items (recognition of certain deferred tax assets: \$0.11 reduction in EPS; planned sales of the retail banking operations in France and banking business in Canada: \$0.09 increase in EPS). No items were adjusted in 2021, 2020, 2019 or 2018.

Unless stated otherwise, all tables in the Annual Report and Accounts 2022 are presented on a reported basis.

For a summary of our financial performance in 2022, see page 28.

For further financial performance data for each global business and geographical region, see pages 109 to 112 and 117 to 127 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 360.

Income statement commentary

The following commentary compares Group financial performance for the year ended 2022 with 2021.

Net interest income

| | Year ended | | | Quarter ended | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 31 Dec 2022 \$m | 31 Dec 2021 \$m | 31 Dec 2020 \$m | 31 Dec 2022 \$m | 30 Sep 2022 \$m | 31 Dec 2021 \$m |
| Interest income | 55,059 | 36,188 | 41,756 | 19,548 | 14,656 | 9,219 |
| Interest expense | (22,449) | (9,699) | (14,178) | (9,970) | (6,075) | (2,438) |
| Net interest income | 32,610 | 26,489 | 27,578 | 9,578 | 8,581 | 6,781 |
| Average interest-earning assets | 2,203,639 | 2,209,513 | 2,092,900 | 2,178,281 | 2,170,599 | 2,251,433 |
| | % | % | % | % | % | % |
| Gross interest yield ¹ | 2.50 | 1.64 | 2.00 | 3.56 | 2.68 | 1.62 |
| Less: gross interest payable ¹ | (1.24) | (0.53) | (0.81) | (2.21) | (1.36) | (0.52) |
| Net interest spread ² | 1.26 | 1.11 | 1.19 | 1.35 | 1.32 | 1.10 |
| Net interest margin ³ | 1.48 | 1.20 | 1.32 | 1.74 | 1.57 | 1.19 |

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

| | 2022 | | | 2021 | | | 2020 | | |
|--|---------------------------|---------------------------|-------------|---------------------------|---------------------------|-------------|---------------------------|---------------------------|-------------|
| | Average balance \$m | Interest income \$m | Yield % | Average balance \$m | Interest income \$m | Yield % | Average balance \$m | Interest income \$m | Yield % |
| Short-term funds and loans and advances to banks | 446,178 | 5,596 | 1.25 | 450,678 | 1,105 | 0.25 | 298,255 | 1,264 | 0.42 |
| Loans and advances to customers | 1,023,606 | 32,607 | 3.19 | 1,060,658 | 26,071 | 2.46 | 1,046,795 | 29,391 | 2.81 |
| Reverse repurchase agreements – non-trading | 231,052 | 4,886 | 2.11 | 206,246 | 1,019 | 0.49 | 221,901 | 1,819 | 0.82 |
| Financial investments | 430,327 | 9,836 | 2.29 | 438,840 | 6,729 | 1.53 | 463,542 | 8,143 | 1.76 |
| Other interest-earning assets | 72,476 | 2,134 | 2.94 | 53,091 | 1,264 | 2.38 | 62,407 | 1,139 | 1.83 |
| Total interest-earning assets | 2,203,639 | 55,059 | 2.50 | 2,209,513 | 36,188 | 1.64 | 2,092,900 | 41,756 | 2.00 |

Summary of interest expense by type of liability

| | 2022 | | | 2021 | | | 2020 | | |
|---|---------------------------|----------------------------|-------------|---------------------------|----------------------------|-------------|---------------------------|----------------------------|-------------|
| | Average balance \$m | Interest expense \$m | Cost % | Average balance \$m | Interest expense \$m | Cost % | Average balance \$m | Interest expense \$m | Cost % |
| Deposits by banks ¹ | 75,739 | 770 | 1.02 | 75,671 | 198 | 0.26 | 65,536 | 330 | 0.50 |
| Customer accounts ² | 1,342,342 | 10,903 | 0.81 | 1,362,580 | 4,099 | 0.30 | 1,254,249 | 6,478 | 0.52 |
| Repurchase agreements – non-trading | 118,309 | 3,085 | 2.61 | 114,201 | 363 | 0.32 | 125,376 | 963 | 0.77 |
| Debt securities in issue – non-trading | 179,814 | 5,608 | 3.12 | 193,137 | 3,603 | 1.87 | 219,610 | 4,944 | 2.25 |
| Other interest-bearing liabilities | 87,719 | 2,083 | 2.37 | 70,929 | 1,436 | 2.02 | 76,395 | 1,463 | 1.92 |
| Total interest-bearing liabilities | 1,803,923 | 22,449 | 1.24 | 1,816,518 | 9,699 | 0.53 | 1,741,166 | 14,178 | 0.81 |

1 Including interest-bearing bank deposits only.

2 Including interest-bearing customer accounts only.

Net interest income ('NII') for 2022 was \$32.6bn, an increase of \$6.1bn or 23% compared with 2021. The increase reflected the benefit of rising global interest rates, while actively managing our pricing strategy and funding requirements, with growth in all regions, notably in Asia and the UK.

Excluding the unfavourable impact of foreign currency translation differences, net interest income increased by \$7.7bn or 31%.

NII for the fourth quarter was \$9.6bn, up 41% compared with the previous year, and 12% compared with the previous quarter. This was driven by higher interest rates and management of our funding costs, with growth in all regions, notably in Asia and the UK.

Net interest margin ('NIM') for 2022 of 1.48% was up 28 basis points ('bps') compared with 2021, as the gross yield on AIEA improved by 86bps in the high interest rate environment. This was partly offset by the rise in the funding cost of average interest-bearing liabilities of 71bps. Excluding the adverse impact of foreign currency translation differences, net interest income increased by 29bps.

NIM for the fourth quarter of 2022 was 1.74%, up 55bps year on year, and up 17bps compared with the previous quarter, predominantly driven by the impact of higher market interest rates.

Interest income for 2022 of \$55.1bn increased by \$18.9bn or 52%, primarily due to higher average interest rates compared with 2021, as the yield on AIEA rose by 86bps, mainly driven by loans and advances to customers, short-term funds, loans and advances to banks, and reverse repurchase agreements. However, mortgage yields rose more modestly due to competitive pressures and market factors in the UK and Hong Kong. The increase in interest income included adverse effects of foreign currency translation differences of \$2.2bn. Excluding this, interest income increased by \$21.1bn.

Interest income of \$19.5bn in the fourth quarter was up \$10.3bn year on year, and up \$4.9bn from the previous quarter. The increase was driven by the impact of higher interest rates, resulting in improved yields on loans and advances to customers and reverse repurchase agreements.

Financial summary

Interest expense for 2022 of \$22.4bn increased by \$12.8bn or 131% compared with 2021. This reflected the increase in funding cost of 71bps, mainly arising from higher interest rates paid on interest-bearing customer accounts, repurchase agreements and debt securities in issue. The increase in interest expense included the favourable effects of foreign currency translation differences of \$0.6bn. Excluding this, interest expense increased by \$13.4bn.

Included within net interest income in 2022 is a \$2.5bn interest expense representing a component of centrally allocated funding costs associated with generating 'net income from financial instruments held for trading or managed on a fair value basis'. This compared with an interest expense of \$0.4bn in 2021.

Interest expense of \$10.0bn in the fourth quarter of 2022 was up \$7.5bn year on year, and up \$3.9bn compared with the previous quarter. The steep rise in interest expense was mainly driven by higher funding cost on customer accounts as interest rates increased, particularly in Asia and Europe.

Net fee income of \$11.5bn was \$1.6bn lower than in 2021, and included an adverse impact from foreign currency translation differences of \$0.6bn. Net fee income fell in WPB and GBM, although it increased in CMB.

In WPB, net fee income decreased by \$0.9bn. The reduction was mainly in Wealth, as adverse market sentiment resulted in lower customer demand, mainly in Hong Kong. Fee income fell due to lower sales of unit trusts and from subdued customer demand in funds under management, as well as from lower broking income. Cards income grew as spending increased compared with 2021. This also resulted in higher fee expense.

In GBM, net fee income decreased by \$0.8bn. This was driven by lower fee income from underwriting, in line with the reduction in the global fee pool. Fee income also decreased in credit facilities and in corporate finance, reflecting subdued client demand.

In CMB, net fee income increased by \$0.1bn. Fee income grew in cards, as spending increased compared with 2021, and in account services, reflecting greater client activity in transaction banking, notably Global Payments Solutions ('GPS').

Net income from financial instruments held for trading or managed on a fair value basis of \$10.5bn was \$2.7bn higher compared with 2021. This primarily reflected a strong trading performance in Global Foreign Exchange due to increased client activity, driven by elevated levels of market volatility.

This was partly offset by adverse fair value movements on non-qualifying hedges of \$0.5bn.

Net expense from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss of \$3.4bn compared with a net income of \$4.1bn in 2021. This reduction primarily reflected unfavourable equity market performances in Hong Kong and France. This compared with 2021, which benefited from favourable equity markets.

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

Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss of \$0.2bn was \$0.6bn lower compared with 2021. This primarily reflected lower revaluation gains in our Principal Investments business in GBM.

Gains less losses from financial investments of \$3m were \$0.6bn lower compared with 2021, reflecting lower gains on the disposal of debt securities.

Net insurance premium income of \$12.8bn was \$2.0bn higher than in 2021, primarily reflecting higher sales volumes, particularly in Hong Kong, which had a higher proportion of single premium products in its product mix, as well as in Singapore following our acquisition of AXA Insurance Pte Limited.

Impairment loss relating to the sale of the retail banking operations in France was \$2.4bn. In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', the disposal group was classified as held for sale on 30 September 2022, at which point the Group recognised the estimated impairment of \$2.4bn, which included impairment of goodwill of \$0.4bn and related transaction costs.

Other operating income/expense was an expense of \$0.1bn compared with an income of \$0.5bn in 2021, and included an adverse impact from foreign currency translation differences of \$0.4bn. The reduction also reflected losses of \$0.4bn related to the planned sales of our branch operations in Greece and our business in Russia, as well as the non-recurrence of a prior year gain on the sale of a property in Germany. These reductions were partly offset by a gain of \$0.1bn on the completion of our acquisition of AXA Singapore and a favourable change in PVIF of \$0.2bn.

The favourable change in PVIF included a \$0.2bn increase in the value of new business, notably in Hong Kong, a \$0.5bn favourable impact from sharing lower investment returns with policyholders, and a \$0.3bn gain following a pricing update for our policyholders' funds held on deposit with us in Hong Kong to reflect the cost to provide this service. These factors were partly offset by a \$0.7bn reduction from assumption changes, primarily reflecting the impact of higher interest rates in Hong Kong.

PVIF is presented in accordance with IFRS 4 'Insurance Contracts'. As set out on page 335, 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 \$4.5bn lower, primarily in France and Hong Kong due to a reduction in returns on financial assets supporting contracts where the policyholder is subject to part or all of the investment risk. This was in part mitigated by higher sales volumes in Hong Kong.

Change in expected credit losses and other credit impairment charges ('ECL') were a charge of \$3.6bn, compared with a net release of \$0.9bn in 2021.

The charges in 2022 reflected stage 3 charges of \$2.2bn, in part relating to exposures to the commercial real estate sector in mainland China. We also recognised stage 1 and stage 2 charges in all global businesses, reflecting a deterioration in the macroeconomic environment, with many markets experiencing increased interest rates, continued inflation, supply chain risks and heightened recessionary risks. These economic conditions also contributed to the increase in stage 3 charges, mainly in CMB and GBM. These increases were in part mitigated by the release of most of our remaining Covid-19-related allowances.

The charge in 2022 compared with a net release in 2021, primarily relating to Covid-19-related allowances previously built up in 2020.

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 153 to 162.

Operating expenses – currency translation and significant items

| | Year ended | |
|--|--------------|-------|
| | 2022 | 2021 |
| | \$m | \$m |
| Significant items | 2,864 | 2,335 |
| – customer redress programmes | (31) | 49 |
| – disposals, acquisitions and investment in new businesses | 18 | — |
| – impairment of goodwill and other intangibles | (4) | 587 |
| – restructuring and other related costs | 2,881 | 1,836 |
| – currency translation on significant items | | (137) |
| Currency translation | | 2,181 |
| Year ended 31 Dec | 2,864 | 4,516 |

Operating expenses

| | Year ended | |
|---|----------------|---------|
| | 2022 | 2021 |
| | \$m | \$m |
| Gross employee compensation and benefits | 19,288 | 19,612 |
| Capitalised wages and salaries | (922) | (870) |
| Goodwill impairment | — | 587 |
| Property and equipment | 5,005 | 5,145 |
| Amortisation and impairment of intangibles | 1,716 | 1,438 |
| UK bank levy ¹ | 13 | 116 |
| Legal proceedings and regulatory matters | 246 | 106 |
| Other operating expenses ² | 7,984 | 8,486 |
| Total operating expenses (reported) | 33,330 | 34,620 |
| Total significant items (including currency translation on significant items) | (2,864) | (2,335) |
| Currency translation | | (2,181) |
| Total operating expenses (adjusted) | 30,466 | 30,104 |

1 The UK bank levy charge for the year ended 2022 includes adjustments made to prior period UK bank levy charges recognised in the current year.

2 Other operating expenses includes professional fees, contractor costs, transaction taxes, marketing and travel. The decrease was driven by favourable currency translation movements, partly offset by higher costs related to our cost reduction programme.

Staff numbers (full-time equivalents)¹

| | 2022 | 2021 | 2020 |
|-----------------------------|----------------|---------|---------|
| Global businesses | | | |
| Wealth and Personal Banking | 128,764 | 130,185 | 135,727 |
| Commercial Banking | 43,640 | 42,969 | 43,221 |
| Global Banking and Markets | 46,435 | 46,166 | 46,729 |
| Corporate Centre | 360 | 377 | 382 |
| At 31 Dec | 219,199 | 219,697 | 226,059 |

1 Represents the number of full-time equivalent people with contracts of service with the Group who are being paid at the reporting date.

Financial summary

Operating expenses of \$33.3bn were \$1.3bn or 4% lower than in 2021, primarily as foreign currency translation differences resulted in a favourable impact of \$2.2bn, and due to the non-recurrence of a 2021 goodwill impairment of \$0.6bn related to our WPB business in Latin America.

Reported operating expenses also reflected the impact of ongoing cost discipline across the Group. This helped mitigate growth from increased investment in technology of \$0.5bn, which included investments in our digital capabilities, the impact of business volume growth, and inflation. Restructuring and other related costs increased by \$1.0bn.

In 2022, cost to achieve spend, included within restructuring and other related costs, was \$2.9bn. This three-year programme ended on 31 December 2022 with a total spend of \$6.5bn and cumulative gross saves realised of \$5.6bn. We expect additional gross cost savings of approximately \$1bn to be delivered in 2023 due to actions taken in 2022.

The number of employees expressed in full-time equivalent staff ('FTE') at 31 December 2022 was 219,199, a decrease of 498 compared with 31 December 2021. The number of contractors at 31 December 2022 was 6,047, a decrease of 145.

Share of profit in associates and joint ventures of \$2.7bn was \$0.3bn lower, primarily as 2021 included a higher share of profit from Business Growth Fund in the UK due to the recovery in asset valuations. This was partly offset by an increase in the share of profit from The Saudi British Bank.

In relation to Bank of Communications Co., Limited ('BoCom'), we continue to be subject to a risk of impairment in the carrying value of our investment. We have performed an impairment test on the carrying amount of our investment and confirmed there was no impairment at 31 December 2022.

For more information, see Note 18: Interests in associates and joint ventures on page 379.

Tax expense

| | Year ended | |
|-----------------------------------|--------------|-------|
| | 2022 | 2021 |
| | \$m | \$m |
| Reported tax charge | 858 | 4,213 |
| Currency translation | | (279) |
| Tax significant items | 3,429 | 307 |
| – tax credit on significant items | 1,118 | 328 |
| – recognition of losses | 2,330 | (4) |
| – uncertain tax positions | (19) | — |
| – currency translation | | (17) |
| Adjusted tax charge | 4,287 | 4,241 |

Tax expense

The effective tax rate for 2022 of 4.9% was lower than the 22.3% in 2021. Tax in 2022 included a \$2.2bn credit arising from the recognition of a deferred tax asset from historical tax losses in HSBC Holdings, which was recognised as a significant item. This was a result of improved profit forecasts for the UK tax group, which accelerated the expected utilisation of these losses and reduced uncertainty regarding their recoverability. We also benefited from other deferred tax asset reassessments during 2022. Excluding these, the effective tax rate for 2022 was 19.2%, which was 3.1 percentage points lower than in 2021. The effective tax rate for 2022 was also decreased by the remeasurement of deferred tax balances following the substantive enactment in the first quarter of 2022 of legislation to reduce the rate of the UK banking surcharge from 8% to 3% from 1 April 2023.

Supplementary table for planned disposals

The income statements and selected balance sheet metrics for the year ended 31 December 2022 of our banking business in Canada and our retail banking operations in France are shown below.

The asset and liability balances relating to these planned disposals are reported on the Group balance sheet within 'Assets held for sale' and 'Liabilities of disposal groups held for sale', respectively, as at 31 December 2022.

Income statement and selected balance sheet metrics of disposal groups held for sale

| | Year ended 2022 | |
|---------------------------------|---------------------|----------------------------|
| | Canada ¹ | France retail ² |
| | \$bn | \$bn |
| Revenue | 1.9 | 0.6 |
| ECL | (0.1) | — |
| Operating expenses ³ | (1.0) | (0.5) |
| Profit before tax | 0.8 | 0.1 |
| Loans and advances to customers | 55.2 | 25.0 |
| Customer accounts | 60.6 | 22.3 |
| RWA ⁴ | 31.9 | 5.0 |

- Under the terms of the sale agreement, the pre-tax profit on the sale will be recognised through a combination of the consolidation of HSBC Canada's results into the Group's financial statements from 30 June 2022 until completion, and the remaining gain on sale recognised at completion.
- France retail includes the transferring retail banking business, HSBC SFH and associated supporting services. For more information, see Note 23: Assets held for sale and liabilities of disposal groups held for sale on page 389.
- Includes \$0.3bn in Canada and \$0.1bn in France retail in respect of Group recharges and other costs not transferring as part of the planned transactions.
- Includes \$3.0bn in Canada and \$0.9bn in France retail in respect of operational risk RWAs.

Consolidated balance sheet

Five-year summary consolidated balance sheet

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|------------------|------------------|------------------|------------------|------------------|
| | \$m | \$m | \$m | \$m | \$m |
| Assets | | | | | |
| Cash and balances at central banks | 327,002 | 403,018 | 304,481 | 154,099 | 162,843 |
| Trading assets | 218,093 | 248,842 | 231,990 | 254,271 | 238,130 |
| Financial assets designated and otherwise mandatorily measured at fair value through profit or loss | 45,063 | 49,804 | 45,553 | 43,627 | 41,111 |
| Derivatives | 284,146 | 196,882 | 307,726 | 242,995 | 207,825 |
| Loans and advances to banks | 104,882 | 83,136 | 81,616 | 69,203 | 72,167 |
| Loans and advances to customers | 924,854 | 1,045,814 | 1,037,987 | 1,036,743 | 981,696 |
| Reverse repurchase agreements – non-trading | 253,754 | 241,648 | 230,628 | 240,862 | 242,804 |
| Financial investments | 425,564 | 446,274 | 490,693 | 443,312 | 407,433 |
| Assets held for sale ¹ | 115,919 | 3,411 | 299 | 123 | 735 |
| Other assets | 267,253 | 239,110 | 253,191 | 229,917 | 203,380 |
| Total assets at 31 Dec | 2,966,530 | 2,957,939 | 2,984,164 | 2,715,152 | 2,558,124 |
| Liabilities and equity | | | | | |
| Liabilities | | | | | |
| Deposits by banks | 66,722 | 101,152 | 82,080 | 59,022 | 56,331 |
| Customer accounts | 1,570,303 | 1,710,574 | 1,642,780 | 1,439,115 | 1,362,643 |
| Repurchase agreements – non-trading | 127,747 | 126,670 | 111,901 | 140,344 | 165,884 |
| Trading liabilities | 72,353 | 84,904 | 75,266 | 83,170 | 84,431 |
| Financial liabilities designated at fair value | 127,327 | 145,502 | 157,439 | 164,466 | 148,505 |
| Derivatives | 285,764 | 191,064 | 303,001 | 239,497 | 205,835 |
| Debt securities in issue | 78,149 | 78,557 | 95,492 | 104,555 | 85,342 |
| Liabilities of disposal groups held for sale ¹ | 114,597 | 9,005 | — | — | 313 |
| Liabilities under insurance contracts | 114,844 | 112,745 | 107,191 | 97,439 | 87,330 |
| Other liabilities | 212,696 | 190,989 | 204,019 | 194,876 | 167,261 |
| Total liabilities at 31 Dec | 2,770,502 | 2,751,162 | 2,779,169 | 2,522,484 | 2,363,875 |
| Equity | | | | | |
| Total shareholders' equity | 187,484 | 198,250 | 196,443 | 183,955 | 186,253 |
| Non-controlling interests | 8,544 | 8,527 | 8,552 | 8,713 | 7,996 |
| Total equity at 31 Dec | 196,028 | 206,777 | 204,995 | 192,668 | 194,249 |
| Total liabilities and equity at 31 Dec | 2,966,530 | 2,957,939 | 2,984,164 | 2,715,152 | 2,558,124 |

¹ 'Assets held for sale' in 2021, including \$2.4bn of loans and advances to customers in relation to our exit of mass market retail banking business in the US, were reported within 'Other assets' in the Annual Report and Accounts 2021. Similarly, \$8.8bn of customer accounts classified as 'Liabilities of disposal groups' were previously presented within 'Other liabilities'.

A more detailed consolidated balance sheet is contained in the financial statements on page 326.

Financial summary

Five-year selected financial information

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|----------------|----------------|----------------|----------------|----------------|
| | \$m | \$m | \$m | \$m | \$m |
| Called up share capital | 10,147 | 10,316 | 10,347 | 10,319 | 10,180 |
| Capital resources ¹ | 162,423 | 177,786 | 184,423 | 172,150 | 173,238 |
| Undated subordinated loan capital | 1,967 | 1,968 | 1,970 | 1,968 | 1,969 |
| Preferred securities and dated subordinated loan capital ² | 29,921 | 28,568 | 30,721 | 33,063 | 35,014 |
| Risk-weighted assets | 839,720 | 838,263 | 857,520 | 843,395 | 865,318 |
| Total shareholders' equity | 187,484 | 198,250 | 196,443 | 183,955 | 186,253 |
| Less: preference shares and other equity instruments | (19,746) | (22,414) | (22,414) | (22,276) | (23,772) |
| Total ordinary shareholders' equity | 167,738 | 175,836 | 174,029 | 161,679 | 162,481 |
| Less: goodwill and intangible assets (net of tax) | (18,383) | (17,643) | (17,606) | (17,535) | (22,425) |
| Tangible ordinary shareholders' equity | 149,355 | 158,193 | 156,423 | 144,144 | 140,056 |
| Financial statistics | | | | | |
| Loans and advances to customers as a percentage of customer accounts | 58.9% | 61.1% | 63.2% | 72.0% | 72.0% |
| Average total shareholders' equity to average total assets | 6.34% | 6.62% | 6.46% | 6.97% | 7.16% |
| Net asset value per ordinary share at year-end (\$) ³ | 8.50 | 8.76 | 8.62 | 8.00 | 8.13 |
| Tangible net asset value per ordinary share at year-end (\$) ⁴ | 7.57 | 7.88 | 7.75 | 7.13 | 7.01 |
| Tangible net asset value per fully diluted share at year-end (\$) | 7.51 | 7.84 | 7.72 | 7.11 | 6.98 |
| Number of \$0.50 ordinary shares in issue (millions) | 20,294 | 20,632 | 20,694 | 20,639 | 20,361 |
| Basic number of \$0.50 ordinary shares outstanding (millions) | 19,739 | 20,073 | 20,184 | 20,206 | 19,981 |
| Basic number of \$0.50 ordinary shares outstanding and dilutive potential ordinary shares (millions) | 19,876 | 20,189 | 20,272 | 20,280 | 20,059 |
| Closing foreign exchange translation rates to \$: | | | | | |
| \$1: £ | 0.830 | 0.739 | 0.732 | 0.756 | 0.783 |
| \$1: € | 0.937 | 0.880 | 0.816 | 0.890 | 0.873 |

1 Capital resources are regulatory total capital, the calculation of which is set out on page 205.

2 Including perpetual preferred securities, details of which can be found in Note 29: Subordinated liabilities on page 393.

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 shareholders' 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.

Combined view of customer lending and customer deposits

| | 2022 | 2021 |
|---|------------------|------------------|
| | \$m | \$m |
| Combined customer lending | | |
| Loans and advances to customers | 924,854 | 1,045,814 |
| Loans and advances to customers of disposal groups reported in 'Assets held for sale' | 80,576 | 2,385 |
| – Canada | 55,197 | |
| – France retail banking operations | 25,029 | |
| – other ¹ | 350 | 2,385 |
| At 31 Dec | 1,005,430 | 1,048,199 |
| Combined customer deposits | | |
| Customer accounts | 1,570,303 | 1,710,574 |
| Customer accounts reported in 'Liabilities of disposal groups held for sale' | 85,274 | 8,750 |
| – Canada | 60,606 | |
| – France retail banking operations | 22,348 | |
| – other ¹ | 2,320 | 8,750 |
| At 31 Dec | 1,655,577 | 1,719,324 |

1 At 31 December 2021, 'other' included loans and advances and customer accounts relating to the disposal of the US mass market retail banking business. This sale completed in February 2022.

Balance sheet commentary compared with 31 December 2021

At 31 December 2022, total assets of \$3.0tn, were broadly unchanged on a reported basis and increased by \$161bn or 6% on a constant currency basis.

During the period, asset and liability balances mainly relating to the planned sales of our retail banking operations in France and our banking business in Canada were reclassified to 'Assets held for sale' and 'Liabilities of disposal groups held for sale'.

Reported loans and advances to customers as a percentage of customer accounts was 58.9%, compared with 61.1% at

31 December 2021. The movement in this ratio reflected the reclassifications to held for sale mentioned above.

Assets

Cash and balances at central banks decreased by \$76bn or 19%, which included a \$32bn adverse impact of foreign currency translation differences. The decrease was mainly in the US, reflecting the redeployment of liquidity into reverse repurchase agreements, and also due to a reduction in customer accounts. In addition, lower balances in the UK primarily reflected growth in lending to customers and banks, on a constant currency basis.

Trading assets decreased by \$31bn or 12%, reflecting a reduction in equity and debt securities held, particularly in Hong Kong and the UK, reflecting weaker client demand.

Derivative assets increased by \$87bn or 44%, mainly in Europe, reflecting favourable revaluation movements on interest rate contracts due to movements in long-term yield curve rates in most major markets. Foreign exchange contracts also increased, primarily in the UK, as a result of foreign exchange rate movements. The increase in derivative assets was consistent with the increase in derivative liabilities, as the underlying risk is broadly matched.

Loans and advances to banks increased by \$22bn or 26%, primarily reflecting increases in the UK and Hong Kong.

Loans and advances to customers of \$925bn decreased by \$121bn or 12% on a reported basis. This included the following items:

- adverse impacts of foreign currency translation differences of \$55bn; and
- the reclassification of \$81bn to 'Assets held for sale' primarily relating to the planned sales of our retail banking operations in France and our banking business in Canada in 2022, and \$2bn in 2021 primarily associated with the US mass market retail banking business sales which were disposed of during 2022.

On a constant currency basis and including balances classified as held for sale, loans and advances to customers increased by \$12bn. This included the impact of the subsequent sale of US mass market retail balances that were held for sale at 31 December 2021 of \$2bn with the remaining growth of \$14bn reflecting the following movements.

In WPB, customer lending increased by \$15bn, reflecting growth in mortgage balances, notably in the UK (up \$9bn), Hong Kong (up \$3bn) and Australia (up \$2bn).

In CMB, customer lending was \$3bn higher from term lending increases in India, Australia and the US. Lending also increased in the UK, primarily in trade lending. This was partly offset by a reduction in term lending of \$8bn in Hong Kong as customer demand for lending softened in the second half of 2022.

In GBM, lending fell by \$3bn due to a reduction in Global Banking term lending in the fourth quarter of 2022, primarily in Hong Kong, partly offset by a growth in overdrafts balances in the UK.

Financial investments decreased by \$21bn or 5%, mainly in Europe from the adverse impact of foreign currency translation differences since 31 December 2021. The reduction included adverse fair value movements recorded in 'other comprehensive income' in equity on debt securities, treasury and other eligible bills as a result of higher yield curves and wider macroeconomic pressures. It also included reductions due to disposals and maturity of these securities. The reductions were partly offset by increases in debt instruments measured at amortised cost, as we repositioned our portfolio to reduce capital volatility.

Assets held for sale of \$116bn primarily comprised the assets relating to the planned sales of our retail banking operations in France and our banking business in Canada.

Other assets increased by \$28bn, reflecting growth in cash collateral of \$21bn due to an increase in the fair value of derivative liabilities.

Liabilities

Deposits by banks decreased by \$34bn or 34%, primarily in Europe, Hong Kong and the US.

Customer accounts of \$1.6tn decreased by \$140bn or 8% on a reported basis. This included the following items:

- adverse impacts of foreign currency translation differences of \$88bn; and
- the reclassification of \$85bn to 'Liabilities of disposal groups held for sale' primarily relating to the planned sales of our retail banking operations in France and our banking business in Canada in 2022, and \$9bn in 2021 primarily associated with the US mass market retail banking business which was disposed of during 2022.

On a constant currency basis and including balances classified as held for sale, customer accounts increased by \$24bn. This included the impact of the subsequent sale of US mass market retail balances that were held for sale at 31 December 2021 of \$9bn with the remaining growth of \$33bn reflecting the following movements.

In GBM, customer accounts rose by \$16bn. This was driven by growth in interest-bearing and term deposit balances as customers demonstrated a preference for higher yielding accounts as interest rates rose, notably in Europe.

In WPB, customer accounts grew by \$17bn, reflecting higher interest-bearing and term deposit balances, as interest rates rose, primarily in the UK and Asia.

In CMB, customer accounts remained broadly stable, with reductions in Hong Kong, the US, and the UK, mitigated by growth in other Asia markets.

Derivative liabilities increased by \$95bn or 50%, which is consistent with the increase in derivative assets, since the underlying risk is broadly matched.

Liabilities of disposal groups held for sale of \$115bn primarily comprised the liabilities relating to the planned sales of our retail banking operations in France and our banking business in Canada.

Other liabilities increased by \$22bn, notably from growth in cash collateral of \$20bn, mainly due to the increase in fair value of derivative assets.

Equity

Total shareholders' equity, including non-controlling interests, decreased by \$11bn or 5% compared with 31 December 2021.

Profits generated of \$17bn were offset by net losses through other comprehensive income ('OCI') of \$17bn. In addition, shareholders' equity fell as a result of dividends paid of \$7bn, the redemption of perpetual subordinated contingent convertible capital securities of \$3bn and the impact of our \$1bn share buy-back announced at our 2021 results in February 2022.

The net losses in OCI of \$17bn included adverse movements of \$5bn on financial instruments designated as hold-to-collect-and-sell, which are held as hedges to our exposure to interest rate movements, as a result of the increase in term market yield curves in 2022. The net loss also included an adverse impact from foreign exchange differences of \$10bn and losses of \$4bn on cash flow hedges. These losses were partly offset by fair value gains on liabilities related to changes in own credit risk of \$2bn.

In the earlier stages of a rising interest rate environment, the Group is positively exposed to rising interest rates through net interest income, although there is an impact on our capital base due to the fair value of hold-to-collect-and-sell instruments. These instruments are reported within 'financial investments'. There is an initial negative effect materialising through reserves, after which the net interest income is expected to result in a net benefit for the Group over time, provided policy rates follow market implied rates.

Over time, these adverse OCI movements will unwind as the instruments reach maturity, although not all will necessarily be held to maturity.

Risk-weighted assets

Risk-weighted assets ('RWAs') totalled \$839.7bn at 31 December 2022, a \$1.4bn increase since 2021. Excluding foreign currency translation differences of \$41.9bn, RWAs rose by \$43.3bn in 2022. This was mainly due to the following movements:

- a \$20.9bn asset size increase, mostly caused by CMB and WPB lending growth in Europe and Asia, offset by reduced lending in GBM; and
- a \$24.2bn increase in RWAs due to changes in methodology and policy. This was mostly due to regulatory changes, data enhancements driven by internal and external reviews of our regulatory reporting processes and the reversal of the beneficial changes to the treatment of software assets.

Financial summary

Customer accounts by country/territory

| | 2022 \$m | 2021 \$m |
|--|------------------|-------------|
| Europe | 601,473 | 667,769 |
| – UK | 493,028 | 535,797 |
| – France ¹ | 33,726 | 56,841 |
| – Germany | 28,949 | 22,509 |
| – Switzerland | 5,167 | 10,680 |
| – other | 40,603 | 41,942 |
| Asia | 784,236 | 792,098 |
| – Hong Kong | 542,543 | 549,429 |
| – Singapore | 61,475 | 57,572 |
| – mainland China | 56,948 | 59,266 |
| – Australia | 28,506 | 28,240 |
| – India | 22,636 | 24,507 |
| – Malaysia | 16,008 | 16,500 |
| – Taiwan | 15,316 | 15,483 |
| – Indonesia | 5,840 | 6,019 |
| – other | 34,964 | 35,082 |
| Middle East and North Africa (excluding Saudi Arabia) | 43,933 | 42,629 |
| – United Arab Emirates | 23,331 | 20,943 |
| – Türkiye | 3,497 | 4,258 |
| – Egypt | 6,045 | 6,699 |
| – other | 11,060 | 10,729 |
| North America | 109,093 | 178,565 |
| – US | 100,404 | 111,921 |
| – Canada ¹ | – | 58,071 |
| – other | 8,689 | 8,573 |
| Latin America | 31,568 | 29,513 |
| – Mexico | 25,531 | 23,583 |
| – other | 6,037 | 5,930 |
| At 31 Dec | 1,570,303 | 1,710,574 |

¹ At 31 December 2022, customer accounts of \$85bn met the criteria to be classified as held for sale and are reported within 'Liabilities of disposal groups held for sale' on the balance sheet, of which \$61bn and \$22bn belongs to the planned sales of the banking business in Canada and retail banking operations in France, respectively. Refer to Note 23 on page 389 for further details.

Loans and advances, deposits by currency

| \$m | At 31 Dec 2022 | | | | | | |
|---------------------------------|-------------------|----------------|----------------|----------------|---------------|---------------------|------------------|
| | USD | GBP | HKD | EUR | CNY | Others ¹ | Total |
| Loans and advances to banks | 34,495 | 12,292 | 5,188 | 6,328 | 7,833 | 38,746 | 104,882 |
| Loans and advances to customers | 182,719 | 265,988 | 221,150 | 57,077 | 49,036 | 148,884 | 924,854 |
| Total loans and advances | 217,214 | 278,280 | 226,338 | 63,405 | 56,869 | 187,630 | 1,029,736 |
| Deposits by banks | 23,133 | 16,963 | 4,002 | 8,830 | 4,707 | 9,087 | 66,722 |
| Customer accounts | 430,866 | 422,087 | 312,052 | 112,399 | 63,032 | 229,867 | 1,570,303 |
| Total deposits | 453,999 | 439,050 | 316,054 | 121,229 | 67,739 | 238,954 | 1,637,025 |

| \$m | At 31 Dec 2021 | | | | | | |
|---------------------------------|-------------------|----------------|----------------|----------------|---------------|---------------------|------------------|
| | USD | GBP | HKD | EUR | CNY | Others ¹ | Total |
| 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 |
| Total loans and advances | 190,529 | 284,900 | 224,238 | 87,427 | 50,638 | 291,218 | 1,128,950 |
| 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 |
| Total deposits | 491,826 | 484,141 | 321,459 | 157,997 | 70,101 | 286,202 | 1,811,726 |

¹ 'Others' includes items with no currency information available (\$1,519m for loans to banks (2021: \$11,028m), \$3,405m for loans to customers (2021: \$64,491m), \$13m for deposits by banks (2021: \$23m) and \$6m for customer accounts (2021: \$5m)).

RWAs by currency

| \$m | At 31 Dec 2022 | | | | | | |
|-------------------|-------------------|---------|---------|--------|--------|---------|---------|
| | USD | GBP | HKD | EUR | CNY | Others | Total |
| RWAs ¹ | 223,657 | 143,474 | 152,804 | 60,843 | 49,867 | 209,075 | 839,720 |

| \$m | At 31 Dec 2021 | | | | | | |
|------|-------------------|---------|---------|--------|--------|---------|---------|
| | USD | GBP | HKD | EUR | CNY | Others | Total |
| RWAs | 216,664 | 150,130 | 145,851 | 67,934 | 55,343 | 202,341 | 838,263 |

¹ RWAs of \$840bn includes credit risk, market risk and operational risk RWAs.

Global businesses and geographical regions

Contents

| | |
|------------|--|
| 109 | Summary |
| 109 | Reconciliation of reported and adjusted items – global businesses |
| 112 | Reconciliation of reported and adjusted risk-weighted assets |
| 112 | Supplementary tables for WPB and GBM |
| 117 | Analysis of reported results by geographical regions |
| 119 | Reconciliation of reported and adjusted items – geographical regions |
| 125 | Analysis by country |

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 360.

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

The expense of the UK bank levy is included in the Europe geographical region as HSBC regards the levy as a cost of being headquartered in the UK. 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 117 and an adjusted basis on page 119.

Reconciliation of reported and adjusted items – global businesses

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

| | 2022 | | | | Total \$m |
|---|------------------------------------|---------------------------|-----------------------------------|-------------------------|------------------|
| | Wealth and Personal Banking \$m | Commercial Banking \$m | Global Banking and Markets \$m | Corporate Centre \$m | |
| Revenue¹ | | | | | |
| Reported | 22,197 | 16,197 | 15,267 | (1,934) | 51,727 |
| Significant items | 2,170 | 18 | 92 | 1,338 | 3,618 |
| – customer redress programmes | (10) | 2 | – | – | (8) |
| – disposals, acquisitions and investment in new businesses ² | 2,274 | – | – | 525 | 2,799 |
| – fair value movements on financial instruments ³ | 5 | 2 | (93) | 665 | 579 |
| – restructuring and other related costs ⁴ | (99) | 14 | 185 | 148 | 248 |
| Adjusted | 24,367 | 16,215 | 15,359 | (596) | 55,345 |
| ECL | | | | | |
| Reported | (1,137) | (1,858) | (587) | (10) | (3,592) |
| Adjusted | (1,137) | (1,858) | (587) | (10) | (3,592) |
| Operating expenses | | | | | |
| Reported | (15,049) | (6,893) | (9,579) | (1,809) | (33,330) |
| Significant items | 323 | 251 | 254 | 2,036 | 2,864 |
| – customer redress programmes | (37) | – | – | 6 | (31) |
| – disposals, acquisitions and investment in new businesses | 2 | – | – | 16 | 18 |
| – impairment of goodwill and other intangibles | – | (13) | – | 9 | (4) |
| – restructuring and other related costs | 358 | 264 | 254 | 2,005 | 2,881 |
| Adjusted | (14,726) | (6,642) | (9,325) | 227 | (30,466) |
| Share of profit/(loss) in associates and joint ventures | | | | | |
| Reported | 29 | 1 | (2) | 2,695 | 2,723 |
| Adjusted | 29 | 1 | (2) | 2,695 | 2,723 |
| Profit/(loss) before tax | | | | | |
| Reported | 6,040 | 7,447 | 5,099 | (1,058) | 17,528 |
| Significant items | 2,493 | 269 | 346 | 3,374 | 6,482 |
| – revenue | 2,170 | 18 | 92 | 1,338 | 3,618 |
| – operating expenses | 323 | 251 | 254 | 2,036 | 2,864 |
| Adjusted | 8,533 | 7,716 | 5,445 | 2,316 | 24,010 |
| Loans and advances to customers (net) | | | | | |
| Reported | 423,553 | 308,094 | 192,852 | 355 | 924,854 |
| Adjusted | 423,553 | 308,094 | 192,852 | 355 | 924,854 |
| Customer accounts | | | | | |
| Reported | 779,310 | 458,714 | 331,844 | 435 | 1,570,303 |
| Adjusted | 779,310 | 458,714 | 331,844 | 435 | 1,570,303 |

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

2 Includes losses from classifying businesses as held for sale as part of a broader restructuring of our European business, of which \$2.4bn relates to the planned sale of our retail banking operations in France.

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

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

Global businesses

Reconciliation of reported and adjusted items (continued)

| | 2021 | | | | |
|--|-----------------------------|--------------------|----------------------------|------------------|-----------|
| | Wealth and Personal Banking | Commercial Banking | Global Banking and Markets | Corporate Centre | Total |
| | \$m | \$m | \$m | \$m | \$m |
| Revenue¹ | | | | | |
| Reported | 22,117 | 13,431 | 14,588 | (584) | 49,552 |
| Currency translation | (1,152) | (885) | (987) | (50) | (3,074) |
| Significant items | (2) | (8) | 381 | 171 | 542 |
| – customer redress programmes | 7 | (18) | — | — | (11) |
| – fair value movements on financial instruments ² | — | (1) | 19 | 224 | 242 |
| – restructuring and other related costs ³ | (14) | 3 | 395 | (77) | 307 |
| – currency translation on significant items | 5 | 8 | (33) | 24 | 4 |
| Adjusted | 20,963 | 12,538 | 13,982 | (463) | 47,020 |
| ECL | | | | | |
| Reported | 288 | 300 | 337 | 3 | 928 |
| Currency translation | (75) | (75) | (24) | — | (174) |
| Adjusted | 213 | 225 | 313 | 3 | 754 |
| Operating expenses | | | | | |
| Reported | (16,306) | (7,055) | (10,203) | (1,056) | (34,620) |
| Currency translation | 914 | 429 | 781 | 57 | 2,181 |
| Significant items | 903 | 72 | 172 | 1,188 | 2,335 |
| – 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 |
| – currency translation on significant items | (19) | (10) | (25) | (83) | (137) |
| Adjusted | (14,489) | (6,554) | (9,250) | 189 | (30,104) |
| Share of profit in associates and joint ventures | | | | | |
| Reported | 34 | 1 | — | 3,011 | 3,046 |
| Currency translation | — | — | — | (113) | (113) |
| Adjusted | 34 | 1 | — | 2,898 | 2,933 |
| Profit/(loss) before tax | | | | | |
| Reported | 6,133 | 6,677 | 4,722 | 1,374 | 18,906 |
| Currency translation | (313) | (531) | (230) | (106) | (1,180) |
| Significant items | 901 | 64 | 553 | 1,359 | 2,877 |
| – revenue | (2) | (8) | 381 | 171 | 542 |
| – operating expenses | 903 | 72 | 172 | 1,188 | 2,335 |
| Adjusted | 6,721 | 6,210 | 5,045 | 2,627 | 20,603 |
| Loans and advances to customers (net) | | | | | |
| Reported | 488,786 | 349,126 | 207,162 | 740 | 1,045,814 |
| Currency translation | (27,739) | (18,443) | (8,383) | (52) | (54,617) |
| Adjusted | 461,047 | 330,683 | 198,779 | 688 | 991,197 |
| Customer accounts | | | | | |
| Reported | 859,029 | 506,688 | 344,205 | 652 | 1,710,574 |
| Currency translation | (39,710) | (26,487) | (21,770) | (60) | (88,027) |
| Adjusted | 819,319 | 480,201 | 322,435 | 592 | 1,622,547 |

1 Net operating income/(expense) 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 debit valuation adjustments on derivatives.

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

Reconciliation of reported and adjusted items (continued)

| | 2020 | | | | | |
|--|-----------------------------------|-----------------------|----------------------------------|---------------------|--|-----------|
| | Wealth and Personal Banking | Commercial Banking | Global Banking and Markets | Corporate Centre | | Total |
| | \$m | \$m | \$m | \$m | | \$m |
| Revenue¹ | | | | | | |
| Reported | 21,999 | 13,294 | 14,994 | 142 | | 50,429 |
| Currency translation | (532) | (423) | (581) | 13 | | (1,523) |
| Significant items | 14 | 18 | 283 | (373) | | (58) |
| – customer redress programmes | 5 | 16 | — | — | | 21 |
| – disposals, acquisitions and investment in new businesses | 9 | — | — | 1 | | 10 |
| – fair value movements on financial instruments ² | — | 1 | 2 | (267) | | (264) |
| – restructuring and other related costs ³ | — | 1 | 307 | (138) | | 170 |
| – currency translation on significant items | — | — | (26) | 31 | | 5 |
| Adjusted | 21,481 | 12,889 | 14,696 | (218) | | 48,848 |
| ECL | | | | | | |
| Reported | (2,855) | (4,754) | (1,209) | 1 | | (8,817) |
| Currency translation | (23) | 44 | (18) | (1) | | 2 |
| Adjusted | (2,878) | (4,710) | (1,227) | — | | (8,815) |
| Operating expenses | | | | | | |
| Reported | (15,446) | (6,900) | (10,169) | (1,917) | | (34,432) |
| Currency translation | 498 | 230 | 400 | 42 | | 1,170 |
| Significant items | 412 | 195 | 874 | 1,336 | | 2,817 |
| – 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 ⁴ | 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 | (10) | (16) | (31) | (99) | | (156) |
| Adjusted | (14,536) | (6,475) | (8,895) | (539) | | (30,445) |
| Share of profit/(loss) in associates and joint ventures | | | | | | |
| Reported | 6 | (1) | — | 1,592 | | 1,597 |
| Currency translation | — | — | — | 48 | | 48 |
| Significant items | — | — | — | 462 | | 462 |
| – impairment of goodwill ⁵ | — | — | — | 462 | | 462 |
| – currency translation on significant items | — | — | — | — | | — |
| Adjusted | 6 | (1) | — | 2,102 | | 2,107 |
| Profit/(loss) before tax | | | | | | |
| Reported | 3,704 | 1,639 | 3,616 | (182) | | 8,777 |
| Currency translation | (57) | (149) | (199) | 102 | | (303) |
| Significant items | 426 | 213 | 1,157 | 1,425 | | 3,221 |
| – revenue | 14 | 18 | 283 | (373) | | (58) |
| – operating expenses | 412 | 195 | 874 | 1,336 | | 2,817 |
| – share of profit in associates and joint ventures | — | — | — | 462 | | 462 |
| Adjusted | 4,073 | 1,703 | 4,574 | 1,345 | | 11,695 |
| Loans and advances to customers (net) | | | | | | |
| Reported | 469,186 | 343,182 | 224,364 | 1,255 | | 1,037,987 |
| Currency translation | (33,081) | (23,098) | (12,854) | (104) | | (69,137) |
| Adjusted | 436,105 | 320,084 | 211,510 | 1,151 | | 968,850 |
| Customer accounts | | | | | | |
| Reported | 834,759 | 470,428 | 336,983 | 610 | | 1,642,780 |
| Currency translation | (46,716) | (30,539) | (26,226) | (70) | | (103,551) |
| Adjusted | 788,043 | 439,889 | 310,757 | 540 | | 1,539,229 |

1 Net operating income/(expense) 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 debit valuation adjustments on derivatives.

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

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.

Reconciliation of reported and adjusted risk-weighted assets

| | At 31 Dec 2022 | | | | |
|-----------------------------|-------------------------------------|----------------------------|------------------------------------|--------------------------|---------------|
| | Wealth and Personal Banking \$bn | Commercial Banking \$bn | Global Banking and Markets \$bn | Corporate Centre \$bn | Total \$bn |
| Risk-weighted assets | | | | | |
| Reported | 182.9 | 334.8 | 233.5 | 88.5 | 839.7 |
| Adjusted¹ | 182.9 | 334.8 | 233.5 | 88.5 | 839.7 |
| | At 31 Dec 2021 | | | | |
| Risk-weighted assets | | | | | |
| Reported | 178.3 | 332.9 | 236.2 | 90.9 | 838.3 |
| Currency translation | (8.2) | (19.6) | (9.3) | (1.6) | (38.7) |
| Adjusted¹ | 170.1 | 313.3 | 226.9 | 89.3 | 799.6 |
| | At 31 Dec 2020 | | | | |
| Risk-weighted assets | | | | | |
| Reported | 172.8 | 327.7 | 265.1 | 91.9 | 857.5 |
| Currency translation | (10.2) | (24.2) | (13.5) | (2.7) | (50.6) |
| Adjusted¹ | 162.6 | 303.5 | 251.6 | 89.2 | 806.9 |

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

Supplementary tables for WPB and GBM

WPB adjusted performance by business unit

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

WPB – summary (adjusted basis)

| | Consists of ¹ | | | | |
|---|--------------------------|---------------------------|--------------------------------|-------------------------------|-------------------------|
| | Total WPB \$m | Banking operations \$m | Insurance manufacturing \$m | Global Private Banking \$m | Asset management \$m |
| 2022 | | | | | |
| Net operating income before change in expected credit losses and other credit impairment charges ² | 24,367 | 19,342 | 1,914 | 1,978 | 1,133 |
| – net interest income | 18,137 | 14,791 | 2,406 | 946 | (6) |
| – net fee income/(expense) | 5,030 | 3,848 | (701) | 776 | 1,107 |
| – other income | 1,200 | 703 | 209 | 256 | 32 |
| ECL | (1,137) | (1,114) | (17) | (5) | (1) |
| Net operating income | 23,230 | 18,228 | 1,897 | 1,973 | 1,132 |
| Total operating expenses | (14,726) | (11,624) | (879) | (1,399) | (824) |
| Operating profit | 8,504 | 6,604 | 1,018 | 574 | 308 |
| Share of profit in associates and joint ventures | 29 | 11 | 18 | – | – |
| Profit before tax | 8,533 | 6,615 | 1,036 | 574 | 308 |
| 2021 | | | | | |
| Net operating income before change in expected credit losses and other credit impairment charges ² | 20,963 | 15,519 | 2,547 | 1,746 | 1,151 |
| – net interest income | 13,458 | 10,585 | 2,255 | 620 | (2) |
| – net fee income/(expense) | 5,649 | 4,236 | (599) | 901 | 1,111 |
| – other income | 1,856 | 698 | 891 | 225 | 42 |
| ECL | 213 | 219 | (18) | 13 | (1) |
| Net operating income | 21,176 | 15,738 | 2,529 | 1,759 | 1,150 |
| Total operating expenses | (14,489) | (11,660) | (564) | (1,491) | (774) |
| Operating profit | 6,687 | 4,078 | 1,965 | 268 | 376 |
| Share of profit in associates and joint ventures | 34 | 17 | 17 | – | – |
| Profit before tax | 6,721 | 4,095 | 1,982 | 268 | 376 |

WPB – summary (adjusted basis) (continued)

| | Total WPB \$m | Consists of ¹ | | | |
|---|---------------------|------------------------------|-----------------------------------|----------------------------------|----------------------------|
| | | Banking operations \$m | Insurance manufacturing \$m | Global Private Banking \$m | Asset management \$m |
| 2020 | | | | | |
| Net operating income before change in expected credit losses and other credit impairment charges ² | 21,481 | 16,925 | 1,834 | 1,712 | 1,010 |
| – net interest income | 14,752 | 11,904 | 2,189 | 661 | (2) |
| – net fee income/(expense) | 5,306 | 4,027 | (505) | 813 | 971 |
| – other income | 1,423 | 994 | 150 | 238 | 41 |
| ECL | (2,878) | (2,746) | (63) | (68) | (1) |
| Net operating income | 18,603 | 14,179 | 1,771 | 1,644 | 1,009 |
| Total operating expenses | (14,536) | (12,010) | (463) | (1,359) | (704) |
| Operating profit | 4,067 | 2,169 | 1,308 | 285 | 305 |
| Share of profit in associates and joint ventures | 6 | 6 | — | — | — |
| Profit before tax | 4,073 | 2,175 | 1,308 | 285 | 305 |

- 1 The results presented for insurance manufacturing operations are shown before elimination of inter-company transactions with HSBC non-insurance operations. These eliminations are presented within Banking operations.
- 2 Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue. This may differ from the WPB Life insurance manufacturing revenue shown in the managed view of adjusted revenue on page 32, which excludes the impact of Argentina hyperinflation.

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 the adoption of IFRS 17 'Insurance Contracts', effective from 1 January 2023. Further information about the adoption of IFRS 17 is provided on page 99.

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

| | 2022 | | 2021 | | 2020 | |
|--|---------------|---------------------------------|------------|---------------------------------|------------|---------------------------------|
| | WPB \$m | All global businesses \$m | WPB \$m | All global businesses \$m | WPB \$m | All global businesses \$m |
| Net interest income | 2,406 | 2,595 | 2,255 | 2,430 | 2,189 | 2,352 |
| Net fee income/(expense) | (701) | (724) | (599) | (629) | (505) | (541) |
| – fee income | 140 | 159 | 100 | 123 | 108 | 129 |
| – fee expense | (841) | (883) | (699) | (752) | (613) | (670) |
| Net income/(expenses) from financial instruments held for trading or managed on a fair value basis | 95 | 94 | (4) | (12) | 60 | 76 |
| Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss | (3,411) | (3,413) | 3,867 | 3,903 | 1,903 | 1,853 |
| Gains less losses from financial investments | (12) | (12) | 85 | 89 | 12 | 12 |
| Net insurance premium income | 12,413 | 12,942 | 10,145 | 10,617 | 9,522 | 10,005 |
| Other operating income | 504 | 453 | 164 | 148 | 329 | 342 |
| – of which: PVIF | 369 | 324 | 76 | 69 | 365 | 377 |
| Total operating income | 11,294 | 11,935 | 15,913 | 16,546 | 13,510 | 14,100 |
| Net insurance claims and benefits paid and movement in liabilities to policyholders | (9,380) | (9,929) | (13,366) | (13,863) | (11,676) | (12,166) |
| Net operating income before change in expected credit losses and other credit impairment charges³ | 1,914 | 2,006 | 2,547 | 2,683 | 1,834 | 1,934 |
| Change in expected credit losses and other credit impairment charges | (17) | (18) | (18) | (22) | (63) | (72) |
| Net operating income | 1,897 | 1,988 | 2,529 | 2,661 | 1,771 | 1,862 |
| Total operating expenses | (879) | (918) | (564) | (590) | (463) | (492) |
| Operating profit | 1,018 | 1,070 | 1,965 | 2,071 | 1,308 | 1,370 |
| Share of profit in associates and joint ventures | 18 | 18 | 17 | 17 | — | — |
| Profit before tax of insurance manufacturing operations⁴ | 1,036 | 1,088 | 1,982 | 2,088 | 1,308 | 1,370 |
| Annualised new business premiums of insurance manufacturing operations | 2,295 | 2,354 | 2,777 | 2,830 | 2,272 | 2,333 |
| Insurance distribution income earned by HSBC bank channels | 764 | 823 | 726 | 795 | 718 | 781 |

- 1 Adjusted results are derived by adjusting for year-on-year effects of foreign currency translation differences, and the effect of significant items that distort year-on-year comparisons. There are no significant items included within insurance manufacturing, and the impact of foreign currency translation on all global businesses' profit before tax is 2021: \$53m unfavourable (reported: \$2,141m), 2020: \$7m unfavourable (reported: \$1,377m).
- 2 The results presented for insurance manufacturing operations are shown before elimination of inter-company transactions with HSBC non-insurance operations.
- 3 Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.
- 4 The effect on the insurance manufacturing operations of applying hyperinflation accounting in Argentina resulted in a decrease in adjusted revenue in 2022 of \$3m (2021: increase of \$6m, 2020: increase of \$1m) and a decrease in profit before tax in 2022 of \$2m (2021: increase of \$5m, 2020: increase of \$13m). These effects are recorded within 'All global businesses'.

Global businesses

Insurance manufacturing

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

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

Adjusted profit before tax of \$1.1bn decreased by \$1.0bn or 48% compared with 2021.

Adjusted net operating income before change in expected credit losses and other credit impairment changes was \$2.0bn or 25% lower than in 2021. This reflected the following:

- 'Net expense from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss' of \$3.4bn in 2022 compared with a net income of \$3.9bn in 2021. This decrease primarily reflected unfavourable equity market performance impacting our Hong Kong and France businesses in 2022, compared with favourable market performances in 2021.
- This unfavourable 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 \$12.9bn was \$2.3bn higher than in 2021, primarily reflecting higher sales volumes, particularly in Hong Kong which had a higher proportion of single premium products in its product mix, and in Singapore following the acquisition of AXA Insurance Pte Limited ('AXA Singapore') during 2022.

- Other operating income of \$0.5bn increased by \$0.3bn compared with 2021. This reflected increases in Hong Kong of \$0.2bn from the value of new business, a \$0.5bn favourable impact from sharing lower investment returns with policyholders, a \$0.3bn one-off gain from a pricing update for policyholder funds held on deposit with us in Hong Kong to reflect the cost of provision of these services, and a \$0.1bn gain on completion of our acquisition of AXA Singapore in 2022. These were partly offset by a \$0.7bn reduction from PVIF assumption changes primarily in Hong Kong, reflecting the impact of higher interest rates.
- Net insurance claims and benefits paid and movement in liabilities to policyholders of \$9.9bn were \$3.9bn lower, primarily due to a decline in returns on financial assets supporting contracts where the policyholder is subject to part or all of the investment risk, mainly in France and Hong Kong. It also reflected higher sales volumes in Hong Kong.

Total operating expenses of \$0.9bn increased by \$0.3bn compared with 2021, reflecting the incorporation of the results of AXA Singapore in 2022 and investment in our Pinnacle proposition in mainland China.

Annualised new business premiums ('ANP') is used to assess new insurance premium generation by the business. It is calculated as 100% of annualised first year regular premiums and 10% of single premiums, before reinsurance ceded. Lower ANP in the year mainly reflect a change in product mix in Hong Kong towards single premium new business, partially offset by higher ANP from business growth in mainland China and the inclusion of the results of AXA Singapore.

Insurance distribution income from HSBC channels included \$503m (2021: \$469m; 2020: \$460m) from HSBC manufactured products, for which a corresponding fee expense is recognised within insurance manufacturing, and \$320m (2021: \$326m; 2020: \$321m) from products manufactured by third-party providers. The WPB component of this distribution income was \$461m (2021: \$417m; 2020: \$413m) from HSBC manufactured products and \$303m (2021: \$309m; 2020: \$305m) 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

| | 2022 \$m | 2021 \$m | 2020 \$m |
|---------------|--------------|--------------|--------------|
| Europe | 2,456 | 2,152 | 1,666 |
| Asia | 4,549 | 5,701 | 5,199 |
| MENA | 198 | 165 | 148 |
| North America | 581 | 522 | 513 |
| Latin America | 307 | 243 | 211 |
| Total | 8,091 | 8,783 | 7,737 |

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.

WPB – reported wealth balances¹

| | 2022 \$bn | 2021 \$bn |
|---|--------------|--------------|
| Global Private Banking invested assets | 312 | 351 |
| – managed by Global Asset Management | 57 | 67 |
| – external managers, direct securities and other | 255 | 284 |
| Retail invested assets | 364 | 434 |
| – managed by Global Asset Management | 198 | 229 |
| – external managers, direct securities and other | 166 | 205 |
| Asset Management third-party distribution | 340 | 334 |
| Reported invested assets¹ | 1,016 | 1,119 |
| Wealth deposits (Premier, Jade and Global Private Banking) ² | 503 | 551 |
| Total reported wealth balances | 1,519 | 1,670 |

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. At 31 December 2022, \$31bn of invested assets were classified as held for sale and are not included in the table above.

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 \$779bn (2021: \$859bn) on page 109. At 31 December 2022, \$42bn of wealth deposits were classified as held for sale and are not included in the table above.

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 management¹

| | 2022 \$bn | 2021 \$bn |
|-----------------------------|--------------|--------------|
| Opening balance | 630 | 602 |
| Net new invested assets | 45 | 27 |
| Net market movements | (36) | 18 |
| Foreign exchange and others | (44) | (17) |
| Closing balance | 595 | 630 |

Asset Management – reported funds under management by geography

| | 2022 \$bn | 2021 \$bn |
|------------------------|--------------|--------------|
| Europe | 327 | 367 |
| Asia | 196 | 180 |
| MENA | 2 | 5 |
| North America | 60 | 69 |
| Latin America | 10 | 9 |
| Closing balance | 595 | 630 |

¹ 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.

At 31 December 2022, Asset Management funds under management amounted to \$595bn, a decrease of \$35bn or 6%. The decrease reflected adverse market performance and foreign exchange translation, which more than offset strong net new invested assets of \$45bn received in 2022. Within 'foreign exchange and others' is a \$14bn reduction related to the reclassification to held for sale of our banking operations in Canada, which we continue to manage but are no longer considered part of our core funds under management. This was partly offset by an increase of \$9bn due to the acquisition of L&T Investment Management. Net new invested assets were notably from additions in passive, private equity and money market products.

Global Private Banking: client assets¹

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 assets²

| | 2022 \$bn | 2021 \$bn |
|---------------------------------|--------------|--------------|
| Opening balance | 423 | 394 |
| Net new invested assets | 18 | 19 |
| Increase/(decrease) in deposits | (1) | 4 |
| Net market movements | (53) | 17 |
| Foreign exchange and others | (4) | (11) |
| Closing Balance | 383 | 423 |

Global businesses

Global Private Banking – reported client assets by geography

| | 2022 \$bn | 2021 \$bn |
|------------------------|--------------|--------------|
| Europe | 153 | 174 |
| Asia | 174 | 178 |
| North America | 56 | 71 |
| Closing balance | 383 | 423 |

- 1 Client assets are translated at the rates of exchange applicable for their respective period-ends, with the effects of currency translation reported separately.
- 2 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

| | 2022 \$bn | 2021 \$bn |
|--------------------------------------|--------------|--------------|
| Opening balance | 434 | 407 |
| Net new invested assets ¹ | 26 | 26 |
| Net market movements | (46) | 5 |
| Foreign exchange and others | (50) | (4) |
| Closing balance | 364 | 434 |

Retail invested assets by geography

| | 2022 \$bn | 2021 \$bn |
|------------------------|--------------|--------------|
| Europe | 54 | 81 |
| Asia | 285 | 293 |
| MENA | 5 | 4 |
| North America | 12 | 47 |
| Latin America | 8 | 9 |
| Closing balance | 364 | 434 |

- 1 '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 are generated by retail clients or Global Private Banking will be recorded in both businesses.

WPB: Invested assets

| | 2022 \$bn | 2021 \$bn |
|-----------------------------|--------------|--------------|
| Opening balance | 1,119 | 1,050 |
| Net new invested assets | 80 | 64 |
| Net market movements | (116) | 33 |
| Foreign exchange and others | (67) | (28) |
| Closing balance | 1,016 | 1,119 |

WPB: Net new invested assets by geography

| | 2022 \$bn | 2021 \$bn |
|---------------|--------------|--------------|
| Europe | 13 | 17 |
| Asia | 59 | 36 |
| MENA | — | — |
| North America | 7 | 10 |
| Latin America | 1 | 1 |
| Total | 80 | 64 |

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 2022, we held \$9.1tn of assets as custodian, a reduction of 15% compared with 31 December 2021. The balance comprised \$8.4tn of assets in Securities Services, which were recorded at market value, and \$0.8tn of assets in Issuer Services, recorded at book value.

The reduction was mainly in Securities Services balances. This was driven by an adverse impact of currency translation differences in Europe and Asia, and adverse market movements, notably impacting Asia and the US. In addition, there was a net outflow of assets in Asia and Europe.

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 2022, the value of assets held under administration by the Group amounted to \$4.5tn, which was 9% lower than at 31 December 2021. The balance comprised \$2.6tn of assets in Securities Services, which were recorded at market value, and \$1.8tn of assets in Issuer Services, recorded at book value.

The decrease was mainly driven by Securities Services balances due to an adverse impact of currency translation differences in Europe, a net outflow of assets, mainly in Asia and Europe, and adverse market movements in Europe and Asia. These decreases were partly offset by an inflow of assets from new customers in Europe.

Analysis of reported results by geographical regions

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

| | 2022 | | | | | | |
|---|---------------|---------------|--------------|---------------|---------------|----------------|---------------|
| | Europe | Asia | MENA | North America | Latin America | Intra-HSBC | Total |
| | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| Net interest income | 7,185 | 16,157 | 1,665 | 3,395 | 2,754 | 1,454 | 32,610 |
| Net fee income | 3,554 | 4,695 | 830 | 1,824 | 547 | 1 | 11,451 |
| Net income from financial instruments held for trading or managed on a fair value basis | 3,242 | 5,329 | 578 | 587 | 756 | (23) | 10,469 |
| Net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit and loss | (1,760) | (1,683) | — | — | 48 | 1 | (3,394) |
| Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss | 1,639 | 4 | 2 | (8) | 20 | (1,431) | 226 |
| Other income/(expense) ¹ | 3,046 | 4,297 | (138) | 630 | (317) | (7,153) | 365 |
| Net operating income before change in expected credit losses and other credit impairment charges² | 16,906 | 28,799 | 2,937 | 6,428 | 3,808 | (7,151) | 51,727 |
| Change in expected credit losses and other credit impairment charges | (857) | (2,089) | 8 | (93) | (561) | — | (3,592) |
| Net operating income | 16,049 | 26,710 | 2,945 | 6,335 | 3,247 | (7,151) | 48,135 |
| Total operating expenses excluding impairment of goodwill and other intangible assets | (16,370) | (15,343) | (1,582) | (4,639) | (2,401) | 7,152 | (33,183) |
| Impairment of goodwill and other intangible assets | (54) | (52) | (5) | (30) | (5) | (1) | (147) |
| Operating profit/(loss) | (375) | 11,315 | 1,358 | 1,666 | 841 | — | 14,805 |
| Share of profit/(loss) in associates and joint ventures | (40) | 2,409 | 342 | — | 12 | — | 2,723 |
| Profit/(loss) before tax | (415) | 13,724 | 1,700 | 1,666 | 853 | — | 17,528 |
| | % | % | % | % | % | % | % |
| Share of HSBC's profit before tax | (2.4) | 78.3 | 9.7 | 9.5 | 4.9 | — | 100.0 |
| Cost efficiency ratio | 97.1 | 53.5 | 54.0 | 72.6 | 63.2 | — | 64.4 |
| Balance sheet data | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| Loans and advances to customers (net) | 343,670 | 475,278 | 26,475 | 55,790 | 23,641 | — | 924,854 |
| Total assets | 1,345,971 | 1,316,876 | 70,755 | 341,125 | 51,708 | (159,905) | 2,966,530 |
| Customer accounts | 601,473 | 784,236 | 43,933 | 109,093 | 31,568 | — | 1,570,303 |
| Risk-weighted assets ³ | 251,195 | 409,320 | 60,946 | 106,546 | 38,904 | — | 839,720 |

Geographical regions

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

| | 2021 | | | | | | |
|---|---------------|-------------|-------------|-------------------------|-------------------------|----------------------------|--------------|
| | Europe \$m | Asia \$m | MENA \$m | North America \$m | Latin America \$m | Intra-HSBC items \$m | Total \$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) ¹ | 3,523 | 1,316 | 59 | 673 | (212) | (7,988) | (2,629) |
| Net operating income before change in expected credit losses and other credit impairment charges ² | 20,104 | 25,763 | 2,560 | 6,054 | 3,058 | (7,987) | 49,552 |
| Change in expected credit losses and other credit impairment charges | 1,601 | (840) | 132 | 238 | (203) | — | 928 |
| Net operating income | 21,705 | 24,923 | 2,692 | 6,292 | 2,855 | (7,987) | 50,480 |
| 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) |
| Operating profit/(loss) | 3,511 | 9,763 | 1,148 | 1,374 | 64 | — | 15,860 |
| Share of profit/(loss) in associates and joint ventures | 268 | 2,486 | 275 | — | 17 | — | 3,046 |
| Profit/(loss) before tax | 3,779 | 12,249 | 1,423 | 1,374 | 81 | — | 18,906 |
| | % | % | % | % | % | % | % |
| 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 |
| Balance sheet data | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| 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 ³ | 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/(expense) 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) ¹ | 3,885 | 1,197 | 63 | 745 | (95) | (6,936) | (1,141) |
| Net operating income before loan impairment (charges)/recoveries and other credit risk provisions ² | 18,419 | 26,922 | 2,628 | 6,375 | 3,020 | (6,935) | 50,429 |
| Change in expected credit losses and other credit impairment (charges)/recoveries | (3,751) | (2,284) | (758) | (900) | (1,124) | — | (8,817) |
| Net operating income | 14,668 | 24,638 | 1,870 | 5,475 | 1,896 | (6,935) | 41,612 |
| Total operating expenses excluding impairment of goodwill and other intangible assets | (17,860) | (13,584) | (1,521) | (5,081) | (1,933) | 6,935 | (33,044) |
| Impairment of goodwill and other intangible assets | (1,014) | (78) | (65) | (226) | (5) | — | (1,388) |
| Operating profit/(loss) | (4,206) | 10,976 | 284 | 168 | (42) | — | 7,180 |
| Share of profit in associates and joint ventures | 1 | 1,856 | (265) | — | 5 | — | 1,597 |
| Profit/(loss) before tax | (4,205) | 12,832 | 19 | 168 | (37) | — | 8,777 |
| | % | % | % | % | % | % | % |
| Share of HSBC's profit before tax | (47.9) | 146.2 | 0.2 | 1.9 | (0.4) | — | 100.0 |
| Cost efficiency ratio | 102.5 | 50.7 | 60.4 | 83.2 | 64.2 | — | 68.3 |
| Balance sheet data | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| Loans and advances to customers (net) | 408,495 | 473,165 | 28,700 | 107,969 | 19,658 | — | 1,037,987 |
| Total assets | 1,416,111 | 1,206,404 | 68,860 | 373,167 | 49,703 | (130,081) | 2,984,164 |
| Customer accounts | 629,647 | 762,406 | 41,221 | 182,028 | 27,478 | — | 1,642,780 |
| Risk-weighted assets ³ | 284,322 | 384,228 | 60,181 | 117,755 | 35,240 | — | 857,520 |

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.

Reconciliation of reported and adjusted items – geographical regions

Reconciliation of reported and adjusted items

| | 2022 | | | | | |
|---|-----------------|-----------------|----------------|-------------------------|-------------------------|------------------|
| | Europe \$m | Asia \$m | MENA \$m | North America \$m | Latin America \$m | Total \$m |
| Revenue¹ | | | | | | |
| Reported ² | 16,906 | 28,799 | 2,937 | 6,428 | 3,808 | 51,727 |
| Significant items ² | 3,065 | (223) | 9 | (108) | 15 | 3,618 |
| – customer redress programmes | (8) | – | – | – | – | (8) |
| – disposals, acquisitions and investment in new businesses ³ | 2,799 | – | – | – | – | 2,799 |
| – fair value movements on financial instruments ⁴ | 562 | 22 | (3) | (3) | 1 | 579 |
| – restructuring and other related costs ^{2,5} | (288) | (245) | 12 | (105) | 14 | 248 |
| Adjusted² | 19,971 | 28,576 | 2,946 | 6,320 | 3,823 | 55,345 |
| ECL | | | | | | |
| Reported | (857) | (2,089) | 8 | (93) | (561) | (3,592) |
| Adjusted | (857) | (2,089) | 8 | (93) | (561) | (3,592) |
| Operating expenses | | | | | | |
| Reported ² | (16,424) | (15,395) | (1,587) | (4,669) | (2,406) | (33,330) |
| Significant items ² | 2,119 | 833 | 73 | 544 | 155 | 2,864 |
| – customer redress programmes | (31) | – | – | – | – | (31) |
| – disposals, acquisitions and investment in new businesses | 18 | – | – | – | – | 18 |
| – impairment of goodwill and other intangibles | (4) | – | – | – | – | (4) |
| – restructuring and other related costs ² | 2,136 | 833 | 73 | 544 | 155 | 2,881 |
| Adjusted² | (14,305) | (14,562) | (1,514) | (4,125) | (2,251) | (30,466) |
| Share of profit/(loss) in associates and joint ventures | | | | | | |
| Reported | (40) | 2,409 | 342 | – | 12 | 2,723 |
| Adjusted | (40) | 2,409 | 342 | – | 12 | 2,723 |
| Profit/(loss) before tax | | | | | | |
| Reported | (415) | 13,724 | 1,700 | 1,666 | 853 | 17,528 |
| Significant items | 5,184 | 610 | 82 | 436 | 170 | 6,482 |
| – revenue ² | 3,065 | (223) | 9 | (108) | 15 | 3,618 |
| – operating expenses ² | 2,119 | 833 | 73 | 544 | 155 | 2,864 |
| Adjusted | 4,769 | 14,334 | 1,782 | 2,102 | 1,023 | 24,010 |
| Loans and advances to customers (net) | | | | | | |
| Reported | 343,670 | 475,278 | 26,475 | 55,790 | 23,641 | 924,854 |
| Adjusted | 343,670 | 475,278 | 26,475 | 55,790 | 23,641 | 924,854 |
| Customer accounts | | | | | | |
| Reported | 601,473 | 784,236 | 43,933 | 109,093 | 31,568 | 1,570,303 |
| Adjusted | 601,473 | 784,236 | 43,933 | 109,093 | 31,568 | 1,570,303 |

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 losses from classifying businesses as held for sale as part of a broader restructuring of our European business, of which \$2.4bn relates to the planned sale of our retail banking operations in France.

4 Includes fair value movements on non-qualifying hedges and debit valuation adjustments on derivatives.

5 Comprises gains and losses relating to the business update in February 2020, including losses associated with the RWA reduction programme.

Geographical regions

Reconciliation of reported and adjusted items (continued)

| | 2022 | | | | |
|--|-----------------|----------------|----------------|----------------|----------------|
| | UK | Hong Kong | Mainland China | US | Mexico |
| | \$m | \$m | \$m | \$m | \$m |
| Revenue¹ | | | | | |
| Reported | 17,353 | 16,155 | 4,246 | 4,107 | 2,749 |
| Significant items | 215 | 163 | (73) | (99) | 19 |
| – customer redress programmes | (8) | – | – | – | – |
| – disposals, acquisitions and investment in new businesses | 60 | – | – | – | – |
| – fair value movements on financial instruments ² | 571 | 39 | (1) | (1) | 1 |
| – restructuring and other related costs ³ | (408) | 124 | (72) | (98) | 18 |
| Adjusted | 17,568 | 16,318 | 4,173 | 4,008 | 2,768 |
| ECL | | | | | |
| Reported | (712) | (1,680) | (328) | (20) | (507) |
| Adjusted | (712) | (1,680) | (328) | (20) | (507) |
| Operating expenses | | | | | |
| Reported | (13,224) | (8,275) | (2,906) | (3,438) | (1,642) |
| Significant items | 1,710 | 393 | 70 | 423 | 115 |
| – customer redress programmes | (31) | – | – | – | – |
| – restructuring and other related costs | 1,741 | 393 | 70 | 423 | 115 |
| Adjusted | (11,514) | (7,882) | (2,836) | (3,015) | (1,527) |
| Share of profit/(loss) in associates and joint ventures | | | | | |
| Reported | (41) | 5 | 2,386 | – | 12 |
| Adjusted | (41) | 5 | 2,386 | – | 12 |
| Profit before tax | | | | | |
| Reported | 3,376 | 6,205 | 3,398 | 649 | 612 |
| Significant items | 1,925 | 556 | (3) | 324 | 134 |
| – revenue | 215 | 163 | (73) | (99) | 19 |
| – operating expenses | 1,710 | 393 | 70 | 423 | 115 |
| Adjusted | 5,301 | 6,761 | 3,395 | 973 | 746 |
| Loans and advances to customers (net) | | | | | |
| Reported | 286,032 | 295,873 | 50,481 | 54,159 | 20,446 |
| Adjusted | 286,032 | 295,873 | 50,481 | 54,159 | 20,446 |
| Customer accounts | | | | | |
| Reported | 493,028 | 542,543 | 56,948 | 100,404 | 25,531 |
| Adjusted | 493,028 | 542,543 | 56,948 | 100,404 | 25,531 |

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 debit valuation adjustments on derivatives.

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

Reconciliation of reported and adjusted items (continued)

| | 2021 | | | | | |
|--|---------------|-------------|-------------|-------------------------|-------------------------|--------------|
| | Europe \$m | Asia \$m | MENA \$m | North America \$m | Latin America \$m | Total \$m |
| Revenue ¹ | | | | | | |
| Reported ² | 20,104 | 25,763 | 2,560 | 6,054 | 3,058 | 49,552 |
| Currency translation ² | (2,096) | (769) | (224) | (70) | (148) | (3,074) |
| Significant items ² | 138 | (154) | (1) | 10 | 5 | 542 |
| – customer redress programmes | (11) | — | — | — | — | (11) |
| – fair value movements on financial instruments ³ | 226 | 11 | — | 5 | — | 242 |
| – restructuring and other related costs ^{2,4} | (90) | (175) | — | 5 | 5 | 307 |
| – currency translation on significant items ² | 13 | 10 | (1) | — | — | 4 |
| Adjusted ² | 18,146 | 24,840 | 2,335 | 5,994 | 2,915 | 47,020 |
| ECL | | | | | | |
| Reported | 1,601 | (840) | 132 | 238 | (203) | 928 |
| Currency translation | (177) | 19 | (1) | (1) | (14) | (174) |
| Adjusted | 1,424 | (821) | 131 | 237 | (217) | 754 |
| Operating expenses | | | | | | |
| Reported ² | (18,194) | (15,160) | (1,544) | (4,918) | (2,791) | (34,620) |
| Currency translation ² | 1,645 | 490 | 109 | 43 | 127 | 2,181 |
| Significant items ² | 1,234 | 492 | 51 | 429 | 673 | 2,335 |
| – customer redress programmes | 49 | — | — | — | — | 49 |
| – impairment of goodwill and other intangibles | — | — | — | — | 587 | 587 |
| – restructuring and other related costs ² | 1,318 | 509 | 56 | 432 | 83 | 1,836 |
| – currency translation on significant items ² | (133) | (17) | (5) | (3) | 3 | (137) |
| Adjusted ² | (15,315) | (14,178) | (1,384) | (4,446) | (1,991) | (30,104) |
| Share of profit in associates and joint ventures | | | | | | |
| Reported | 268 | 2,486 | 275 | — | 17 | 3,046 |
| Currency translation | (23) | (90) | — | — | — | (113) |
| Adjusted | 245 | 2,396 | 275 | — | 17 | 2,933 |
| Profit before tax | | | | | | |
| Reported | 3,779 | 12,249 | 1,423 | 1,374 | 81 | 18,906 |
| Currency translation | (651) | (350) | (116) | (28) | (35) | (1,180) |
| Significant items | 1,372 | 338 | 50 | 439 | 678 | 2,877 |
| – revenue ² | 138 | (154) | (1) | 10 | 5 | 542 |
| – operating expenses ² | 1,234 | 492 | 51 | 429 | 673 | 2,335 |
| Adjusted | 4,500 | 12,237 | 1,357 | 1,785 | 724 | 20,603 |
| Loans and advances to customers (net) | | | | | | |
| Reported | 397,090 | 492,525 | 26,375 | 108,717 | 21,107 | 1,045,814 |
| Currency translation | (38,699) | (11,301) | (1,395) | (3,572) | 350 | (54,617) |
| Adjusted | 358,391 | 481,224 | 24,980 | 105,145 | 21,457 | 991,197 |
| Customer accounts | | | | | | |
| Reported | 667,769 | 792,098 | 42,629 | 178,565 | 29,513 | 1,710,574 |
| Currency translation | (66,300) | (13,859) | (3,686) | (3,826) | (356) | (88,027) |
| Adjusted | 601,469 | 778,239 | 38,943 | 174,739 | 29,157 | 1,622,547 |

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 debit valuation adjustments on derivatives.

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

Geographical regions

Reconciliation of reported and adjusted items (continued)

| | 2021 | | | | |
|--|-----------------|----------------|----------------|----------------|----------------|
| | UK | Hong Kong | Mainland China | US | Mexico |
| | \$m | \$m | \$m | \$m | \$m |
| Revenue¹ | | | | | |
| Reported | 16,415 | 14,463 | 3,734 | 4,006 | 2,341 |
| Currency translation | (1,664) | (103) | (159) | (1) | 19 |
| Significant items | 7 | 60 | (39) | 14 | 15 |
| – customer redress programmes | (11) | — | — | — | — |
| – fair value movements on financial instruments ² | 220 | 7 | — | 5 | — |
| – restructuring and other related costs ³ | (227) | 54 | (41) | 9 | 15 |
| – currency translation on significant items | 25 | (1) | 2 | — | — |
| Adjusted | 14,758 | 14,420 | 3,536 | 4,019 | 2,375 |
| ECL | | | | | |
| Reported | 1,645 | (608) | (89) | 205 | (224) |
| Currency translation | (182) | 3 | 9 | — | (7) |
| Adjusted | 1,463 | (605) | (80) | 205 | (231) |
| Operating expenses | | | | | |
| Reported | (14,808) | (7,955) | (2,773) | (3,683) | (1,565) |
| Currency translation | 1,292 | 53 | 121 | — | (20) |
| Significant items | 1,079 | 226 | 30 | 355 | 66 |
| – customer redress programmes | 49 | — | — | — | — |
| – restructuring and other related costs | 1,144 | 227 | 32 | 355 | 59 |
| – currency translation on significant items | (114) | (1) | (2) | — | 7 |
| Adjusted | (12,437) | (7,676) | (2,622) | (3,328) | (1,519) |
| Share of profit in associates and joint ventures | | | | | |
| Reported | 267 | 16 | 2,461 | — | 17 |
| Currency translation | (23) | — | (89) | — | — |
| Adjusted | 244 | 16 | 2,372 | — | 17 |
| Profit before tax | | | | | |
| Reported | 3,519 | 5,916 | 3,333 | 528 | 569 |
| Currency translation | (577) | (47) | (118) | (1) | (8) |
| Significant items | 1,086 | 286 | (9) | 369 | 81 |
| – revenue | 7 | 60 | (39) | 14 | 15 |
| – operating expenses | 1,079 | 226 | 30 | 355 | 66 |
| Adjusted | 4,028 | 6,155 | 3,206 | 896 | 642 |
| Loans and advances to customers (net) | | | | | |
| Reported | 306,464 | 311,947 | 54,239 | 52,678 | 18,043 |
| Currency translation | (33,683) | 111 | (4,228) | — | 924 |
| Adjusted | 272,781 | 312,058 | 50,011 | 52,678 | 18,967 |
| Customer accounts | | | | | |
| Reported | 535,797 | 549,429 | 59,266 | 111,921 | 23,583 |
| Currency translation | (58,889) | 193 | (4,620) | — | 1,208 |
| Adjusted | 476,908 | 549,622 | 54,646 | 111,921 | 24,791 |

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 debit valuation adjustments on derivatives.

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

Reconciliation of reported and adjusted items (continued)

| | 2020 | | | | | |
|--|---------------|-------------|-------------|-------------------------|-------------------------|--------------|
| | Europe \$m | Asia \$m | MENA \$m | North America \$m | Latin America \$m | Total \$m |
| Revenue ¹ | | | | | | |
| Reported ² | 18,419 | 26,922 | 2,628 | 6,375 | 3,020 | 50,429 |
| Currency translation ² | (819) | (412) | (252) | 49 | (195) | (1,523) |
| Significant items ² | (234) | (34) | — | 41 | — | (58) |
| – customer redress programmes | 21 | — | — | — | — | 21 |
| – disposals, acquisitions and investment in new businesses | — | — | — | 10 | — | 10 |
| – fair value movements on financial investments ³ | (254) | (5) | — | (2) | (3) | (264) |
| – restructuring and other related costs ^{2,4} | (9) | (32) | — | 35 | — | 170 |
| – currency translation on significant items ² | 8 | 3 | — | (2) | 3 | 5 |
| Adjusted ² | 17,366 | 26,476 | 2,376 | 6,465 | 2,825 | 48,848 |
| ECL | | | | | | |
| Reported | (3,751) | (2,284) | (758) | (900) | (1,124) | (8,817) |
| Currency translation | 45 | 2 | 20 | (18) | (47) | 2 |
| Adjusted | (3,706) | (2,282) | (738) | (918) | (1,171) | (8,815) |
| Operating expenses | | | | | | |
| Reported ² | (18,874) | (13,662) | (1,586) | (5,307) | (1,938) | (34,432) |
| Currency translation ² | 756 | 250 | 146 | (28) | 152 | 1,170 |
| Significant items ² | 2,074 | 164 | 75 | 600 | 73 | 2,817 |
| – customer redress programmes | (54) | — | — | — | — | (54) |
| – impairment of goodwill and other intangibles | 803 | — | 64 | 223 | — | 1,090 |
| – past service costs of guaranteed minimum pension benefits equalisation | 17 | — | — | — | — | 17 |
| – restructuring and other related costs ^{2,5} | 1,425 | 171 | 19 | 378 | 91 | 1,908 |
| – settlements and provisions in connection with legal and regulatory matters | 12 | — | — | — | — | 12 |
| – currency translation on significant items ² | (129) | (7) | (8) | (1) | (18) | (156) |
| Adjusted ² | (16,044) | (13,248) | (1,365) | (4,735) | (1,713) | (30,445) |
| Share of profit/(loss) in associates and joint ventures | | | | | | |
| Reported | 1 | 1,856 | (265) | — | 5 | 1,597 |
| Currency translation | (11) | 59 | — | — | — | 48 |
| Significant items | — | — | 462 | — | — | 462 |
| – impairment of goodwill ⁶ | — | — | 462 | — | — | 462 |
| – currency translation on significant items | — | — | — | — | — | — |
| Adjusted | (10) | 1,915 | 197 | — | 5 | 2,107 |
| Profit/(loss) before tax | | | | | | |
| Reported | (4,205) | 12,832 | 19 | 168 | (37) | 8,777 |
| Currency translation | (29) | (101) | (86) | 3 | (90) | (303) |
| Significant items | 1,840 | 130 | 537 | 641 | 73 | 3,221 |
| – revenue ² | (234) | (34) | — | 41 | — | (58) |
| – operating expenses ² | 2,074 | 164 | 75 | 600 | 73 | 2,817 |
| – share of profit in associates and joint ventures | — | — | 462 | — | — | 462 |
| Adjusted | (2,394) | 12,861 | 470 | 812 | (54) | 11,695 |
| Loans and advances to customers (net) | | | | | | |
| Reported | 408,495 | 473,165 | 28,700 | 107,969 | 19,658 | 1,037,987 |
| Currency translation | (48,299) | (14,753) | (2,814) | (2,974) | (297) | (69,137) |
| Adjusted | 360,196 | 458,412 | 25,886 | 104,995 | 19,361 | 968,850 |
| Customer accounts | | | | | | |
| Reported | 629,647 | 762,406 | 41,221 | 182,028 | 27,478 | 1,642,780 |
| Currency translation | (74,348) | (19,820) | (4,466) | (3,505) | (1,412) | (103,551) |
| Adjusted | 555,299 | 742,586 | 36,755 | 178,523 | 26,066 | 1,539,229 |

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 debit valuation adjustments on derivatives.

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

5 Includes impairment of software intangible assets of \$189m (of 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.

Geographical regions

Reconciliation of reported and adjusted items (continued)

| | 2020 | | | | |
|--|-----------------|---------------------|--------------------------|----------------|----------------|
| | UK \$m | Hong Kong \$m | Mainland China \$m | US \$m | Mexico \$m |
| Revenue¹ | | | | | |
| Reported | 13,886 | 16,345 | 3,088 | 4,590 | 2,234 |
| Currency translation | (540) | (145) | 90 | (1) | 141 |
| Significant items | (187) | 14 | (5) | 40 | (12) |
| – customer redress programmes | 21 | — | — | — | — |
| – disposals, acquisitions and investment in new businesses | — | — | — | 10 | — |
| – fair value movements on financial instruments ² | (256) | — | (1) | (2) | (1) |
| – restructuring and other related costs ³ | 48 | 15 | (4) | 33 | (12) |
| – currency translation on significant items | — | (1) | — | (1) | 1 |
| Adjusted | 13,159 | 16,214 | 3,173 | 4,629 | 2,363 |
| ECL | | | | | |
| Reported | (3,256) | (824) | (114) | (622) | (1,050) |
| Currency translation | 30 | 9 | (10) | — | (77) |
| Adjusted | (3,226) | (815) | (124) | (622) | (1,127) |
| Operating expenses | | | | | |
| Reported | (14,855) | (7,312) | (2,211) | (4,194) | (1,376) |
| Currency translation | 438 | 62 | (49) | — | (89) |
| Significant items | 1,275 | 98 | 18 | 556 | 44 |
| – 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 | (43) | (2) | (1) | — | 2 |
| Adjusted | (13,142) | (7,152) | (2,242) | (3,638) | (1,421) |
| Share of profit/(loss) in associates and joint ventures | | | | | |
| Reported | 1 | (2) | 1,849 | — | 5 |
| Currency translation | (10) | — | 58 | — | — |
| Adjusted | (9) | (2) | 1,907 | — | 5 |
| Profit/(loss) before tax | | | | | |
| Reported | (4,224) | 8,207 | 2,612 | (226) | (187) |
| Currency translation | (82) | (74) | 89 | (1) | (25) |
| Significant items | 1,088 | 112 | 13 | 596 | 32 |
| – revenue | (187) | 14 | (5) | 40 | (12) |
| – operating expenses | 1,275 | 98 | 18 | 556 | 44 |
| Adjusted | (3,218) | 8,245 | 2,714 | 369 | (180) |
| Loans and advances to customers (net) | | | | | |
| Reported | 314,530 | 302,454 | 46,113 | 58,082 | 17,296 |
| Currency translation | (37,030) | (1,635) | (2,417) | — | 391 |
| Adjusted | 277,500 | 300,819 | 43,696 | 58,082 | 17,687 |
| Customer accounts | | | | | |
| Reported | 504,275 | 531,489 | 56,826 | 117,485 | 22,220 |
| Currency translation | (59,369) | (2,873) | (2,978) | — | 503 |
| Adjusted | 444,906 | 528,616 | 53,848 | 117,485 | 22,723 |

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 debit valuation adjustments on derivatives.

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

Analysis by country

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

| | 2022 | | | | |
|--|-----------------------------|--------------------|----------------------------|------------------|---------------|
| | Wealth and Personal Banking | Commercial Banking | Global Banking and Markets | Corporate Centre | Total |
| | \$m | \$m | \$m | \$m | \$m |
| Europe | (95) | 2,652 | (77) | (2,895) | (415) |
| – UK ¹ | 1,853 | 2,094 | (534) | (37) | 3,376 |
| – of which: HSBC UK Bank plc (ring-fenced bank) | 2,112 | 2,662 | 143 | (430) | 4,487 |
| – of which: HSBC Bank plc (non-ring-fenced bank) | 386 | 315 | 141 | (474) | 368 |
| – of which: Holdings and other | (645) | (883) | (818) | 867 | (1,479) |
| – France ² | (2,016) | 210 | 81 | (268) | (1,993) |
| – Germany | 17 | 8 | 133 | (147) | 11 |
| – Switzerland | 25 | 17 | 13 | (30) | 25 |
| – other ³ | 26 | 323 | 230 | (2,413) | (1,834) |
| Asia | 4,995 | 2,981 | 3,529 | 2,219 | 13,724 |
| – Hong Kong | 4,521 | 1,309 | 955 | (580) | 6,205 |
| – Australia | 147 | 180 | 157 | (37) | 447 |
| – India | 45 | 304 | 622 | 306 | 1,277 |
| – Indonesia | 4 | 71 | 100 | (9) | 166 |
| – mainland China | (109) | 303 | 526 | 2,678 | 3,398 |
| – Malaysia | 110 | 89 | 219 | (35) | 383 |
| – Singapore | 244 | 255 | 351 | (78) | 772 |
| – Taiwan | 36 | 43 | 137 | (17) | 199 |
| – other | (3) | 427 | 462 | (9) | 877 |
| Middle East and North Africa | 313 | 290 | 861 | 236 | 1,700 |
| – Egypt | 101 | 76 | 194 | (5) | 366 |
| – UAE | 128 | 107 | 320 | (86) | 469 |
| – Saudi Arabia ⁴ | 30 | – | 94 | 345 | 469 |
| – other | 54 | 107 | 253 | (18) | 396 |
| North America | 541 | 1,169 | 461 | (505) | 1,666 |
| – US | 209 | 557 | 270 | (387) | 649 |
| – Canada | 243 | 548 | 140 | (89) | 842 |
| – other | 89 | 64 | 51 | (29) | 175 |
| Latin America | 286 | 355 | 325 | (113) | 853 |
| – Mexico | 269 | 273 | 180 | (110) | 612 |
| – other | 17 | 82 | 145 | (3) | 241 |
| Year ended 31 Dec 2022 | 6,040 | 7,447 | 5,099 | (1,058) | 17,528 |

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 of \$425m as a result of the reclassification of our retail banking operations in France to held for sale. As per Group accounting policy, HSBC's cash-generating units are based on geographical regions, sub-divided by global businesses.

3 Corporate Centre includes inter-company debt eliminations of \$1,850m.

4 Includes the results of HSBC Saudi Arabia and our share of the profits of our associate, The Saudi British Bank.

Geographical regions

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

| | 2021 | | | | | Total \$m |
|--|--|------------------------------|---|----------------------------|--|--------------|
| | Wealth and Personal Banking \$m | Commercial Banking \$m | Global Banking and Markets \$m | Corporate Centre \$m | | |
| Europe | 1,817 | 2,893 | (299) | (632) | | 3,779 |
| – UK ¹ | 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) |
| Asia | 4,366 | 2,364 | 3,193 | 2,326 | | 12,249 |
| – 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 |
| Middle East and North Africa | 194 | 235 | 805 | 189 | | 1,423 |
| – Egypt | 79 | 42 | 163 | (2) | | 282 |
| – UAE | 91 | 3 | 342 | (61) | | 375 |
| – Saudi Arabia ² | 17 | — | 65 | 274 | | 356 |
| – other | 7 | 190 | 235 | (22) | | 410 |
| North America | 60 | 1,023 | 697 | (406) | | 1,374 |
| – US | (131) | 472 | 524 | (337) | | 528 |
| – Canada | 141 | 544 | 145 | (62) | | 768 |
| – other | 50 | 7 | 28 | (7) | | 78 |
| Latin America | (304) | 162 | 326 | (103) | | 81 |
| – Mexico | 305 | 88 | 222 | (46) | | 569 |
| – other ³ | (609) | 74 | 104 | (57) | | (488) |
| Year ended 31 Dec 2021 | 6,133 | 6,677 | 4,722 | 1,374 | | 18,906 |

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 results of HSBC Saudi Arabia and our share of the profits of our associate, The Saudi British Bank.

³ Includes the impact of goodwill impairment of \$587m. As per Group accounting policy, HSBC's cash-generating units are based on geographical regions, sub-divided by global businesses.

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

| | 2020 | | | | |
|--|-----------------------------|--------------------|----------------------------|------------------|---------|
| | Wealth and Personal Banking | Commercial Banking | Global Banking and Markets | Corporate Centre | Total |
| | \$m | \$m | \$m | \$m | \$m |
| Europe | (680) | (529) | (1,809) | (1,187) | (4,205) |
| – UK ¹ | (357) | (543) | (1,769) | (1,555) | (4,224) |
| – of which: HSBC UK Bank plc (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 ² | 21 | — | 26 | (264) | (217) |
| – other | (83) | 44 | 165 | (20) | 106 |
| North America | (449) | 366 | 712 | (461) | 168 |
| – US | (547) | 139 | 573 | (391) | (226) |
| – Canada | 52 | 225 | 100 | (67) | 310 |
| – other | 46 | 2 | 39 | (3) | 84 |
| Latin America | (183) | (22) | 233 | (65) | (37) |
| – Mexico | (115) | (106) | 59 | (25) | (187) |
| – other | (68) | 84 | 174 | (40) | 150 |
| Year ended 31 Dec 2020 | 3,704 | 1,639 | 3,616 | (182) | 8,777 |

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

2 Includes the results of HSBC Saudi Arabia and our share of the profits of our associate, The Saudi British Bank.

Reconciliation of alternative performance measures

Contents

| | |
|------------|--|
| 128 | Use of alternative performance measures |
| 128 | Return on average ordinary shareholders' equity and return on average tangible equity |
| 129 | Net asset value and tangible net asset value per ordinary share |
| 130 | Post-tax return and average total shareholders' equity on average total assets |
| 130 | Expected credit losses and other credit impairment charges as % of average gross loans and advances to customers |

Use of alternative performance measures

Our reported results are prepared in accordance with IFRSs as detailed in our financial statements starting on page 324.

As described on page 98, 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 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, debit 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

| | 2022 \$m | 2021 \$m | 2020 \$m |
|--|----------------|-------------|-------------|
| Profit | | | |
| Profit attributable to the ordinary shareholders of the parent company | 14,822 | 12,607 | 3,898 |
| Impairment of goodwill and other intangible assets (net of tax) | 531 | 608 | 1,036 |
| Decrease/(increase) in PVIF (net of tax) | (264) | (58) | (253) |
| Profit attributable to the ordinary shareholders, excluding goodwill, other intangible assets impairment and PVIF | 15,089 | 13,157 | 4,681 |
| Significant items (net of tax) and other adjustments ^{1,2} | 2,561 | 2,086 | 2,402 |
| Profit attributable to the ordinary shareholders, excluding goodwill impairment, PVIF and significant items¹ | 17,650 | 15,243 | 7,083 |
| Equity | | | |
| Average total shareholders' equity | 191,998 | 199,295 | 189,719 |
| Effect of average preference shares and other equity instruments | (21,202) | (22,814) | (22,326) |
| Average ordinary shareholders' equity | 170,796 | 176,481 | 167,393 |
| Effect of goodwill, PVIF and other intangibles (net of deferred tax) | (17,935) | (17,705) | (17,292) |
| Average tangible equity | 152,861 | 158,776 | 150,101 |
| Fair value of own debt, DVA and other adjustments | (1,125) | 1,278 | 422 |
| Average tangible equity excluding fair value of own debt, DVA and other adjustments | 151,736 | 160,054 | 150,523 |
| | % | % | % |
| Ratio | | | |
| Return on average ordinary shareholders' equity | 8.7 | 7.1 | 2.3 |
| Return on average tangible equity | 9.9 | 8.3 | 3.1 |
| Return on average tangible equity excluding significant items ¹ | 11.6 | 9.5 | 4.7 |

¹ 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.

² Other adjustments includes entries relating to the timing of payments on additional tier 1 coupons.

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 2022 | | | | |
|---|-----------------------------|--------------------|----------------------------|------------------|---------------|
| | Wealth and Personal Banking | Commercial Banking | Global Banking and Markets | Corporate Centre | Total |
| | \$m | \$m | \$m | \$m | \$m |
| Profit before tax | 6,040 | 7,447 | 5,099 | (1,058) | 17,528 |
| Tax expense | (1,218) | (1,737) | (823) | 2,920 | (858) |
| Profit after tax | 4,822 | 5,710 | 4,276 | 1,862 | 16,670 |
| Less attributable to: preference shareholders, other equity holders, non-controlling interests | (696) | (493) | (603) | (56) | (1,848) |
| Profit attributable to ordinary shareholders of the parent company | 4,126 | 5,217 | 3,673 | 1,806 | 14,822 |
| Increase in PVIF (net of tax) | (251) | 36 | — | (49) | (264) |
| Significant items (net of tax) | 1,960 | 197 | 300 | 581 | 3,038 |
| Other adjustments | 6 | (15) | (24) | 87 | 54 |
| Profit attributable to ordinary shareholders, excluding PVIF, significant items | 5,841 | 5,435 | 3,949 | 2,425 | 17,650 |
| Average tangible shareholders' equity excluding fair value of own debt, DVA and other adjustments | 31,519 | 38,373 | 36,944 | 44,900 | 151,736 |
| Return on average tangible equity excluding significant items (%) | 18.5 | 14.2 | 10.7 | 5.4 | 11.6 |

| | Year ended 31 Dec 2021 | | | | |
|---|-----------------------------|--------------------|----------------------------|------------------|---------------|
| | Wealth and Personal Banking | Commercial Banking | Global Banking and Markets | Corporate Centre | Total |
| | \$m | \$m | \$m | \$m | \$m |
| Profit before tax | 6,133 | 6,677 | 4,722 | 1,374 | 18,906 |
| Tax expense | (1,540) | (1,783) | (1,020) | 130 | (4,213) |
| Profit after tax | 4,593 | 4,894 | 3,702 | 1,504 | 14,693 |
| Less attributable to: preference shareholders, other equity holders, non-controlling interests | (735) | (665) | (618) | (68) | (2,086) |
| Profit attributable to ordinary shareholders of the parent company | 3,858 | 4,229 | 3,084 | 1,436 | 12,607 |
| Increase in PVIF (net of tax) | (65) | 4 | — | 3 | (58) |
| Significant items (net of tax) | 850 | 51 | 517 | 1,269 | 2,687 |
| Other adjustments | 3 | (4) | (3) | 11 | 7 |
| Profit attributable to ordinary shareholders, excluding PVIF, significant items | 4,646 | 4,280 | 3,598 | 2,719 | 15,243 |
| 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 (%) | 15.2 | 10.8 | 8.6 | 5.6 | 9.5 |

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

| | 2022 \$m | 2021 \$m | 2020 \$m |
|--|----------------|----------------|----------------|
| Total shareholders' equity | 187,484 | 198,250 | 196,443 |
| Preference shares and other equity instruments | (19,746) | (22,414) | (22,414) |
| Total ordinary shareholders' equity | 167,738 | 175,836 | 174,029 |
| Goodwill, PVIF and intangible assets (net of deferred tax) | (18,383) | (17,643) | (17,606) |
| Tangible ordinary shareholders' equity | 149,355 | 158,193 | 156,423 |
| Basic number of \$0.50 ordinary shares outstanding | 19,739 | 20,073 | 20,184 |
| | \$ | \$ | \$ |
| Value per share | | | |
| Net asset value per ordinary share | 8.50 | 8.76 | 8.62 |
| Tangible net asset value per ordinary share | 7.57 | 7.88 | 7.75 |

Reconciliation of alternative performance measures

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

| | 2022 | 2021 | 2020 |
|--|-----------|-----------|-----------|
| | \$m | \$m | \$m |
| Profit after tax | 16,670 | 14,693 | 6,099 |
| Average total shareholders' equity | 191,998 | 199,295 | 189,719 |
| Average total assets | 3,030,574 | 3,012,437 | 2,936,939 |
| Ratio | % | % | % |
| Post-tax return on average total assets | 0.6 | 0.5 | 0.2 |
| Average total shareholders' equity to average total assets | 6.34 | 6.62 | 6.46 |

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

| | 2022 | 2021 | 2020 |
|---|------------------|----------------|------------------|
| | \$m | \$m | \$m |
| Expected credit losses and other credit impairment charges ('ECL') | (3,592) | 928 | (8,817) |
| Currency translation | | (174) | 2 |
| Adjusted ECL | (3,592) | 754 | (8,815) |
| Average gross loans and advances to customers | 1,015,445 | 1,057,412 | 1,047,114 |
| Currency translation | (13,325) | (63,174) | (34,883) |
| Average gross loans and advances to customers – at most recent balance sheet foreign exchange rates | 1,002,120 | 994,238 | 1,012,231 |
| Average gross loans and advances to customers, including held for sale | 1,036,974 | 1,058,947 | 1,047,114 |
| Currency translation | (12,846) | (63,012) | (34,883) |
| Average gross loans and advances to customers, including held for sale – at most recent balance sheet foreign exchange rates | 1,024,128 | 995,935 | 1,012,231 |
| Ratio | % | % | % |
| Expected credit losses and other credit impairment charges as % of average gross loans and advances to customers | 0.36 | (0.08) | 0.87 |
| Expected credit losses and other credit impairment charges as % of average gross loans and advances to customers, including held for sale | 0.35 | (0.08) | 0.87 |