

The Hongkong and Shanghai Banking Corporation Limited Annual Results for 2020

Consolidated Income Statement for the Year Ended 31 December 2020

	2020 HK\$m	2019 HK\$m
Net interest income	111,513	130,903
interest income	147,376	191,322
interest expense	(35,863)	(60,419)
Net fee income	41,670	41,505
fee income	52,370	53,099
fee expense	(10,700)	(11,594)
Net income from financial instruments held for trading or managed on a fair value basis	32,172	36,388
Net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	13,128	14,257
Changes in fair value of designated debts issued and related derivatives	(171)	(305)
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	138	118
Gains less losses from financial investments	1,624	638
Net insurance premium income	61,563	60,275
Other operating income	5,612	15,758
Total operating income	267,249	299,537
Net insurance claims and benefits paid and movement in liabilities to policyholders	(77,911)	(80,156)
Net operating income before change in expected credit losses and other credit impairment charges	189,338	219,381
Change in expected credit losses and other credit impairment charges	(17,719)	(5,672)
Net operating income	171,619	213,709
Employee compensation and benefits	(36,183)	(38,048)
General and administrative expenses	(46,304)	(44,769)
Depreciation and impairment of property, plant and equipment	(9,405)	(8,230)
Amortisation and impairment of intangible assets	(3,936)	(2,447)
Total operating expenses	(95,828)	(93,494)
Operating profit	75,791	120,215
Share of profit in associates and joint ventures	14,405	16,218
Profit before tax	90,196	136,433
Tax expense	(14,505)	(21,393)
Profit for the year	75,691	115,040
Attributable to:		
– ordinary shareholders of the parent company	66,997	104,200
– other equity holders	2,450	1,522
– non-controlling interests	6,244	9,318
Profit for the year	75,691	115,040

Consolidated Balance Sheet at 31 December 2020

	2020 HK\$m	2019 HK\$m
ASSETS		
Cash and balances at central banks	347,999	202,746
Items in the course of collection from other banks	21,943	21,140
Hong Kong Government certificates of indebtedness	313,404	298,944
Trading assets	600,414	622,761
Derivatives	422,945	280,642
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	178,960	153,511
Reverse repurchase agreements – non-trading	520,344	422,333
Loans and advances to banks	403,884	328,905
Loans and advances to customers	3,668,681	3,720,875
Financial investments	2,175,432	1,900,298
Amounts due from Group companies	83,203	87,632
Interests in associates and joint ventures	168,754	151,917
Goodwill and intangible assets	89,968	81,643
Property, plant and equipment	128,537	137,930
Deferred tax assets	3,325	2,179
Prepayments, accrued income and other assets	288,610	248,258
Total assets	9,416,403	8,661,714
LIABILITIES		
Hong Kong currency notes in circulation	313,404	298,944
Items in the course of transmission to other banks	25,699	25,576
Repurchase agreements – non-trading	136,157	106,396
Deposits by banks	248,628	179,819
Customer accounts	5,911,396	5,432,424
Trading liabilities	60,812	87,532
Derivatives	428,211	292,231
Financial liabilities designated at fair value	167,013	160,291
Debt securities in issue	79,419	106,933
Retirement benefit liabilities	2,701	2,595
Amounts due to Group companies	296,308	311,111
Accruals and deferred income, other liabilities and provisions	215,987	203,252
Liabilities under insurance contracts	581,406	528,760
Current tax liabilities	2,669	12,614
Deferred tax liabilities	30,997	29,889
Subordinated liabilities	4,065	4,066
Total liabilities	8,504,872	7,782,433
EQUITY		
Share capital	172,335	172,335
Other equity instruments	44,615	44,615
Other reserves	149,500	133,099
Retained earnings	478,903	464,629
Total shareholders' equity	845,353	814,678
Non-controlling interests	66,178	64,603
Total equity	911,531	879,281
Total liabilities and equity	9,416,403	8,661,714

Capital Adequacy Ratios

The following table shows the capital ratios as contained in the 'Capital Adequacy Ratio' return submitted to the HKMA on a consolidated basis under the requirements of section 3C(1) of the Banking (Capital) Rules.

	At 31 December 2020	At 31 December 2019
	%	%
Common equity tier 1 ('CET1') capital ratio	17.2	17.2
Tier 1 capital ratio	18.8	18.8
Total capital ratio	20.8	21.0

Board of Directors

Laura May Lung Cha*, GBM, <i>Chairman</i>	Beau Khoo Chen Kuok*
Peter Tung Shun Wong, <i>Deputy Chairman & Chief Executive</i>	Irene Yun-lien Lee*
Zia Mody*, <i>Deputy Chairman</i>	Jennifer Xinzhe Li*
Graham John Bradley*	Victor Tzar Kuoi Li*
Dr Christopher Wai Chee Cheng*, GBS, OBE	Bin Hwee Quek (née Chua)*, PBM, BBM, JP
Sonia Chi Man Cheng*	Kevin Anthony Westley*, BBS
Yiu Kwan Choi*	Tan Sri (Sir) Francis Sock Ping Yeoh*, KBE, CBE

* Independent non-executive Director
* Non-executive Director

Extract of the Independent Auditor's Report to the Shareholder of The Hongkong and Shanghai Banking Corporation Limited (incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of The Hongkong and Shanghai Banking Corporation Limited ('the Bank') and its subsidiaries (together 'the group') set out on pages 71 to 125, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes¹ on the consolidated financial statements, which include a summary of significant accounting policies.

¹ Certain required disclosures as described in Note 1.1(d) on the consolidated financial statements have been presented elsewhere in the Annual Report and Accounts 2020, rather than in the notes to the consolidated financial statements. These are cross-referenced from the consolidated financial statements and are identified as audited.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ('HKFRSs') issued by the Hong Kong Institute of Certified Public Accountants ('HKICPA') and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ('HKSA's') issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the group in accordance with the HKICPA's Code of Ethics for Professional Accountants ('the Code'), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Expected credit losses on loans and advances to customers
- Impairment assessment of investment in associate - Bank of Communications Co., Limited ('BoCom')
- The present value of in-force long-term insurance business ('PVIF') and liabilities under non-linked life insurance contracts
- IT access management.

Expected credit losses on loans and advances to customers

Nature of the Key Audit Matter

At 31 December 2020, the group recorded expected credit loss ('ECL') allowances on loans and advances to customers of HK\$28.9bn.

The determination of the ECL allowances requires the use of complex credit risk methodologies based on the group's historic experience of the correlations between defaults and losses, borrower creditworthiness and economic conditions, which can result in limitations in their reliability to appropriately estimate ECL. Significant judgement and subjectivity are involved in determining whether these methodologies and their application in models remain appropriate and in determining the quantum of any management judgemental adjustments required to account for late breaking events, model deficiencies and expert credit judgement applied following management review and challenge.

Significant judgement is also required to determine assumptions, which involve subjectivity and estimation uncertainty. The significant assumptions include those with greater levels of management judgement and for which variations have the most significant impact on ECL. Specifically, these include likelihoods of economic scenarios, any alternative and additional scenarios used, customer risk ratings and probabilities of default, and the prospects of future recoverability of credit impaired wholesale exposures. Likewise, there is inherent uncertainty with the consensus economic forecasts data from external economists.

The ongoing Covid-19 pandemic and continued geopolitical tensions between the US and China increases the inherent risk and estimation uncertainty involved in determining the ECL allowances and the level of credit risk associated with the group's customers. The speed and severity of the economic shock caused specifically by the Covid-19 pandemic and consequent government and regulator responses may have altered the correlations between losses, borrower creditworthiness and economic conditions, as well as impacted economic factors such as GDP and unemployment, and consequently the extent and timing of customer defaults. This broadens the range of possible outcomes in estimating ECLs, which increases the judgement required in assessing the appropriateness of existing methodologies and economic forecasts data from external economists, and in determining assumptions. ECLs have been adjusted through management judgemental adjustments to reflect these limitations. In addition, certain changes to models used for the ECL determination have been made during 2020.

Matters discussed with the Audit Committee

We discussed the appropriateness of the methodologies, their application, significant assumptions, significant data and disclosures with the Audit Committee, giving consideration to the ongoing Covid-19 pandemic and continued geopolitical tensions between the US and China. We further discussed the governance and controls over ECL, with a focus on the impact from the Covid-19 pandemic.

In relation to the methodologies, we focused our discussions on:

- Methodology application and model validation, including where models were changed during the year; and
- the identification and assessment of model limitations and resulting management judgemental adjustments made to derive the ECL allowances, in particular for approaches adopted in response to the Covid-19 pandemic.

In relation to significant assumptions and data, we focused on those which are most sensitive including:

- the severity and likelihood of economic scenarios and the probabilities assigned to those scenarios;
- the determination and migration of customer risk ratings; and
- assumptions around the future recoverability of significant credit impaired wholesale exposures.

We further discussed the associated disclosures in the Annual Report and Accounts 2020, in particular the impact of the Covid-19 pandemic on determining the ECL allowances and continued geopolitical tensions between the US and China, and the resulting estimation uncertainty.

How our audit addressed the Key Audit Matter

We tested controls in place over the methodologies, their application, significant assumptions and data used to determine the ECL allowances. Specifically, these included controls over:

- Model development, validation and monitoring;
- Determination and approval of consensus and alternative economic scenarios;
- Approval of the probability weightings assigned to economic scenarios;
- Assigning Customer Risk Ratings and probabilities of default;
- The input of critical data into source systems and the flow and transformation of critical data between source systems to the impairment ECL models;
- Determination and approval of management judgemental adjustments; and
- Review of input and assumptions applied in estimating the recoverability of credit-impaired wholesale exposures.

We performed substantive audit procedures over the compliance of ECL methodologies with the requirements of HKFRS 9. We engaged professionals with experience in ECL modelling to assess the appropriateness of changes to models during the year, and for a sample of those models, we independently reperformed the modelling for certain aspects of the ECL calculation. We also assessed the appropriateness of methodologies and related models that did not change during the year, giving specific consideration to the Covid-19 pandemic and whether management judgemental adjustments were needed. Where management judgemental adjustments were made, we assessed the ECL allowances determined and the analysis supporting them.

We further performed the following to assess the significant assumptions, data and disclosures:

- We challenged the Bank's basis for determining significant assumptions and, where relevant, their interrelationships;
- We involved our economic experts in assessing the reasonableness of the severity and likelihood of the group's economic scenarios. These assessments considered the sensitivity of the ECL allowances to variations in the severity and likelihood of different economic scenarios;
- We tested a sample of customer risk ratings assigned to wholesale exposures;
- We have independently assessed other significant assumptions and obtained relevant corroborating evidence. We further considered whether the judgements made in selecting the significant assumptions would give rise to indicators of possible management bias;
- We performed various substantive audit procedures over critical data used in the determination of the ECL allowances to ensure these are relevant and reliable; and



- We assessed the adequacy of the disclosures in relation to expected credit losses on loans and advances to customers made in the *Annual Report and Accounts 2020* in the context of the applicable financial reporting framework.

Relevant references in the *Annual Report and Accounts 2020*

Risk: Credit Risk, page 27-48

Note 1.2 (i) on the consolidated financial statements: Basis of preparation and significant accounting policies, page 82-85

Note 2 (e) on the consolidated financial statements: Operating profit - Change in expected credit losses and other credit impairment charges, page 89

Note 10 on the consolidated financial statements: Loans and advances to customers, page 97

Impairment assessment of investment in associate - Bank of Communications Co., Limited ('BoCom')

Nature of the Key Audit Matter

At 31 December 2020, the market value of the investment in BoCom, based the share price, was HK\$107.6bn lower than the carrying value of HK\$165.4bn. This is an indicator of potential impairment. An impairment test was performed, with supporting sensitivity analysis, using a value in use ('VIU') model. The VIU was HK\$3.9bn in excess of the carrying value. On this basis, no impairment was recorded and the share of BoCom's profits has been recognised in the consolidated income statement.

The methodology applied in the VIU model is dependent on various assumptions, both short term and long term in nature. These assumptions, which are subject to estimation uncertainty, are derived from a combination of management's judgement, analysts' forecasts and market data.

The significant assumptions that we focused our audit on were those with greater levels of management judgement and subjectivity, and for which variations had the most significant impact on the VIU. Specifically, these included the discount rate, operating income growth rate, long-term profit and asset growth rates, expected credit losses, effective tax rates, and capital requirements.

Matters discussed with the Audit Committee

We discussed the appropriateness of the methodology, its application and significant assumptions with the Audit Committee, giving consideration to the macroeconomic environment and the overall outlook for the Chinese banking market. We considered reasonably possible alternatives for the significant assumptions. We also discussed the disclosures made in relation to BoCom, including the use of sensitivity analysis to explain estimation uncertainty and the conditions that would result in an impairment being recognised.

How our audit addressed the Key Audit Matter

We tested controls in place over significant assumptions, the methodology and its application used to determine the VIU. We assessed the appropriateness of the methodology used, its application, and the mathematical accuracy of the calculations. In respect of the significant assumptions, we performed the following:

- Challenged the basis for determining significant assumptions and, where relevant, their interrelationships;
- Obtained corroborating evidence for data supporting significant assumptions that may include historic experience, external market information, third-party sources including analyst reports, information from BoCom management and historical publicly available BoCom financial information;
- Determined a reasonable range for the discount rate assumption, with the assistance of our valuation experts, and comparing it to the discount rate used by management; and
- Assessed whether the judgements made in selecting the significant assumptions give rise to indicators of possible management bias.

We observed meetings in April, May, September and November 2020 between management and senior BoCom executive management, held specifically to identify facts and circumstances impacting assumptions relevant to the determination of the VIU.

Representations were obtained from the Bank that assumptions used were consistent with information currently available to them, both as a shareholder of BoCom and to which HSBC are entitled through their participation on BoCom's Board of Directors.

We assessed the adequacy of the disclosures in relation to BoCom made in the *Annual Report and Accounts 2020* in the context of the applicable financial reporting framework.

Relevant references in the *Annual Report and Accounts 2020*

Note 1.2 (a) on the consolidated financial statements: Basis of preparation and significant accounting policies, page 78-79

Note 14 on the consolidated financial statements: Interests in associates and joint ventures, page 100-103

The present value of in-force long-term insurance business ('PVIF') and liabilities under non-linked life insurance contracts

Nature of the Key Audit Matter

At 31 December 2020, the group has recorded an asset for PVIF of HK\$65.1bn and liabilities under non-linked life insurance contracts of HK\$547.1bn.

The determination of these balances requires the use of complex actuarial methodologies that are applied in models and involves significant judgement about future outcomes. Specifically, significant judgement is required in deriving the economic assumptions, and assumptions related to longevity, mortality, persistency and expenses. These assumptions are subject to estimation uncertainty, and movements in certain of these can have a material impact on the PVIF asset and the liabilities under non-linked life insurance contracts.

Matters discussed with the Audit Committee

We discussed the appropriateness of the methodologies, their application, significant assumptions and disclosures with the Audit Committee. In relation to assumptions, we focused on those for which variations had the most significant impact on the valuation of PVIF and liabilities under nonlinked life insurance contracts carrying value, including economic assumptions and assumptions related to longevity, mortality, persistency and expenses.

How our audit addressed the Key Audit Matter

We tested controls in place over the determination of PVIF asset and the liabilities under non-linked life insurance contracts. Specifically, these included controls over:

- policy data reconciliations from the policyholder administration system to the actuarial valuation system;
- assumptions setting;
- review and determination of valuation methodologies and corresponding models;
- restriction of user access to the models; and
- production and approval of the actuarial results.

With the assistance of our actuarial experts, we performed the following audit procedures to assess the methodologies used, their application, significant assumptions, data and disclosures:

- We assessed the appropriateness of the methodologies used, their application and the mathematical accuracy of the calculations;
- We challenged the group's basis for determining significant assumptions and, where relevant, their interrelationships. We have independently assessed these assumptions and obtained relevant corroborating evidence. We further considered whether the judgements made in selecting the significant assumptions would give rise to indicators of possible management bias;
- We performed substantive audit procedures over critical data used in the determination of these balances to ensure these are relevant and reliable; and
- We assessed the adequacy of the disclosures in relation to the asset for PVIF and liabilities under non-linked life insurance contracts made in the *Annual Report and Accounts 2020* in the context of the applicable financial reporting framework.

Relevant references in the *Annual Report and Accounts 2020*

Risk: Insurance manufacturing operations risk, page 59-63

Note 1.2 (j) on the consolidated financial statements: Basis of preparation and significant accounting policies, page 85-86

Note 3 on the consolidated financial statements: Insurance business, page 90

Note 15 on the consolidated financial statements: Goodwill and intangible assets, page 103-104

IT access management

Nature of the Key Audit Matter

The group has operations across a number of countries supporting a wide range of products and services, resulting in an IT environment that is large, complex and increasingly reliant on third parties. The Bank's financial reporting processes rely upon a significant element of this IT environment, both within the group's operations and financial reporting.

Access management controls are an important part of the IT environment to ensure both access and changes made to systems and data are appropriate. Our audit approach relies extensively on the effectiveness of IT access management.

Matters discussed with the Audit Committee

The significance of IT access management to our audit was discussed at Audit Committee meetings during the year. We further presented identified control observations related to IT access management and discussed our related audit response.

How our audit addressed the Key Audit Matter

IT access management controls were tested for systems and data relevant to financial reporting that we relied upon as part of our audit. Specifically, these included controls over:

- Authorising new access requests;
- The timely removal of access rights;
- Periodic monitoring of the appropriateness of access rights to systems and data;
- Restricting highly privileged access to appropriate personnel;
- The accuracy of information about IT users to facilitate access management;
- Segregation of access across IT and business functions;
- Changes made to systems and data; and
- Understanding and assessing reliance on third parties, including Service Organisation controls reports.

We also independently assessed controls related to password policies and system configurations, and performed substantive audit procedures in relation to access right removal, privileged access, IT user information and segregation of duties.

We performed further testing where control deficiencies were identified, including:

- Where inappropriate access was identified, we understood and assessed the nature of the access, and when required, obtained additional evidence on the appropriateness of activities performed; and
- Where necessary, we identified and tested compensating business controls and performed other audit procedures that addressed the risk that inappropriate changes were made to systems and data.

Relevant references in the *Annual Report and Accounts 2020*

Risk: Our material banking risks, page 25-26

Other Information

The directors of the Bank are responsible for the other information. The other information comprises the information included in the Financial Highlights, Report of the Directors, Financial Review, Risk and Statement of Directors' Responsibilities sections of the Annual Report and Accounts 2020 (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Banking Disclosure Statement 2020 and the list of the directors of the Bank's subsidiary undertakings (consolidated in the financial statements) during the period from 1 January 2020 to 23 February 2021, which are expected to be made available to us after that date. The other information does not include the specific information presented therein that is identified as being an integral part of the consolidated financial statements and, therefore, covered by our audit opinion on the consolidated financial statements.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Banking Disclosure Statement 2020 and the list of the directors of the Bank's subsidiary undertakings (consolidated in the financial statements) during the period from 1 January 2020 to 23 February 2021, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee and take appropriate action considering our legal rights and obligations.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Bank are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSRs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSRs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lars Christian Jordy Nielsen.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 23 February 2021

Annual Report and Accounts

The consolidated Balance Sheet and consolidated Income Statement printed above are extracted from the 2020 Annual Report and Accounts of The Hongkong and Shanghai Banking Corporation Limited. The notes form an integral part of the audited financial statement and a full understanding of the statements cannot be achieved without reference to the complete set of financial statements. Copies of the 2020 Annual Report and Accounts are available for viewing at the website www.hsbc.com.hk.

Name of all Subsidiary Companies of the Bank

A list of the Bank's subsidiaries is exhibited in the Bank's branches in Singapore. The list of subsidiaries can be made available upon request from: Corporate Governance & Secretariat Department, 10 Marina Boulevard, Marina Bay Financial Centre, Tower 2 #48-01, Singapore 018983.

Deposits

The laws in the country of incorporation of the Bank (the "Home Country") do not require the Bank to confer lower priority to the depositors of its foreign offices, vis-à-vis its Home Country depositors, in the repayment of deposits in the event of receivership, winding up proceedings or equivalent proceedings of the Bank.

