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HSBC Holdings PLC
31 July 2024

HSBC Holdings plc

Interim Report 2024

In fulfilment of its obligations under sections 4.2.2, 6.3.3(2) and 6.3.5(1) of the Disclosure Guidance and Transparency Rules, HSBC Holdings plc (the "Company") hereby releases the unedited full text of its 2024 Interim Report (the "Interim Report") for the half-year ended 30 June 2024.

The document is now available on the Company's website at:
https://www.hsbc.com/investors/results-and-announcements/all-reporting/group

HSBC Holdings plc
Interim Report 2024

Opening up a world of opportunity

Our ambition is to be the preferred
international financial partner for our clients.

Our purpose, ambition and values reflect our strategy and support our focus on execution.

Read more on our values on page 6.

Contents

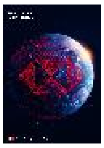
A reminder

The currency we report in is US dollars.

Use of alternative performance measures

We supplement our IFRS Accounting Standards figures with non-IFRS Accounting Standards measures used by management internally that constitute alternative performance measures under European Securities and Markets Authority guidance and non-GAAP financial measures defined in and presented in accordance with US Securities and Exchange Commission rules and regulations. These measures are highlighted with the following symbol:

Further explanation may be found on pages 14 and 29.



Cover image: Opening up a world of opportunity

We connect people, capital and ideas across the world. By unlocking the true power of our international networks, we are able to deliver our purpose of opening up a world of opportunity.

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Performance in 1H24

HSBC is one of the world's leading international banks.

We have a clear strategy to deliver revenue and profit growth, enhance customer service and improve returns to shareholders.

Financial performance indicators

Our financial performance indicators demonstrate our continued focus on the delivery of sustainable returns for our shareholders. They also provide insight into the performance that has driven the outcomes of our financial targets.

Read more on our financial performance in 1H24 on pages 2 and 14.

For an explanation of performance against our key Group financial targets, see page 12.

For a reconciliation of return on average tangible equity excluding notable items to return on equity, constant currency profit before tax excluding notable items to reported profit before tax and target basis operating expenses to reported operating expenses, see page 60.

For our financial targets we define medium term as three to four years and long term as five to six years, commencing 1 January 2024.

Return on average tangible equity (annualised)

21.4%

(1H23: 22.4%)

Return on average tangible equity excluding notable items of 17.0% (1H23: 18.5%)

Profit before tax

$21.6bn

(1H23: $21.7bn)

Constant currency profit before tax excluding notable items

$18.1bn

(1H23: $18.4bn)

Operating expenses

$16.3bn

(1H23: $15.5bn)

Target basis operating expenses up 7% to $16.1bn

Common equity tier 1 capital ratio

15.0%

(1H23: 14.7%)

Second interim dividend per share

$0.10

(2023 second interim dividend per share: $0.10

Strategic performance indicators

Our strategy supports our ambition of being the preferred international financial partner for our clients. We are committed to building a business for the long term, developing relationships that last.

Read more on our strategy on pages 8 to 10.

Read more on multi-jurisdictional client revenue on page 61.

Read more on our approach to ESG on page 11.

Net new invested assets

$32bn

Generated in 1H24, of which $38bn were in Asia.

(1H23: $34bn generated, of which $27bn were in Asia)

Digitally active Commercial Banking customers

84%

(1H23: 82%)

Wholesale multi-jurisdictional client revenue

61%

Wholesale client revenue generated by clients banking with us across multiple markets. (31 December 2023: 61%)

Gender diversity

34.4%

Women in senior leadership roles.

(31 December 2023: 34.1%)

Sustainable finance and investment

$339.9bn

Cumulative total provided and facilitated since January 2020.

(31 December 2023: $294.4bn)

Highlights

Financial performance was stable compared with 1H23.
We are now targeting a mid-teens return on average tangible equity, excluding notable items, for both 2024 and 2025.

Financial performance in 1H24

- **Profit before tax of $21.6bn was stable compared with 1H23,** including a $0.2bn net favourable revenue impact of notable items relating to gains and losses recognised on certain strategic transactions. **Profit after tax of $17.7bn was $0.4bn or 2% lower compared with 1H23.**
- In 1H24, we completed the disposal of our banking business in Canada, recognising a gain of $4.8bn. We also recognised an impairment of $1.2bn following the classification of our business in Argentina as held for sale. Results in 1H23 included the impact of a $2.1bn reversal of an impairment relating to the sale of our retail banking operations in France and a $1.5bn gain recognised on the acquisition of Silicon Valley Bank UK Limited ('SVB UK').
- **Constant currency profit before tax excluding notable items was stable at $18.1bn compared with 1H23,** as revenue growth and lower expected credit losses and other impairment charges ('ECL') were offset by a rise in operating expenses.
- **Revenue rose by $0.4bn or 1% to $37.3bn compared with 1H23,** including the gains and losses on certain strategic transactions described above. Net interest income ('NII') fell by $1.4bn, as growth in HSBC UK and a number of other markets was more than offset by reductions due to business disposals, deposit migration, and redeployment into the trading book in HSBC Bank plc and our main entity in Hong Kong. The increase in funding costs associated with funding the trading book resulted in an increase in banking net interest income ('banking NII') of $0.3bn or 1%.
-

  Revenue growth also reflected the impact of higher customer activity in our Wealth products in Wealth and Personal Banking ('WPB'), and in Equities and Securities Financing in Global Banking and Markets ('GBM'). **Constant currency revenue excluding notable items rose by 2% to $33.7bn,** primarily due to growth in Wealth in WPB, in Equities and Securities Financing in GBM, as well as an increase in Global Payment Solutions ('GPS').
- **Net interest margin ('NIM') of 1.62% decreased by 8 basis points ('bps') compared with 1H23,** reflecting a rise in the funding cost of average interest-bearing liabilities.
- **ECL charges were $1.1bn, a reduction of $0.3bn compared with 1H23.** The reduction reflected a release of stage 3 allowances in GBM in HSBC Bank plc, lower ECL in Commercial Banking ('CMB') in HSBC UK, and lower charges in the commercial real estate sector in mainland China. In WPB, ECL charges were broadly stable as a release of allowances in the UK was offset by higher charges in Mexico, reflecting unemployment trends and growth in our unsecured portfolio. **Annualised ECL were 22bps of average gross loans,** including a 4bps reduction due to the inclusion of loans and advances classified as held for sale.
- **Operating expenses of $16.3bn were $0.8bn or 5% higher than in 1H23,** mainly due to higher technology spend and investment, inflationary pressures and an increase in the performance-related pay accrual. **Target basis operating expenses**

  rose by 7% compared with 1H23. This is measured on a constant currency basis, excluding notable items, the impact of retranslating the prior year results of hyperinflationary economies at constant currency, and the direct costs from the sales of our France retail banking operations and our banking business in Canada.
- **Customer lending balances of $938bn were stable on a reported basis,** and increased by $12bn on a constant currency basis, compared with 31 December 2023**.** Growth included higher balances in HSBC Bank plc in both CMB and GBM, and higher term lending in CMB in our entities in mainland China and India. In addition, mortgage balances increased in HSBC UK in WPB.
- **Customer accounts of $1.6tn fell by $18bn on a reported basis,** and increased by $3bn on a constant currency basis compared with 31 December 2023, notably in GBM reflecting growth in time deposit balances in Asia. The increase in GBM included a short-term deposit from a single corporate customer.
- **Common equity tier 1 ('CET1') capital ratio of 15.0% rose by 0.2 percentage points compared with 4Q23,** driven by a reduction in risk-weighted assets ('RWAs'), partly offset by a reduction in our CET1 capital.
- The Board has approved a **second interim dividend of $0.10 per share.** We also intend to initiate a **share buy-back of up to $3bn,** which we expect to complete within three months.

Financial performance in 2Q24

- **Reported profit before tax increased by $0.1bn to $8.9bn compared with 2Q23,** due to a lower ECL charge, which more than offset higher operating expenses and lower revenue. **On a constant currency basis, profit before tax increased by $0.4bn or 4%.**
- **Revenue fell by $0.2bn to $16.5bn compared with 2Q23,** notably as 2Q23 included the operating results of France and Canada for which sales completed in 1Q24. In addition, 2Q24 included a loss related to the recycling of reserves following the completion of the sale of our business in Russia. This was partly offset by growth in Securities Financing and Equities in GBM and from Wealth in WPB.
- **ECL of $0.3bn decreased by $0.6bn,** reflecting lower charges in 2Q24 in the commercial real estate sector in mainland China, compared with 2Q23, as well as a reduction in charges in HSBC UK, and the release of stage 3 allowances in GBM in HSBC Bank plc.
- **Operating expenses of $8.1bn rose by $0.3bn or 3%,** due to higher technology costs, including investment, the 2Q23 reversal of historical asset impairments, which did not recur, and inflationary impacts. This was partly offset by reductions following the completion of disposals in Canada and France.
- **Customer lending increased by $5bn compared with 1Q24 on a reported basis** and by $8bn on a constant currency basis. The growth was mainly from CMB, notably in our entities in mainland China and India, and in WPB from mortgage balance growth in HSBC UK and our entity in the US.
- **Customer accounts increased by $24bn compared with 1Q24 on a reported basis** and by $27bn on a constant currency basis. The increase was across all businesses, primarily in Asia. The increase included a short-term deposit from a single corporate customer.
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Outlook

- **We will now target a return on average tangible equity ('RoTE'), excluding the impact of notable items, in the mid-teens for both 2024 and 2025.**
- Based upon our current forecasts, **we expect banking NII of around $43bn in 2024.** This guidance remains dependent on the path of interest rates globally.
- While loan growth was 1% in 1H24, revenue has continued to benefit from elevated interest rates. **Over the medium to long term, we continue to expect mid-single digit year-on-year percentage growth in customer lending.**
- **We are reiterating our cost growth guidance of approximately 5% for 2024** compared with 2023, on a target basis, and now **expect ECL charges as a percentage of average gross loans in 2024 to be within our medium-term planning range of 30bps to 40bps** (including customer lending balances transferred to held for sale).
- Our guidance reflects our current outlook for the global macroeconomic environment, including customer and financial markets activity. This includes our modelling of a number of market dependent factors, such as market-implied interest rates (as of mid-July 2024), as well as customer behaviour and activity levels.
- **We intend to manage our CET1 capital ratio within our medium-term target range of 14% to 14.5%, with a dividend payout ratio target basis of 50% for 2024,** which excludes material notable items and related impacts.
- Note: we do not reconcile our forward guidance on RoTE excluding notable items, target basis operating expenses, dividend payout ratio target basis or banking NII to their equivalent reported measures.

Reshaping the Group for growth

- **We continue to make progress on reshaping the Group.** In 1H24, we completed the sales of our retail banking operations in France, our banking business in Canada, and our business in Russia. We also completed the acquisition of SilkRoad Property Partners Group in Singapore and Citi's retail wealth management portfolio in mainland China. In addition, we announced the planned sales of our business in Argentina and our operations in Armenia.
- **In January 2024, we completed the sale of our retail banking operations in France.** The sale also included HSBC Continental Europe's 100% ownership interest in HSBC SFH (France) and its 3% ownership interest in Crédit Logement. In accordance with the terms of the sale, we retained a €7.1bn ($7.6bn) portfolio of home and other loans.
- **In March 2024, we completed the sale of HSBC Bank Canada to the Royal Bank of Canada.** The completion of the transaction resulted in a $4.8bn gain on sale, inclusive of the recycling of foreign currency translation and other reserves losses. Following completion of the sale, the Board approved a special dividend of $0.21 per share, which was paid on 21 June 2024.
- **During 2Q24, we completed the sale of our business in Russia** and recognised foreign currency translation reserve losses of approximately $0.1bn**.**
- **During 2Q24, we entered into a binding agreement to sell our business in Argentina** to Grupo Financiero Galicia. In 1Q24, our investment in HSBC Argentina was classified as held for sale, and we recognised a $1.2bn pre-tax loss. At closing, cumulative foreign currency translation reserves and other reserves will recycle to the income statement. At 30 June 2024, these reserve losses stood at $5.0bn. We are working towards completing the sale in the second half of 2024.
- We also **entered into an agreement for the sale of our operations in Armenia.** This transaction is subject to regulatory approvals and is expected to be completed in the second half of 2024.
- In January 2024, **we acquired SilkRoad Property Partners Group -** expanding our real estate investment capabilities in Asia-Pacific, aligning with our ambition of becoming a top direct real estate investment manager in the region.

- **In June 2024, we completed the acquisition of Citi's retail wealth management portfolio in mainland China.** This portfolio complements our growing set of wealth businesses and our ambition to be the leading international wealth manager for mass affluent and high net worth individuals in mainland China.

Acquisitions and disposals that are classified as material notable items form part of 'strategic transactions' and their impacts are called out separately in our financial reporting. Read more on the financial impact of our strategic transactions on pages 14 and 42.

ESG highlights

Transition to net zero

- As part of our ambition to support customers in their transition to net zero and a sustainable future, we aim to provide and facilitate $750bn to $1tn of sustainable finance and investments by 2030. In 1H24, we provided and facilitated $45.5bn of sustainable finance and investments, bringing our cumulative amount since 1 January 2020 to $339.9bn.
- In recognition of the ongoing support for our clients through sustainable finance, we have been awarded 'The World's Best Bank for Sustainable Finance', 'Asia's Best Bank for Sustainable Finance', 'Middle East's Best Bank for Sustainable Finance' and 'Best ESG Bank' in Mexico by Euromoney in the Awards for Excellence 2024.
- HSBC Asset Management continues to develop innovative products that aim to provide customers with access to markets and asset classes linked to different areas of sustainability. The HSBC Sustainable Development Bank Bond ETF, which was launched in 1H24, provides an investment opportunity in debt issued by multilateral development banks to finance environmental and socially responsible projects aimed at encouraging economic development in poorer nations.

Build inclusion and resilience

- We are committed to rewarding colleagues responsibly, recognising their success, and supporting our colleagues to grow. At a time when cost of living pressures have continued to be felt around the world, rewarding responsibly is an important part of our proposition for colleagues and we are committed to improving transparency around how we make pay decisions. To build on this in 2024, we have introduced a new variable pay structure for around 145,000 junior and middle management colleagues, providing more clarity around variable pay levels while retaining flexibility to differentiate outcomes for performance. We established Living Wage benchmarks in all markets in which we operate and have been certified by the Fair Wage Network as a global Living Wage employer in 2024.
- Developing the skills and learning opportunities for our colleagues helps them to fulfil their potential and achieve their career goals. In 2024, we have expanded our enterprise skills academies, which focus on building skills across a range of areas, including sustainability, wealth, and technology.

Who we are

HSBC is one of the largest banking and financial services organisations in the world. We aim to create long-term value for our shareholders and capture opportunity.

Our values

Our values help define who we are as an organisation, and are key to our long-term success.

We value difference	We succeed together	We take responsibility	We get it done
Seeking out different perspectives	Collaborating across boundaries	Holding ourselves accountable and taking the long view	Moving at pace and making things happen

Our strategy

Our strategy supports our ambition of being the preferred international financial partner for our clients, centred around four key areas.

Focus
- Maintain leadership in scale markets
- Double-down on international connectivity
- Diversify our revenue
- Maintain cost discipline and reshape our portfolio

Digitise
- Deliver seamless customer experiences
- Ensure resilience and security
- Embrace disruptive technologies and partner with innovators
- Automate and simplify at scale

Energise
- Inspire leaders to drive performance and delivery
- Unlock our edge to enable success
- Deliver a unique and exceptional colleague experience
- Prepare our workforce for the future

Transition
- Support our customers
- Embed net zero into the way we operate
- Partner for systemic change
- Become net zero in our own operations and supply chain by 2030, and our financed emissions by 2050

For further details on progress made in each of our strategic areas, see pages 8 to 10.

Our global

Our global businesses

We serve our customers through three global businesses.

On pages Error! Bookmark not defined. to Error! Bookmark not defined. we provide an overview of our performance
in 1H24 for each of our global

In each of our global businesses, we focus on delivering growth in areas where we have distinctive capabilities and have significant opportunities.

Each of the chief executive officers of our global businesses reports to our Group Chief Executive, who in turn reports to the Board of HSBC Holdings plc.

Wealth and Personal Banking ('WPB')
We help millions of our customers look after their day-to-day finances and manage, protect and grow their wealth.

Commercial Banking ('CMB')
Our global reach and expertise help domestic and international businesses around the world unlock their potential.

Global Banking and Markets ('GBM')
We provide a comprehensive range of financial services and products to corporates, governments and institutions.

Group Chief Executive's review

Noel Quinn
Group Chief Executive

Our strong first half performance is further evidence that our strategy is working and delivering sustainable, profitable growth.

Return on average tangible equity (annualised)

21.4%

(1H23: 22.4%)

Reported revenue

$37.3bn

(1H23: $36.9bn)

After achieving a record profit performance in 2023, we had a strong first half financial performance that reflected our strategy execution and revenue diversification over the past five years. We remain confident that we can deliver attractive returns, even in a lower interest rate environment, as a result of macroeconomic trends that play to our strengths, market-leading businesses connecting high-growth markets that we are continuing to invest in, and ongoing cost discipline. As a result, we are providing new guidance of a mid-teens return on average tangible equity, excluding the impact of notable items, in 2025.

Over the last 18 months, HSBC's business model has delivered our highest return on average tangible equity for more than a decade. We continued to perform well in our home markets of Hong Kong and the UK - the two pillars upon which our bank is built. The international wholesale banking business that we have built on top of these pillars is mature and differentiated, and has substantial scale. It remains our biggest competitive advantage and is supported by leading transaction banking products and services in global trade, payments and foreign exchange. Finally, we are growing and investing in our international retail and wealth business to sit alongside this, which is helping to diversify revenue.

Each of these strengths contributed to a good revenue performance in the first half of 2024, supported by higher interest rates. Our strategy is working and providing attractive returns for our shareholders. We have announced a second interim dividend of $0.10 per share, further to the first interim dividend of $0.10 per share and the special dividend of $0.21 paid in June. We are also today announcing a share buy-back of up to $3bn, further to the now completed $3bn share buy-back announced at our first quarter results. This means that we are announcing a further $4.8bn in distributions with these results, taking the amount of capital distributed in respect of the last 18 months to $34.4bn.

As we look ahead, the path of interest rates and the outcomes of elections are amongst the factors that will shape the global operating environment. The progress that has been made reducing inflation has enabled central banks to start cutting interest rates. Although we expect a cautious approach, we have reduced our sensitivity to interest rates. 2024 will also be the biggest election year on record, as more than 4 billion people have an opportunity to go to the polls. The US election result will be watched particularly closely considering the potential for policy change based on the result and the impact this could have beyond its borders. We will continue to monitor these situations.

Continued strong financial performance

The first half saw another strong profit performance, driven by growth in our scale businesses and in areas where we have been investing. There was strong revenue growth in Wealth, transaction banking revenue remained stable and wholesale lending increased again in the second quarter, on a constant currency basis, after growing in the first quarter.

"I have always been immensely proud of the heritage of this bank and the strategic role it plays in the world. My aim when I took this job was to deliver financial performance to match our standing. Working together, I believe we have done that and created a strong platform for growth."

Profit before tax for the first half was $21.6bn, which was stable compared with the first half of 2023. This included a $4.8bn gain on the sale of our banking operations in Canada, partly offset by a $1.2bn impairment related to the planned sale of our banking operations in Argentina, which was announced in the first half. The prior year also included a $2.1bn reversal of an impairment relating to the sale of our retail banking operations in France and a $1.5bn gain recognised on the acquisition of SVB UK.

Revenue increased by $0.4bn or 1% to $37.3bn, including the aforementioned acquisition and disposal impacts, driven mainly by higher banking net interest income. We achieved an annualised return on average tangible equity of 21.4%, or 17% excluding notable items.

Our three global businesses continued to perform well. In Wealth and Personal Banking, profit before tax of $6.5bn was $2.2bn lower than in 2023 on a constant currency basis, primarily due to the non-recurrence of a $2.1bn reversal last year of an impairment relating to the sale of our retail banking operations in France and $0.1bn of profit before tax in the prior period from our Canadian banking operations. Wealth revenue of $4.3bn was 12% higher than the first half of last year, driven by increases in investment distribution and Global Private Banking, as well as growth in asset management and life insurance.

In Commercial Banking, profit before tax of $6.5bn was down by $1.5bn on a constant currency basis, primarily due to the non-recurrence of a $1.6bn gain last year on the acquisition of SVB UK. Overall performance remained good, with revenue benefiting from the higher rates environment, growth in transaction banking and higher collaboration revenue.

Global Banking and Markets delivered a good performance. Revenue grew by 5% on a constant currency basis, with good growth in areas like Equities and Securities Financing, while still benefiting from the interest rate environment.

First half operating expenses of $16.3bn were around 5% higher than in 2023, mainly due to higher technology costs including investments, inflationary pressures and different phasing of the accrual of performance-related pay compared with 2023. On a target basis, operating expenses were 7% higher than the same period last year. As we expect the overall amount of performance-related pay for 2024 not to be materially different to 2023, we expect lower performance-related pay accrual in the second half. We are therefore reconfirming our cost growth guidance of approximately 5% for 2024 compared with 2023, on a target basis.

ECL and other credit impairment charges for the first half were $1.1bn, which was a $0.3bn decrease on the first half of 2023. We now expect ECLs as a percentage of average gross loans in 2024 to be back within our medium-term planning range of 30bps to 40bps. Our CET1 ratio at the end of the first half was 15.0%.

Our first half banking net interest income performance and the improved net interest income outlook mean that we are upgrading our 2024 banking net interest income guidance from at least $41bn to around $43bn.

Further opportunities to grow revenue

We also expect to deliver a return on average tangible equity in the mid-teens for 2024 and 2025, excluding the impact of notable items. Clearly there are downside risks to net interest income when interest rates fall, but we're confident that we have the levers to achieve these targets.

The first lever is leveraging our international connectivity. We have a strong international wholesale franchise. After a softer year in 2023, international trade volumes are forecast to grow more quickly this year and next. As the world's leading trade finance bank and the third-largest bank for global foreign exchange revenue since 2021, we expect to capitalise on this. To illustrate this growth potential, we grew wholesale multi-jurisdictional client revenue by 4% in the first half of 2024, on a constant currency basis and excluding HSBC Bank Canada, from $9.4bn to $9.7bn.

Increasing global mobility amongst retail customers is also driving demand for innovative cross-border banking solutions. This helped us to grow international customers within Wealth and Personal Banking by 11%, bringing the total to 7m customers. Revenue from these customers also grew by 6% in the first half. We believe that there is still significant untapped potential amongst international wholesale and retail customers.

The second lever is maintaining our leadership in our home markets. Our leading businesses in Hong Kong and the UK - two of the biggest global financial centres - both grew profits before tax in the first half, helped by their strong international connectivity with the rest of the Group. In Hong Kong, our scale and connectivity are delivering good profitability and enabling us to capture new opportunities. In the first half, 345,000 new-to-bank customers opened accounts as we continued to capitalise on the significant inflows into Hong Kong as customers seek higher yields and quality products. In the UK, we grew international customers by 8% to 2.7m, underlining the differentiated nature of our UK business compared to other UK banks. Signs of economic recovery were also underlined by growth in customer lending of 2% compared with the first half of 2023. We remain confident in our ability to grow further in these two critical markets.

Future growth levers

In the first half of 2024, we continued to build new sources of value creation.

We attracted
$32.4bn
of net new invested assets in Wealth.

We increased new to bank customers in Hong Kong by
77%

The third lever is investing to diversify revenue. Over the last five years, we have taken a number of actions to reduce our sensitivity to interest rates and create the bank of the future. Building our wealth business, especially in Asia, to capitalise on increasing affluence has been one of the key priorities. As a result of this, wealth revenue was up 12% in the first half, while we attracted $32.4bn of net new invested assets. Payments is another fee-based business that we are investing in to capitalise on the expected increase in global payments revenue. We are the number two bank globally by payments revenue, up from top four in 2022, with a market share of 4.8% in 2023 compared with 3.6% in the prior year. HSBC was also named 'World's Best Bank for Payments and Treasury' by Euromoney, which was one of 33 awards given to the bank in 2024 that also included 'Best Bank in Asia' and 'World's Best Bank for Sustainable Finance'.

Through HSBC Innovation Banking, we are building a global proposition that can help us to become known as the go-to bank for innovation companies. Revenue from the new proposition increased by 4% in the second quarter and we have onboarded almost 600 new-to-bank innovation companies globally since the acquisition of SVB UK.

Thank you

As I prepare to hand on the leadership of HSBC to Georges Elhedery in September, I would like to place on record what an enormous privilege it has been to lead this great institution. I never imagined when I started my career 37 years ago that I would have the honour of becoming Group Chief Executive. I have always been immensely proud of the heritage of this bank and the strategic role it plays in the world. My aim when I took this job was to deliver financial performance to match our standing. Working together, I believe we have done that and created a strong platform for growth.

The success of our transformation programme is evident in the improved returns that we have delivered. Since I became Group Chief Executive, we have returned $36bn of dividends and $18bn of share buy-backs to our shareholders, inclusive of the distributions we have announced with these results, while also successfully navigating the global pandemic.

This would not have been possible without the support and backing of the Board, my Group Executive Committee colleagues and, of course, the whole HSBC team. I have been very fortunate to work with many talented, dedicated and committed people during my career. I would like to thank them wholeheartedly for their friendship and partnership - and I wish continued success to Georges, and to all those who will write the next chapter in the story of this great bank.

Noel Quinn

Group Chief Executive

31 July 2024

Our strategy

We are implementing our strategy across the four strategic pillars aligned to our purpose, values and ambition.

Our strategy remains anchored around our four strategic pillars: 'Focus', 'Digitise', 'Energise' and 'Transition'.

We delivered a good set of results in 1H24, driven by our strategy that benefited from rates staying higher for longer, and the progress we made in diversifying into alternative sources of revenue.

Our reported revenue was $37.3bn, up 1% compared with 1H23, and up 3% on a constant currency basis, excluding notable items and the impact of strategic transactions. Our reported profit before tax was $21.6bn, and we achieved a RoTE of 21.4%, or 17.0% excluding notable items.

We remain committed to maintaining cost discipline, reconfirming our existing 2024 target of approximately 5% cost growth compared with 2023, on a target basis.

Focus

Capture growth from diversified revenue streams

We aim to build resilience by growing less capital intensive, fee income generating businesses such as wealth and transaction banking.

Wealth

Our strategic focus continues to centre on capturing the growing global wealth opportunity, especially in Asia. Our wealth revenue rose 12% from $3.9bn in 1H23 to $4.3bn in 1H24. In particular, the fee and other income component of revenue increased by 14% from $3.1bn to $3.5bn. Net new invested assets in Asia rose from $27bn in 1H23 to $38bn in 1H24, an increase of 43%. In addition, we saw strong growth in our private banking and insurance businesses. Private banking revenue increased by 16%, reaching $1.3bn in 1H24. Insurance new business contractual service margin was $1.3bn in 1H24, a 77% increase compared with the same period last year.

Transaction banking

We have a leading proposition in transaction banking, supported by our capabilities in payments, global trade, foreign exchange and securities services. In 1H24, we continued to invest and cement our leadership position. Transaction banking revenue remained stable, at $13.2bn in 1H24. Our Global Payments Solutions ('GPS') business expanded further. Market share by GPS revenue increased by 1.3 percentage points from 3.5% in 2022 to 4.8% in 2023, taking our ranking from a top 4 bank globally in 2022 to second globally in 2023[1]. GPS fee and other income - an important source of diversification for us - increased by 4% from 1H23 to $1.1bn in 1H24. Moreover in trade, we were ranked first globally in 2023, based on trade revenue[1]. In foreign exchange ('FX'), we were ranked third globally by revenue in 2023[1], a position we have held since 2021.

$4.3bn

Global wealth revenue, up 12% compared with 1H23

$38bn

Asia net new invested assets, up 43% since 1H23

4.8%

GPS revenue market share[1], up 1.3 percentage points between 2022 and 2023

#1

Ranking by global trade revenue[1]

1 Source: Coalition Greenwich Competitor Analytics - FY23

Focus continued

Continue driving strong profit generation in our home markets

We continue to strengthen our scale positions in our home markets: Hong Kong and the UK - two of the leading global financial centres. They provide us with deep liquidity pools, which underpin our strong balance sheet.

Hong Kong

Our strategy remains focused on driving growth from our scale position. In 1H24, profit before tax for our business in Hong Kong reached $6.1bn, an increase of 1% on a constant currency basis compared with the same period last year.

The market is seeing good inflows from customers seeking investment opportunities. Our scale and connectivity position us well to capture this customer inflow. We had 345,000 new to bank customers in 1H24, an increase of 77% compared with 1H23. As a result, we saw strong inflows into both deposits and investments. Customer deposits rose by 2% from 1H23, taking our deposit balance to $544bn. Net new invested assets also increased by 12% since 1H23 to $19bn.

UK

HSBC UK continued to cement our scale positions in WPB and CMB in the UK market. Our profit before tax was $3.7bn in 1H24, an 11% increase compared with 1H23, excluding a $1.6bn SVB UK acquisition gain recognised in 1H23. In 1H23, HSBC UK profit before tax was $4.9bn on a constant currency basis.

With the UK economy showing continued resilience with signs of growth, we are well positioned to capitalise on the opportunity. This is evident in our strong loan growth of 2% since 1H23, taking our loan balance to $270bn. Our mortgage market share[1] reached 8.1% as of May 2024, a gain of 0.3 percentage points compared with May 2023. In addition, we saw continued traction in our WPB international proposition, with international active customers reaching 2.7m in 1H24, an 8% increase compared with 1H23.

345,000

New to bank customers in Hong Kong, up 77% since 1H23

$19bn

Net new invested assets in Hong Kong, up 12% compared with 1H23

$270bn

$270bn

HSBC UK's loans and advances,

up 2% since 1H23

8.1%

HSBC UK's mortgage market share[1],

up 0.3 percentage points from May 2023

1 Bank of England data

Double down on international connectivity

International connectivity continues to be at the heart of our business. We take advantage of our network to help enable our strong international wholesale business to capitalise on recovering global trade and capital flows, while building market-leading WPB international propositions.

International trade volumes and capital flows are expected to rebound. We have a strong wholesale international proposition to capitalise on this trend. Wholesale multi-jurisdictional client revenue[1] increased 4% from $9.4bn in 1H23 to $9.7bn in 1H24. We also continued to generate more revenue with multi-jurisdictional corporate clients, and in CMB this is approximately five times that of a domestic customer.

Within WPB, in response to the trend of growing global mobility, we continued to build propositions where we can benefit from our distinctive international capabilities. As a result of our strategy, we had 7m international customers[2] in 1H24, who generate on average three times the revenue compared to that of a domestic customer. WPB revenue from international customers increased by 6% from $5.1bn in 1H23 to $5.4bn in 1H24.

1 Growth presented on a constant currency basis, excluding HSBC Bank Canada. For further information and the basis of preparation for wholesale multi-jurisdictional client revenue, see page 61.

2 WPB international customers include multi-jurisdictional, non-resident, and resident foreigner clients, excludes Canada.

4%

Increase in wholesale client revenue from multi-jurisdictional clients compared with 1H23[1]

6%

Increase in WPB revenue from international customers compared with 1H23

Digitise
Improve customer experience while investing in innovation

In 1H24, we remained focused on our goal to become a digital-first bank. Customer adoption of our digital services continued to rise. In CMB, 83.9% of customers were digitally active as of May 2024, an increase of 1.2 percentage points since May 2023. Our net promoter score for onboarding wholesale international clients in 1H24 improved by 10 points compared with 1H23. At 55.6%, more than half of WPB customers were mobile active in 1H24, an increase of 4.1 percentage points from 1H23. Furthermore, a total of 80% of WPB's international accounts[1] were opened via digital journeys in 1H24, an increase of 34 percentage points from 1H23.

We have also continued to embrace innovative and disruptive technologies including artificial intelligence ('AI'), blockchain, and quantum computing to enhance our services, strengthen security and deliver commercial value.

HSBC has been using AI for over a decade and has over 500 AI solutions in production across the bank today. In 1H24, we continued to invest in solutions leveraging AI. AI has helped us in our fight against financial crime by reducing the processing time required to analyse billions of transactions across millions of accounts from several weeks to a few days. Adoption of our AI Markets product, a digital service that utilises natural language processing to enrich the way investors interact with global markets, has continued to increase.

We invested in HK-based AI company Fano Labs, which specialises in natural language processing of local languages like Cantonese, and are developing solutions leveraging their technology in our contact centres to reduce manual processes, more accurately analyse data and deliver personalised customer services. With generative AI we have several use cases that we are beginning to deploy across the back office, including software developer tooling and digital assistants for employees.

Earlier this year we delivered the world's largest, and first ever multi-currency, natively digital bond issuance on our HSBC Orion platform in Hong Kong[2]. More than 50 investors invested in these blockchain-based bonds, and we have seen repo trading and regular secondary liquidity. We also extended our existing institutional offering in tokenised gold, successfully implementing it for Hong Kong retail customers. In Singapore, we invested in Marketnode, a partnership to co-develop a multi-asset digital infrastructure.

We are testing quantum technology for solving complex computational problems and enhancing cyber resilience. We recently piloted our first application of quantum-secure technology for buying and selling tokenised physical gold, which successfully demonstrated the viability of deploying these advanced technologies to help protect digital assets from future quantum computing attacks.

1 Refers to pre-departure international accounts

2 Source: HKMA

Energise
Inspire a dynamic culture

We are opening up a world of opportunity for our colleagues by building an inclusive organisation that empowers and energises them. We are building a stronger performance culture, improving colleague experience and preparing our workforce for the future.

We remain focused on our ambition to create a diverse and inclusive environment across our organisation. To achieve greater diversity across our senior leadership population, we have achieved 34.4% female representation in senior leadership positions by the end of 1H24, and are on track to achieve our target of 35% by 2025[1].

In 2022, we set a Group-wide ethnicity strategy to better represent the communities we serve. We are making good progress against this, with 3.1% of senior leadership roles in the UK and US held by colleagues of Black heritage in 1H24, against a goal of 3.4% by 2025. We are also on track to double the number of Black heritage colleagues in senior leadership roles globally by 2025, having increased 65% since 2020. We remain focused on increasing representation across our global workforce, including Asian heritage representation. At the end of 1H24, 38.5% of our senior leaders have self-identified as being from an Asian heritage background.

We continue to offer development programmes to our most senior leaders who are essential to the execution of our strategy, focused on providing greater clarity and alignment with our ambitions. In 2024, our Managing Director Leadership Programme has been enhanced with greater capacity alongside new masterclass topics and the introduction of an internal business faculty.

1 Data excludes Saudi Arabia due to local data collection restrictions.

In the following 'ESG overview' section, we outline how we put our purpose and values into practice.

Transition
Support the transition to net zero

In 2020, we set out our ambition to become a net zero bank by 2050. Since then, we have taken a number of steps to execute on our ambition and manage climate risks. We published our first net zero transition plan in January 2024, and we have made progress in supporting our customers through their transition journey, embedding net zero into the way we operate and partnering for systemic change.

As part of our ambition to align our financed emissions to achieve net zero by 2050, we have set on-balance sheet or combined financed emissions targets for a number of emissions-intensive sectors.

To support our customers through the transition to net zero and to a sustainable future, in 2020 we set out an ambition to provide and facilitate $750bn to $1tn of sustainable finance and investments by 2030. We provided and facilitated $45.5bn of sustainable finance and investments in 1H24, bringing our cumulative total since January 2020 to $339.9bn.

We continued to support our clients in their transition journey. In 1H24, HSBC Innovation Banking acted as a lead arranger in a $100m credit facility for US-based Electric Hydrogen to support their manufacturing and deployment of the company's electrolyser

plants. HSBC also acted as a joint bookrunner for a $1.7bn social bond that is intended to provide funding for new and existing government-led projects under Chile's sustainable bond framework seeking to address social needs in the Republic.

For further details on our climate ambition, see the following 'ESG overview' section.

ESG overview

We are committed to embedding strong environmental, social and governance principles in the way we do business.

Our approach

Our approach to ESG is shaped by our purpose and values, and a desire to create sustainable long-term value for our stakeholders. As an international bank with significant breadth and scale, we understand that we can have a significant impact in helping to tackle ESG challenges and realise opportunities. We also recognise the complexity of ESG issues. Our ESG efforts are focused on the areas that align most closely to our strategy, purpose and values, and where we can help make a significant difference: the transition to net zero, building inclusion and resilience, and acting responsibly.

Transition to net zero

We are progressing with the implementation of our net zero transition plan, which we published in January this year. Our implementation plan sets out how we are embedding net zero: into the way that we support our customers, into the way that we operate as an organisation and into how we partner externally in support of systemic change.

We continue to scale and innovate in our sustainable finance and investment products and services to support our customers' transitions. We have established a new business, HSBC Infrastructure Finance, to focus on infrastructure financing and project finance advisory opportunities associated with the transition to a net zero global economy. The business will support our clients with project development and establish additional partnerships in both the public and private sectors.

For our small and medium-sized enterprise ('SME') customers, HSBC UK has partnered with carbon management company Greenly to support clients to measure their carbon footprint by enabling them to identify their main sources of carbon emissions and spot opportunities to reduce them. This is an important step for SMEs when developing a transition plan.

During the first half of the year, HSBC Asset Management Alternatives further enhanced its Energy Transition proposition with the launch of the Red Hexagon Energy Transition Asia Fund, which will invest in the direct equity of a targeted portfolio of businesses that own, develop and operate energy transition infrastructure assets.

Embedding net zero across our business is an ongoing process. Our bank-wide, three-year sustainability execution programme is underway to enable the delivery of our sustainability agenda, focused on our net zero ambition and regulatory requirements.

We continue to work on scaling and evolving our net zero capabilities across the bank, which includes embedding net zero into our culture.

We continue to work with the public sector, industry, civil society and peers to help shape effective policies, regulations and standards, and to help develop insights and learning.

For example, this year we collaborated with Repower, a global non-profit initiative, to publish the 'Financing the clean re-powering of coal power' white paper. The paper seeks to raise awareness of the potential to eliminate emissions from existing coal-fired power plants while supporting a just transition for communities by investing in clean energy resources on the same sites.

Build inclusion and resilience

Our inclusion strategy enables HSBC to be an organisation that values difference and encourages colleagues to embrace diverse perspectives. We remain on track against our gender and ethnicity senior leadership ambitions, with 34.4%[1] of senior leadership roles being held by women globally and 3.1% held by Black heritage colleagues in the UK and US combined at 1H24.

To better reflect the communities we serve, we have enabled 93% of colleagues to disclose their ethnicity, where legally permissible. At the end of 1H24, 65% of our colleagues have chosen to do so.

We have continued to offer colleagues the opportunity to develop their skills while ensuring we build a pipeline of talent to support our strategic priorities. The Sustainability Academy aids in upskilling colleagues for the transition to net zero, focusing on capability building across key employee groups who are supporting customers.

We have continued to encourage our colleagues to participate in external certifications to deepen their expertise. At the end of 1H24, 110 colleagues have started or completed the Imperial College Sustainability Programme, and 29 colleagues have started the Oxford University Sustainable Finance Programme.

We have continued to expand our Accelerating Wealth Programme to more internal and external applicants, to support the expansion of our services, particularly in Asia. The programme offers a skills-based development plan for colleagues who are looking to pursue a career in wealth management. Our technology transformation skills programme aims to ensure we attract, develop and retain the skilled talent we need to execute the strategy.

We drive inclusion for our customers by identifying and addressing barriers to finance and financial markets. We aim to simplify the banking experience by providing tools to help customers manage their finances more easily, as well as provide education and support to help them make the most of their money. We also offer social-linked financial products that aim to help clients improve their societal outcomes. We engage with the communities we operate within through philanthropic giving, disaster relief and volunteering.

Act responsibly

Our purpose-led conduct approach guides us to do the right thing and to focus on the impact we have for our customers and the financial markets in which we operate. It is incorporated into the way we design, approve, market and manage products and services. It complements our purpose and values and, together with more formal policies and the tools we have to do our jobs, provides an enterprise-wide, outcome-focused conduct method.

1 Data excludes Saudi Arabia due to local data restrictions.

Financial overview

In assessing the Group's financial performance, management uses a range of financial measures that focus on the delivery of sustainable returns for our shareholders and maintaining our financial strength.

Executive summary

Financial performance in 1H24 demonstrated the execution of our strategy and strengthened platform for growth, supported by the continued higher global interest rate environment.

This section sets out our key Group financial targets and the progress we made towards these during 1H24, and - where relevant - our expectations for the rest of 2024 and beyond. We also include a more detailed table covering further key financial metrics that we consider insightful for understanding the Group's performance.

The Group financial results that follow provide more detailed insight into the performance that has driven the outcomes of our financial targets. It covers income statement performance on both a reported and constant currency basis, and the main factors impacting the strength of our balance sheet, capital and liquidity position.

Group financial targets

Return on average tangible equity

excluding notable items (annualised)

17.0%

(1H23: 18.5%)

In 1H24, RoTE (annualised) was 21.4%, a decrease of 1.0 percentage point from 1H23.

For the purposes of measuring performance against our Group target, we adjust RoTE to exclude notable items. From 1 January 2024, we revised the adjustments made to RoTE from excluding only the impact of strategic transactions and the impairment of BoCom, to exclude all notable items. This was intended to improve alignment with the treatment of notable items in our other income statement disclosures. RoTE excluding notable items has been re-presented for 1H23 on the revised basis and we no longer disclose RoTE excluding strategic transactions and the impairment of BoCom.

RoTE excluding notable items (annualised) was 17.0%, a decrease of 1.5 percentage points compared with 1H23. We are now targeting a RoTE excluding notable items in the mid-teens for both 2024 and 2025.

Our guidance reflects our current outlook for the global macroeconomic environment, including customer and financial markets activity. This includes our modelling of a number of market dependent factors, such as market-implied interest rates (as of mid-July 2024).

Target basis operating expenses

$16.1bn

(1H23: $15.0bn)

In 1H24, target basis cost growth was 7% compared with 1H23. This primarily reflected higher investment spend, notably in technology, inflationary pressures and an increase in our performance-related pay accrual of $0.3bn, which reflects a change in the phasing of the performance-related pay pool relative to 1H23.

In 2024, our cost growth guidance is approximately 5% compared with 2023, on a target basis (2023: $31.0bn). This guidance reflects our current business plan for 2024, and includes an increase in staff compensation, higher technology spend and investment for growth and efficiency, in part mitigated by cost savings from actions taken during 2023.

Our target basis operating expenses for 2024 excludes the direct cost impact of the disposals in France and Canada from the 2023 baseline. It is measured on a constant currency basis and excludes notable items and the impact of retranslating the prior year results of hyperinflationary economies at constant currency.

Capital and dividend policy

CET1 ratio

15.0%

Second interim dividend per ordinary share in respect of 2024

$0.10

At 30 June 2024, our CET1 capital ratio was 15.0%, up 0.2 percentage points from 31 December 2023. This was driven by a reduction in RWAs, partly offset by a reduction in our CET1 capital. We intend to continue to manage the CET1 ratio to within our medium-term target range of 14% to 14.5%.

Alongside our 1H24 results, the Board has announced a second interim dividend of $0.10 per ordinary share. Given our returns trajectory, we continue to target a dividend payout ratio target basis of 50% for 2024. For the purposes of computing our dividend payout ratio target basis, we exclude from earnings per share material notable items and related impacts. See page 60 for our calculation of earnings per share.

Key financial metrics

	Half-year to	
Reported results	**30 Jun 2024**	30 Jun 2023
Profit before tax ($m)	**21,556**	21,657
Profit after tax ($m)	**17,665**	18,071
Cost efficiency ratio (%)	**43.7**	41.9
Net interest margin (%)	**1.62**	1.70
Basic earnings per share ($)	**0.89**	0.86
Diluted earnings per share ($)	**0.88**	0.86
Dividend per ordinary share (in respect of the period) ($)[1]	**0.20**	0.20
Alternative performance measures		
Constant currency profit before tax ($m)	**21,556**	21,472
Constant currency cost efficiency ratio (%)	**43.7**	41.8
Constant currency revenue excluding notable items ($m)	**33,721**	33,075
Constant currency profit before tax excluding notable items ($m)	**18,067**	18,117
Constant currency revenue excluding notable items and strategic transactions ($m)	**33,543**	32,462
Constant currency profit before tax excluding notable items and strategic transactions ($m)	**17,975**	17,969
Expected credit losses and other credit impairment charges (annualised) as % of average gross loans and advances to customers (%)	**0.23**	0.28
Expected credit losses and other credit impairment charges (annualised) as % of average gross loans and advances to customers, including held for sale (%)	**0.22**	0.26
Basic earnings per share excluding material notable items and related impacts ($)	**0.68**	0.70
Return on average ordinary shareholders' equity (annualised) (%)	**19.8**	20.8
Return on average tangible equity (annualised) (%)	**21.4**	22.4
Return on average tangible equity excluding notable items (annualised) (%)	**17.0**	18.5
Target basis operating expenses ($m)	**16,052**	14,983

	At	
Balance sheet	**30 Jun 2024**	31 Dec 2023
Total assets ($m)	**2,975,003**	3,038,677
Net loans and advances to customers ($m)	**938,257**	938,535
Customer accounts ($m)	**1,593,834**	1,611,647
Average interest-earning assets, year to date ($m)	**2,097,866**	2,161,746
Loans and advances to customers as % of customer accounts (%)	**58.9**	58.2
Total shareholders' equity ($m)	**183,293**	185,329
Tangible ordinary shareholders' equity ($m)	**153,109**	155,710
Net asset value per ordinary share at period end ($)	**8.97**	8.82
Tangible net asset value per ordinary share at period end ($)	**8.35**	8.19
Capital, leverage and liquidity		
Common equity tier 1 capital ratio (%)[2]	**15.0**	14.8
Risk-weighted assets ($m)[2,3]	**835,118**	854,114
Total capital ratio (%)[2,3]	**20.6**	20.0
Leverage ratio (%)[2,3]	**5.7**	5.6
High-quality liquid assets (liquidity value, average) ($m)[3,4]	**646,052**	647,505
Liquidity coverage ratio (average) (%)[3,4,5]	**137**	136
Share count		
Period end basic number of $0.50 ordinary shares outstanding (millions)	**18,330**	19,006
Period end basic number of $0.50 ordinary shares outstanding and dilutive potential ordinary shares (millions)	**18,456**	19,135
Average basic number of $0.50 ordinary shares outstanding (millions)	**18,666**	19,478

For reconciliations of our reported results to a constant currency basis, including lists of notable items, see page 40. For detail on other alternative performance measures, including definitions and calculations, see 'Reconciliation of alternative performance measures' on pages 56 to 61.

1 Dividend per ordinary share for the half year to 30 June 2024 excludes the special dividend of $0.21 per ordinary share arising from the proceeds of the sale of our banking business in Canada to Royal Bank of Canada.

2 Unless otherwise stated, regulatory capital ratios and requirements are based on the transitional arrangements of the Capital Requirements Regulation in force at the time. References to EU regulations and directives (including technical standards) should, as applicable, be read as references to the UK's version of such regulation or directive, as onshored into UK law under the European Union (Withdrawal) Act 2018, and as may be subsequently amended under UK law.

3 Regulatory numbers and ratios are as presented at the date of reporting. Small changes may exist between these numbers and ratios and those subsequently submitted in regulatory filings. Where differences are significant, we may restate in subsequent periods.

4 The liquidity coverage ratio is based on the average value of the preceding 12 months.

5 We have enhanced our calculation processes during 1H24. As Group LCR is reported as a 12-month average, the benefit of these changes will be recognised incrementally over the coming year starting from 30 June 2024.

Basis of presentation

Impact of strategic transactions

To aid the understanding of our results, we separately disclose the impact of strategic transactions classified as material notable items on the results of the Group and our global businesses. Material notable items are a subset of notable items and categorisation is dependent on the nature of each item in conjunction with the financial impact on the Group's income statement. At 1H24, strategic transactions classified as material notable items comprise the disposal of our retail banking operations in France, our banking business in Canada, the planned sale of our business in Argentina and the acquisition of SVB UK.

The impacts quoted include the gains or losses on classification to held for sale or on acquisition and all other related notable items. They also include the distorting impact between the periods of the operating income statement results related to acquisitions and disposals that affect period-on-period comparisons. It is computed by including the operating income statement results of each business in any period for which there are no results in the comparative period. We consider the monthly impacts of distorting income statement results when calculating the impact of strategic transactions. See page 42 for supplementary analysis of the impact of strategic transactions.

Constant currency performance

Constant currency performance is computed by adjusting reported results of comparative periods for the effects of foreign currency translation differences, which distort period-on-period comparisons.

We consider constant currency performance to provide useful information for investors by aligning internal and external reporting, and reflecting how management assesses period-on-period performance.

Notable items

We separately disclose 'notable items', which are components of our income statement that management would consider as outside the normal course of business and generally non-recurring in nature. From 1H24, we now disclose 'profit before tax excluding notable items' and 'revenue excluding notable items'. We have introduced these new measures due to the significant impact of notable items on the Group's results. We consider profit before tax excluding notable items and revenue excluding notable items as useful information in understanding period-on-period performance.

From 1H24, we also adjust our constant currency revenue and profit before tax excluding notable items for the distorting income statement results when calculating the impact of strategic transactions.

Certain notable items are classified as 'material notable items', which are a subset of notable items. Categorisation as a material notable item is dependent on the nature of each item in conjunction with the financial impact on the Group's income statement.

The tables on pages 40 to 43 and pages 52 to 55 detail the effects of notable items on each of our global business segments and legal entities during 1H24 and 1H23.

Management view of revenue on a constant currency basis

Our global business segment commentary includes tables that provide breakdowns of revenue on a constant currency basis by major product. These reflect the basis on which revenue performance of the businesses is assessed and managed.

Global Trade Solutions

During 2Q24, we renamed our Global Trade and Receivables Finance business as Global Trade Solutions ('GTS'), to better reflect our broad suite of products and the focus we place on serving our clients globally.

Reported results

1H24 compared with 1H23 - reported performance

Reported results	Half-year to		Variance		
			1H24 vs 1H23		
	30 Jun 2024	30 Jun 2023			of which strategic transactions[1]
	$m	$m	$m	%	$m
Net operating income before change in expected credit losses and other credit impairment charges ('revenue')	**37,292**	36,876	**416**	**1**	**(92)**
ECL	**(1,066)**	(1,345)	**279**	**21**	**27**
Net operating income	**36,226**	35,531	**695**	**2**	**(65)**
Total operating expenses	**(16,296)**	(15,457)	**(839)**	**(5)**	**388**
Operating profit/(loss)	**19,930**	20,074	**(144)**	**(1)**	**323**
Share of profit in associates and joint ventures	**1,626**	1,583	**43**	**3**	**-**
Profit before tax	**21,556**	21,657	**(101)**	**-**	**323**
Tax income/(expense)	**(3,891)**	(3,586)	**(305)**	**(9)**	
Profit/(loss) after tax	**17,665**	18,071	**(406)**	**(2)**	
Revenue excluding notable items	**33,721**	33,540	**181**	**1**	
Profit before tax excluding notable items	**18,067**	18,392	**(325)**	**(2)**	

1 For details, see 'Impact of strategic transactions' on page 42.

Notable items	Half-year to	
	30 Jun 2024	30 Jun 2023
	$m	$m
Revenue		
Disposals, acquisitions and related costs	**3,571**	3,321
Fair value movements on financial instruments[1]	**-**	15
Currency translation on revenue notable items	**-**	91
Operating expenses		
Disposals, acquisitions and related costs	**(101)**	(118)
Restructuring and other related costs	**19**	47
Currency translation on operating expenses notable items	**-**	1

1 Fair value movements on non-qualifying hedges in HSBC Holdings.

Reported results continued

Reported profit

Reported profit before tax of $21.6bn

was stable compared with 1H23. The 1H24 period included a $4.8bn gain following the completion of the disposal of our banking business in Canada, inclusive of fair value gains on related hedging and recycling of related reserves, partly offset by a $1.2bn impairment recognised following the classification of our business in Argentina

as held for sale. It also included the non-recurrence of a $2.1bn reversal in 1H23 of an impairment relating to the sale of our retail banking operations in France, which was subsequently reinstated in 4Q23 prior to completion, and a $1.5bn gain recognised

on the acquisition of SVB UK.

Reported profit after tax of $17.7bn was $0.4bn or 2% lower compared with 1H23.

Reported revenue

Reported revenue of $37.3bn was $0.4bn or 1% higher. The increase included a $4.8bn gain in 1H24 on the disposal of our banking business in Canada, inclusive of fair value gains on related hedging and recycling of related reserves, which was broadly offset by the period-on-period impacts of a $1.2bn impairment recognised in 1H24 following the classification of our business in Argentina as held for sale, the non-recurrence of a $2.1bn reversal in 1H23 of an impairment relating to the sale of our retail banking operations in France, and a $1.5bn gain recognised in 1H23 on the acquisition of SVB UK, as described above.

The increase also reflected revenue growth in Equities and Securities Financing in GBM as market sentiment improved, as well as higher wealth revenue in WPB, with growth in all products.

Revenue also increased in Markets Treasury, driven by higher NII due to reinvestments in our portfolio at higher yields, partly offset by a fall in trading income due to lower interest rate volatility in Asia compared with 1H23. Markets Treasury revenue is allocated to our global businesses.

These factors were partly offset by a reduction in Global Foreign Exchange revenue in GBM due to lower customer activity compared with a strong 1H23. Credit and Lending revenue decreased in CMB, primarily driven by margin compression, and in GBM, reflecting an enhanced focus on returns and weaker client demand.

In Corporate Centre, there were also adverse fair value movements on financial instruments in Central Treasury and structural hedges, a loss related to the recycling of reserves following the completion of the sale of our business in Russia and an impairment following the classification of our operations in Armenia as held for sale.

Reported ECL

Reported ECL of $1.1bn were $0.3bn or 21% lower. ECL benefited from a release of stage 3 allowances in GBM in HSBC Bank plc related to a single client, while lower charges in CMB were primarily in HSBC UK due to allowance releases, and also reflected lower charges in relation to the commercial real estate sector in mainland China compared with 1H23. ECL charges in WPB were broadly stable as a release of allowances in HSBC UK was offset by higher charges in Mexico, reflecting unemployment trends and growth in our unsecured portfolio.

Reported operating expenses

Reported operating expenses of $16.3bn were $0.8bn or 5% higher, mainly due to higher technology costs of $0.3bn, including investment, the impacts of inflation, and an increase in our performance-related pay accrual of $0.3bn, which reflects a change in the phasing of the performance-related pay pool relative to 1H23. Our operating expenses also rose due to the incremental costs from HSBC Innovation Banking ('IVB') of $0.1bn, the non-recurrence of a $0.2bn impact from the reversal of historical asset impairments in 1H23, and higher bank levies in 1H24.

These factors were partly offset by the impact of disposals in Canada and France, continued cost discipline, and favourable foreign currency translation differences between the periods of $0.2bn.

Reported share of profit from associates and JVs

Reported share of profit from associates and joint ventures of $1.6bn was $43m or 3% higher. This included an increase in the share of profit from Saudi Awwal Bank ('SAB').

Tax expense

Tax in 1H24 was a charge of $3.9bn, representing an effective tax rate of 18.1%. The effective tax rate for 1H24 was reduced by the non-taxable gain on the sale of our banking business in Canada and increased by the non-deductible loss recorded on the planned sale of our business in Argentina. Excluding these items, the effective rate for 1H24 was 21.4%. Tax in 1H23 was a charge of $3.6bn, representing an effective tax rate of 16.6%. The effective tax rate for 1H23 was reduced by 1.9 percentage points by the non-taxable gain recognised on the acquisition of SVB UK and by 2.0 percentage points by the release of provisions for uncertain tax positions.

Reported profit after tax in 1H24

$17.7bn

(1H23: $18.1bn)

Reported net interest income in 1H24

$16.9bn

down 7% compared with 1H23.

Reported performance - 2Q24 vs 2Q23

Reported results	Quarter ended 30 Jun 2024 $m	30 Jun 2023 $m	31 Mar 2024 $m	Variance 2Q24 vs 2Q23 $m	%	of which strategic transactions[1] $m
Net operating income before change in expected credit losses and other credit impairment charges ('revenue')	**16,540**	16,705	20,752	**(165)**	**(1)**	**(362)**
ECL	**(346)**	(913)	(720)	**567**	**62**	**7**
Net operating income	**16,194**	15,792	20,032	**402**	**3**	**(355)**
Total operating expenses	**(8,145)**	(7,871)	(8,151)	**(274)**	**(3)**	**335**
Operating profit/(loss)	**8,049**	7,921	11,881	**128**	**2**	**(20)**
Share of profit in associates and joint ventures	**857**	850	769	**7**	**1**	**-**
Profit before tax	**8,906**	8,771	12,650	**135**	**2**	**(20)**
Tax income/(expense)	**(2,078)**	(1,726)	(1,813)	**(352)**	**(20)**	
Profit/(loss) after tax	**6,828**	7,045	10,837	**(217)**	**(3)**	

1 For details, see 'Impact of strategic transactions' on page 42.

Notable items	Quarter ended 30 Jun 2024 $m	30 Jun 2023 $m	31 Mar 2024 $m
Revenue			
Disposals, acquisitions and related costs	**(161)**	(241)	3,732
Currency translation on revenue notable items	**-**	1	-
Operating expenses			
Disposals, acquisitions and related costs	**(38)**	(57)	(63)
Restructuring and other related costs	**6**	47	13
Currency translation on operating expenses notable items	**-**	-	-

Reported profit

Reported profit before tax of $8.9bn was $0.1bn, or 2%, higher than in 2Q23, reflecting lower ECL charges, which more than offset a reduction in revenue and growth in operating expenses.

Reported profit after tax of $6.8bn was $0.2bn, or 3%, lower compared with 2Q23.

Reported revenue

Reported revenue fell by $0.2bn or 1% to $16.5bn and included an adverse impact of foreign currency translation differences of $0.4bn. In addition, the reduction reflected lower revenue following the 1Q24 completion of the disposals of our retail banking business in France and the sale of our banking business in Canada, as well as a loss related to the recycling of reserves following the completion of the sale of our business in Russia.

The reduction in revenue was partly offset by growth in Markets and Securities Services in GBM, notably from Securities Financing and Equities, and from Wealth in WPB. In addition, there was an increase in revenue due to the non-recurrence of 2Q23 fair value losses on the hedging of the proceeds from the sale of our banking business in Canada.

There was also revenue growth in Markets Treasury, mainly from higher NII due to reinvestments in our portfolio at higher yields. This revenue is allocated to our global businesses.

Reported ECL

Reported ECL in 2Q24 of $0.3bn decreased by $0.6bn reflecting lower charges in 2Q24 in the commercial real estate sector in mainland China, compared with 2Q23, as well as a reduction in ECL charges in HSBC UK, notably due to a net release of allowances in WPB and lower charges in CMB. In addition, the decrease in ECL charges reflected the release of stage 3 allowances related to a single GBM exposure in HSBC Bank plc.

Reported operating expenses

Reported operating expenses of $8.1bn were $0.3bn or 3% higher, driven by growth in technology, including investment, inflationary impacts and a higher performance-related pay accrual. It also included the non-recurrence of a $0.2bn impact from the reversal of historical asset impairments in 2Q23. These increases were partly offset by continued cost discipline, reductions following the completion of disposals in Canada and France and a favourable impact of foreign currency translation differences of $0.2bn.

Reported profit after tax in 2Q24

$6.8bn

(2Q23: $7.0bn)

Constant currency results

1H24 compared with 1H23 - constant currency basis

	Half-year to		1H24 vs 1H23		
Results - on a constant currency basis	**30 Jun 2024 $m**	30 Jun 2023 $m	**$m**	**%**	**of which strategic transactions[1] $m**
Revenue	**37,292**	36,502	**790**	**2**	**(172)**
ECL	**(1,066)**	(1,317)	**251**	**19**	**30**
Total operating expenses	**(16,296)**	(15,244)	**(1,052)**	**(7)**	**384**
Operating profit	**19,930**	19,941	**(11)**	**-**	**242**
Share of profit in associates and joint ventures	**1,626**	1,531	**95**	**6**	**-**
Profit before tax	**21,556**	21,472	**84**	**-**	**242**

1 For details, see 'Impact of strategic transactions' on page 42.

Profit before tax of $21.6bn was stable on a constant currency basis as revenue growth and lower ECL charges broadly offset growth in operating expenses. Constant currency profit before tax excluding notable items of $18.1bn was also stable compared with 1H23.

Revenue increased by $0.8bn or 2% on a constant currency basis and included a $4.8bn gain on the disposal of our banking business in Canada, inclusive of fair value gains on the hedging of the sales proceeds and recycling of related reserves. This gain was broadly offset by the period-on-period impacts of a $1.2bn impairment recognised in 1H24 following the classification of our business in Argentina as held for sale, the non-recurrence of a $2.1bn reversal in 1H23 of an impairment relating the sale of our retail banking operations in France and a $1.6bn gain recognised on the acquisition of SVB UK.
The remaining increase in revenue was due to higher customer activity in our Wealth products in WPB, and in Equities and Securities Financing in GBM, partly offset by a reduction in revenue in Global Foreign Exchange in GBM. Constant currency revenue excluding notable items was $33.7bn, an increase of 2% compared with 1H23.

ECL were $0.3bn lower on a constant currency basis. ECL benefited from a release of stage 3 allowances in GBM in HSBC Bank plc related to a single client, while lower charges in CMB were primarily in HSBC UK due to allowance releases, as well as lower charges in relation to the commercial real estate sector in mainland China compared with 1H23. ECL charges in WPB were broadly stable as a release of allowances

in HSBC UK was offset by higher charges in Mexico, reflecting unemployment trends and growth in our unsecured portfolio.

Operating expenses were $1.1bn higher on a constant currency basis, mainly driven by higher technology spend and investment, the impacts of inflation and a higher performance-related pay accrual. The increase also included a rise of $0.1bn due to additional costs of IVB, the non-recurrence of a $0.2bn impact from the reversal of historical asset impairments in 1H23, and higher bank levies in 1H24. These factors were partly offset by the impact of our continued cost discipline and reductions following the completion of disposals in Canada and France.

Balance sheet and capital

Balance sheet strength

Total assets of $3.0tn were $64bn lower than at 31 December 2023 on a reported basis, and included the adverse impact of foreign currency translation differences of $41bn. On a constant currency basis, total assets decreased by $23bn, reflecting lower assets held for sale following the completion of the sales of our retail banking operations in France and our banking business in Canada in 1H24. This was partly offset by higher trading asset balances and an increase in financial investments.

Reported loans and advances to customers of $0.9tn remained stable compared with 31 December 2023, and grew by $12bn on a constant currency basis. This included an increase in CMB, notably in HSBC Bank plc, mainland China and India. In addition, mortgage balances increased in HSBC UK in WPB.

Reported customer accounts of $1.6tn decreased by $18bn. On a constant currency basis, customer accounts increased by $3bn, notably in GBM, reflecting growth in time deposit balances in Asia. The increase in GBM also included a large short-term deposit from a single corporate customer.

Loans and advances to customers as a percentage of customer accounts were 59%, compared with 58% at 31 December 2023.

Distributable reserves

The distributable reserves of HSBC Holdings at 30 June 2024 were $13.7bn, compared with $30.9bn at 31 December 2023. The decrease was primarily driven by dividends on ordinary shares and additional tier 1 coupon distributions of $12.2bn and share buy-back payments of $5bn. The profits generated in HSBC Holdings of $9.7bn in 1H24 will be reflected in the distributable reserves as at 31 December 2024.

Capital position

We actively manage the Group's capital position to support our business strategy and meet our regulatory requirements at all times, including under stress, while optimising our capital efficiency. To do this, we monitor our capital position using a number of measures. These include our capital ratios and the impact on our capital ratios as a result of stress.

Our CET1 ratio at 30 June 2024 was 15.0%, up from 14.8% at 31 December 2023, driven by a reduction in RWAs, partly offset by a reduction in our CET1 Capital.

Liquidity position

We actively manage the Group's liquidity and funding to support our business strategy and meet regulatory requirements at all times, including under stress. To do this, we monitor our position using a wide set of measures, including the liquidity coverage ratio ('LCR') and the net stable funding ratio ('NSFR'). During 1H24, we enhanced our liquidity consolidation process and revised the associated provisions originally recognised to address historical limitations. As Group LCR is reported as a 12-month average, the benefit of these changes will be recognised incrementally over the coming year starting from 30 June 2024. The average high-quality liquid assets ('HQLA') we held was $646.1bn. This excludes HQLA in legal entities which are not transferable due to local restrictions. For further details, see page 103.

Common equity tier 1 ratio

(%)

15.0%

(31 December 2023: 14.8%)

Wealth and Personal Banking

We serve around 40 million customers globally, including over 7 million who are international, from retail customers to ultra high net worth individuals and their families.

Contribution to Group profit before tax

Calculation is based on profit before tax of our global businesses excluding Corporate Centre.

To meet our customers' needs, we offer a full suite of products and services across transactional banking, lending and wealth.

Results - on a constant currency basis	Half-year to 30 Jun 2024 $m	30 Jun 2023 $m	1H24 vs 1H23 $m	%	of which strategic transactions[2] $m
Net operating income	**14,312**	16,095	**(1,783)**	**(11)**	**(2,389)**
ECL	**(476)**	(484)	**8**	**2**	**5**
Operating expenses	**(7,406)**	(7,020)	**(386)**	**(5)**	**363**
Share of profit in associates and JVs	**28**	35	**(7)**	**(20)**	**-**
Profit before tax	**6,458**	8,626	**(2,168)**	**(25)**	**(2,021)**
RoTE (annualised)[1] (%)	**30.6**	43.1			

1 RoTE (annualised) in 1H23 included a 10.5 percentage point favourable impact of the reversal of the impairment losses relating to the planned sale of our retail banking operations in France.
2 Impact of strategic transactions classified as material notable items. For details, see 'Impact of strategic transactions' on page 42.

WPB continued to invest in our key strategic priorities of expanding our Wealth franchise in Asia, developing our transactional banking and lending capabilities, and addressing our customers' international needs.

Performance in 1H24 reflected strong growth in Wealth, with double digit growth in Private Banking non-interest income and Retail investment distribution as well as growth in asset management and life insurance. We also saw moderate balance sheet growth, growth in our invested assets and wealth deposits. The results included a broadly stable ECL charge and growth in operating expenses.

Divisional highlights

14%
Growth in wealth non-interest income compared with 1H23.

Constant currency profit before tax ($bn)
$6.5bn
Half-year to

International customers are those who bank in more than one market, those whose address is different from the market we bank them in and customers whose nationality, or country of birth for non-resident Indians and overseas Chinese, is different to the market we bank them in. Customers may be counted more than once when banked in multiple countries.

16%
Growth in the contractual service margin in insurance since 1H23, up to $12.2bn.

Constant currency net operating income ($bn)

$14.3bn

Half-year to

Management view of revenue	Half-year to 30 Jun 2024 $m	30 Jun 2023 $m	1H24 vs 1H23 $m	%	of which strategic transactions[3] $m
Wealth	**4,336**	3,888	**448**	**12**	**(81)**
- investment distribution	**1,436**	1,273	**163**	**13**	**(63)**
- Global Private Banking	**1,327**	1,147	**180**	**16**	**-**
net interest income	**598**	585	**13**	**2**	**-**
non-interest income	**729**	562	**167**	**30**	**-**
- life insurance	**912**	851	**61**	**7**	**-**
- asset management	**661**	617	**44**	**7**	**(18)**
Personal Banking	**9,689**	10,160	**(471)**	**(5)**	**(257)**
- net interest income	**9,002**	9,508	**(506)**	**(5)**	**(216)**
- non-interest income	**687**	652	**35**	**5**	**(41)**
Other[1]	**287**	2,047	**(1,760)**	**(86)**	**(2,051)**
- of which: reversal of impairment loss relating to the planned sale of our retail banking operations in France	**54**	2,058	**(2,004)**	**>(100)**	**(2,004)**
Net operating income[2]	**14,312**	16,095	**(1,783)**	**(11)**	**(2,389)**

1 'Other' includes Markets Treasury, HSBC Holdings interest expense and hyperinflation. It also includes the distribution and manufacturing (where applicable) of retail and credit protection insurance, disposal gains and other non-product-specific income.

2 'Net operating income' means net operating income before change in expected credit losses and other credit impairment charges (also referred to as 'revenue').

3 Impact of strategic transactions classified as material notable items. For details, see 'Impact of strategic transactions' on page 42.

Notable items	Half-year to 30 Jun 2024 $m	30 Jun 2023 $m
Revenue		
Disposals, acquisitions and related costs	**55**	2,034
Currency translation on revenue notable items	**-**	24
Operating expenses		
Disposals, acquisitions and related costs	**-**	(23)
Restructuring and other related costs	**4**	-
Currency translation on operating expenses notable items	**-**	(1)

Financial performance

Profit before tax of $6.5bn was $2.2bn lower than in 1H23 on a constant currency basis. The reduction was driven by the non-recurrence of a

Profit before tax of $6.5bn was $2.2bn lower than in 1H23 on a constant currency basis. The reduction was driven by the non-recurrence of a $2.1bn reversal in 1H23 of an impairment relating to the sale of our retail banking operations in France, although it was subsequently reinstated in 4Q23 and the sale completed on 1 January 2024. In addition, the decrease included the non-recurrence of $0.1bn of profit before tax in 1H23 from our banking business in Canada, which we sold in 1Q24. NII was stable compared with 1H23 and fee income increased 10%. The results included a broadly stable ECL charge and a 5% growth in operating expense on a constant currency basis.

Revenue of $14.3bn was $1.8bn or 11% lower on a constant currency basis. This included the impact of a reversal of an impairment relating to the planned sale of our retail banking operations in France included within 'Other'. Wealth revenue increased $0.4bn or 12% as we continue to accelerate our wealth expansion. This included double digit growth in investment distribution and in Global Private Banking, as well as revenue growth in asset management and life insurance. This was partly offset by a reduction in Personal Banking NII of $0.5bn, mainly due to the impact of the disposals in France and Canada mentioned above and margin compression, partly offset by balance sheet growth.

In Wealth, revenue of $4.3bn was $0.4bn or 12% higher.

- Global Private Banking revenue was $0.2bn or 16% higher due to a strong performance in brokerage and trading in our entities in Asia.
- Investment distribution revenue was $0.2bn or 13% higher, driven by mutual funds, structured products and bonds due to the combination of the execution of our strategy and improved market sentiment, notably in our entities in Asia.
- Life insurance revenue was $0.1bn or 7% higher. The growth reflected an increase in contractual service margin ('CSM') release of $0.1bn, largely due to growth in the CSM balances. New business CSM of $1.3bn was 77% higher, mainly in Hong Kong.
- Asset management revenue was $44m or 7% higher, driven by a 12% increase in assets under management and positive market movements. This was partly offset by a reduction in revenue due to the sale of our banking business in Canada.
- In Personal Banking, revenue of $9.7bn was down $0.5bn or 5%.
- Net interest income was $0.5bn or 5% lower due to the impact of the sales in France and Canada and narrower margins. Compared with 1H23, lending balances fell due to the sale of our retail banking operations in France partly offset by
-

  growth in HSBC UK, and in our entities in Hong Kong, the US and Mexico. Mortgage lending rose in HSBC UK and in our entities in Hong Kong and the US. Compared with 1H23, unsecured lending increased, notably in HSBC UK, in our entities in Asia and in Mexico, partly offset by a reduction due to the sale of our retail banking operations in France. Deposit balances fell by $9.2bn, mainly due to the sale of our retail banking operations in France, and declines in HSBC UK balances due to competition on savings products and cost of living pressures. These were partly offset by growth in our main legal entities in mainland China, Australia, Taiwan and the Channel Islands.

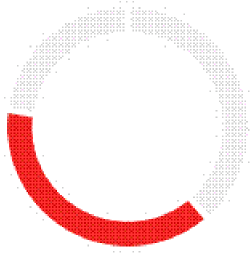
ECL of $0.5bn were broadly stable compared with 1H23 on a constant currency basis. The 1H24 ECL benefited from allowance releases in HSBC UK, as portfolio performance remained resilient, offset by higher charges in Mexico driven by unemployment trends and portfolio volume increases.

Operating expenses of $7.4bn were 5% higher on a constant currency basis, reflecting continued investment in Wealth in Asia, higher technology spend and investment, a higher performance-related pay accrual, and from the impact of inflation. These were partly offset by continued cost discipline and the impact of the disposals in France and Canada.

Commercial Banking

We operate in 50 markets, serving around 1.2[1] million customers, ranging from small enterprises to large companies operating globally, including those in the new innovation economy.

Contribution to Group profit before tax



$6.5bn

39%

Calculation is based on profit before tax of our global businesses excluding Corporate Centre.

We partner with businesses around the world, supporting every stage of their growth, their international ambitions and their sustainability transitions. We deliver value to our clients through our international network, financing strength, digital capabilities and our universal banking capabilities, including our industry leading global trade and payments solutions.

We have continued to strengthen our transaction banking capabilities, which are at the heart of our international proposition. We have been recognised as the World's Best Bank for Payments and Treasury (Euromoney Awards for Excellence 2024) and our multi-year investment in our payments capabilities aims to help clients operate more efficiently, navigate transformation and improve risk management. CMB performance in 1H24 remained solid, with revenue benefiting from the higher interest rates environment, growth in transaction banking and higher collaboration revenue. The growth was offset by the non-recurrence of a gain recognised in 1H23 on the acquisition of SVB UK. The increase in operating expenses reflected our committed investment in IVB and technology.

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	Half-year to		1H24 vs 1H23		
Results – on a constant currency basis	30 Jun 2024 $m	30 Jun 2023 $m	$m	%	of which strategic transactions[2] $m
Net operating income	10,896	12,086	(1,190)	(10)	(1,621)
ECL	(573)	(694)	121	17	30
Operating expenses	(3,861)	(3,458)	(403)	(12)	18
Share of profit in associates and JVs	1	(1)	2	>100	—
Profit before tax	6,463	7,933	(1,470)	(19)	(1,573)
RoTE (annualised)[1] (%)	21.8	28.8			

1 RoTE (annualised) in 1H23 included a 6.2 percentage point favourable impact of the gain on the acquisition of SVB UK.

2 Impact of strategic transactions classified as material notable items. For details, see 'Impact of strategic transactions'

Divisional highlights

7%

Increase in CMB multi-jurisdictional client revenue compared with 1H23.

Constant currency profit before tax

($bn)

$6.5bn

Half-year to

1. The number of customers is down from 1.3 million to 1.2 million due to the sale of the Canada banking business.

c.600

HSBC Innovation Banking has onboarded almost 600 new to bank customers in 1H24.

Constant currency net operating income

($bn)

$10.9bn

Half-year to

	Half-year to		1H24 vs 1H23		
	30 Jun 2024	30 Jun 2023			**of which strategic transactions[4]**
Management view of revenue	**$m**	$m	**$m**	**%**	**$m**
Global Trade Solutions	**970**	995	**(25)**	**(3)**	**(11)**
Credit and Lending	**2,650**	2,694	**(44)**	**(2)**	**(41)**
Global Payments Solutions	**6,016**	5,857	**159**	**3**	**(32)**
GBM products, Insurance and Investments, and Other[1]	**1,260**	2,540	**(1,280)**	**(50)**	**(1,537)**
– of which: share of revenue from Markets and Securities Services and Banking products	**676**	655	**21**	**3**	
– of which: gain on the acquisition of Silicon Valley Bank UK Limited	**-**	1,572	**(1,572)**	**100**	**(1,572)**
Net operating income[2]	**10,896**	12,086	**(1,190)**	**(10)**	**(1,621)**
[illegible][3]	**7,468**	7,342	**126**	**2**	

Management view of revenue	Half-year to 30 Jun 2024 $m	30 Jun 2023 $m	1H24 vs 1H23 $m	%	of which strategic transactions[4] $m
- of which: transaction banking[3]	7,468	7,342	126	2	

1 Includes a gain on the acquisition of SVB UK and CMB's share of revenue from the sale of Markets and Securities Services and Banking products to CMB customers. GBM's share of revenue from the sale of these products to CMB customers is included within the corresponding lines of the GBM management view of revenue. Also includes allocated revenue from Markets Treasury, HSBC Holdings interest expense and hyperinflation.

2 'Net operating income' means net operating income before change in expected credit losses and other credit impairment charges (also referred to as 'revenue').

3 Transaction banking comprises Global Trade Solutions, Global Payments Solutions and CMB's share of Global Foreign Exchange (shown within 'share of revenue from Markets and Securities Services and Banking products').

4 Impact of strategic transactions classified as material notable items. For details, see 'Impact of strategic transactions' on page 42.

Notable items	Half-year to 30 Jun 2024 $m	30 Jun 2023 $m
Revenue		
Disposals, acquisitions and related costs	-	1,507
Currency translation on revenue notable items	-	65
Operating expenses		
Disposals, acquisitions and related costs	2	(15)
Restructuring and other related costs	3	29
Currency translation on operating expenses notable items	-	-

Financial performance

Profit before tax of $6.5bn was $1.5bn lower than in 1H23 on a constant currency basis. This was primarily due to the non-recurrence of a $1.6bn gain recognised in 1H23 on the acquisition of SVB UK, partly offset by incremental IVB revenue following the acquisition of SVB UK, and a $0.1bn increase in net interest income in Global Payments Solutions ('GPS') and lower ECL charges. The decrease also reflected growth in operating expenses.

Revenue of $10.9bn was $1.2bn or 10% lower on a constant currency basis. This was primarily due to the non-recurrence of a $1.6bn gain recognised in 1H23 on the acquisition of SVB UK.

- In GPS, revenue rose by $0.2bn, with growth in most of our legal entities, due to wider margins from interest rate rises and repricing actions, while average balances decreased following the sale of our Canada banking business. There was also a 2% increase in fee income as business initiatives drove growth in transaction banking including higher volumes, domestic and international payments, mainly in our legal entities in Europe and Asia, partly offset by the sale of our Canada banking business.
- In Global Trade Solutions ('GTS'), revenue was down 3%, driven by lower average balances reflecting the higher rates environment and the softer trade cycle, notably in our main legal entity in Asia.
- In Credit and Lending, revenue decreased by $44m or 2%, due to the sale of our Canada business, margin compression and lower balances reflecting softer demand from customers, notably in Asia.
- In GBM products, Insurance and Investments, and Other, revenue decreased by $1.3bn, largely due to the non-recurrence of a $1.6bn gain recognised in 1H23 on the acquisition of SVB UK, and the adverse impacts of hyperinflationary accounting of $0.2bn. These increases were partly offset by higher revenues from GBM collaboration, Markets Treasury income and interest income on own capital.

ECL of $0.6bn were $0.1bn lower compared with 1H23 on a constant currency basis. The 1H24 period included updates to credit assumptions in HSBC UK, and our legal entities in Asia and the Middle East, partly offset by new stage 3 charges in our entity in the Middle East relating to the construction sector. In addition, there were lower charges in relation to the commercial real estate sector in mainland China compared with 1H23.

Operating expenses of $3.9bn were $0.4bn higher on a constant currency basis, largely driven by the adverse impact of hyperinflationary accounting of $0.1bn, incremental costs in IVB of $0.1bn following the acquisition of SVB UK, ongoing investment in technology and inflationary impacts. These increases were partly mitigated by the impact of our continued cost discipline.

Global Banking and Markets

We support multinational corporates, financial institutions and institutional clients, as well as public sector and government bodies.

Contribution to Group profit before tax

$3.8bn

23%

Calculation is based on profit before tax of our global businesses excluding Corporate Centre.

We are a leader in facilitating global trade and payments, particularly into and within Asia and the Middle East, helping to enable our clients in the East and West to achieve their objectives by accessing our expertise and geographical reach. Our product specialists deliver a comprehensive range of transaction banking, financing, capital markets and advisory, and risk management services.

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	Half-year to		1H24 vs 1H23		
Results – on a constant currency basis	30 Jun 2024 $m	30 Jun 2023 $m	$m	%	of which strategic transactions[1] $m
Net operating income	8,742	8,321	421	5	(51)
ECL	(11)	(136)	125	92	(5)
Operating expenses	(4,918)	(4,776)	(142)	(3)	24
Share of profit in associates and JVs	—	—	—	—	—
Profit before tax	3,813	3,409	404	12	(32)
RoTE (annualised) (%)	14.0	14.2			

1 Impact of strategic transactions classified as material notable items. For details, see 'Impact of strategic transactions' on page 42.

GBM delivered a strong performance in 1H24, achieving an annualised RoTE of 14.0%. On a constant currency basis, we grew revenue by 5%, while costs grew by 3%, even as we continued to invest in technology and people to improve operating resilience and support future revenue growth. We remain focused on areas of strategic priority across Global Banking and Markets. We also had a reduction in ECL compared with 1H23.

Divisional highlights

14.0%

Return on average tangible equity (annualised), down 0.2 percentage points compared with 1H23.

Constant currency profit before tax

($bn)

$3.8bn

Half-year to

43%

Increase in Securities Financing revenue compared with 1H23.

Constant currency net operating income

($bn)

$8.7bn

Half-year to

Management view of revenue	Half-year to 30 Jun 2024 $m	30 Jun 2023 $m	1H24 vs 1H23 $m	%	of which strategic transactions[6] $m
Markets and Securities Services	**4,824**	4,628	**196**	**4**	**(16)**
- Securities Services	**1,136**	1,143	**(7)**	**(1)**	**-**
- Global Debt Markets	**554**	592	**(38)**	**(6)**	**(2)**
- Global Foreign Exchange	**1,968**	2,166	**(198)**	**(9)**	**(12)**
- Equities	**446**	235	**211**	**90**	**-**
- Securities Financing	**731**	512	**219**	**43**	**(1)**
- Credit and funding valuation adjustments	**(11)**	(20)	**9**	**45**	**(1)**
Banking	**4,300**	4,230	**70**	**2**	**(39)**
- Global Trade Solutions	**347**	334	**13**	**4**	**(4)**
- Global Payments Solutions	**2,246**	2,173	**73**	**3**	**(23)**
- Credit and Lending	**888**	981	**(93)**	**(9)**	**(6)**
- Investment Banking[1]	**544**	561	**(17)**	**(3)**	**(3)**
- Other[2]	**275**	181	**94**	**52**	**(3)**
GBM Other	**(382)**	(537)	**155**	**29**	**4**
- Principal Investments	**29**	13	**16**	**>100**	**-**
- Other[3]	**(411)**	(550)	**139**	**25**	**4**
Net operating income[4]	**8,742**	8,321	**421**	**5**	**(51)**
- of which: transaction banking[5]	**5,697**	5,816	**(119)**	**(2)**	**(39)**

1 From 1 January 2024, we renamed 'Capital Markets and Advisory' as 'Investment Banking' to better reflect our purpose and offering.

2 Includes portfolio management, earnings on capital and other capital allocations on all Banking products.

3 Includes notional tax credits and Markets Treasury, HSBC Holdings interest expense and hyperinflation.

4 'Net operating income' means net operating income before change in expected credit losses and other credit impairment charges (also referred to as 'revenue').

5 Transaction banking comprises Securities Services, Global Foreign Exchange (net of revenue shared with CMB), GTS and GPS.

6 Impact of strategic transactions classified as material notable items. For details, see 'Impact of strategic transactions' on page 42.

Notable items	Half-year to 30 Jun 2024 $m	30 Jun 2023 $m
Revenue		
Disposals, acquisitions and related costs	**(14)**	-
Currency translation on revenue notable items	**-**	-
Operating expenses		
Disposals, acquisitions and related costs	**-**	3
Restructuring and other related costs	**3**	-
Currency translation on operating expenses notable items	**-**	-

Financial performance

Profit before tax of $3.8bn was $0.4bn or 12% higher than in 1H23 on a constant currency basis. This was driven by an increase in revenue of $0.4bn or 5%, notably from strong performances in Equities and Securities Financing. In addition, ECL charges decreased compared with 1H23, while operating expenses increased by $0.1bn.

Revenue of $8.7bn was $0.4bn or 5% higher on a constant currency basis.

In Markets and Securities Services, revenue increased by $0.2bn or 4%.

- In Securities Services, revenue was stable as strong underlying business performance was offset by an outflow of deposit balances in Argentina.
- In Global Debt Markets, revenue decreased by $38m or 6% as client demand for structured financing offset an uncertain trading environment in rates.
- In Global Foreign Exchange, revenue fell by $0.2bn or 9% compared with a strong performance in 1H23, driven by low volatility and margin compression.
- In Equities, revenue rose by $0.2bn or 90%, reflecting improved market sentiment and strong client demand for wealth products. In contrast, 1H23 reflected considerably weaker performance due to lower volume and volatility.
- In Securities Financing, revenue grew by $0.2bn or 43%, driven by US Prime client on-boarding and strong institutional financing demand.

In Banking, revenue increased by $0.1bn or 2%.

- In GPS, revenue increased by $0.1bn due to wider spreads and higher fees, reflecting continued growth in cross-border payments and pricing actions.
- Investment Banking revenue, which includes Issuer Services, decreased by $17m or 3%, from a strong 1H23 and amid lower Issuer Services balances.
- Credit and Lending revenue decreased by $0.1bn or 9%, due to continued muted client demand.

In GBM, Other revenue increased by $0.2bn, reflecting higher Markets Treasury revenue, which is allocated to the global businesses.

ECL were $11m, compared with charges of $0.1bn in 1H23 on a constant currency basis. The 1H24 period included a release related to a single client.

Operating expenses of $4.9bn increased by $0.1bn or 3% on a constant currency basis, due to the impact of higher inflation and a higher performance-related pay accrual relative to 1H23, partly offset by continued focus on cost management.

Corporate Centre

The results of Corporate Centre primarily comprise the financial impact of certain acquisitions and disposals and the share of profit from our interests in our associates and joint ventures. It also includes Central Treasury, stewardship costs and consolidation adjustments.

Corporate Centre performance in 1H24 primarily reflected the financial impact of certain acquisitions and disposals, including the gain on sale of our banking business in Canada and an impairment relating to the planned disposal of our business in Argentina.

Financial performance

Profit before tax of $4.8bn increased by $3.3bn compared with 1H23, on a constant currency basis.

Revenue of $3.3bn was $3.3bn higher on a constant currency basis, primarily due to the impact of notable items. In 1H24, these included a $4.8bn gain on the sale of our banking business in Canada, inclusive of fair value gains on related hedging and recycling of related reserves. These also included an impairment of $1.2bn recognised upon the classification of our business in Argentina as held for sale, and a loss of $0.1bn related to the recycling of reserves following the completion of the sale of our business in Russia. In 1H23, notable items included a favourable $0.1bn impact following the reversal of an impairment related to the sale of our France retail banking operations. The increase in revenue was partly offset by adverse fair value movements on financial instruments in Central Treasury and structural hedges, and an impairment following the classification of our operations in Armenia as held for sale.

Operating expenses increased by $0.1bn on a constant currency basis, including a charge in the US related to the incremental costs of the FDIC special assessment, as well as an increase in costs associated with disposals.

Share of profit from associates and joint ventures of $1.6bn rose by $0.1bn or 7% on a constant currency basis, which included an increase in share of profit from SAB.

Results - on a constant currency basis	Half-year to 30 Jun 2024 $m	Half-year to 30 Jun 2023 $m	1H24 vs 1H23 $m	1H24 vs 1H23 %	of which strategic transactions[1] $m
Net operating income	3,342	-	3,342	-	3,889
ECL	(6)	(3)	(3)	(100)	-
Operating expenses	(111)	10	(121)	>(100)	(21)
Share of profit in associates and JVs	1,597	1,497	100	7	-
Profit before tax	4,822	1,504	3,318	>100	3,868
RoTE (annualised) (%)	20.7	8.0			

1 Impact of strategic transactions classified as material notable items. For details, see 'Impact of strategic transactions' on page 42.

Management view of revenue	Half-year to 30 Jun 2024 $m	Half-year to 30 Jun 2023 $m	1H24 vs 1H23 $m	1H24 vs 1H23 %	of which strategic transactions[6] $m
Central Treasury[1]	(26)	81	(107)	>(100)	-
Legacy portfolios	14	(11)	25	>100	-
Other[2,3]	3,354	(70)	3,424	>100	3,889
- of which: gain on the sale of our banking business in Canada and associated hedges[4]	4,795	(288)	5,083	>(100)	5,083
- of which: impairment loss relating to the planned sale of our business in Argentina	(1,191)	-	(1,191)	100	(1,191)
Net operating income[5]	3,342	-	3,342	n/a	3,889

1 Central Treasury comprises valuation differences on issued long-term debt and associated swaps and fair value movements on financial instruments.
2 Other comprises gains and losses on certain planned business disposals, funding charges on property and technology assets, revaluation gains and losses on investment properties and property disposals, as well as consolidation adjustments and other revenue items not allocated to global businesses.
3 Revenue from Markets Treasury, HSBC Holdings net interest expense and hyperinflation are allocated out to the global businesses, to align them better with their revenue and expense. The total Markets Treasury revenue component of this allocation for 1H24 was $886m (1H23: $362m).
4 Includes fair value gains/(losses) on the foreign exchange hedging of the proceeds of the sale and the recycling of related reserves.
5 'Net operating income' means net operating income before change in expected credit losses and other credit impairment charges (also referred to as 'revenue').
6 Impact of strategic transactions classified as material notable items. For details, see 'Impact of strategic transactions' on page 42.

Notable items	Half-year to 30 Jun 2024 $m	Half-year to 30 Jun 2023 $m
Revenue		
Disposals, acquisitions and related costs	3,530	(220)
Fair value movements on financial instruments	-	15
Currency translation on revenue notable items	-	2
Operating expenses		
Disposals, acquisitions and related costs	(103)	(83)
Restructuring and other related costs	9	18
Currency translation on operating expenses notable items	-	2

Risk overview

Active risk management helps us to achieve our strategy, serve our customers and communities and grow our business safely.

Key risk appetite metrics

Component	Measure	Risk appetite	1H24
Capital	CET1 ratio - end point basis	≥13.0%	15.0%
Change in expected credit losses and other credit impairment charges	Change in expected credit losses and other credit impairment charges as a % of advances: Retail (WPB)	≤0.50%	0.22%
	Change in expected credit losses and other credit impairment charges as a % of advances: Wholesale (GBM, CMB)	≤0.45%	0.38%

Managing risk

HSBC's operations are subject to changes in economic and financial conditions as well as geopolitical developments that could have a material impact on the Group's operations and financial risks. We continuously review these factors in all of our key markets and conduct regular reviews of economic risks and expectations.

The global economy grew more quickly than expected in the first half of 2024, with the US, China and Europe growing faster than forecast in the first quarter. Activity indicators in the second quarter of 2024 also signalled continued growth. This broad resilience in economic activity means that a slowdown in inflation has been uneven. While headline inflation has trended down, services prices have proved more persistent. As a consequence, market expectations for central bank interest rate cuts have been volatile, although the European Central Bank ('ECB') cut interest rates in June and the US Federal Reserve and Bank of England are expected to follow in the second half of 2024.

Geopolitical tensions could impact the Group's operations and its risk profile and are a source of significant uncertainty, including the ongoing Russia-Ukraine and Israel-Hamas wars, as well as the potential for further escalation within the Middle East region. The attacks on commercial shipping in the Red Sea continued to contribute to higher shipping costs. It was recently reported that these attacks have caused Egypt's Suez Canal a significant loss in revenue due to a lower number of vessels using the route.

Sanctions and trade restrictions require close monitoring owing to increased complexity and the frequency of changes associated with them. The US, the UK and the EU, as well as other countries, have imposed significant sanctions and trade restrictions against Russia, with new sanctions added during 2024. The US and UK also announced additional sanctions against Iran in the first half of 2024 in response to attacks against Israel, and further sanctions could be imposed in response to additional escalation.

As noted in the Annual Report and Accounts 2023, the new secondary sanctions regime introduced by the US in December 2023 gives the US broad discretion to impose severe sanctions on non-US banks that are knowingly, or even unknowingly, engaged in certain transactions or services involving Russia's military-industrial base. The US expanded the scope of these secondary sanctions in June 2024. The broad scope of the discretionary powers embedded in the regime creates challenges associated with the detection or prevention of third-party activities beyond our control. Additionally, the imposition of such sanctions under the new regime against any non-US HSBC entity could result in significant adverse commercial, operational and reputational consequences for HSBC.

Strategic competition has the potential to impact the Group's operations and financial risks. The relationships between China and several other countries, including the US and the UK, remain complex. The US, the UK, the EU and other countries have imposed various sanctions and trade restrictions on Chinese individuals and companies in response to earlier measures, China has imposed its own sanctions, trade restrictions and law enforcement measures on persons and entities in other countries.

Supply chains remain vulnerable to a deterioration in these bilateral relationships and this has resulted in efforts to de-risk certain sectors, with the reshoring of manufacturing activities, but the approach of countries to strategic competition and engagement with China continues to develop. Further sanctions or counter-sanctions may adversely affect the Group, its customers and various markets.

Fiscal policy, deficits and public indebtedness also influence our risk profile. Public spending as a proportion of GDP is likely to remain high for most of our key economies with elevated spending focused on social welfare, defence and climate transition initiatives. Against a backdrop of slower economic growth and expectations for a high interest rate environment continuing for longer than previously anticipated, elevated borrowing costs could increase and adversely impact the fiscal responses of highly-indebted sovereigns.

Political changes may also have implications for policy and could consequently affect our business and its risks. 2024 is scheduled to be the biggest election year in history with more than half the world's population having the opportunity to go to the polls, including eight of the ten most populous countries in the world. This may continue to result in uncertainty in some markets in response to shifting domestic and foreign policy priorities. The recently concluded UK election has seen a change in government, whilst the French elections led to a hung parliament, with a new government to be formed in the second half of 2024. Any changes in government policies could impact the Group's business and risks. We continue to closely monitor these developments.

The real estate sector faces challenges in many of our major markets with weakness observed in both residential and commercial real estate investment prices and sentiment. The Hong Kong commercial real estate market has softened due to high vacancy rates and the prolonged higher interest rate environment, leading to a halt in commercial land sales. While mainland China GDP is tracking close to official targets, its commercial real estate sector remained subdued, without signs of a sustained recovery. We continue to closely monitor, and seek to proactively manage, the potential implications of the real estate downturn for our customers and commercial real estate portfolios.

All the above risks could have an impact on our retail customers and we continue to closely monitor the impact of inflation and the increased cost of living to offer the right support to our customers in line with regulatory, government and wider stakeholder expectations.

We engage closely with regulators to help ensure that we continue to meet their expectations regarding financial institutions' activities to support economies during times of market volatility.

Our approach to macroeconomic scenarios in relation to IFRS 9 'Financial Instruments' remained unchanged in the first half of 2024 compared with the corresponding period in 2023. Adjustments to the design and narrative of the most severe downside scenario have been made to reflect increased geopolitical risks.

In addition, management adjustments to expected credit losses and other impairment charges ('ECL') were applied to reflect ongoing uncertainty in certain sectors, driven by inflation, interest rate sensitivity and other macroeconomic risks, which were not fully captured by our models.

We continue to monitor, and seek to manage, the potential implications of all the above developments on our customers and our business. While the financial performance of our operations varies by geography, our balance sheet and liquidity remained strong.

For further details of our Central and other scenarios, see 'Measurement uncertainty and sensitivity analysis of ECL estimates' on page 69.

Our risk appetite

Our risk appetite defines our desired forward-looking risk profile and informs the strategic and financial planning process. It provides an objective baseline to guide strategic decision making, helping to ensure that planned business activities provide an appropriate balance of return for the risk assumed, while remaining within acceptable risk levels. Risk appetite supports senior management in allocating capital, funding and liquidity optimally to finance growth, while monitoring exposure to non-financial risks.

At 30 June 2024, our CET1 ratio and ECL charges were within their defined risk appetite thresholds. Our CET1 capital ratio at 30 June 2024 was 15.0%, up 0.2 percentage points from 31 December 2023, reflecting a capital increase from strategic transactions, including the gain on disposal of our Canada banking business adjusted for the $0.21 per share special dividend, offset by an increase in RWAs mainly from asset size movements and model updates, excluding the reduction from our disposals in France and Canada. For further details of the key drivers of the overall CET1 ratio, see 'Own funds disclosure' on page 100. Wholesale ECL charges during the year reflect the default of several mainland China and Hong Kong commercial real estate developer clients. Wholesale and Retail ECL charges were within appetite due to relatively low overall defaults.

Stress tests

We regularly conduct stress tests to assess the resilience of our balance sheet and our capital adequacy, as well as to provide actionable insights into how key elements of our portfolios may behave during a crisis. We use the outcomes to calibrate our risk appetite and to inform our strategic and financial plans, helping to improve the quality of management's decision making. The results from the stress tests also drive recovery and resolution planning to help enhance the Group's financial stability under various macroeconomic scenarios. The selection of stress scenarios is based upon the identification and assessment of our top risks, emerging risks and our risk appetite.

The Prudential Regulation Authority ('PRA') cancelled the 2024 Annual Cyclical Stress testing exercise and instead commenced a Desk Based Stress Test exercise, which will use PRA models and in-house expertise to test the resilience of the UK banking system against more than one adverse macroeconomic scenario. HSBC has provided 2023 year-end data to support this. The results of this exercise across firms will be published in aggregate only. The PRA intends to return to a concurrent exercise in 2025, involving the submission of stressed projections and will provide further details later this year.

During the first half of 2024, the Group-wide internal stress test commenced and will be used to gauge the Group's capital adequacy alongside testing of the Group's strategy. The concluding results of the Group-wide internal stress test will provide updates to the Group Risk Committee in support of its assessment of the adequacy of HSBC Holdings' capital levels. Additionally, the underlying conclusions drawn from this exercise will also be included in the Group internal capital adequacy assessment process ('ICAAP').

Climate risk

Climate risk relates to the financial and non-financial impacts that may arise as a consequence of climate change and the move to a net zero economy. Climate risk can impact us either directly or through our relationships with clients. These include the potential risks arising as a result of our net zero ambition, which could lead to reputational concerns, and potential legal and/or regulatory action if we are perceived to have misled stakeholders on our business activities or if we fail to achieve our stated net zero targets.

We seek to manage climate risk across all our businesses in line with our Group-wide risk management framework and are incorporating climate considerations within our traditional risk types.

- For further details of our approach to climate risk management, see 'Climate risk' on page 221 of our Annual Report and Accounts 2023.
- For further details of our TCFD disclosures, see the 'ESG review' on pages 69 to 74 of our Annual Report and Accounts 2023.

Climate stress tests

To support the requirements for assessing the impacts of climate change, we continue to develop a set of capabilities to execute climate stress testing and scenario analysis. These are used to help improve our understanding of climate risks and opportunities in our portfolio for managing risk and business decision making.

We intend to run further internal climate scenario analyses, including short-term scenarios in the second half of 2024. The outcomes will be used to identify challenges and opportunities with regards to our net zero strategy, inform capital planning and risk appetite, as well as to respond to climate stress tests for regulators, including the Hong Kong Monetary Authority.

- For further details of our approach to climate risk stress testing, see 'Insights from scenario analysis' on page 225 of our Annual Report and Accounts 2023.

Our operations

We remain committed to investing in the reliability and resilience of our IT systems and critical services, including those provided by third parties, which support all parts of our business. We do so to help protect our customers, affiliates and counterparties, and to help ensure that we minimise any disruption to services. In our approach to defending against these threats, we invest in business and technical controls to help us prevent, detect, manage and recover from issues in a timely manner within our risk appetite.

We are working to ensure that we balance the opportunity AI presents to accelerate delivery of our strategy, with the need to ensure appropriate controls are in place to mitigate the associated risks. HSBC is committed to using AI ethically and responsibly. HSBC's Principles for the Ethical Use of Data and AI are available at www.hsbc.com/who-we-are/businesses-and-customers/hsbc-and-ai. We continue to refine and embed governance of Data and AI are available at www.hsbc.com/who-we-are/businesses-and-customers/hsbc-and-ai. We continue to refine and embed governance and controls into our risk management processes to help meet the Group's needs and increasing regulatory expectations for when AI is both developed internally and enabled through third parties.

We continue to focus on improving the quality and timeliness of the data used to inform management decisions, and are progressing with the implementation of our strategic and regulatory change initiatives to help deliver the right outcomes for our customers, people, investors and communities.

For further details of our risk management framework and risks associated with our banking and insurance manufacturing operations, see pages 137 and 145 of our Annual Report and Accounts 2023, respectively.

Top and emerging risks

Our top and emerging risks report identifies forward-looking risks so that they can be considered in determining whether any incremental action is needed to either prevent them from materialising or to limit their effect. Top risks are those that have the potential to have a material adverse impact on the financial results, reputation or business model of the Group.

We actively manage and take actions to mitigate our top risks. Emerging risks are those that, while they could have a material impact on our risk profile were they to occur, are not considered immediate and are not under active management. Our suite of top and emerging risks is subject to regular review by senior governance forums.

We continue to monitor closely the identified risks and ensure management actions are in place, as required.

For further details on our top and emerging risks see pages 140 to 144 of our Annual Report and Accounts 2023.

Risk	Trend	Description
Externally driven		
Geopolitical and macroeconomic risks		Our operations and portfolios are subject to risks associated with political instability, civil unrest and military conflict, which could lead to disruption of our operations, physical risk to our staff and/or physical damage to our assets. Conflict in certain regions, wider geopolitical tensions and electoral uncertainty are creating a more complicated environment for business and trade. Global economic activity nevertheless remains broadly resilient at mid-2024, despite still-high interest rates by historical standards.
Technology and cybersecurity risk		There is a risk of service disruption or loss of data resulting from technology failures or malicious activities from internal or external threats. We continue to monitor changes to the threat landscape, including those arising from ongoing geopolitical and macroeconomic events and the impact this may have on third-party risk management. We operate a continuous improvement programme to help support the resilience and stability of our technology operations and counter a fast-evolving and heightened cyber threat environment.

Environmental, social and governance ('ESG') risks	▲	We are subject to ESG risks, including in relation to climate change, nature and human rights. These risks have increased owing to the pace and volume of regulatory developments globally, signs of diverging national agendas, increasing frequency of severe weather events, and due to stakeholders placing more emphasis on financial institutions' actions and investment decisions in respect of ESG matters. Failure to meet these evolving expectations may result in financial and non-financial risks, including reputational, legal and regulatory compliance risks.
Financial crime risk	▲	We are exposed to financial crime risk from our customers, staff and third parties engaging in criminal activity. The financial crime risk environment is heightened due to increasingly complex geopolitical challenges, the macroeconomic outlook, the complex and dynamic nature of sanctions compliance, evolving financial crime regulations, rapid technological developments, an increasing number of national data privacy requirements and the increasing sophistication of fraud. As a result, we will continue to face the possibility of regulatory enforcement and reputational risk.
Digitalisation and technological advances	▲	Developments in technology and changes in regulations continue to enable new entrants to the banking industry as well as new products and services offered by competitors. This challenges us to continue to innovate with new digital capabilities and evolve our products, to attract, retain and best serve our customers. Along with opportunities, new technology, including generative AI, can introduce risks and disruption. We seek to ensure technology developments are managed with appropriate controls and oversight.
Evolving regulatory environment risk	►	The regulatory and compliance risk environment is set against continued geopolitical risk and regulatory focus on operational resilience (including around cyber risk), financial resilience, model risk and sound risk and financial crime management practices. Multiple jurisdictions are progressing implementation of Basel 3.1 standards, and crypto-asset and AI-related regulations are developing quickly. Making cross-border payments cheaper and more efficient is a key objective for global standard setters, and regulatory focus on ESG matters continues.
Internally driven		
Data risk	►	We use data to serve our customers and run our operations, often in real-time within digital experiences and processes. If our data is not accurate and timely, our ability to serve customers, operate with resilience or meet regulatory requirements could be impacted. We seek to ensure that non-public data is kept confidential, and that we comply with the growing number of regulations that govern data privacy and cross-border movement of data.
Risks arising from the receipt of services from third parties	►	We procure goods and services from a range of third parties. Due to the current macroeconomic and geopolitical climate, the risk of service disruption in our supply chain has heightened. We continue to strengthen our controls, oversight and risk management policies and processes to select and manage third parties, including our third parties' own supply chains, particularly for key activities that could affect our operational resilience.
Model risk	▲	Model risk arises whenever business decision making includes reliance on models. We use models in both financial and non-financial contexts, as well as in a range of business applications. Evolving regulatory requirements are driving material changes to the way model risk is managed across the banking industry, with a particular focus on capital models. New technologies, including AI and generative AI, are driving a need for enhanced model risk controls.
Change execution risk	►	Delivering change effectively enables us to meet rapidly evolving customer and stakeholder needs, and helps us achieve our strategy. We understand the risks associated with change execution, and deliver complex change in line with established risk management processes, and prioritising sustainable outcomes. We continue to focus on meeting industry and regulatory expectations and fulfilling our obligations to customers and the marketplace.
Risks associated with workforce capability, capacity and environmental factors with potential impact on growth	▼	Our businesses, functions and geographies are exposed to risks associated with employee retention and talent availability, and compliance with employment laws and regulations. Although attrition across the Group has continued to decline, failure to manage these risks may impact the delivery of our strategic objectives or lead to regulatory sanctions or legal claims.

▲ Risk heightened during the first half of 2024 ► Risk remained at the same level as full year 2023 ▼ Risk decreased during the first half of 2024