RNS Number : 5739Y
HSBC Holdings PLC
31 July 2024

Financial summary

Contents

Key financial measures: basis of preparation

Return on average tangible equity excluding notable items

From 1 January 2024, we revised the adjustments made to our adjusted RoTE measure. Prior to this we adjusted RoTE for the impact of strategic transactions and the impairment of our investment in Bank of Communications Co., Limited ('BoCom'), whereas from 1 January 2024 we have excluded 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. The calculation for RoTE excluding notable items adjusts the 'profit attributable to the ordinary shareholders, excluding goodwill and other intangible assets impairment' for the post-tax impact of notable items. It also adjusts the 'average tangible equity' for the post-tax impact of notable items in each period, which remain as adjusting items for all relevant periods within that calendar year. For a reconciliation from return on equity to RoTE excluding notable items, see page 58. We will now target a RoTE excluding notable items in the mid-teens for both 2024 and 2025. We do not reconcile our forward RoTE guidance to the equivalent reported measure.

Banking net interest income

Banking net interest income ('banking NII') adjusts our NII, primarily for the impact of funding trading and fair value activities reported in interest expense. It represents the Group's banking revenue that is directly impacted by changes in interest rates.

We use this measure to determine the deployment of our surplus funding, and to help optimise our structural hedging and risk management actions. For more information on banking NII, see page 33.

Target basis operating expenses

Target basis operating expenses is computed by excluding the direct cost impact of our France retail banking operations and Canada banking business disposals 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, which we consider to be outside of our control. We consider target basis operating expenses to provide useful information to investors by quantifying and excluding the notable items that management considered when setting and assessing cost-related targets. For a reconciliation from reported operating expenses to target basis operating expenses, see page 60.

In 2024, we are targeting growth of approximately 5% compared with 2023 on a target basis. This target 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. We do not reconcile our forward target basis operating expenses guidance to the reported operating expenses.

Dividend payout ratio target basis

Given our current returns trajectory, we are targeting 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. Material notable items are components of our income statement that management would consider as outside the normal course of business and generally non-recurring in nature, which are excluded from our dividend payout ratio calculation and our earnings per share measure, along with related impacts. Material notable items are a subset of notable items for which categorisation is dependent on the nature of each item in conjunction with the financial impact on the Group's income statement. They comprise the impacts of the sales of our banking business in Canada and our retail banking operations in France, the gain following the acquisition of SVB UK, the impacts of the planned sale of our business in Argentina and the impairment of BoCom. We also exclude HSBC Bank Canada's financial results from the 30 June 2022 net asset reference date until completion, as the gain on sale was recognised through a combination of the consolidation of HSBC Bank Canada's results in the Group's results since this date, and the remaining gain on sale was recognised at completion, inclusive of the recycling of related reserves and fair value gains on related hedges. Following the completion of the sale of our banking business in Canada, the Board approved a special dividend of $0.21 per share, which was paid in June 2024, alongside the first interim dividend.

For the planned sale of our business in Argentina, there is a mechanism by which the loss on sale will vary by changes in the net asset value of HSBC Argentina, and in the fair value of consideration including price adjustments and migration costs (see page 139 for details). There were no additional related impacts identified, and the ongoing profits from HSBC Argentina will not be excluded from our dividend payout ratio target basis.

For a reconciliation of basic earnings per share to basic earnings per share excluding material notable items and related impacts, see page 60. We do not reconcile our forward dividend payout ratio target basis guidance to the reported dividend payout ratio.

Use of alternative performance measures

Our reported results are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IFRS Accounting Standards') as detailed in the interim condensed consolidated financial statements starting on page 113.

To measure our performance, we supplement our IFRS Accounting Standards figures with non-IFRS Accounting Standards measures, which constitute alternative performance measures under European Securities and Markets Authority guidance and non-GAAP financial measures defined in and presented in accordance with US Securities and Exchange Commission rules and regulations. These measures include those derived from our reported results that eliminate factors that distort period-on-period comparisons. The 'constant currency performance' measure used in the Interim Report 2024 is described below. Definitions and calculations of other alternative performance measures are included in our 'Reconciliation of alternative performance measures' on page **Error! Bookmark not defined.**. In addition, insurance-specific non-GAAP measures including 'Insurance manufacturing value of new business' and 'Insurance equity plus CSM net of tax' are provided on pages 46 to 47, together with their definitions and reconciliation to GAAP measures. All alternative performance measures are reconciled to the closest reported performance measure.

The global business segmental results are presented on a constant currency basis in accordance with IFRS 8 'Operating Segments' as detailed in Note 5: 'Segmental analysis' on page 122.

Constant currency performance

Constant currency performance is computed by adjusting reported results 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 and material 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.

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. We exclude material notable items when computing our dividend payout ratio target basis. Material notable items currently comprise the sale of our retail operations in France banking and our business in Canada, the planned sale of our business in Argentina, the acquisition of SVB UK and the impairment of our investment in BoCom.

The tables on pages 40 to **Error! Bookmark not defined.** and pages 52 to **Error! Bookmark not defined.** detail the effects of notable items on each of our global business segments, legal entities and selected countries/territories in 1H24 and 1H23.

Constant currency revenue and profit before tax excluding notable items

We separately report constant currency revenue excluding notable items and profit before tax excluding notable items which exclude the impact of notable items and the impact of foreign exchange translation. We consider this measure to provide useful information to investors as it removes items which distort period-on-period comparisons. For a reconciliation of constant currency revenue excluding notable items and profit before tax excluding notable items to reported revenue and reported profit respectively, see page 58.

Constant currency revenue and profit before tax excluding notable items and the impact of strategic transactions

To aid the understanding of our results, we separately disclose constant currency revenue and profit before tax excluding notable items and the impact of strategic transactions. This measure excludes the impact of strategic transactions classified as material notable items from constant currency revenue and profit before tax excluding notable items. 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 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.

Foreign currency translation differences

Foreign currency translation differences reflect the movements of the US dollar against most major currencies during 2024.

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

Foreign currency translation differences for the half-year to 30 June 2024 are computed by retranslating into US dollars for non-US dollar branches, subsidiaries, joint ventures and associates:

- the income statement for the half-year to 30 June 2023 at the average rate of exchange for the half-year to 30 June 2024; and
- the balance sheets at 30 June 2023 and 31 December 2023 at the prevailing rates of exchange on 30 June 2024.

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

Impact of hyperinflationary accounting

We continue to treat Argentina and Türkiye as hyperinflationary economies for accounting purposes. The impact of applying IAS 29 'Financial Reporting in Hyperinflationary Economies' and the hyperinflation provisions of IAS 21 'The Effects of Changes in Foreign Exchange Rates' in the current period for our operations in both Argentina and Türkiye was a decrease in the Group's profit before tax of $646m (1H23: $396m), comprising a decrease in revenue, including loss on net monetary position, of $594m (1H23: $411m) and an increase in ECL and operating expenses of $52m (1H23: decrease of $15m). The consumer price index ('CPI') at 30 June 2024 for Argentina was 6,352, with an increase in the period of 2,776 (1H23: 562 increase). The CPI for Türkiye was 2,319 with an increase in the period of 460 (1H23: 223 increase).

Summary consolidated income statement

	Half-year to	
	30 Jun 2024	30 Jun 2023
	$m	$m
Net interest income	**16,911**	18,264
Net fee income	**6,200**	6,085
Net income from financial instruments held for trading or managed on a fair value basis[1]	**10,516**	8,112
Net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	**2,376**	4,304
Insurance finance expense	**(2,486)**	(4,234)
Insurance service result	**662**	524
Gain on acquisition[2]	**-**	1,507
Gain less impairment relating to sale of business operations[3]	**3,256**	2,130
Other operating (expense)/income	**(143)**	184
Net operating income before change in expected credit losses and other credit impairment charges[4]	**37,292**	36,876
Change in expected credit losses and other credit impairment charges	**(1,066)**	(1,345)
Net operating income	**36,226**	35,531
Total operating expenses	**(16,296)**	(15,457)
Operating profit	**19,930**	20,074
Share of profit in associates and joint ventures	**1,626**	1,583
Profit before tax	**21,556**	21,657
Tax expense	**(3,891)**	(3,586)
Profit after tax	**17,665**	18,071
Attributable to:		
- ordinary shareholders of the parent company	**16,586**	16,966
- other equity holders	**526**	542
- non-controlling interests	**553**	563
Profit after tax	**17,665**	18,071
	$	$
Basic earnings per share	**0.89**	0.86
Diluted earnings per share	**0.88**	0.86
Dividend per ordinary share (paid in the period)[5]	**0.62**	0.33
	%	%
Post-tax return on average total assets (annualised)	**1.2**	1.2
Return on average ordinary shareholders' equity (annualised)	**19.8**	20.8
Return on average tangible equity (annualised)	**21.4**	22.4

1 Includes a $255m gain (1H23: $284m loss) on the foreign exchange hedging of the proceeds from the sale of our banking business in Canada.

2 Gain recognised in respect of the acquisition of SVB UK.

3 In the first half of 2024, a gain of $4.6bn inclusive of the recycling of $0.6bn in foreign currency translation reserve losses and $0.4bn of other reserves recycling losses on the sale of our banking business in Canada, and an impairment loss of $1.2bn relating to the planned sale of our business in Argentina was recognised. In the first quarter of 2023, the $2.1bn reversal of the held for sale classification was recognised relating to the sale of our retail banking operations in France.

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

5 The $0.62 dividend paid during the period consisted of a fourth interim dividend of $0.31 per ordinary share in respect of the financial year ended 31 December 2023 paid in April 2024, a first interim dividend of $0.10 per ordinary share in respect of the financial year ending 31 December 2024 and a special dividend of $0.21 per ordinary share from the Canada sale proceeds.

Distribution of results by global business and legal entity

Distribution of results by global business

	Half year to	
	30 Jun 2024	30 Jun 2023
	$m	$m

Distribution of results by global business

	Half year to	
	30 Jun 2024	30 Jun 2023
	$m	$m
Constant currency revenue[1]		
Wealth and Personal Banking	**14,312**	16,095
Commercial Banking	**10,896**	12,086
Global Banking and Markets	**8,742**	8,921
Corporate Centre[2]	**3,342**	[illegible]
Total	**37,292**	36,502
Constant currency profit before tax		
Wealth and Personal Banking	**6,458**	8,626
Commercial Banking	**6,463**	7,933
Global Banking and Markets	**3,813**	3,409
Corporate Centre[2]	**4,822**	1,504
Total	**21,556**	21,472

1 Constant currency net operating income before change in expected credit losses and other credit impairment charges including the effects of foreign currency translation differences, also referred to as constant currency revenue.

2 On 1 January 2024, HSBC Continental Europe completed the sale of its retail banking operations in France to CCF, a subsidiary of Promontoria MMB SAS ('My Money Group'). With effect from this date, we have prospectively reclassified the portfolio of retained loans, profit participation interest and licence agreement of the CCF brand from WPB to Corporate Centre.

Distribution of results by legal entity

	Half year to	
	30 Jun 2024	30 Jun 2023
	$m	$m
Reported profit/(loss) before tax		
HSBC UK Bank plc	**3,734**	4,791
HSBC Bank plc	**1,436**	3,498
The Hongkong and Shanghai Banking Corporation Limited	**10,893**	10,917
HSBC Bank Middle East Limited	**536**	673
HSBC North America Holdings Inc.	**423**	701
HSBC Bank Canada	**186**	475
Grupo Financiero HSBC, S.A. de C.V.	**466**	436
Other trading entities[1]	**1,034**	1,282
- of which: other Middle East entities (including Oman, Türkiye, Egypt and Saudi Arabia)	**411**	420
- of which: Saudi Awwal Bank	**317**	272
Holding companies, shared service centres and intra-Group eliminations[2]	**2,848**	(1,116)
Total	**21,556**	21,657
Constant currency profit/(loss) before tax		
HSBC UK Bank plc	**3,734**	4,939
HSBC Bank plc	**1,436**	3,538
The Hongkong and Shanghai Banking Corporation Limited	**10,893**	10,783
HSBC Bank Middle East Limited	**536**	674
HSBC North America Holdings Inc.	**423**	701
HSBC Bank Canada	**186**	470
Grupo Financiero HSBC, S.A. de C.V.	**466**	462
Other trading entities[1]	**1,034**	1,024
- of which: other Middle East entities (including Oman, Türkiye, Egypt and Saudi Arabia)	**411**	333
- of which: Saudi Awwal Bank	**317**	272
Holding companies, shared service centres and intra-Group eliminations[2]	**2,848**	(1,119)
Total	**21,556**	21,472

1 Other trading entities includes the results of entities located in Oman (pre merger with Sohar International Bank SAOG in August 2023), Türkiye, Egypt and Saudi Arabia (including our share of the results of Saudi Awwal Bank) which do not consolidate into HSBC Bank Middle East Limited. Supplementary analysis is provided on page 55 for a fuller picture of the Middle East, North Africa and Türkiye ('MENAT') regional performance.

2 Includes a $4.8bn gain on disposal of our banking business in Canada, inclusive of a $0.3bn gain on the foreign exchange hedging of the sale proceeds, the recycling of $0.6bn in foreign currency translation reserve losses and $0.4bn of other reserves recycling losses. This is partly offset by a $1.2bn impairment recognised in relation to the planned sale of our business in Argentina.

The tables on pages 40 and 52 reconcile reported to constant currency results for each of our global business segments and legal entities.

Income statement commentary

The below tables and commentary compare Group financial performance for the half-year to 30 June 2024 with the half-year to 30 June 2023, unless otherwise stated. For further financial performance data of our global business segments, see pages 40 to 49. For further financial performance data by major legal entity, see pages 50 to 55.

Net interest income

	Half-year to		Quarter to		
	30 Jun 2024	30 Jun 2023	**30 Jun 2024**	31 Mar 2024	30 Jun 2023
	$m	$m	**$m**	$m	$m
Interest income	**55,372**	46,955	**27,107**	28,265	24,863
Interest expense	**(38,461)**	(28,691)	**(18,849)**	(19,612)	(15,558)
Net interest income	**16,911**	18,264	**8,258**	8,653	9,305
Average interest-earning assets	**2,097,866**	2,162,662	**2,055,283**	2,140,446	2,172,324
	%	%	**%**	%	%
Gross interest yield[1]	**5.31**	4.38	**5.30**	5.31	4.59
Less: gross interest payable[1]	**(4.08)**	(3.12)	**(4.05)**	(4.10)	(3.33)
Net interest spread[2]	**1.23**	1.26	**1.25**	1.21	1.26
Net interest margin[3]	**1.62**	1.70	**1.62**	1.63	1.72

1 Gross interest yield is the average annualised interest rate earned on average interest-earning assets ('AIEA'). Gross interest payable is the average annualised interest cost as a percentage of average interest-bearing liabilities.

2 Net interest spread is the difference between the average annualised interest rate earned on AIEA, net of amortised premiums and loan fees, and the average annualised interest rate payable on average interest-bearing liabilities.

3 Net interest margin is net interest income expressed as an annualised percentage of AIEA.

Summary of interest income by type of asset

	Half-year to						Full-year to		
	30 Jun 2024			30 Jun 2023			31 Dec 2023		
	Average balance $m	**Interest income $m**	**Yield %**	Average balance $m	Interest income $m	Yield %	Average balance $m	Interest income $m	Yield %
Short-term funds and loans and advances to banks	**354,570**	**7,611**	**4.32**	425,103	6,961	3.30	403,674	14,770	3.66
Loans and advances to customers	**943,836**	**25,059**	**5.34**	954,171	22,747	4.81	957,717	47,673	4.98
Reverse repurchase agreements - non-trading[1]	**234,712**	**9,022**	**7.73**	239,945	6,173	5.19	240,263	14,391	5.99
Financial investments	**455,723**	**10,209**	**4.50**	382,384	7,378	3.89	407,363	16,858	4.14
Other interest-earning assets	**109,025**	**3,471**	**6.40**	161,059	3,696	4.63	152,729	7,176	4.70
Total interest-earning assets	**2,097,866**	**55,372**	**5.31**	2,162,662	46,955	4.38	2,161,746	100,868	4.67

Summary of interest expense by type of liability

	Half-year to						Full-year to		
	30 Jun 2024			30 Jun 2023			31 Dec 2023		
	Average balance $m	**Interest expense $m**	**Cost %**	Average balance $m	Interest expense $m	Cost %	Average balance $m	Interest expense $m	Cost %
Deposits by banks[2]	**63,100**	**1,422**	**4.53**	61,901	1,117	3.64	60,392	2,401	3.98
Customer accounts[3]	**1,353,221**	**20,153**	**2.99**	1,317,536	14,722	2.25	1,334,803	34,162	2.56
Repurchase agreements - non-trading[1]	**187,931**	**7,872**	**8.42**	134,936	4,550	6.80	146,605	10,858	7.41
Debt securities in issue - non-trading	**195,038**	**6,378**	**6.58**	181,682	5,199	5.77	184,867	11,223	6.07
Other interest-bearing liabilities	**98,359**	**2,636**	**5.39**	157,218	3,103	3.98	146,216	6,428	4.40
Total interest-bearing liabilities	**1,897,649**	**38,461**	**4.08**	1,853,273	28,691	3.12	1,872,883	65,072	3.47

1 The average balances for repurchase and reverse repurchase agreements include net amounts where the criteria for offsetting are met, resulting in a lower net balance reported for repurchase agreements and thus higher cost.

2 Including interest-bearing bank deposits only.

3 Including interest-bearing customer accounts only.

Net interest income ('NII') for 1H24 was $16.9bn, a decrease of $1.4bn or 8% compared with 1H23. 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.

Excluding the unfavourable impact of foreign currency translation differences, NII decreased by $0.8bn or 5%.

NII for 2Q24 was $8.3bn, down 11% compared with 2Q23, and down 5% compared with 1Q24. The decline compared with 2Q23 was predominantly due to the impact of the disposal of our businesses in Canada and France, and higher interest expense which included the impact of deposit migration. The decline compared with 1Q24 was predominantly driven by the impact of the disposal of our Canada business.

Net interest margin ('NIM') for 1H24 of 1.62% was 8 basis points ('bps') lower compared with 1H23, reflecting a rise in the funding cost of average interest-bearing liabilities.

The decrease in NIM in 1H24 included the unfavourable impact of foreign currency translation differences. Excluding this, NIM still would have declined by 8bps.

NIM for 2Q24 was 1.62%, 10bps lower year-on-year, and down 1bp compared with the previous quarter. The year-on-year decline was predominantly driven by a rise in the funding cost of average interest-bearing liabilities including the impact of deposit migration.

Interest income for 1H24 of $55.4bn increased by $8.4bn, compared with 1H23. This was primarily due to higher asset yields, partly offset by the impact of the disposal of our Canada business.

The change in interest income included $1bn from the adverse effect of foreign currency translation differences. Excluding this, interest income increased by $9.4bn.

Interest income of $27.1bn in 2Q24 was up $2.2bn compared with 2Q23, and $1.2bn lower compared with 1Q24. The increase compared with 2Q23 was predominantly driven by the impact of higher asset yields, partly offset by a reduction in term lending and the impact of the disposal of our Canada business. The decrease compared with 1Q24 was predominantly driven by the impact of the disposal of our Canada business.

Interest expense for 1H24 of $38.5bn increased by $9.8bn or 34% compared with 1H23. This was primarily driven by a rise in the funding cost of average interest-bearing liabilities which included the impact of deposit migration notably in our main entities in Asia and Europe.

The rise in interest expense included the favourable effects of foreign currency translation differences of $0.4bn. Excluding this, interest expense increased by $10.2bn.

Interest expense of $18.8bn in 2Q24 was up $3.2bn compared with 2Q23, and $0.8bn lower compared with 1Q24. The increase compared with 2Q23 was predominantly driven by a rise in the funding cost of average interest-bearing liabilities which included the impact of deposit migration notably in our main entities in Asia and Europe. The decline compared with 1Q24 was predominantly driven by the impact of the disposal of our Canada business.

Banking net interest income

Banking net interest income

	Half-year to		Quarter to		
	30 Jun 2024	30 Jun 2023	**30 Jun 2024**	31 Mar 2024	30 Jun 2023
	$bn	$bn	**$bn**	$bn	$bn
Net interest income	**16.9**	18.3	**8.2**	8.7	9.3
Banking book funding costs used to generate 'net income from financial instruments held for trading or managed on a fair value basis'	**5.5**	3.8	**2.8**	2.7	2.4
Third-party net interest income from insurance	**(0.2)**	(0.2)	**(0.1)**	(0.1)	(0.1)
Banking net interest income	**22.2**	21.9	**10.9**	11.3	11.6
- of which:					
Hongkong and Shanghai Banking Corporation Limited	**10.8**	10.6	**5.3**	5.4	5.5
HSBC UK Bank plc	**5.1**	4.8	**2.5**	2.5	2.5
HSBC Bank plc	**2.3**	2.2	**1.2**	1.1	1.3

Banking net interest income ('banking NII') adjusts our NII, primarily for the impact of funding trading and fair value activities reported in interest expense. It represents the Group's banking revenue that is directly impacted by changes in interest rates. It is defined as Group net interest income after deducting:

- the internal cost to fund trading and fair value net assets for which associated revenue is reported in 'Net income from financial instruments held for trading or managed on a fair value basis', also referred to as 'trading and fair value income'. These funding costs reflect proxy overnight or term interest rates as applied by internal funds transfer pricing;
- the funding cost of foreign exchange swaps in Markets Treasury, where an offsetting income or loss is recorded in trading and fair value income. These instruments are used to manage foreign currency deployment and funding in our entities; and
- third-party net interest income in our insurance business.

In our segmental disclosures, the funding costs of trading and fair value net assets are predominantly recorded in GBM in 'net income from financial instruments held for trading or managed on a fair value basis'. On consolidation, this funding is eliminated in Corporate Centre, resulting in an increase in the funding cost reported in net interest income with an equivalent offsetting increase in 'net income from financial instruments held for trading or managed on a fair value basis' in this segment. In the consolidated Group results, the cost to fund these trading and fair value net assets is reported in net interest income.

Banking NII was $22.2bn in 1H24. The funding costs associated with generating trading and fair value income were $5.5bn, an increase of $1.7bn compared with 1H23, primarily reflecting growth in net trading and fair value assets. Banking NII also deducts third-party NII related to our insurance business, which was $0.2bn, broadly stable compared with 1H23. In HSBC UK, banking NII increased in part due to the acquisition of SVB UK in 1Q23, which resulted in a $0.1bn increase. The movement in banking NII also included a reduction of $0.2bn relating to a reclassification, from 1 January 2024, of cash flow hedge revenue between NII and non-NII.

The internally allocated funding to generate trading and fair value income was approximately $207bn at 30 June 2024, a rise of approximately $77bn since 30 June 2023. This relates to trading, fair value and associated net asset balances predominantly in GBM.

To supplement banking NII, we also provide banking NII sensitivity to demonstrate our revenue sensitivity to interest rate movements. Management uses these measures to determine the deployment of our surplus funding, and to help optimise our structural hedging and risk management actions.

For further details on banking NII sensitivity, see page 105.

Net fee income of $6.2bn was $0.1bn higher than in 1H23, and included a $0.1bn adverse impact from foreign currency translation differences, as well as a reduction of $0.2bn due to the impact of the disposal of our banking business in Canada. On a constant currency basis, net fee income was $0.2bn higher, as an increase in WPB was partly offset by reductions in GBM and CMB.

In WPB, fee income grew, primarily from higher income from unit trusts and funds under management, notably in Hong Kong. This reflected stronger equity markets and improved customer sentiment, supported by business initiatives. Cards income grew, notably in our main entity in Hong Kong and also in Mexico, as customer spending increased. The growth in cards activity resulted in a corresponding rise in fee expense.

In GBM, fee income grew in broking income in our main entity in Europe, although this was largely offset by a rise in associated fee expense. In addition, there was higher fee expense relating to broking and custody, as well as intercompany fee expenses incurred on behalf of other global businesses.

In CMB, fee income from credit facilities reduced, notably due to disposal of our banking operations in Canada. This reduction was partly offset by an increase in fee income from GBM products sold to CMB customers.

Net income from financial instruments held for trading or managed on a fair value basis of $10.5bn was $2.4bn higher compared with 1H23. This reflected a rise in income of $1.7bn, primarily relating to trading activities in GBM, for which the associated funding costs are reported in net interest income, notably in our main legal entities in Hong Kong and Europe.

Trading income increased in Corporate Centre reflecting favourable fair value movements of $0.5bn on the foreign exchange hedging of the proceeds of the sale of our banking business in Canada until the completion of the sale.

In WPB, trading income rose by $0.2bn due to gains on hedges in our insurance business.

Net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss of $2.4bn was $1.9bn lower than in 1H23. This decrease was mainly in Hong Kong, reflecting adverse fair value movements on debt securities due to movements in interest rates.

This unfavourable movement resulted in a corresponding movement in insurance finance expense, which has an offsetting impact for the related liabilities to policyholders.

Insurance finance expense of $2.5bn was $1.7bn lower than in 1H23, reflecting the impact of investment returns on underlying assets on the value of liabilities to policyholders, which moves inversely with 'net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss'.

Insurance service result of $0.7bn increased by $0.1bn compared with 1H23, primarily due to an increase in the release of the contractual service margin ('CSM') of $0.1bn. This primarily reflected a higher CSM balance from higher new business written.

Gain on acquisitions fell by $1.5bn, reflecting the non-recurrence of a gain recognised in respect of the acquisition of SVB UK in 1Q23.

Gains less impairment relating to sale of business operations was $3.3bn compared with $2.1bn in 1H23. In 1H24, there was a gain of $4.6bn inclusive of the recycling of $0.6bn in foreign currency translation reserve losses and $0.4bn of other reserves recycling losses on the sale of our banking business in Canada. This was partly offset by an impairment loss of $1.2bn relating to the planned sale of our business in Argentina. In 1H23, we recognised a $2.1bn reversal of an impairment relating to the sale of our retail banking operations in France, as the sale became less certain. In the second half of 2023, this impairment was reinstated as we reclassified these operations as held for sale. The sale completed on 1

January 2024.

Other operating expense of $0.1bn was $0.3bn lower than the income of $0.2bn in 1H23. The net expense in 1H24 included a loss of $0.1bn related to the recycling of reserves following the completion of the sale of our business in Russia, and an impairment loss related to the planned disposal of our operations in Armenia.

Change in expected credit losses and other credit impairment charges ('ECL') of $1.1bn was $0.3bn lower than in 1H23. 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 were offset by higher charges in Mexico, reflecting unemployment trends and growth in our unsecured portfolio.

For further details on the calculation of ECL, including the measurement uncertainties and significant judgements applied to such calculations, the impact of economic scenarios and management judgemental adjustments, see pages 69 to 81.

Operating expenses

	Half-year to	
	30 Jun 2024	30 Jun 2023
	$m	$m
Gross employee compensation and benefits	**9,935**	9,433
Capitalised wages and salaries	**(743)**	(479)
Property and equipment	**2,299**	2,047
Amortisation and impairment of intangible assets	**1,102**	809
Legal proceedings and regulatory matters	**53**	56
Other operating expenses[1]	**3,650**	3,591
Reported operating expenses	**16,296**	15,457
Currency translation		(213)
Constant currency operating expenses	**16,296**	15,244

1 Other operating expenses includes professional fees, contractor costs, transaction taxes, marketing and travel. The increase was primarily driven by the Bank of England levy and FDIC special assessment. This was partly offset by favourable currency translation differences.

Staff numbers (full-time equivalents)[1]

	At		
	30 Jun 2024	30 Jun 2023	31 Dec 2023
Global businesses			
Wealth and Personal Banking	**121,501**	129,188	128,399
Commercial Banking	**45,639**	46,006	45,884
Global Banking and Markets	**46,474**	46,247	46,241
Corporate Centre	**364**	323	337
Total staff numbers	**213,978**	221,764	220,861

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

Operating expenses of $16.3bn were $0.8bn or 5% higher than in 1H23, 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 expected quarterly phasing of the performance-related pay pool relative to 1H23. Our operating expenses also rose due to the incremental costs from IVB of $0.1bn, and the non-recurrence of a $0.2bn impact from the reversal of historical asset impairments in 1H23.

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.

The number of employees expressed in full-time equivalent staff ('FTE') at 30 June 2024 was 213,978, a decrease of 6,883 from 31 December 2023, primarily reflecting the completion of the sales of our banking business in Canada and our retail banking operations in France. Additionally, the number of contractors at 30 June 2024 was 4,364, a decrease of 312 from 31 December 2023.

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

In relation to BoCom, at 30 June 2024 we concluded there is no indication of further significant impairment (or indication that an impairment may no longer exist or may have decreased significantly) since 31 December 2023.

For further details of our impairment review process, see Note 10 on the interim condensed consolidated financial statements.

Tax expense

	Half-year to	
	30 Jun 2024	30 Jun 2023
	$m	$m
Tax (charge)/credit		
Reported	**(3,891)**	(3,586)
Currency translation	**-**	72
Constant currency tax (charge)/credit	**(3,891)**	(3,514)

Notable items

	Half-year to	
	30 Jun 2024	30 Jun 2023
	$m	$m
Tax		
Tax (charge)/credit on notable items	**14**	(500)
Recognition of losses	**-**	-
Uncertain tax positions	**-**	427

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 2.1 percentage points by the release of provisions for uncertain tax positions.

Supplementary table for planned disposals

The income statements and selected balance sheet metrics for the half-year to 30 June 2024 of our banking business in Argentina are presented below.

The asset and liability balances relating to these planned disposals are reported on the Group balance sheet within 'Assets held for sale' and 'Liabilities of disposal groups held for sale', respectively, as at 30 June 2024.

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

	Half-year to 30 Jun 2024 Argentina $bn
Revenue	0.5
ECL	0.0
Operating expenses	(0.3)
Profit before tax	**0.2**

	At 30 Jun 2024 $bn
Loans and advances to customers	1.6
Customer accounts	3.1
RWAs[1]	7.8
Foreign currency translation and other reserves losses	(5.0)

1 RWAs quoted exclude operational risk RWAs.

For further details on the impact of strategic transactions on the Group and our global business segments, see page 42.

Summary consolidated balance sheet

	At	
	30 Jun 2024	31 Dec 2023
	$m	$m
Assets		
Cash and balances at central banks	**277,112**	285,868
Trading assets	**331,307**	289,159
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	**117,014**	110,643
Derivatives	**219,269**	229,714
Loans and advances to banks	**102,057**	112,902
Loans and advances to customers	**938,257**	938,535
Reverse repurchase agreements - non-trading	**230,189**	252,217
Financial investments	**467,356**	442,763
Assets held for sale	**5,821**	114,134
Other assets	**286,621**	262,742
Total assets	**2,975,003**	3,038,677
Liabilities		
Deposits by banks	**82,435**	73,163
Customer accounts	**1,593,834**	1,611,647
Repurchase agreements - non-trading	**202,770**	172,100
Trading liabilities	**77,455**	73,150
Financial liabilities designated at fair value	**140,800**	141,426
Derivatives	**217,096**	234,772
Debt securities in issue	**98,158**	93,917
Insurance contract liabilities	**125,252**	120,851
Liabilities of disposal groups held for sale	**5,041**	108,406
Other liabilities	**241,748**	216,635
Total liabilities	**2,784,589**	2,846,067
Equity		
Total shareholders' equity	**183,293**	185,329
Non-controlling interests	**7,121**	7,281
Total equity	**190,414**	192,610
Total liabilities and equity	**2,975,003**	3,038,677

Selected financial information

	30 Jun 2024	31 Dec 2023
	$m	$m
Called up share capital	**9,310**	9,631
Capital resources[1]	**172,084**	171,204
Undated subordinated loan capital	**17**	18
Preferred securities and dated subordinated loan capital[2]	**35,877**	36,413
Risk-weighted assets	**835,118**	854,114
Total shareholders' equity	**183,293**	185,329
Less: preference shares and other equity instruments	**(18,825)**	(17,719)
Total ordinary shareholders' equity	**164,468**	167,610
Less: goodwill and intangible assets (net of tax)	**(11,359)**	(11,900)
Tangible ordinary shareholders' equity	**153,109**	155,710
Financial statistics		
Loans and advances to customers as a percentage of customer accounts (%)	**58.9**	58.2
Average total shareholders' equity to average total assets (%)	**6.15**	6.01
Net asset value per ordinary share at period end ($)[3]	**8.97**	8.82
Tangible net asset value per ordinary share at period end ($)[3]	**8.35**	8.19
Tangible net asset value per fully diluted ordinary share at period end ($)	**8.30**	8.14
Number of $0.50 ordinary shares in issue (millions)	**18,621**	19,263
Basic number of $0.50 ordinary shares outstanding (millions)	**18,330**	19,006
Basic number of $0.50 ordinary shares outstanding and dilutive potential ordinary shares (millions)	**18,456**	19,135
Closing foreign exchange translation rates to $:		
$1: £	**0.791**	0.784
$1: €	**0.934**	0.903

1 Capital resources are total regulatory capital, the calculation of which is set out on page 99.

2 Including perpetual preferred securities.

3 For the definition, see page 57.

A more detailed consolidated balance sheet is contained in the interim condensed consolidated financial statements on page 115.

Combined view of customer lending and customer deposits

	At	
	30 June 2024	31 Dec 2023

	30 June 2024	31 Dec 2023
	$m	$m
Loans and advances to customers	**938,257**	938,535
Loans and advances to customers of disposal groups reported in 'Assets held for sale'	**2,253**	73,285
- banking business in Canada	**-**	56,129
- retail banking operations in France	**-**	16,902
- business in Argentina	**1,559**	-
- operations in Armenia	**478**	-
- other	**216**	254
Non-current assets held for sale	**161**	92
Combined customer lending	**940,670**	1,011,912
Currency translation	**-**	(15,403)
Combined customer lending at constant currency	**940,670**	996,508
Customer accounts	**1,593,834**	1,611,647
Customer accounts reported in 'Liabilities of disposal groups held for sale'	**4,037**	85,950
- banking business in Canada	**-**	63,001
- retail banking operations in France	**-**	22,307
- business in Argentina	**3,077**	-
- operations in Armenia	**457**	-
- other	**503**	642
Combined customer deposits	**1,597,871**	1,697,597
Currency translation	**-**	(24,244)
Combined customer deposits at constant currency	**1,597,871**	1,673,353

Balance sheet commentary compared with 31 December 2023

At 30 June 2024, total assets of $3.0tn were $64bn or 2% lower on a reported basis, and decreased $23bn or 1% on a constant currency basis.

Our asset base included lower assets held for sale following the completion of the sales of our retail banking operations in France and our banking business in Canada during 1H24. This was partly offset by a rise in trading assets, notably in our main legal entities in Hong Kong and Europe, and higher financial investments as we increased our holdings of treasury bills and debt securities.

Reported loans and advances to customers as a percentage of customer accounts was 58.9% compared with 58.2% at 31 December 2023.

Assets

Cash and balances at central banks decreased by $9bn or 3%, primarily due to the adverse impact from foreign currency translation differences of $7bn. The reduction was mainly in HSBC UK, reflecting an increase in the deployment of our cash surplus into financial investments and a fall in customer account balances. This was partly offset by increases in HSBC Bank plc and our main legal entity in the US.

Trading assets rose by $42bn or 15%, reflecting an increase in client activity in equity and debt securities, particularly in our legal entity in Hong Kong and in HSBC Bank plc.

Derivative assets decreased by $10bn or 5%, reflecting a reduction in foreign exchange contracts, mainly in HSBC Bank plc, as a result of reduced volatility in foreign exchange rate movements. The decrease in derivative assets was broadly consistent with the fall in derivative liabilities, as the underlying risk is broadly matched.

Loans and advances to banks of $102bn were $11bn lower, reflecting lower central bank placements, notably in our main legal entities in Singapore and mainland China, as well as a decrease in central bank loans, notably in HSBC UK.

Loans and advances to customers of $938bn were stable on a reported basis. This included an adverse impact from foreign currency translation differences of $13bn.

On a constant currency basis, customer lending balances were $12bn or 1% higher, reflecting the following movements.

Customer lending balances increased in CMB by $6bn, primarily in HSBC Bank plc (up $3bn) as well as in our main legal entities in mainland China (up $2bn) and India (up $1bn) due to an increase in term lending balances. These increases were partly offset by a decrease in term lending in our main legal entity in Hong Kong (down $2bn) from lower market-wide loan demand.

In GBM, customer lending balances were $3bn higher, mainly in our main legal entity in Singapore (up $2bn) from an increase in term lending, and in HSBC Bank plc (up $1bn) reflecting higher overdraft balances. Lending also grew in our main legal entities in India and Australia. These increases were partly offset by a reduction in term lending in our main legal entity in Hong Kong (down $3bn).

In WPB, customer lending balances decreased by $3bn. This primarily reflected the $7.6bn transfer to Corporate Centre of a portfolio of home and certain other loans retained following the sale of our retail banking operations in France. This was partly offset by increases in HSBC UK (up $3bn) and the US (up $1bn) primarily from growth in mortgage lending balances.

In Corporate Centre, the increase in customer lending balances of $7.6bn reflected the transfer of balances from WPB, mentioned above.

Reverse repurchase agreements - non-trading decreased by $22bn or 9%, primarily in our main legal entities in Asia and in HSBC Bank plc reflecting reduced client demand.

Financial investments increased by $25bn or 6%, mainly as we increased our holdings of treasury bills and debt securities, notably in HSBC Bank plc and the HSBC UK. This was partly offset by decreases in our main legal entities in Hong Kong and mainland China.

Assets held for sale decreased by $108bn or 95% following the completion of the sales of our retail banking operations in France and our banking operations in Canada during 1H24.

Other assets grew by $24bn or 9%, primarily due to an increase of $19bn in settlement accounts, notably in HSBC Bank plc and the US, from higher trading activity, compared with the seasonal reduction in December 2023.

Liabilities

Customer accounts of $1.6tn decreased by $18bn or 1% on a reported basis. This included an adverse impact from foreign currency translation differences of $21bn.

On a constant currency basis, customer accounts were $3bn higher, reflecting the following movements:

In GBM, customer accounts increased $7bn, reflecting higher balances in HSBC Bank plc due to a short-term deposit by a single customer, and an increase in time deposits in our legal entity in Hong Kong. Deposit balances also grew in our main legal entities in India and the Middle East. These increases were partly offset by lower balances in our entities in the US and Singapore due to the impact of repricing actions.

Customer accounts decreased in WPB by $2bn, primarily driven by a reduction in our main legal entity in Hong Kong of $5bn, which included outflows into Wealth products due to an improvement in market sentiment as well as a reduction in money-market term deposits. These reductions were partly offset by growth in a number of other markets, notably in our main legal entities in Singapore and mainland China.

In CMB, customer accounts decreased by $2bn, primarily with outflows in the US and in our main legal entity in Singapore due to seasonality and attrition, and in HSBC UK due to seasonality and market-wide tightening of liquidity. These reductions were partly offset by higher deposits, notably in HSBC Bank plc and in our main legal entity in Mexico.

Deposits by banks increased by $9bn or 13%, reflecting an increase in client inflows, notably in HSBC Bank plc, as well as growth in money-market term deposits, notably in our main legal entities in the Middle East, Singapore and HSBC Bank plc.

Repurchase agreements - non-trading increased by $31bn or 18%, primarily in our main legal entities in Hong Kong reflecting higher client funding needs and in the US for funding in our Global Markets business.

Derivative liabilities decreased by $18bn or 8%, which is consistent with the reduction in derivative assets, since the underlying risk is broadly matched.

Liabilities of disposal groups held for sale decreased by $103bn or 95%, following the completion of the sales of our retail banking operations in France and our banking operations in Canada during 1H24.

Other liabilities increased by $25bn or 12%, notably from a rise of $20bn in settlement accounts in our main legal entities in Europe, the US, mainland China and Hong Kong from an increase in trading activity, compared with the seasonal reduction in December 2023.

Equity

Total shareholders' equity, including non-controlling interests, decreased by $2bn or 1% compared with 31 December 2023.

Profits generated of $18bn were more than offset by dividends paid of $13bn and the impact of share buy-backs of $5bn, as well as net losses through other comprehensive income ('OCI') of $2bn.

Financial investments

As part of our interest rate hedging strategy, we hold a portfolio of debt instruments, reported within financial investments, which are classified as hold-to-collect-and-sell. As a result, the change in value of these instruments is recognised through 'debt instruments at fair value through other comprehensive income' in equity.

At 30 June 2024, we had recognised a pre-tax cumulative unrealised loss reserve through other comprehensive income of $4.2bn related to these hold-to-collect-and-sell positions. This reflected a $0.3bn pre-tax loss in 1H24, inclusive of movements on related fair value hedges. Overall, the Group is positively exposed to rising interest rates through net interest income, although there is an adverse impact on our capital base in the early stages of a rising interest rate environment due to the fair value of hold-to-collect-and-sell instruments. Over time, these adverse movements will unwind as the instruments reach maturity, although not all will necessarily be held to maturity.

Risk-weighted assets

Risk-weighted assets ('RWAs') reduced by $19.0bn during the first half of 2024. Excluding a decrease of $12.8bn from foreign currency translation differences, RWAs fell by $6.2bn, largely as a result of the following:

- a $36.3bn decrease primarily due to the disposal of our banking business in Canada and the sale of our retail banking operations in France.
- These were partly offset by:
- a $21.2bn increase, mainly driven by higher value at risk and incremental risk charge in market risk. Further increases were due to corporate lending, notably in SAB, HSBC UK Bank plc and HSBC Bank plc, and higher sovereign exposures, mainly in Argentina;
- a $7.0bn increase mainly follows a revision to the definition of default in our probability of default ('PD') models for exposures to financial institutions; and
- a $2.1bn increase due to methodology changes and risk parameter refinements notably in Argentina, HBSC UK Bank plc and HSBC Bank plc, offset by Asia.

We also hold a portfolio of financial investments measured at amortised cost, which are classified as hold-to-collect. At 30 June 2024, there was a cumulative unrecognised loss of $3.0bn. Within this, $2.2bn related to debt instruments held to manage our interest rate exposure, representin
g a $1.2bn deterioration during 1H24.

Customer accounts by country/territory

	At	
	30 Jun 2024	31 Dec 2023
	$m	$m
Hong Kong	**543,776**	543,504
UK	**505,118**	508,181
US	**93,060**	99,607
Singapore	**71,191**	73,547
Mainland China	**57,452**	56,006
France	**40,237**	42,666
Australia	**30,450**	32,071
Germany	**25,272**	30,641
Mexico	**28,997**	29,423
UAE	**26,341**	24,882
India	**27,806**	24,377
Taiwan	**16,193**	16,949
Malaysia	**16,025**	15,983
Switzerland	**3,260**	8,047
Egypt	**4,183**	5,858
Indonesia	**5,383**	5,599
Türkiye	**3,021**	3,510
Other	**96,069**	90,796
At end of period	**1,593,834**	1,611,647

Global businesses

Contents

Summary

The Group Chief Executive, supported by the rest of the Group Executive Committee ('GEC'), reviews operating activity on a number of bases, including by global business and legal entities. Our global businesses - Wealth and Personal Banking, Commercial Banking, and Global Banking and Markets - along with Corporate Centre are our reportable segments under IFRS 8 'Operating Segments', and are presented below and in Note 5: 'Segmental analysis' on page 122.

Descriptions of the global businesses are provided in the Overview section on pages 18 to 24.

Basis of preparation

The Group Chief Executive, supported by the rest of the GEC, is considered the Chief Operating Decision Maker ('CODM') for the purposes of identifying the Group's reportable segments. Global business results are assessed by the CODM on the basis of constant currency performance. 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. Constant currency performance information for 1H23 is presented as described on page 29.

As required by IFRS 8, reconciliations of the total constant currency global business results to the Group's reported results are presented on page 123.

Supplementary reconciliations from reported to constant currency results by global business are presented on pages 40 to 43 for information purposes.

Global business performance is also assessed using return on tangible equity ('RoTE'). A reconciliation of global business RoTE to the Group's RoTE is provided on page 58.

Our operations are closely integrated and, accordingly, the presentation of data includes internal allocations of certain items of income and expense. These allocations include the costs of certain support services and global functions to the extent that they can be meaningfully attributed to global businesses and legal entities. While such allocations have been made on a systematic and consistent basis, they necessarily involve a degree of subjectivity. Costs that are not allocated to global businesses are included in Corporate Centre.

Where relevant, income and expense amounts presented include the results of inter-segment funding along with inter-company and inter-business line transactions. All such transactions are undertaken on arm's length terms. The intra-Group elimination items for the global businesses are presented in Corporate Centre.

HSBC Holdings incurs the liability of the UK bank levy, with the cost being recharged to its UK operating subsidiaries. The current year expense will be reflected in the fourth quarter as it is assessed on our balance sheet position as at 31 December.

The results of main legal entities are presented on a reported and constant currency basis, including HSBC UK Bank plc, HSBC Bank plc, The Hongkong and Shanghai Banking Corporation Limited, HSBC Bank Middle East Limited, HSBC North America Holdings Inc. and Grupo Financiero HSBC, S.A. de C.V.

The results of legal entities are presented on a reported basis on page 50 and a constant currency basis on page 52.

Supplementary analysis of constant currency results and notable items by global business

Constant currency results[1]

	Half-year to 30 Jun 2024				
	Wealth and Personal Banking[2] $m	Commercial Banking $m	Global Banking and Markets $m	Corporate Centre[2] $m	Total $m
Revenue[3]	14,312	10,896	8,742	3,342	37,292
ECL	(476)	(573)	(11)	(6)	(1,066)
Operating expenses	(7,406)	(3,861)	(4,918)	(111)	(16,296)
Share of profit in associates and joint ventures	28	1	-	1,597	1,626
Profit before tax	6,458	6,463	3,813	4,822	21,556
Loans and advances to customers (net)	445,882	310,356	174,376	7,643	938,257
Customer accounts	794,807	467,362	331,269	396	1,593,834

1 In the current period, constant currency results are equal to reported as there is no currency translation.

2 With effect from 1 January 2024, following the sale of our retail banking business in France, we have prospectively reclassified the portfolio of retained loans, profit participation interest and licence agreement of the CCF brand from WPB to Corporate Centre.

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

Notable items

	Half-year to 30 Jun 2024				
	Wealth and Personal Banking $m	Commercial Banking $m	Global Banking and Markets $m	Corporate Centre $m	Total $m
Revenue					
Disposals, acquisitions and related costs[1]	55	-	(14)	3,530	3,571
Operating expenses					
Disposals, acquisitions and related costs	-	2	-	(103)	(101)
Restructuring and other related costs[2]	4	3	3	9	19

1 Includes a $4.8bn gain on disposal of our banking business in Canada, inclusive of a $0.3bn gain on the foreign exchange hedging of the sales proceeds, the recycling of $0.6bn in foreign currency translation reserve losses and $0.4bn of other reserves recycling losses. This is partly offset by a $1.2bn impairment recognised in relation to the planned sale of our business in Argentina.

2 Relates to reversals of restructuring provisions recognised during 2022.

Reconciliation of reported results to constant currency results - global businesses

	Half-year to 30 Jun 2023				
	Wealth and Personal Banking $m	Commercial Banking $m	Global Banking and Markets $m	Corporate Centre $m	Total $m
Revenue[1]					

Revenue					
Reported	16,200	12,216	8,501	(41)	36,876
Currency translation	(105)	(130)	(180)	41	(374)
Constant currency	16,095	12,086	8,321	-	36,502
ECL					
Reported	(502)	(704)	(136)	(3)	(1,345)
Currency translation	18	10	-	-	28
Constant currency	(484)	(694)	(136)	(3)	(1,317)
Operating expenses					
Reported	(7,141)	(3,572)	(4,785)	41	(15,457)
Currency translation	121	114	9	(31)	213
Constant currency	(7,020)	(3,458)	(4,776)	10	(15,244)
Share of profit in associates and joint ventures					
Reported	35	(1)	-	1,549	1,583
Currency translation	-	-	-	(52)	(52)
Constant currency	35	(1)	-	1,497	1,531
Profit/(loss) before tax					
Reported	8,592	7,939	3,580	1,546	21,657
Currency translation	34	(6)	(171)	(42)	(185)
Constant currency	8,626	7,933	3,409	1,504	21,472
Loans and advances to customers (net)					
Reported	463,836	319,246	176,182	294	959,558
Currency translation	(3,441)	(3,975)	(1,127)	(1)	(8,544)
Constant currency	460,395	315,271	175,055	293	951,014
Customer accounts					
Reported	809,864	472,146	313,126	633	1,595,769
Currency translation	(5,902)	(5,844)	(3,600)	(5)	(15,351)
Constant currency	803,962	466,302	309,526	628	1,580,418

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

Notable items (continued)

	Half-year to 30 Jun 2023				
	Wealth and Personal Banking $m	Commercial Banking $m	Global Banking and Markets $m	Corporate Centre $m	Total $m
Revenue					
Disposals, acquisitions and related costs[1,2]	2,034	1,507	-	(220)	3,321
Fair value movements on financial instruments[3]	-	-	-	15	15
Operating expenses					
Disposals, acquisitions and related costs	(23)	(15)	3	(83)	(118)
Restructuring and other related costs[4]	-	29	-	18	47

1 Includes the reversal of a $2.1bn impairment loss relating to the sale of our retail banking operations in France.

2 Includes the gain of $1.5bn recognised in respect of the acquisition of SVB UK.

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

4 Relates to reversals of restructuring provisions recognised during 2022.

Strategic transactions supplementary analysis

The following table presents the selected impacts of strategic transactions to the Group and our global business segments. These comprise the strategic transactions where the financial impacts of the acquisition or disposal have qualified for material notable item treatment in our results. Material notable items are a subset of notable items and categorisation is dependent on 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 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.

Constant currency results

	Half year to 30 Jun 2024				
	Wealth and Personal Banking $m	Commercial Banking $m	Global Banking and Markets $m	Corporate Centre $m	Total $m
Revenue	54	179	-	3,680	3,912
ECL	-	(3)	-	-	(3)
Operating expenses	(7)	(76)	-	(103)	(186)
Share of profit in associates and joint ventures	-	-	-	-	-
Profit before tax	**47**	**100**	**-**	**3,577**	**3,724**
- HSBC Innovation Banking[1]		100		-	100
- Retail banking operations in France	47			(4)	43
- Banking business in Canada	-			4,773	4,773
- Business in Argentina				(1,192)	(1,192)
Of which: notable items					
Revenue	55	-	-	3,680	3,735
Profit before tax	**55**	**-**	**-**	**3,577**	**3,632**
Of which: distorting impact of operating results between periods					
Revenue	(1)	179	-	-	178
Profit before tax	**(8)**	**100**	**-**	**-**	**92**

	Half year to 30 Jun 2023				
Revenue	2,443	1,800	51	(210)	4,085
ECL	(5)	(33)	5	-	(33)
Operating expenses	(370)	(94)	(24)	(82)	(570)
Share of profit in associates and joint ventures	-	-	-	-	-
Profit/(loss) before tax	2,068	1,673	32	(292)	3,481
- HSBC Innovation Banking[1]		1,530		-	1,530
- Retail banking operations in France	1,980			54	2,034
- Banking business in Canada	88	143	32	(345)	(82)
- Business in Argentina				-	-
Of which: notable items					
Revenue	2,058	1,572	-	(210)	3,420
Profit before tax	2,034	1,560	-	(292)	3,302
Of which: distorting impact of operating results between periods					
Revenue	385	228	-	-	613
Profit before tax	34	113	-	-	147

1 Includes the impact of our acquisition of SVB UK, which in June 2023 changed its legal entity name to HSBC Innovation Bank Limited.

Constant currency results (continued)

	Quarter ended 30 Jun 2024				
	Wealth and Personal Banking $m	Commercial Banking $m	Global Banking and Markets $m	Corporate Centre $m	Total $m
Revenue	3	-	-	(6)	(3)
ECL	-	-	-	-	-
Operating expenses	(1)	3	-	(42)	(39)
Share of profit in associates and joint ventures	-	-	-	-	-
Profit/(loss) before tax	**2**	**3**	**-**	**(48)**	**(43)**
- HSBC Innovation Banking[1]		3		-	3
- Retail banking operations in France	2			(3)	(1)
- Banking business in Canada				10	10
- Business in Argentina				(55)	(55)
Of which: notable items					
Revenue	2	-	-	(6)	(4)
Profit before tax	**3**	**3**	**-**	**(48)**	**(42)**
Of which: distorting impact of operating results between periods					
Revenue	1	-	-	-	1
Profit before tax	**(1)**	**-**	**-**	**-**	**(1)**

	Quarter ended 30 Jun 2023				
Revenue	318	224	51	(244)	349
ECL	(5)	(6)	5	-	(6)
Operating expenses	(220)	(86)	(24)	(39)	(369)

Share of profit in associates and joint ventures	-	-	-	-	-
Profit/(loss) before tax	93	132	32	(283)	(26)
- HSBC Innovation Banking[1]		(11)		8	(3)
- Retail banking operations in France	5			(30)	(25)
- Banking business in Canada	88	143	32	(260)	3
- Business in Argentina				-	-

Of which: notable items

Revenue	14	(4)	-	(244)	(234)
Profit before tax	11	(19)	-	(283)	(291)
Of which: distorting impact of operating results between periods					
Revenue	304	228	-	-	532
Profit before tax	82	151	-	-	233

1 Includes the impact of our acquisition of SVB UK, which in June 2023 changed its legal entity name to HSBC Innovation Bank Limited.

Reconciliation of reported risk-weighted assets to constant currency risk-weighted assets

	At 30 Jun 2024				
	Wealth and Personal Banking $bn	Commercial Banking $bn	Global Banking and Markets $bn	Corporate Centre $bn	Total $bn
Risk-weighted assets					
Reported	**182.5**	**335.7**	**225.1**	**91.8**	**835.1**
Constant currency	**182.5**	**335.7**	**225.1**	**91.8**	**835.1**
	At 30 Jun 2023				
Risk-weighted assets					
Reported	186.6	353.8	227.0	92.1	859.5
Currency translation	(5.1)	(8.7)	(2.8)	(0.6)	(17.2)
Constant currency	181.5	345.1	224.2	91.5	842.3
	At 31 Dec 2023				
Risk-weighted assets					
Reported	192.9	354.5	218.5	88.2	854.1
Currency translation	(4.1)	(7.3)	(3.4)	(0.8)	(15.6)
Constant currency	188.8	347.2	215.1	87.4	838.5

Supplementary tables for WPB

WPB performance by business unit (constant currency)

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

WPB - summary (constant currency basis)

	Total WPB $m	Banking operations[2] $m	Life insurance $m	Global Private Banking $m	Asset management $m
		Consists of			
Half-year to 30 Jun 2024					
Net operating income before change in expected credit losses and other credit impairment charges[1]	**14,312**	**11,411**	**912**	**1,327**	**662**
- net interest income	**10,231**	**9,469**	**158**	**598**	**6**
- net fee income	**2,941**	**1,726**	**84**	**500**	**631**
- other income	**1,140**	**216**	**670**	**229**	**25**
ECL	**(476)**	**(479)**	**-**	**3**	**-**
Net operating income	**13,836**	**10,932**	**912**	**1,330**	**662**
Total operating expenses	**(7,406)**	**(5,740)**	**(334)**	**(842)**	**(490)**
Operating profit	**6,430**	**5,192**	**578**	**488**	**172**
Share of profit in associates and joint ventures	**28**	**7**	**21**	**-**	**-**
Profit before tax	**6,458**	**5,199**	**599**	**488**	**172**
Half-year to 30 Jun 2023					
Net operating income before change in expected credit losses and other credit impairment charges[1]	16,095	13,480	851	1,147	617
- net interest income	10,130	9,412	138	585	(5)
- net fee income	2,675	1,624	75	396	580
- other income	3,290	2,444	638	166	42
ECL	(484)	(484)	(3)	3	-
Net operating income	15,611	12,996	848	1,150	617
Total operating expenses	(7,020)	(5,433)	(349)	(783)	(455)
Operating profit	8,591	7,563	499	367	162
Share of profit in associates and joint ventures	35	7	28	-	-
Profit before tax	8,626	7,570	527	367	162

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

2 Includes investment distribution.

Life insurance business performance

The following table provides an analysis of the performance of our life insurance business for the period. It comprises income earned by our insurance manufacturing operations within our WPB business, as well as income earned and costs incurred within our Wealth insurance distribution channels and consolidation and inter-company elimination entries.

Results of WPB's life insurance business unit (constant currency basis)

	Insurance manufacturing operations $m	Wealth insurance and other[1] $m	Life insurance $m
		Half-year to 30 Jun 2024	
Net interest income	**158**	**-**	**158**
Net fee income/(expense)	**(7)**	**91**	**84**
Other income	**654**	**16**	**670**
- insurance service results	**701**	**(9)**	**692**
- net investment returns (excluding net interest income)	**(59)**	**(6)**	**(65)**
- other operating income	**12**	**31**	**43**
Net operating income before change in expected credit losses and other credit impairment charges[2]	**805**	**107**	**912**
ECL	**-**	**-**	**-**
Net operating income	**805**	**107**	**912**
Total operating expenses	**(283)**	**(51)**	**(334)**
Operating profit	**522**	**56**	**578**
Share of profit in associates and joint ventures	**21**	**-**	**21**
Profit before tax	**543**	**56**	**599**
		Half-year to 30 Jun 2023	
Net interest income	138	-	138
Net fee income/(expense)	(25)	100	75
Other income	646	(8)	638
- insurance service results	557	(22)	535
- net investment returns (excluding net interest income)	(19)	3	(16)
- other operating income	108	11	119
Net operating income before change in expected credit losses and other credit impairment charges[2]	759	92	851
ECL	(3)	-	(3)
Net operating income	756	92	848
Total operating expenses	(265)	(84)	(349)
Operating profit	491	8	499
Share of profit in associates and joint ventures	28	-	28
Profit before tax	519	8	527

1 'Wealth insurance and other' includes fee income earned and operating expenses incurred within our Wealth distribution channels. It also includes the IFRS 17 consolidation entries

arising from transactions between our insurance manufacturing operations and Wealth distribution channels and with the wider Group, as well as allocations of central costs benefiting life insurance.

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

WPB insurance manufacturing (constant currency basis)

The following table shows the results of our insurance manufacturing operations for our WPB business and for all global business segments in aggregate.

Results of insurance manufacturing operations[1,2]

	Half-year to			
	30 Jun 2024		30 Jun 2023	
	WPB	**All global businesses**	WPB	All global businesses
	$m	**$m**	$m	$m
Net interest income[3]	**158**	**177**	138	155
Net fee expense	**(7)**	**(12)**	(25)	(18)
Other income	**654**	**657**	646	639
Insurance service result	**701**	**701**	557	557
- release of contractual service margin	**629**	**629**	522	522
- risk adjustment release	**35**	**35**	20	20
- experience variance and other	**30**	**30**	4	4
- loss from onerous contracts	**7**	**7**	11	11
Net investment returns (excluding net interest income)[3]	**(59)**	**(55)**	(19)	(23)
- insurance finance expense	**(2,489)**	**(2,489)**	(4,191)	(4,190)
- other investment income	**2,430**	**2,434**	4,172	4,167
Other operating income	**12**	**11**	108	105
Net operating income before change in expected credit losses and other credit impairment charges[4]	**805**	**822**	759	776
Change in expected credit losses and other credit impairment charges	**-**	**-**	(3)	(3)
Net operating income	**805**	**822**	756	773
Total operating expenses	**(283)**	**(284)**	(265)	(268)
Operating profit	**522**	**538**	491	505
Share of profit in associates and joint ventures	**21**	**21**	28	28
Profit before tax of insurance business operations[5]	**543**	**559**	519	533
Additional information				
Insurance manufacturing new business contractual service margin (reported basis)	**1,324**	**1,324**	747	747
Consolidated Group new business contractual service margin (reported basis)	**1,437**	**1,437**	811	811
Annualised new business premiums of insurance manufacturing operations	**2,792**	**2,792**	1,888	1,888

1 Constant currency results are derived by adjusting for period-on-period effects of foreign currency translation differences. The impact of foreign currency translation differences on 'All global businesses' profit before tax was $2m unfavourable for 1H23 (reported: $535m).

2 The results presented for insurance manufacturing operations are shown before elimination of inter-company transactions with HSBC non-insurance operations. The 'All global businesses' result consists primarily of WPB business, as well as a small proportion of CMB business.

3 Net investment return for all global businesses for the half-year to 30 June 2024 was $122m (30 June 2023: $132m), which consisted of net interest income, net income on assets held at fair value through profit or loss, and insurance finance expense.

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

5 The effect on insurance manufacturing operations of applying hyperinflation accounting in Argentina resulted in a decrease in 'All global businesses' profit before tax in 1H24 of $41m (1H23: decrease of $6m).

Insurance manufacturing

The following commentary, unless otherwise stated, relates to the constant currency results for 'All global businesses'.

Profit before tax of $0.6bn reported in 1H24 reflected the following:

- Insurance service result of $0.7bn in 1H24 increased by $0.1bn compared with 1H23 reflecting an increase to the release of CSM of $0.1bn. This was driven by a higher closing CSM balance primarily from the effect of new business written and favourable market experience.
- Net investment return (excluding net interest income) of $0.1bn loss was marginally lower than 1H23, with returns on investments before net interest income largely offset by insurance finance expense.
- Other operating income reduced by $0.1bn primarily from losses on reinsurance arrangements in Hong Kong.

Annualised new business premiums ('ANP') is used to assess new insurance premiums generated by the business. It is calculated as 100% of annualised first year regular premiums and 10% of single premiums, before reinsurance ceded. ANP in 1H24 increased by 48% compared with 1H23, primarily from strong new business sales in Hong Kong and a shift in product mix from single to multi-premium products.

Insurance manufacturing value of new business

Insurance manufacturing value of new business is a non-GAAP alternative performance measure that provides information about value generation from new business sold during the period. It is a metric used internally to measure the long-term profitability of new business sold, and is calculated as the sum of the IFRS 17 new business CSM and loss component adjusted for:

- a full attribution of expenses incurred within our insurance manufacturing operations. IFRS 17 considers only directly attributable expenses within the new business CSM measurement; and
- long-term asset spreads expected to be generated over the contract term. Under IFRS 17, new business CSM is in contrast calculated on a market consistent risk neutral basis. This also necessitates changes to the underlying economic scenario models used in the valuation of policyholder guarantees to reflect this basis.

There were no other adjustments made, with demographic and expense assumptions remaining unchanged, except for inclusion of future non-attributable expenses as described above. The IFRS 17 risk adjustment remained unchanged, with no additional allowances made for market risks. Insurance manufacturing value of new business was measured before tax and after inclusion of the impact of reinsurance.

Insurance manufacturing value of new business

	Half-year to	
	30 Jun 2024	30 Jun 2023
	$m	$m
Insurance manufacturing operations new business CSM and loss component[1]	**1,319**	740
Inclusion of incremental expenses not attributable to the contractual service margin	**(191)**	(143)
Long-term asset spreads	**266**	195
Insurance manufacturing value of new business	**1,394**	792

1 Insurance manufacturing new business contractual service margin was $1,324m (1H23: $747m) and the loss component was $5m (1H23: $7m).

Insurance equity plus CSM net of tax

Insurance equity plus CSM net of tax is a non-GAAP alternative performance measure that provides information about our insurance manufacturing operations' net asset value plus the future earnings from in-force business. At 30 June 2024, insurance equity plus CSM net of tax on a reported basis was $17,572m (31 December 2023: $16,583m; 30 June 2023: $16,310m).

At 30 June 2024, insurance equity plus CSM net of tax was calculated as insurance manufacturing operations equity of $7,531m plus CSM of $12,218m less tax of $2,177m. At 31 December 2023, it was calculated as insurance manufacturing operations equity of $7,731m

plus CSM of $10,786m less tax of $1,934m. At 30 June 2023, it was calculated as insurance manufacturing operations equity of $7,661m plus CSM of $10,571m less tax of $1,922m.

Insurance manufacturing proxy embedded value

Insurance manufacturing proxy embedded value was previously presented as a non-GAAP performance measure in the Annual Report and Accounts 2023. The Group continues to review its use of non-GAAP performance measures following implementation of IFRS 17, and this measure has now been discontinued as 'Equity plus CSM net of tax' is considered a measure of value more closely aligned with IFRS 17.

WPB: Wealth balances

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

WPB - reported wealth balances[1]

	At		
	30 Jun 2024	30 Jun 2023	31 Dec 2023
	$bn	$bn	$bn
Global Private Banking invested assets	**390**	341	363
- managed by Global Asset Management	**62**	64	61
- external managers, direct securities and other	**328**	277	302
Retail invested assets	**412**	372	383
- managed by Global Asset Management	**172**	207	178
- external managers, direct securities and other	**240**	165	205
Asset Management third-party distribution	**469**	384	445
Reported invested assets[1]	**1,271**	1,097	1,191
Wealth deposits (Premier, Jade and Global Private Banking)[2]	**530**	533	536
Total reported wealth balances	**1,801**	1,630	1,727

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

2 Premier, Jade and Global Private Banking deposits, which include Prestige deposits in Hang Seng Bank, form part of the total WPB customer accounts balance of $795bn (30 June 2023: $810bn; 31 December 2023: $805bn) on page 40.

Asset Management: Funds under management

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

Asset Management - reported funds under management[1]

	Half-year to		
	30 Jun 2024	30 Jun 2023	31 Dec 2023
	$bn	$bn	$bn
Opening balance	**684**	595	628
Net new invested assets	**3**	9	45
Net market movements	**24**	15	8
Foreign exchange and others	**(8)**	9	3
Closing balance	**703**	628	684

Asset Management - reported funds under management by legal entities

	At		
	30 Jun 2024	30 Jun 2023	31 Dec 2023
	$bn	$bn	$bn
HSBC Bank plc	**164**	141	162
The Hongkong and Shanghai Banking Corporation Limited	**212**	188	198
HSBC North America Holdings Inc.	**54**	55	71
Grupo Financiero HSBC, S.A. de C.V.	**15**	11	15
Other trading entities[2]	**258**	233	238
Closing balance	**703**	628	684

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

2 Funds under management of $193bn (30 June 2023: $164bn; 31 December 2023: $177bn) related to our Asset Management entity in the UK are reported under 'other trading entities' in the table above.

At 30 June 2024, Asset Management funds under management were $703bn, an increase of $19bn or 3% compared with 31 December 2023. The increase was driven by favourable market performances and net new invested assets, notably in the UK and Hong Kong.

Net new invested assets of $3bn reflected inflows into long-term products, primarily passive investment products, developed market fixed income and private equity investment products. These inflows were largely offset by redemptions from money market instruments in the US.

Global Private Banking client balances[1]

The following table shows the client balances of our Global Private Banking business.

Global Private Banking - reported client balances[2]

	Half-year to		
	30 Jun 2024	30 Jun 2023	31 Dec 2023
	$bn	$bn	$bn
Opening balance	**447**	383	419
Net new invested assets	**16**	17	-
Increase/(decrease) in deposits	**1**	3	6
Net market movements	**13**	14	5
Foreign exchange and others	**2**	2	17
Closing balance	**479**	419	447

Global Private Banking - reported client balances by legal entities

	At		
	30 Jun 2024	30 Jun 2023	31 Dec 2023
	$bn	$bn	$bn
HSBC UK Bank plc	**33**	29	32
HSBC Bank plc	**141**	62	54
The Hongkong and Shanghai Banking Corporation Limited	**234**	187	209
HSBC Bank Middle East Limited[3]	**3**	-	-
HSBC North America Holdings Inc.	**66**	65	64
Grupo Financiero HSBC, S.A. de C.V.	**2**	2	3
Other trading entities[4]	**-**	74	85
Closing balance	**479**	419	447

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

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

3 In 1H24, there was a transfer of $3bn from Retail invested assets to GPB client balances to align with the management of these balances.

4 In 1H24, there was a transfer of $77bn from HSBC Private Bank (Suisse) SA to HSBC Bank plc.

Retail invested assets

The following table shows the invested assets of our retail customers. These comprise customer assets either managed by our Asset Management business or by external third-party investment managers as well as self-directed investments by our customers. Retail invested assets are not reported on the Group's balance sheet, except where it is deemed that we are acting as principal rather than agent in our role as investment manager.

Retail invested assets

	Half-year to		
	30 Jun 2024	30 Jun 2023	31 Dec 2023
	$bn	$bn	$bn
Opening balance	**383**	363	372
Net new invested assets[1]	**21**	14	12
Net market movements	**4**	6	1
Foreign exchange and others	**4**	(11)	(2)
Closing balance	**412**	372	383

Retail invested assets by legal entities

	At		
	30 Jun 2024	30 Jun 2023	31 Dec 2023
	$bn	$bn	$bn
HSBC UK Bank plc	**31**	29	29
HSBC Bank plc	**32**	36	31
The Hongkong and Shanghai Banking Corporation Limited	**318**	280	292
HSBC Bank Middle East Limited	**3**	3	3
HSBC North America Holdings Inc.	**15**	13	14
Grupo Financiero HSBC, S.A. de C.V.	**9**	8	9
Other trading entities	**4**	3	5
Closing balance	**412**	372	383

1 'Retail net new invested assets' covers 13 markets, comprising Hong Kong including Hang Seng Bank (Hong Kong), mainland China, Malaysia, Singapore, India, Indonesia, Taiwan, HSBC UK, Channel Islands, UAE, the US and Mexico. The 'net new invested assets' related to all other geographies is reported in 'Foreign exchange and other'.

WPB invested assets

'Net new invested assets' represents the net customer inflows from retail invested assets, Asset Management third-party distribution and Global Private Banking invested assets. It excludes all customer deposits. The 'net new invested assets' in the table below is non-additive from the tables above, as net new invested assets managed by Asset Management that are generated by retail clients or Global Private Banking will be recorded in both businesses.

WPB: Invested assets

	Half-year to		
	30 Jun 2024	30 Jun 2023	31 Dec 2023
	$bn	$bn	$bn
Opening balance	**1,191**	1,015	1,097
Net new invested assets	**32**	34	50
Net market movements	**36**	29	14
Foreign exchange and others	**12**	19	30
Closing balance	**1,271**	1,097	1,191

WPB: Net new invested assets by legal entities

	Half-year to		
	30 Jun 2024	30 Jun 2023	31 Dec 2023
	$bn	$bn	$bn
HSBC UK Bank plc	**1**	-	1
HSBC Bank plc	**5**	1	2
The Hongkong and Shanghai Banking Corporation Limited	**38**	27	20
HSBC Bank Middle East Limited	**0**	-	1
HSBC North America Holdings Inc.[1]	**(22)**	(7)	14
Grupo Financiero HSBC, S.A. de C.V.	**1**	1	4
Other trading entities	**9**	12	8
Total	**32**	34	50

1 Net new invested assets in the half-year to 30 June 2024 primarily reflected outflows from liquidity products in Asset Management.

Legal entities

Contents

Analysis of reported results by legal entities

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

	Half-year to 30 Jun 2024			
	The Hongkong	**HSBC**	**HSBC**	**Holding companies,**

	HSBC UK Bank plc $m	HSBC Bank plc $m	and Shanghai Banking Corporation Limited $m	Bank Middle East Limited $m	North America Holdings Inc. $m	HSBC Bank Canada $m	Grupo Financiero HSBC, S.A. de C.V. $m	Other trading entities $m	shared service centres and intra-Group eliminations $m	Total $m
Net interest income	**5,063**	**832**	**7,454**	**804**	**730**	**300**	**1,187**	**1,618**	**(1,077)**	**16,911**
Net fee income	**810**	**827**	**2,689**	**260**	**674**	**129**	**328**	**530**	**(47)**	**6,200**
Net income from financial instruments held for trading or managed on a fair value basis	**276**	**2,786**	**5,996**	**167**	**492**	**33**	**265**	**182**	**319**	**10,516**
Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit and loss	**-**	**545**	**1,722**	**-**	**-**	**-**	**30**	**84**	**(5)**	**2,376**
Insurance finance income/(expense)	**-**	**(678)**	**(1,708)**	**-**	**-**	**-**	**(40)**	**(68)**	**8**	**(2,486)**
Insurance service result	**-**	**130**	**524**	**-**	**-**	**-**	**41**	**(9)**	**(24)**	**662**
Other income/(expense)[1]	**81**	**51**	**288**	**25**	**239**	**-**	**31**	**(602)**	**3,000**	**3,113**
Net operating income before change in expected credit losses and other credit impairment charges[2]	**6,230**	**4,493**	**16,965**	**1,256**	**2,135**	**462**	**1,842**	**1,735**	**2,174**	**37,292**
Change in expected credit losses and other credit impairment charges	**(62)**	**66**	**(455)**	**(102)**	**(33)**	**(40)**	**(386)**	**(59)**	**5**	**(1,066)**
Net operating income	**6,168**	**4,559**	**16,510**	**1,154**	**2,102**	**422**	**1,456**	**1,676**	**2,179**	**36,226**
Total operating expenses	**(2,427)**	**(3,142)**	**(6,873)**	**(618)**	**(1,677)**	**(236)**	**(998)**	**(950)**	**671**	**(16,250)**
Impairment of goodwill and other intangible assets	**(7)**	**(1)**	**(24)**	**-**	**(2)**	**-**	**-**	**(11)**	**(1)**	**(46)**
Operating profit	**3,734**	**1,416**	**9,613**	**536**	**423**	**186**	**458**	**715**	**2,849**	**19,930**
Share of profit/(loss) in associates and joint ventures	**-**	**20**	**1,280**	**-**	**-**	**-**	**8**	**319**	**(1)**	**1,626**
Profit before tax	**3,734**	**1,436**	**10,893**	**536**	**423**	**186**	**466**	**1,034**	**2,848**	**21,556**
	%	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
Share of HSBC's profit before tax	**17.3**	**6.7**	**50.5**	**2.5**	**2.0**	**0.9**	**2.2**	**4.7**	**13.2**	**100.0**
Cost efficiency ratio	**39.1**	**70.0**	**40.7**	**49.2**	**78.6**	**51.1**	**54.2**	**55.4**	**(30.8)**	**43.7**
Balance sheet data	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Loans and advances to customers (net)	**270,262**	**107,957**	**453,642**	**20,506**	**55,809**	**-**	**25,449**	**4,632**	**-**	**938,257**
Total assets	**416,096**	**902,722**	**1,353,949**	**57,320**	**267,310**	**-**	**47,289**	**31,385**	**(101,068)**	**2,975,003**
Customer accounts	**334,566**	**295,557**	**799,086**	**32,934**	**93,060**	**-**	**28,997**	**9,532**	**102**	**1,593,834**
Risk-weighted assets[3,4,5]	**131,472**	**137,075**	**401,244**	**26,082**	**76,755**	**-**	**31,286**	**54,982**	**4,866**	**835,118**

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

	Half-year to 30 Jun 2023									
	HSBC UK Bank plc $m	HSBC Bank plc $m	The Hongkong and Shanghai Banking Corporation Limited $m	HSBC Bank Middle East Limited $m	HSBC North America Holdings Inc. $m	HSBC Bank Canada $m	Grupo Financiero HSBC, S.A. de C.V. $m	Other trading entities $m	Holding companies, shared service centres and intra-Group eliminations $m	Total $m
Net interest income	4,779	1,407	8,398	764	933	663	998	1,424	(1,102)	18,264
Net fee income	801	832	2,555	243	624	284	274	565	(93)	6,085
Net income from financial instruments held for trading or managed on a fair value basis	235	2,053	4,740	212	380	50	226	494	(278)	8,112
Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit and loss	-	782	3,446	-	-	-	3	83	(10)	4,304
Insurance finance income	-	(780)	(3,402)	-	-	-	-	(64)	12	(4,234)
Insurance service result	-	91	399	-	-	-	41	4	(11)	524
Other income/(expense)[1]	1,574	2,318	397	(21)	205	11	32	(289)	(406)	3,821
Net operating income before change in expected credit losses and other credit impairment charges[2]	7,389	6,703	16,533	1,198	2,142	1,008	1,574	2,217	(1,888)	36,876
Change in expected credit losses and other credit impairment charges	(418)	(73)	(456)	-	(62)	(11)	(264)	(71)	10	(1,345)
Net operating income	6,971	6,630	16,077	1,198	2,080	997	1,310	2,146	(1,878)	35,531
Total operating expenses	(2,171)	(3,189)	(6,495)	(524)	(1,603)	(522)	(877)	(1,136)	764	(15,753)
Impairment of goodwill and other intangible assets	(9)	100	(12)	(1)	224	-	(3)	(3)	-	296
Operating profit	4,791	3,541	9,570	673	701	475	430	1,007	(1,114)	20,074
Share of profit in associates and joint ventures	-	(43)	1,347	-	-	-	6	275	(2)	1,583
Profit before tax	4,791	3,498	10,917	673	701	475	436	1,282	(1,116)	21,657
	%	%	%	%	%	%	%	%	%	%
Share of HSBC's profit before tax	22.1	16.2	50.4	3.1	3.2	2.2	2.0	6.0	(5.2)	100.0
Cost efficiency ratio	29.5	46.1	39.4	43.8	64.4	51.8	55.9	51.4	40.6	41.9
Balance sheet data	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Loans and advances to customers (net)	266,694	112,408	464,546	18,804	53,410	-	24,507	19,189	-	959,558
Total assets	425,833	920,578	1,318,640	51,664	251,755	91,646	46,382	66,548	(131,570)	3,041,476
Customer accounts	345,835	282,041	775,430	31,262	99,303	-	28,402	33,313	183	1,595,769
Risk-weighted assets[3,4]	125,782	127,402	391,470	24,187	73,140	31,382	30,657	66,317	11,285	859,545

1 Other income/(expense) in this context comprises gain on acquisitions, impairment gain/(loss) relating to the sale of our retail banking operations in France, and other operating income/(expense).

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

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

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

4 Balances are on a third-party Group consolidated basis.

5 Holding companies, shared service centres and intra-Group eliminations' balance includes HSBC Bank Canada operational risk RWAs, due to the averaging calculation and will roll off over future reporting cycles.

Summary information - legal entities and selected countries

Legal entity reported and constant currency results[1]

	Half-year to 30 Jun 2024									
	HSBC UK Bank plc $m	HSBC Bank plc $m	The Hongkong and Shanghai Banking Corporation Limited $m	HSBC Bank Middle East Limited $m	HSBC North America Holdings Inc. $m	HSBC Bank Canada $m	Grupo Financiero HSBC, S.A. de C.V. $m	Other trading entities[2] $m	Holding companies, shared service centres and intra-Group eliminations $m	Total $m
Revenue[3]	6,230	4,493	16,965	1,256	2,135	462	1,842	1,735	2,174	37,292
ECL	(62)	66	(455)	(102)	(33)	(40)	(386)	(59)	5	(1,066)
Operating expenses	(2,434)	(3,143)	(6,897)	(618)	(1,679)	(236)	(998)	(961)	670	(16,296)
Share of profit in associates and joint ventures	-	20	1,280	-	-	-	8	319	(1)	1,626
Profit/(loss) before tax	3,734	1,436	10,893	536	423	186	466	1,034	2,848	21,556
Loans and advances to customers (net)	270,262	107,957	453,642	20,506	55,809	-	25,449	4,632	-	938,257
Customer accounts	334,566	295,557	799,086	32,934	93,060	-	28,997	9,532	102	1,593,834

1 In the current period, constant currency results are equal to reported, as there is no currency translation.

2 Other trading entities includes the results of entities located in Türkiye, Egypt and Saudi Arabia (including our share of the results of Saudi Awwal Bank) which do not consolidate into HSBC Bank Middle East Limited. These entities had an aggregated impact on the Group's reported profit before tax of $728m. Supplementary analysis is provided on page 56 to provide a fuller picture of the MENAT regional performance.

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

Legal entity results: notable items

	Half-year to 30 Jun 2024									
	HSBC UK Bank plc $m	HSBC Bank plc $m	The Hongkong and Shanghai Banking Corporation Limited $m	HSBC Bank Middle East Limited $m	HSBC North America Holdings Inc. $m	HSBC Bank Canada $m	Grupo Financiero HSBC, S.A. de C.V. $m	Other trading entities $m	Holding companies, shared service centres and intra-Group eliminations $m	Total $m
Revenue										
Disposals, acquisitions and related costs[1]	-	(131)	-	-	-	-	-	-	3,702	3,571
Operating expenses										
Disposals, acquisitions and related costs	3	(5)	-	-	(15)	(36)	-	(1)	(47)	(101)
Restructuring and other related costs[2]	4	11	-	-	-	-	-	-	4	19

1 Includes a $4.8bn gain on disposal of our banking business in Canada, inclusive of a $0.3bn gain on the foreign exchange hedging of the sale proceeds, the recycling of $0.6bn in foreign currency translation reserve losses and $0.4bn of other reserves recycling losses. This is partly offset by a $1.2bn impairment recognised in relation to the planned sale of our business in Argentina.

2 Relate to reversals of restructuring provisions recognised during 2022.

Country results[1]

	Half-year to 30 Jun 2024				
	UK[2] $m	Hong Kong $m	Mainland China $m	US $m	Mexico $m
Revenue[3]	10,570	10,898	2,060	2,122	1,842
ECL	15	(386)	(30)	(33)	(386)
Operating expenses	(6,499)	(4,305)	(1,376)	(1,679)	(998)
Share of profit/(loss) in associates and joint ventures	22	9	1,256	-	8
Profit before tax	4,108	6,216	1,910	410	466
Loans and advances to customers (net)	311,486	274,806	44,821	55,809	25,449
Customer accounts	505,118	543,776	57,452	93,060	28,997

1 In the current period, constant currency results are equal to reported, as there is no currency translation.

2 UK includes HSBC UK Bank plc (ring-fenced bank) and HSBC Bank plc (non-ring-fenced bank).

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

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

Country results: notable items

	Half-year to 30 Jun 2024				
	UK[1] $m	Hong Kong $m	Mainland China $m	US $m	Mexico $m
Revenue					
Disposals, acquisitions and related costs	205	-	-	-	-
Operating expenses					
Disposals, acquisitions and related costs	(28)	(1)	(5)	(15)	-
Restructuring and other related costs	9	-	-	-	-

1 UK includes HSBC UK Bank plc (ring-fenced bank) and HSBC Bank plc (non-ring-fenced bank).

Legal entity reported and constant currency results (continued)

	Half-year to 30 Jun 2023									
	HSBC UK Bank plc $m	HSBC Bank plc $m	The Hongkong and Shanghai Banking Corporation Limited $m	HSBC Bank Middle East Limited $m	HSBC North America Holdings Inc. $m	HSBC Bank Canada $m	Grupo Financiero HSBC, S.A. de C.V. $m	Other trading entities[1] $m	Holding companies, shared service centres and intra-Group eliminations $m	Total $m
Revenue[2]										
Reported	7,389	6,703	16,533	1,198	2,142	1,008	1,574	2,217	(1,888)	36,876
Currency translation	208	82	(147)	1	-	(9)	92	(633)	32	(374)
Constant currency	7,597	6,785	16,386	1,199	2,142	999	1,666	1,584	(1,856)	36,502
ECL										
Reported	(418)	(73)	(456)	-	(62)	(11)	(264)	(71)	10	(1,345)
Currency translation	(9)	(1)	2	-	-	-	(16)	53	(1)	28
Constant currency	(427)	(74)	(454)	-	(62)	(11)	(280)	(18)	9	(1,317)
Operating expenses										
Reported	(2,180)	(3,089)	(6,507)	(525)	(1,379)	(522)	(880)	(1,139)	764	(15,457)
Currency translation	(51)	(40)	62	-	-	4	(50)	322	(34)	213
Constant currency	(2,231)	(3,129)	(6,445)	(525)	(1,379)	(518)	(930)	(817)	730	(15,244)
Share of profit/(loss) in associates and joint ventures										
Reported	-	(43)	1,347	-	-	-	6	275	(2)	1,583
Currency translation	-	(1)	(51)	-	-	-	-	-	-	(52)
Constant currency	-	(44)	1,296	-	-	-	6	275	(2)	1,531
Profit/(loss) before tax										
Reported	4,791	3,498	10,917	673	701	475	436	1,282	(1,116)	21,657
Currency translation	148	40	(134)	1	-	(5)	26	(258)	(3)	(185)
Constant currency	4,939	3,538	10,783	674	701	470	462	1,024	(1,119)	21,472
Loans and advances to customers (net)										
Reported	266,694	112,408	464,546	18,804	53,410	-	24,507	19,189	-	959,558
Currency translation	(1,907)	(1,714)	(991)	1	-	-	(1,611)	(2,322)	-	(8,544)
Constant currency	264,787	110,694	463,555	18,805	53,410	-	22,896	16,867	-	951,014
Customer accounts										
Reported	345,835	282,041	775,430	31,262	99,303	-	28,402	33,313	183	1,595,769
Currency translation	(2,473)	(3,433)	(1,517)	7	-	-	(1,867)	(6,068)	-	(15,351)
Constant currency	343,362	278,608	773,913	31,269	99,303	-	26,535	27,245	183	1,580,418

1 Other trading entities includes the results of entities located in Oman, Türkiye, Egypt and Saudi Arabia (including our share of the results of Saudi Awwal Bank) which do not consolidate into HSBC Bank Middle East Limited. These entities had an aggregated impact on the Group's reported profit before tax of $692m and constant currency profit before tax of $605m. Supplementary analysis is provided on page 56 to provide a fuller picture of the MENAT regional performance.

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

Legal entity results: notable items (continued)

	Half-year to 30 Jun 2023									
	HSBC UK Bank plc $m	HSBC Bank plc $m	The Hongkong and Shanghai Banking Corporation Limited $m	HSBC Bank Middle East Limited $m	HSBC North America Holdings Inc. $m	HSBC Bank Canada $m	Grupo Financiero HSBC, S.A. de C.V. $m	Other trading entities $m	Holding companies, shared service centres and intra-Group eliminations $m	Total $m
Revenue										
Disposals, acquisitions and related costs[1,2]	1,507	2,101	-	-	-	-	-	-	(287)	3,321
Fair value movements on financial instruments[3]	-	-	-	-	-	-	-	-	15	15
Operating expenses										
Disposals, acquisitions and related costs	(15)	(45)	-	-	(2)	(54)	-	-	(2)	(118)
Restructuring and other related costs[4]	-	-	-	-	-	-	-	-	47	47

1 Includes the reversal of a $2.1bn impairment loss relating to the sale of our retail banking operations in France.

2 Includes the gain of $1.5bn recognised in respect of the acquisition of SVB UK.

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

4 Relates to reversals of restructuring provisions recognised during 2022.

Country results (continued)

	Half-year to 30 Jun 2023				
	UK[1] $m	Hong Kong $m	Mainland China $m	US $m	Mexico $m
Revenue[2]					
Reported	10,478	10,574	2,030	2,090	1,574
Currency translation	320	26	(79)	-	92
Constant currency	10,798	10,600	1,951	2,090	1,666
ECL					
Reported	(484)	(489)	24	(62)	(264)
Currency translation	(10)	(1)	(1)	-	(16)
Constant currency	(494)	(490)	23	(62)	(280)
Operating expenses					
Reported	(5,851)	(3,964)	(1,314)	(1,379)	(880)
Currency translation	(141)	(9)	52	-	(50)
Constant currency	(5,992)	(3,973)	(1,262)	(1,379)	(930)
Share of profit/(loss) in associates and joint ventures					
Reported	(44)	16	1,318	-	6
Currency translation	(1)	-	(51)	-	-
Constant currency	(45)	16	1,267	-	6
Profit before tax					
Reported	4,099	6,137	2,058	649	436
Currency translation	168	16	(79)	-	26
Constant currency	4,267	6,153	1,979	649	462
Loans and advances to customers (net)					
Reported	305,923	288,917	45,694	53,410	24,507
Currency translation	(2,188)	977	(36)	-	(1,611)
Constant currency	303,735	289,894	45,658	53,410	22,896
Customer accounts					
Reported	508,052	529,574	53,835	99,303	28,402
Currency translation	(3,633)	1,790	(43)	-	(1,867)
Constant currency	504,419	531,364	53,792	99,303	26,535

1 UK includes HSBC UK Bank plc (ring-fenced bank) and HSBC Bank plc (non-ring-fenced bank).

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

Country results: notable items (continued)

	Half-year to 30 Jun 2023				
	UK[1] $m	Hong Kong $m	Mainland China $m	US $m	Mexico $m
Revenue					
Disposals, acquisitions and related costs[2]	1,220	-	-	-	-
Fair value movements on financial instruments[3]	15	-	-	-	-
Operating expenses					
Disposals, acquisitions and related costs	(12)	-	-	(2)	-

1 UK includes HSBC UK Bank plc (ring-fenced bank) and HSBC Bank plc (non-ring-fenced bank).

2 Includes the gain of $1.5bn recognised in respect of the acquisition of SVB UK.

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

Analysis by country/territory

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

	Wealth and Personal Banking $m	Commercial Banking $m	Global Banking and Markets $m	Corporate Centre $m	Total $m
UK[1]	**1,284**	**1,843**	**158**	**823**	**4,108**
- of which: HSBC UK Bank plc (ring-fenced bank)	**1,391**	**2,237**	**72**	**34**	**3,734**
- of which: HSBC Bank plc (non-ring-fenced bank)	**219**	**129**	**479**	**(131)**	**696**
- of which: Holdings and other	**(326)**	**(523)**	**(393)**	**920**	**(322)**
France	**28**	**92**	**40**	**(171)**	**(11)**
Germany	**19**	**77**	**92**	**3**	**191**
Switzerland	**16**	**15**	**-**	**10**	**41**
Hong Kong	**3,708**	**1,799**	**912**	**(203)**	**6,216**
Australia	**88**	**184**	**45**	**(8)**	**309**
India	**47**	**224**	**436**	**91**	**798**
Indonesia	**13**	**77**	**28**	**-**	**118**
Mainland China	**(46)**	**171**	**387**	**1,398**	**1,910**
Malaysia	**77**	**78**	**104**	**(5)**	**254**
Singapore	**328**	**190**	**225**	**(11)**	**732**
Taiwan	**65**	**37**	**113**	**(4)**	**211**
Egypt	**63**	**73**	**196**	**(15)**	**317**
UAE	**208**	**58**	**158**	**(34)**	**390**
Saudi Arabia[2]	**-**	**-**	**63**	**317**	**380**
US	**74**	**299**	**148**	**(111)**	**410**
Canada[3]	**71**	**126**	**26**	**4,491**	**4,714**
Mexico	**149**	**309**	**3**	**5**	**466**
Other[4]	**266**	**811**	**679**	**(1,754)**	**2**
Half-year to 30 Jun 2024	**6,458**	**6,463**	**3,813**	**4,822**	**21,556**
UK[1]	1,341	2,789	(115)	84	4,099
France[5]	2,019	192	41	51	2,303

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

	Wealth and Personal Banking $m	Commercial Banking $m	Global Banking and Markets $m	Corporate Centre $m	Total $m
Germany	20	77	65	(2)	160
Switzerland	28	15	-	8	51
Hong Kong	[illegible]	[illegible]	[illegible]	(127)	6,137
Australia	102	157	40	(18)	281
India	35	209	408	114	766
Indonesia	16	57	39	(2)	110
Mainland China	(12)	245	374	1,451	2,058
Malaysia	55	74	109	(6)	232
Singapore	255	233	248	(17)	719
Taiwan	61	39	98	(5)	193
Egypt	65	44	121	(16)	214
UAE	175	135	208	(49)	469
Saudi Arabia[2]	-	-	53	273	326
US	259	347	153	(110)	649
Canada	167	299	68	(54)	480
Mexico	196	263	11	(34)	436
Other	243	948	778	5	1,974
Half-year to 30 Jun 2023	8,592	7,939	3,580	1,546	21,657

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

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

3 Corporate Centre includes a gain of $4.8bn on the sale of our banking business in Canada.

4 Corporate Centre includes the profit and loss impact of inter-company debt eliminations of $(450)m and an impairment loss of $1.2bn relating to the planned sale of our business in Argentina.

5 Wealth and Personal Banking includes $2.1bn reversal of the held for sale classification that was recognised relating to the sale of our retail banking operations in France.

Middle East, North Africa and Türkiye supplementary information

The following tables show the results of our Middle East, North Africa and Türkiye business operations on a regional basis (including results of all the legal entities operating in the region and our share of the results of Saudi Awwal Bank). They also show the profit before tax of each of the global businesses.

Middle East, North Africa and Türkiye regional performance

	Half year to	
	30 Jun 2024	30 Jun 2023
	$m	$m
Revenue[1]	**1,931**	1,854
Change in expected credit losses and other credit impairment charges	**(121)**	(4)
Operating expenses	**(866)**	(773)
Share of profit in associates and joint ventures	**316**	272
Profit before tax	**1,260**	1,349
Loans and advances to customers (net)	**23,237**	21,901
Customer accounts	**40,138**	40,480

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

Profit before tax by global business

	Half year to	
	30 Jun 2024	30 Jun 2023
	$m	$m
Wealth and Personal Banking	**324**	301
Commercial Banking	**121**	276
Global Banking and Markets	**552**	571
Corporate Centre	**263**	201
Total	**1,260**	1,349

Reconciliation of alternative performance measures

Contents

Use of alternative performance measures

Our reported results are prepared in accordance with IFRS Accounting Standards as detailed in our interim condensed consolidated financial statements starting on page 113.

As described on page 29, we use a combination of reported and alternative performance measures, including those derived from our reported results that eliminate factors that distort period-on-period comparisons. These are considered alternative performance measures (non-GAAP financial measures).

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

In addition to the alternative performance measures set out in this section, further alternative performance measures in relation to the Group's insurance manufacturing operations are set out on pages 46 to 47.

Alternative performance measure definitions

Alternative performance measure	Definition
Constant currency revenue excluding notable items[1,]	Reported revenue excluding notable items and the impact of foreign exchange translation[2]
Constant currency profit before tax excluding notable items[1]	Reported profit before tax excluding notable items and the impact of foreign exchange translation[2]
Constant currency revenue excluding notable items and strategic transactions[1]	Reported revenue excluding notable items, strategic transactions and the impact of foreign exchange translation[3]

strategic transactions	foreign exchange translation
Constant currency profit before tax excluding notable items and strategic transactions[1]	Reported profit before tax excluding notable items, strategic transactions and the impact of foreign exchange translation[3]
Return on average ordinary shareholders' equity ('RoE')	Profit attributable to the ordinary shareholders / Average ordinary shareholders' equity
Return on average tangible equity ('RoTE')	Profit attributable to the ordinary shareholders, excluding impairment of goodwill and other intangible assets / Average ordinary shareholders' equity adjusted for goodwill and intangibles
Return on average tangible equity ('RoTE') excluding notable items	Profit attributable to the ordinary shareholders, excluding impairment of goodwill and other intangible assets and notable items[2] / Average ordinary shareholders' equity adjusted for goodwill and intangibles and notable items[2]
Net asset value per ordinary share	Total ordinary shareholders' equity[4] / Basic number of ordinary shares in issue excluding treasury shares
Tangible net asset value per ordinary share	Tangible ordinary shareholders' equity[5] / Basic number of ordinary shares in issue excluding treasury shares
Post-tax return on average total assets	Profit after tax / Average total assets
Average total shareholders' equity on average total assets	Average total shareholders' equity / Average total assets
Expected credit losses and other credit impairment charges ('ECL') as % of average gross loans and advances to customers	Annualised constant currency ECL[6] / Constant currency average gross loans and advances to customers[6]
Expected credit losses and other credit impairment charges ('ECL') as % of average gross loans and advances to customers, including held for sale	Annualised constant currency ECL[6] / Constant currency average gross loans and advances to customers, including held for sale[6]
Target basis operating expenses	Reported operating expenses excluding notable items, foreign exchange translation and other excluded items[7]
Basic earnings per share excluding material notable items and related impacts	Profit attributable to ordinary shareholders excluding material notable items and related impacts[8] / Weighted average number of ordinary shares outstanding, excluding own shares held
Multi-jurisdictional client revenue	Total client revenue we generate from clients that hold a relationship with us that generates revenue in more than one market

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

2 For details of notable items, please refer to Supplementary financial information on page 40.

3 For details of strategic transactions, please refer to page 42.

4 Total ordinary shareholders' equity is total shareholders' equity less non-cumulative preference shares and capital securities.

5 Tangible ordinary shareholders' equity is total ordinary shareholders' equity excluding goodwill and other intangible assets (net of deferred tax).

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

7 Other excluded items includes the impact of re-translating comparative period financial information at the latest rates of foreign exchange in hyperinflationary economies, which we consider to be outside of our control, and the impact of the sale of our retail banking operations in France and banking business in Canada.

8 For details of material notable items and related impacts, please refer to page 60.

Constant currency revenue and profit before tax excluding notable items and strategic transactions

	Half-year to	
	30 Jun 2024	30 Jun 2023
	$m	$m
Revenue		
Reported	**37,292**	36,876
Notable items	**3,571**	3,336
Reported revenue excluding notable items	**33,721**	33,540
Currency translation[1]		(465)
Constant currency revenue excluding notable items	**33,721**	33,075
Constant currency impact of strategic transactions (distorting impact of operating results between periods)[2]	**178**	613
Constant currency revenue excluding notable items and strategic transactions	**33,543**	32,462
Profit before tax		
Reported	**21,556**	21,657

Reported	[illegible]	[illegible]
Notable items	**3,489**	3,265
Reported profit before tax excluding notable items	**18,067**	18,392
Currency translation[1]		(275)
Constant currency profit before tax excluding notable items	**18,067**	18,117
Constant currency impact of strategic transactions (distorting impact of operating results between periods)[2]	**92**	147
Constant currency profit before tax excluding notable items and strategic transactions	**17,975**	17,969

1 Currency translation on the reported balance excluding currency translation on notable items.

2 For more details of strategic transactions, please refer to page 42.

To aid the understanding of our results, we disclose constant currency revenue and profit before tax excluding notable items and the impact of strategic transactions. The impacts of strategic transactions quoted 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.

Return on average ordinary shareholders' equity, return on average tangible equity and return on average tangible equity excluding notable items

	Half-year ended	
	30 Jun 2024	30 Jun 2023
	$m	$m
Profit after tax		
Profit attributable to the ordinary shareholders of the parent company	**16,586**	16,966
Impairment of goodwill and other intangible assets (net of tax)	**123**	29
Profit attributable to ordinary shareholders, excluding goodwill and other intangible assets impairment	**16,709**	16,995
Impact of notable items[1]	**(3,625)**	(3,220)
Profit attributable to the ordinary shareholders, excluding goodwill, other intangible assets impairment and notable items	**13,084**	13,775
Equity		
Average total shareholders' equity	**186,603**	184,033
Effect of average preference shares and other equity instruments	**(18,088)**	(19,510)
Average ordinary shareholders' equity	**168,515**	164,523
Effect of goodwill and other intangibles (net of deferred tax)	**(11,573)**	(11,316)
Average tangible equity	**156,942**	153,207
Average impact of notable items	**(2,605)**	(3,309)
Average tangible equity excluding notable items	**154,337**	149,898
Ratio	**%**	%
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

1 For details of notable items please refer to Supplementary financial information on page 40.

From 1 January 2024, we have revised the adjustments made to return on average tangible equity ('RoTE'). Prior to this, we adjusted RoTE for the impact of strategic transactions and the impairment of our investment in Bank of Communications Co., Limited ('BoCom'), whereas from 1 January 2024 we have excluded all notable items. This was intended to improve alignment with the treatment of notable items in our other income statement disclosures. Comparatives have been re-presented on the revised basis and we no longer disclose RoTE excluding strategic transactions and the impairment of BoCom. On this basis, we will now target a RoTE in the mid-teens for both 2024 and 2025.

Return on average tangible equity by global business

	Half-year ended 30 Jun 2024				
	Wealth and Personal Banking $m	Commercial Banking $m	Global Banking and Markets $m	Corporate Centre $m	Total $m
Profit before tax	**6,458**	**6,463**	**3,813**	**4,822**	**21,556**
Tax expense	**(1,277)**	**(1,552)**	**(908)**	**(154)**	**(3,891)**
Profit after tax	**5,181**	**4,911**	**2,905**	**4,668**	**17,665**
Less attributable to: preference shareholders, other equity holders, non-controlling interests	**(392)**	**(276)**	**(248)**	**(163)**	**(1,079)**
Profit attributable to ordinary shareholders of the parent company	**4,789**	**4,635**	**2,657**	**4,505**	**16,586**
Other adjustments	**(85)**	**138**	**(104)**	**174**	**123**
Profit attributable to ordinary shareholders	**4,704**	**4,773**	**2,553**	**4,679**	**16,709**
Average tangible shareholders' equity	**30,890**	**43,982**	**36,557**	**45,512**	**156,942**
RoTE (%) (annualised)	**30.6**	**21.8**	**14.0**	**20.7**	**21.4**
	Half-year ended 30 Jun 2023				
Profit before tax	8,592	7,939	3,580	1,546	21,657
Tax expense	(1,740)	(1,532)	(683)	369	(3,586)
Profit after tax	6,852	6,407	2,897	1,915	18,071
Less attributable to: preference shareholders, other equity holders, non-controlling interests	(428)	(293)	(275)	(109)	(1,105)
Profit attributable to ordinary shareholders of the parent company	6,424	6,114	2,622	1,806	16,966
Other adjustments	(91)	206	112	(198)	29
Profit attributable to ordinary shareholders	6,333	6,320	2,734	1,608	16,995
Average tangible shareholders' equity	29,646	44,224	38,824	40,513	153,207
RoTE (%) (annualised)	43.1	28.8	14.2	8.0	22.4

Net asset value and tangible net asset value per ordinary share

	At	
	30 Jun 2024 $m	31 Dec 2023 $m
Total shareholders' equity	**183,293**	185,329
Preference shares and other equity instruments	**(18,825)**	(17,719)
Total ordinary shareholders' equity	**164,468**	167,610
Goodwill and intangible assets (net of deferred tax)	**(11,359)**	(11,900)
Tangible ordinary shareholders' equity	**153,109**	155,710
Basic number of $0.50 ordinary shares outstanding	**18,330**	19,006
Value per share	**$**	$
Net asset value per ordinary share	**8.97**	8.82
Tangible net asset value per ordinary share	**8.35**	8.19

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

	Half-year ended	
	30 Jun 2024 $m	30 Jun 2023 $m
Profit after tax	**17,665**	18,071
Average total shareholders' equity	**186,603**	184,033
Average total assets	**3,031,753**	3,116,401
Ratio	**%**	%
Post-tax return on average total assets (annualised)	**1.2**	1.2
Average total shareholders' equity to average total assets	**6.2**	5.9

ECL and other credit impairment charges as % of average gross loans and advances to customers, and other credit impairment charges as % of average gross loans and advances to customers, including held for sale

	Half-year ended	
	30 Jun 2024	30 Jun 2023
	$m	$m
Expected credit losses and other credit impairment charges ('ECL')	**(1,066)**	(1,345)
Currency translation		28
Constant currency	**(1,066)**	(1,317)
Average gross loans and advances to customers	**947,479**	960,452
Currency translation	**(5,283)**	(2,037)
Constant currency	**942,196**	958,415
Average gross loans and advances to customers, including held for sale	**973,409**	1,026,201
Currency translation	**(6,199)**	(3,105)
Constant currency	**967,210**	1,023,096
Ratios	**%**	%
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

Target basis operating expenses

	Half-year to	
	30 Jun 2024	30 Jun 2023
	$m	$m
Reported operating expenses	**16,296**	15,457
Notable items	**(82)**	(71)
- disposals, acquisitions and related costs	**(101)**	(118)
- restructuring and other related costs[1]	**19**	47
Excluding the impact of the sale of our retail banking operations in France and banking business in Canada[2]	**(162)**	(494)
Currency translation[3]		(211)
Excluding the impact of retranslating prior year costs of hyperinflationary economies at a constant currency foreign exchange rate		302
Target basis operating expenses	**16,052**	14,983

1 Relate to reversals of restructuring provisions recognised during 2022.

2 This represents the business as usual costs which are not classified as notable items relating to our retail banking operations in France and banking business in Canada. This does not include the disposal costs which relate to these transactions.

3 Currency translation on reported operating expenses, excluding currency translation on notable items.

Target basis operating expenses for 2024 and for the 2023 comparative periods differ from what we disclosed in our 2023 results, when we were comparing against 2022 operating expenses. The 2023 target basis excluded the impact of incremental costs associated with the acquisition of SVB UK, and the related investments, whereas the 2024 target basis excludes the costs associated with our retail banking operations in France and our banking business in Canada. The exclusion of notable items and the impact of retranslating prior year results of hyperinflationary economies at constant currency are excluded in 2024, which is consistent with the 2023 basis of preparation. We consider target basis operating expenses to provide useful information to investors by quantifying and excluding the notable items that management considered when setting and assessing cost-related targets.

Basic earnings per share excluding material notable items and related impacts

	Half-year to	
	30 Jun 2024	30 Jun 2023
	$m	$m
Profit attributable to shareholders of company	**17,112**	17,508
Coupon payable on capital securities classified as equity	**(526)**	(542)
Profit attributable to ordinary shareholders of company	**16,586**	16,966
Impact of acquisition of SVB UK	**(2)**	(1,507)
Impact of the sale of our retail banking operations in France (net of tax)	**(53)**	(1,629)
Impact of the sale of our banking business in Canada[1]	**(4,949)**	(54)
Impairment loss relating to the planned sale of our business in Argentina	**1,192**	-
Profit attributable to ordinary shareholders of company excluding material notable items and related impacts	**12,774**	13,776
Number of shares		
Weighted average basic number of ordinary shares (millions)	**18,666**	19,693
Basic earnings per share ($)	**0.89**	0.86
Basic earnings per share excluding material notable items and related impacts ($)	**0.68**	0.70

1 Represents gain on sale of business in Canada recognised on completion, inclusive of the earnings recognised by the banking business from 30 June 2022, the recycling of losses in foreign currency translation reserves and other reserves, and gain on the foreign exchange hedging of the sale proceeds.

Material notable items are a subset of notable items. Material notable items are components of our income statement that management would consider as outside the normal course of business and generally non-recurring in nature, which are excluded from our dividend payout ratio calculation and our earnings per share measure, along with related impacts. 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.

Related impacts include those items that do not qualify for designation as notable items but whose adjustment is considered by management to be appropriate for the purposes of determining the basis for our dividend payout ratio calculation.

Material notable items in 2Q24 and in 2023 included the planned sale of our business in Argentina, the sale of our retail banking operations in France, the sale of our banking business in Canada, the gain following the acquisition of SVB UK and the impairment of our investment in BoCom. In determining this measure, we also excluded HSBC Bank Canada's financial results from the 30 June 2022 net asset reference date until completion of the sale, as the gain on sale was recognised through a combination of the consolidation of HSBC Bank Canada's results in the Group's results since this date, and the remaining gain on sale was recognised at completion. For the planned sale of our business in Argentina, between signing and closing, the loss on sale will vary by changes in the net asset value of the disposed business and associated hyperinflation and foreign currency translation, and the fair value of consideration including price adjustments and migration costs.

There were no additional related impacts, and the ongoing profits from HSBC Argentina will not be excluded from our basic earnings per share excluding material notable items and related impacts.

Multi-jurisdictional revenue

Multi-jurisdictional revenue is a financial metric we use to assess our ability to drive value from our international network.

In our wholesale businesses, we identify a client as multi-jurisdictional if they hold a relationship with us that generates revenue in any market outside of where the primary relationship is managed. A client is defined as a mastergroup (HSBC's own client groupings) that includes both the parent and, where relevant, any subsidiaries.

Multi-jurisdictional client revenue is a component of wholesale client revenue and represents the total client revenue we generate from multi-jurisdictional clients. Wholesale client revenue is derived by excluding from CMB and GBM reported revenue the revenue we generate from client facilitation in fixed income and equities, as well as other non-client revenue.

In WPB, we identify a customer as multi-jurisdictional if they bank with us in more than one of our 11 key markets. It is derived by excluding from WPB reported revenue the revenue from Canada and our retail business in France, as well as other non-customer income.

Wholesale multi-jurisdictional client revenue

	Half-year to 30 Jun 2024 $bn
CMB and GBM revenue	**19.6**
Allocated revenue and other[1]	**(1.1)**
Client facilitation in Fixed Income and Equities	**(2.7)**
Wholesale client revenue	**15.8**
- clients banked in multiple jurisdictions ('multi-jurisdictional')	**9.7**
- domestic only clients	**6.1**

WPB multi-jurisdictional customer revenue

	Half-year to 30 Jun 2024 $bn
WPB revenue	**14.3**
Allocated revenue and other[1]	**(0.7)**
France retail and Canada	**(0.2)**
WPB customer revenue	**13.5**
- international customer revenue	**5.4**
of which: customers banked in multiple jurisdictions ('multi-jurisdictional')	**2.7**
of which: non-resident and resident foreigner	**2.7**
- domestic only customers	**8.1**

1 Including allocations of Market Treasury revenue, HSBC Holdings interest expense and hyperinflationary accounting adjustments, and interest earned on capital held in the global businesses.

Risk

Contents

We recognise that the primary role of risk management is to help protect our customers, business, colleagues, shareholders and the communities that we serve, while ensuring we are able to support our strategy and provide sustainable growth.

All our people are responsible for the management of risk, with the ultimate accountability residing with the Board. Our Group Risk and Compliance function, led by the Group Chief Risk and Compliance Officer, plays an important role in reinforcing our culture and values. We are focused on creating an environment that encourages our people to speak up and do the right thing.

Group Risk and Compliance is independent from the global businesses, including our sales and trading functions, to provide challenge, oversight and appropriate balance in risk/reward decisions.

We aim to use a comprehensive risk management approach across the organisation and across all risk types, underpinned by our culture and values. This is outlined in our risk management framework, including the key principles and practices that we employ in managing material risks, both financial and non-financial. The framework fosters continuous monitoring, promotes risk awareness, and encourages sound operational and strategic decision making. It also supports a consistent approach to identifying, assessing, managing and reporting the risks we accept and incur in our activities. We continue to actively review and develop our risk management framework and enhance our approach to managing risk through our activities with regard to: people and capabilities; governance; reporting and management information; credit risk management models; and data.

- A summary of our current policies and practices regarding the management of risk is set out in the 'Risk management' section on pages 136 to 139 of the Annual Report and Accounts 2023.

Key developments in the first half of 2024

In 2024, we have continued to manage risks related to macroeconomic and geopolitical uncertainties and develop risk management capabilities through the continued enhancement of the risk management framework. We also retained our focus on risk transformation and financial crime and continued to assess the Group's operational resilience capability whilst prioritising the most significant enterprise risks. We made progress with and continue to develop capabilities to address key risks described in our Annual Report and Accounts 2023. More specifically, we sought to enhance our risk management in the following areas:

- We made progress on our comprehensive regulatory reporting programme, which seeks to strengthen our global processes, enhance consistency and improve controls across regulatory reports. This programme remains a top priority and continues to enhance data, transform the reporting systems and uplift the control environment over the report production process.
- We continue to maintain a focus on our technology and cybersecurity controls to improve the resilience and security of our technology services in response to the heightened external threat environment.
- We have improved the quality of our strategic change investment cases and control monitoring, and are transitioning to value streams and an integrated future state architecture to enhance our delivery of complex transformation portfolios and initiatives.
- We continue to enhance our model risk framework in response to changes in regulation and external factors. AI and machine learning models remain a key focus. Progress has been made in enhancing governance activity in this area with particular focus on generative AI due to the pace of technological change and regulatory and wider interest in adoption and usage.
- We enhanced our processes, framework and capabilities to seek to improve the control and oversight of our material third parties to manage our operational resilience and meet new and evolving regulatory requirements. We will continue to actively assess and manage our operational resilience.
- Through our climate risk programme, we made progress on embedding climate considerations throughout the organisation, including through risk policy updates. We also developed risk metrics to monitor and manage exposures, and further enhanced our internal climate scenario

analysis. We will continue with our climate risk programme to complete our annual materiality assessment and make changes to our policies, processes and capabilities to better embed climate considerations throughout the organisation.

- We deployed industry-leading technology and advanced analytics capabilities into new markets to improve our ability to identify suspicious activities and prevent financial crime. We will continue to evaluate technological solutions to improve our capabilities in the detection and prevention of financial crime.

Geopolitical and macroeconomic risk

A busy election year in 2024 could imply uncertainty in some markets in response to shifting domestic and foreign policy priorities. Of our main markets, the United Kingdom, France and Mexico have already gone to the polls in 2024, with the United States set to follow in the second half of the year. The outcome of the United States elections in particular will be monitored closely given the potential for changes to economic and foreign policy that may have broader geographical implications.

The Israel-Hamas war continues but regional economic consequences have remained limited throughout the first half of 2024. Ceasefire negotiations have yet to achieve a resolution and conflict escalation remains a risk, illustrated by the strikes exchanged by Iran and Israel during the second quarter of 2024 and the increasing hostilities between Israel and Hezbollah. The US and UK announced additional sanctions against Iran in the first half of 2024 in response to attacks against Israel, and there remains a possibility that additional sanctions may be imposed on Iran for its reported role during the conflict, which could increase the risk within our operations. The US has also enacted legislation that, in part, provides authority to impose sanctions on persons owning ports, vessels, or refineries identified as engaging in certain transactions involving Iranian petroleum products.

The Russia-Ukraine war continues, but the economic effects have reduced as supply chains and economies have adjusted. Changes to the balance of the conflict remained limited during the first half of 2024, despite the approval of a new funding round for Ukrainian armaments by the US Congress. Escalation of the conflict and ongoing geopolitical instability could have implications for the Group and its customers. HSBC actively monitors and responds to financial sanctions and trade restrictions that have been adopted in response to the conflict. These sanctions and trade restrictions are complex and evolving. In particular, the US, the UK and the EU, as well as other countries, have imposed significant sanctions and trade restrictions against Russia, including further sanctions during 2024. Such sanctions and restrictions target certain Russian government officials, politically exposed persons, business people, Russian oil imports, energy products, financial institutions and other major Russian companies and sanctions evasion networks. These countries have also enacted more generally applicable investment, export and import bans and restrictions.

The 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 to apply to Russian and non-Russian persons designated under the primary legal authority for Russian sanctions. 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. The imposition of such sanctions against any non-US HSBC entity could result in significant adverse commercial, operational and reputational consequences for HSBC, including the restriction or termination of the non-US HSBC entity's ability to access the US financial system and the freezing of the entity's assets that are subject to US jurisdiction. In response to such sanctions and trade restrictions, as well as asset flight, Russia has implemented certain countermeasures, including the expropriation of foreign assets.

Following a strategic review in 2022, HSBC Europe BV (a wholly-owned subsidiary of HSBC Bank plc) entered into an agreement to sell its wholly-owned subsidiary HSBC Bank Russia (RR) (Limited Liability Company), which was completed in May 2024. The name of the entity changed to Khvoya Bank in July 2024.

Key economic risks are monitored closely. During the second quarter, expectations for GDP growth improved across most of our major markets. Performance in the first half of 2024 was characterised by better-than-expected economic performance in the first quarter, and activity and survey indicators through the second quarter remain consistent with those updated forecasts. The strength of growth is reflected in the persistence of wage growth and inflationary pressure in the services sector in Europe and the US. This has prompted markets to reduce the amount by which they expect major central banks to ease monetary policy this year.

The European Central Bank ('ECB') was the first major central bank to cut interest rates, by 25bps in June 2024. The Bank of England and the Federal Reserve are expected to follow in the second half of 2024, but these expectations remain subject to a further weakening of service sector price pressures. Over the next 12 months, interest rate futures suggest that major central banks will cut interest rates by around 75bps. In mainland China, the People's Bank of China has kept its policy on hold through the second quarter of 2024 after enacting a rate cut and changes to required reserves during the first quarter of 2024.

China's economic performance was supported by a resilient state sector, although weak private sector confidence and persistent falls in commercial and residential real estate prices and transactions remain significant risk factors. Central government support measures will be key to a recovery in impacted sectors but there remains a risk that the scale and breadth of the support may be insufficient to correct structural imbalances in the economy. Real estate companies are expected to face challenges in the near future, including funding pressures. We closely monitor the sector, notably the risk of further credit migration and idiosyncratic defaults.

monitor the sector, notably the risk of further credit migration and idiosyncratic defaults.

Hong Kong's economic growth remains steady, however high vacancy rates in the commercial real estate sector and the prolonged higher interest rate environment have added pressure to the commercial real estate market. This has prompted a halt in commercial land sales. Whilst some defaults have been observed we continue to closely monitor the risk of credit deterioration and defaults.

Global tensions over trade and technology are manifesting themselves in divergent regulatory standards and compliance regimes, presenting long-term strategic challenges for multinational businesses. The relationships between China and several other countries, including the US and the UK, remain complex. During the first half of 2024, both the US and EU raised the rate at which they level tariffs on a range of Chinese imports, including electric vehicles. These have been imposed on the basis of unfair competition, where the Chinese government is accused of providing unfair subsidies to industry. These tariff actions risk reciprocation by China.

There is a continued risk of additional sanctions and trade restrictions being imposed by the US and other governments in relation to human rights, advanced technology, and other issues with China, and this could create a more complex operating environment for the Group and its customers.

In response to earlier measures, China has in turn imposed its own sanctions, trade restrictions and law enforcement measures on persons and entities in other countries.

These and any future measures and countermeasures that may be taken by the US, China and other countries may affect the Group, its customers and the markets in which the Group operates.

As the geopolitical landscape evolves, compliance by multinational corporations with their legal or regulatory obligations in one jurisdiction may be seen as supporting the law or policy objectives of that jurisdiction over another, creating additional compliance, reputational and political risks for the Group. We maintain dialogue with our regulators in various jurisdictions on the impact of legal and regulatory obligations on our business and customers.

The financial impact on the Group of geopolitical risks in Asia is heightened due to the region's relatively high contribution to the Group's profitability, particularly in Hong Kong.

The Group's policy is to comply with all applicable laws and regulations in all jurisdictions in which it operates. Geopolitical tensions and potential ambiguities in the Group's compliance obligations will continue to present challenges and risks for the Group. These could have a material adverse impact on the Group's business, financial condition, results of operations, prospects and strategy, as well as on the Group's customers.

More stringent data privacy, national security and cybersecurity laws in a number of markets could pose potential challenges to intra-Group data sharing. These developments may affect our ability to manage financial crime risks across markets due to limitations on cross-border transfers of personal information.

Fiscal risks are also monitored closely, given the high levels of indebtedness and demands on government budgets from rising social welfare costs, defence and climate transition. Against a backdrop of slower growth and expectations for a high interest rate environment continuing for longer than previously anticipated, debt sustainability remains a concern, as does the capacity and willingness of markets to continue financing high deficits. The outcome of elections this year and the policy changes that may follow from that remain an area of current focus. We are monitoring the economic policy implications from elections in France, the upcoming budget and spending review being undertaken by the incoming government in the UK and uncertainty relating to the outcome of the US election in November.

The persistence of above-target inflation and high interest rates has had an impact on ECL during the first half of 2024. The combined pressure of higher inflation and interest rates may impact the ability of our customers to repay their debt in certain markets. For retail portfolios where models do not sufficiently capture the interest rate and inflation risks, affordability pressure as a result of interest rate and inflation risks continues to be assessed through both models and management judgemental adjustments.

ECL calculations are made with reference to forward economic guidance, using multiple economic scenarios. The Central scenario, which has the highest probability weighting in our IFRS 9 'Financial Instruments' calculations of ECL, assumes low growth, a gradual increase in unemployment and persistently higher interest rates across many of our key markets.

The Central scenario has been assigned a standard weighting that is aligned to its calibrated probability across all of our major markets. The standard weighting reflects the further narrowing of forecast dispersion, reduced market volatility, and the view that forecasts sufficiently capture the current conjuncture and outlook.

There remains uncertainty with respect to the relationship between the economic drivers and the historical loss experience, which has required adjustments to modelled allowance for ECL in cases where we determined that our models were unable to capture the material underlying risks.

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

Credit risk

Overview

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. It arises principally from direct lending, trade finance and leasing business, but also from other products, such as guarantees and credit derivatives or from holding assets in the form of debt securities.

Credit risk in the first half of 2024

There were no material changes to credit risk policy in the first half of 2024.

A summary of our current policies and practices for the management of credit risk is set out in 'Credit risk management' on page 147 of the Annual Report and Accounts 2023.

At 30 June 2024, gross loans and advances to customers and banks of $1,051bn decreased by $11.7bn on a reported basis, compared with 31 December 2023. This included adverse foreign exchange movements of $16.4bn.

On a constant currency basis, the increase of $4.7bn was driven by a $7.6bn rise in wholesale loans and advances to customers and a $4.5bn rise in personal loans and advances to customers. These were partly offset by a $7.4bn decrease in loans and advances to banks.

On a constant currency basis, the rise in wholesale loans and advances to customers was driven by higher balances with non-bank financial institutions (up $5.7bn), mainly in HSBC Bank plc (up $4.7bn) and HSBC Bank Middle East Limited (up $0.8bn). It also comprised an increase in corporate and commercial lending (up $1.9bn), mainly in Singapore (up $1.8bn). This was partly offset by a decrease in Argentina (down $0.5bn) due to the reclassification of our business in the country into 'assets held for sale'.

On a constant currency basis, the rise in personal loans and advances to customers was mainly driven by increases in HSBC UK (up $2.6bn) and our main entities in the US (up $1.1bn), Hong Kong (up $0.6bn) and Mexico (up $0.4bn) mainly due to mortgage growth. This was partly offset by a decrease in Argentina (down $0.3bn) due to the reclassification of our business in the country into 'assets held for sale'.

The decrease in loans and advances to banks was driven by lower central bank balances and money market lending balances in Singapore (down $4.8bn) and in the UK (down $2.4bn).

At 30 June 2024, the allowance for ECL of $11.1bn decreased by $0.9bn compared with 31 December 2023, including favourable foreign exchange movements of $0.3bn. The $11.1bn allowance comprised $10.6bn in respect of assets held at amortised cost, $0.4bn in respect of loan commitments and financial guarantees, and $0.1bn in respect of debt instruments measured at fair value through other comprehensive income ('FVOCI').

On a constant currency basis, the allowance for ECL in relation to loans and advances to customers decreased by $0.3bn from 31 December 2023. This comprised:

- a $0.3bn decrease in personal loans and advances to customers, observed in stages 1 and 2; and
- broadly unchanged allowances for ECL in wholesale loans and advances to customers, which included a $0.2bn increase driven by stage 3, offset by a $0.2bn decrease driven by stages 1 and 2.

In personal lending, the decrease in the allowance for ECL was mainly driven by lower allowances for unsecured lending portfolios in the UK, as performance remained resilient.

The Group ECL charge for the first six months of 2024 was $1.1bn, inclusive of recoveries. It comprised: $0.6bn in respect of wholesale lending, of which the stage 3 charge was $0.3bn; and $0.4bn in respect of personal lending, of which the stage 3 charge was $0.5bn.

Wholesale lending charges were recognised mainly in Hong Kong ($0.3bn). While the mainland China commercial real estate sector remained subdued, without signs of a sustained recovery, there has been limited new migration to the credit impaired category. As a result the impact on the stage 3 ECL charge was not significant during the period. Although the level of defaults increased in other commercial real estate exposures booked in Hong Kong during the period, there was no significant impact on ECL charges due to high collateralisation, with room for depreciation.

Personal lending charges reflected releases of allowances for ECL, mainly in the UK unsecured portfolio, partly offset by higher charges in Mexico associated with the evolution of unemployment trends and portfolio volume increases.

Summary of credit risk

The following disclosure presents the gross carrying/nominal amount of financial instruments to which the impairment requirements in IFRS 9 are applied and the associated allowance for ECL.

The following tables analyse loans by industry sector and represent the concentration of exposures on which credit risk is managed. The allowance for ECL decreased from $12.0bn at 31 December 2023 to $11.1bn at 30 June 2024.

Summary of financial instruments to which the impairment requirements in IFRS 9 are applied

	At 30 Jun 2024		At 31 Dec 2023	
	Gross carrying/ nominal amount $m	**Allowance for ECL[1] $m**	Gross carrying/ nominal amount $m	Allowance for ECL[1] $m
Loans and advances to customers at amortised cost	**948,767**	**(10,510)**	949,609	(11,074)
Loans and advances to banks at amortised cost	**102,070**	**(13)**	112,917	(15)
Other financial assets measured at amortised cost	**850,367**	**(158)**	960,271	(422)
- cash and balances at central banks	**277,112**	**-**	285,868	-
- items in the course of collection from other banks	**9,977**	**-**	6,342	-
- Hong Kong Government certificates of indebtedness	**43,026**	**-**	42,024	-
- reverse repurchase agreements - non-trading	**230,189**	**-**	252,217	-
- financial investments	**149,350**	**(12)**	148,346	(20)
- assets held for sale[2]	**3,907**	**(53)**	103,186	(324)
- prepayments, accrued income and other assets[3]	**136,806**	**(93)**	122,288	(78)
Total gross carrying amount on-balance sheet	**1,901,204**	**(10,681)**	2,022,797	(11,511)
Loans and other credit-related commitments	**638,635**	**(335)**	661,015	(367)
Financial guarantees	**16,343**	**(37)**	17,009	(39)
Total nominal amount off-balance sheet[4]	**654,978**	**(372)**	678,024	(406)
	2,556,182	**(11,053)**	2,700,821	(11,917)

	Fair value $m	**Memorandum allowance for ECL[5] $m**	Fair value $m	Memorandum allowance for ECL[5] $m
Debt instruments measured at fair value through other comprehensive income ('FVOCI')	**318,238**	**(96)**	302,348	(97)

1 Total ECL is recognised in the loss allowance for the financial asset unless total ECL exceeds the gross carrying amount of the financial asset, in which case the ECL is recognised as a provision.

2 For further details on gross carrying amounts and allowances for ECL related to assets held for sale, see 'Assets held for sale' on page 68. At 30 June 2024, the gross carrying amount comprised $2,932m of loans and advances to customers and banks (31 December 2023: $84,075m) and $975m of other financial assets at amortised cost (31 December 2023: $19,111m). The corresponding allowance for ECL comprised $48m of loans and advances to customers and banks (31 December 2023: $303m) and $5m of other financial assets at amortised cost (31 December 2023: $21m). The significant reduction is due to the completion of the sales of our banking business in Canada in March 2024 and our retail banking operations in France in January 2024.

3 Includes only those financial instruments that are subject to the impairment requirements of IFRS 9. 'Prepayments, accrued income and other assets', as presented within the consolidated balance sheet on page 115, includes both financial and non-financial assets.

4 Represents the maximum amount at risk should the contracts be fully drawn upon and clients default.

5 Debt instruments measured at FVOCI continue to be measured at fair value with the allowance for ECL as a memorandum item. Change in ECL is recognised in 'Change for expected credit losses and other credit impairment charges' in the income statement.

The following table provides an overview of the Group's credit risk by stage and industry, and the associated ECL coverage. The financial assets recorded in each stage have the following characteristics:

- Stage 1: These financial assets are unimpaired and without a significant increase in credit risk for which a 12-month allowance for ECL is recognised.
- Stage 2: A significant increase in credit risk has been experienced on these financial assets since initial recognition for which a lifetime ECL is recognised.

- Stage 3: There is objective evidence of impairment and the financial assets are therefore considered to be in default or otherwise credit impaired for which a lifetime ECL is recognised.
- Purchased or originated credit-impaired financial assets ('POCI'): Financial assets that are purchased or originated at a deep discount are seen to reflect the incurred credit losses on which a lifetime ECL is recognised.

Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage by industry sector at 30 June 2024

	Gross carrying/nominal amount[1]					Allowance for ECL					ECL coverage %				
	Stage 1	Stage 2	Stage 3	POCI[2]	Total	Stage 1	Stage 2	Stage 3	POCI[2]	Total	Stage 1	Stage 2	Stage 3	POCI[2]	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	%	%	%	%	%
Loans and advances to customers at amortised cost	817,943	108,080	22,662	82	948,767	(1,112)	(2,399)	(6,964)	(35)	(10,510)	0.1	2.2	30.7	42.7	1.1
- personal	395,653	47,199	3,602	-	446,454	(551)	(1,119)	(820)	-	(2,490)	0.1	2.4	22.8	-	0.6
- corporate and commercial	346,248	58,178	18,556	82	423,064	(509)	(1,245)	(5,968)	(35)	(7,757)	0.1	2.1	32.2	42.7	1.8
- non-bank financial institutions	76,042	2,703	504	-	79,249	(52)	(35)	(176)	-	(263)	0.1	1.3	34.9	-	0.3
Loans and advances to banks at amortised cost	101,231	837	2	-	102,070	(9)	(2)	(2)	-	(13)	-	0.2	100.0	-	-
Other financial assets measured at amortised cost	847,374	2,553	440	-	850,367	(96)	(26)	(36)	-	(158)	-	1.0	8.2	-	-
Loans and other credit-related commitments	612,493	25,181	958	3	638,635	(149)	(123)	(63)	-	(335)	-	0.5	6.6	-	0.1
- personal	253,611	3,454	275	-	257,340	(33)	-	(2)	-	(35)	-	-	0.7	-	-
- corporate and commercial	224,261	16,916	667	3	241,847	(106)	(115)	(59)	-	(280)	-	0.7	8.8	-	0.1
- financial	134,621	4,811	16	-	139,448	(10)	(8)	(2)	-	(20)	-	0.2	12.5	-	-
Financial guarantees	14,523	1,526	294	-	16,343	(7)	(12)	(18)	-	(37)	-	0.8	6.1	-	0.2
- personal	1,241	11	-	-	1,252	-	-	-	-	-	-	-	-	-	-
- corporate and commercial	9,509	1,215	241	-	10,965	(6)	(12)	(17)	-	(35)	0.1	1.0	7.1	-	0.3
- financial	3,773	300	53	-	4,126	(1)	-	(1)	-	(2)	-	-	1.9	-	-
At 30 Jun 2024	2,393,564	138,177	24,356	85	2,556,182	(1,373)	(2,562)	(7,083)	(35)	(11,053)	0.1	1.9	29.1	41.2	0.4

1 Represents the maximum amount at risk should the contracts be fully drawn upon and clients default.

2 Purchased or originated credit-impaired ('POCI').

Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when they are 30 days past due ('DPD') and are transferred from stage 1 to stage 2.

The following disclosure presents the ageing of stage 2 financial assets by those less than 30 and greater than 30 DPD and therefore presents those financial assets classified as stage 2 due to ageing (30 DPD) and those identified at an earlier stage (less than 30 DPD).

Stage 2 days past due analysis at 30 June 2024

	Gross carrying amount				Allowance for ECL				ECL coverage %			
	Stage 2	Up-to-date	1 to 29 DPD[1]	30 and > DPD[1]	Stage 2	Up-to-date	1 to 29 DPD[1]	30 and > DPD[1]	Stage 2	Up-to-date	1 to 29 DPD[1]	30 and > DPD[1]
	$m	$m	$m	$m	$m	$m	$m	$m	%	%	%	%
Loans and advances to customers at amortised cost	**108,080**	**103,970**	**2,406**	**1,704**	**(2,399)**	**(1,966)**	**(189)**	**(244)**	**2.2**	**1.9**	**7.9**	**14.3**
- personal	**47,199**	**44,543**	**1,682**	**974**	**(1,119)**	**(741)**	**(170)**	**(208)**	**2.4**	**1.7**	**10.1**	**21.4**
- corporate and commercial	**58,178**	**56,783**	**701**	**694**	**(1,245)**	**(1,191)**	**(18)**	**(36)**	**2.1**	**2.1**	**2.6**	**5.2**
- non-bank financial institutions	**2,703**	**2,644**	**23**	**36**	**(35)**	**(34)**	**(1)**	**-**	**1.3**	**1.3**	**2.7**	**-**
Loans and advances to banks at amortised cost	**837**	**837**	**-**	**-**	**(2)**	**(2)**	**-**	**-**	**0.2**	**0.2**	**-**	**-**
Other financial assets measured at amortised cost	**2,553**	**2,377**	**25**	**151**	**(26)**	**(17)**	**(5)**	**(4)**	**1.0**	**0.7**	**20.0**	**2.6**

1 The days past due amounts presented above are on a contractual basis.

Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage by industry sector at 31 December 2023

	Gross carrying/nominal amount[1]					Allowance for ECL					ECL coverage %				
	Stage 1	Stage 2	Stage 3	POCI[2]	Total	Stage 1	Stage 2	Stage 3	POCI[2]	Total	Stage 1	Stage 2	Stage 3	POCI[2]	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	%	%	%	%	%
Loans and advances to customers at amortised cost	809,384	120,871	19,273	81	949,609	(1,130)	(2,964)	(6,950)	(30)	(11,074)	0.1	2.5	36.1	37.0	1.2
- personal	396,534	47,483	3,505	-	447,522	(579)	(1,434)	(854)	-	(2,867)	0.1	3.0	24.4	-	0.6
- corporate and commercial	342,878	69,738	14,958	81	427,655	(499)	(1,500)	(5,774)	(30)	(7,803)	0.1	2.2	38.6	37.0	1.8
- non-bank financial institutions	69,972	3,650	810	-	74,432	(52)	(30)	(322)	-	(404)	0.1	0.8	39.8	-	0.5
Loans and advances to banks at amortised cost	111,479	1,436	2	-	112,917	(10)	(3)	(2)	-	(15)	-	0.2	100.0	-	-
Other financial assets measured at															

amortised cost	946,873	12,734	664	-	960,271	(109)	(132)	(181)	-	(422)	-	1.0	27.3	-	-
Loans and other credit-related commitments	630,949	28,922	1,140	4	661,015	(153)	(128)	(86)	-	(367)	-	0.4	7.5	-	0.1
- personal	253,183	3,459	355	-	256,997	(23)	-	(2)	-	(25)	-	-	0.6	-	-
- corporate and commercial	246,210	20,928	736	4	267,878	(120)	(119)	(83)	-	(322)	-	0.6	11.3	-	0.1
- financial	131,556	4,535	49	-	136,140	(10)	(9)	(1)	-	(20)	-	0.2	2.0	-	-
Financial guarantees	14,746	1,879	384	-	17,009	(7)	(7)	(25)	-	(39)	-	0.4	6.5	-	0.2
- personal	1,106	13	-	-	1,119	-	-	-	-	-	-	-	-	-	-
- corporate and commercial	10,157	1,290	330	-	11,777	(6)	(6)	(24)	-	(36)	0.1	0.5	7.3	-	0.3
- financial	3,483	576	54	-	4,113	(1)	(1)	(1)	-	(3)	-	0.2	1.9	-	0.1
At 31 Dec 2023	2,513,431	165,842	21,463	85	2,700,821	(1,409)	(3,234)	(7,244)	(30)	(11,917)	0.1	2.0	33.8	35.3	0.4

1 Represents the maximum amount at risk should the contracts be fully drawn upon and clients default.

2 Purchased or originated credit impaired ('POCI').

Stage 2 days past due analysis at 31 December 2023

	Gross carrying amount				Allowance for ECL				ECL coverage %			
	Stage 2	Up-to-date	1 to 29 DPD[1]	30 and > DPD[1]	Stage 2	Up-to-date	1 to 29 DPD[1]	30 and > DPD[1]	Stage 2	Up-to-date	1 to 29 DPD[1]	30 and > DPD[1]
	$m	$m	$m	$m	$m	$m	$m	$m	%	%	%	%
Loans and advances to customers at amortised cost	120,871	116,320	2,571	1,980	(2,964)	(2,458)	(245)	(261)	2.5	2.1	9.5	13.2
- personal	47,483	44,634	1,785	1,064	(1,434)	(974)	(214)	(246)	3.0	2.2	12.0	23.1
- corporate and commercial	69,738	68,446	697	595	(1,500)	(1,454)	(31)	(15)	2.2	2.1	4.4	2.5
- non-bank financial institutions	3,650	3,240	89	321	(30)	(30)	-	-	0.8	0.9	-	-
Loans and advances to banks at amortised cost	1,436	1,424	-	12	(3)	(3)	-	-	0.2	0.2	-	-
Other financial assets measured at amortised cost	12,734	12,417	171	146	(132)	(113)	(9)	(10)	1.0	0.9	5.3	6.8

1 The days past due amounts presented above are on a contractual basis.

Stage 2 decomposition

The following table presents the stage 2 decomposition of gross carrying amount and allowances for ECL for loans and advances to customers and banks. It also sets out the reasons why an exposure is classified as stage 2 and therefore presented as a significant increase in credit risk at 30 June 2024.

The quantitative classification shows gross carrying values and allowances for ECL for which the applicable reporting date probability of default ('PD') measure exceeds defined quantitative thresholds for retail and wholesale exposures, as set out in Note 1.2 'Summary of material accounting policies', on page 348 of the Annual Report and Accounts 2023.

The qualitative classification primarily accounts for customer risk rating ('CRR') deterioration, watch-and-worry and retail management judgemental adjustments.

A summary of our current policies and practices for the significant increase in credit risk is set out in 'Summary of material accounting policies' on page 348 of the Annual Report and Accounts 2023.

Loans and advances to customers and banks[1]

	At 30 Jun 2024				
	Loans and advances to customers				
	Personal	Corporate and commercial	Non-bank financial institutions	Loans and advances to banks at amortised cost	Total stage 2
	$m	$m	$m	$m	$m
Quantitative	**39,918**	**43,152**	**2,008**	**667**	**85,745**
Qualitative	**7,208**	**14,593**	**695**	**170**	**22,666**
30 DPD backstop[2]	**73**	**433**	**-**	**-**	**506**
Total gross carrying amount	**47,199**	**58,178**	**2,703**	**837**	**108,917**
Quantitative	**(982)**	**(1,034)**	**(31)**	**(1)**	**(2,048)**
Qualitative	**(131)**	**(206)**	**(4)**	**(1)**	**(342)**
30 DPD backstop[2]	**(6)**	**(5)**	**-**	**-**	**(11)**
Total allowance for ECL	**(1,119)**	**(1,245)**	**(35)**	**(2)**	**(2,401)**
ECL coverage %	**2.4**	**2.1**	**1.3**	**0.2**	**2.2**
	At 31 Dec 2023				
Quantitative	35,742	53,034	2,955	781	92,512
Qualitative	11,678	16,241	653	642	29,214
30 DPD backstop[2]	63	463	42	13	581
Total gross carrying amount	47,483	69,738	3,650	1,436	122,307
Quantitative	(1,103)	(1,225)	(24)	(1)	(2,353)
Qualitative	(324)	(270)	(6)	(2)	(602)
30 DPD backstop[2]	(7)	(5)	-	-	(12)
Total allowance for ECL	(1,434)	(1,500)	(30)	(3)	(2,967)
ECL coverage %	3.0	2.2	0.8	0.2	2.4

1 Where balances satisfy more than one of the above three criteria for determining a significant increase in credit risk, the corresponding gross exposure and ECL have been assigned in order of categories presented.

2 Days past due ('DPD').

Assets held for sale

During the first half of 2024, we completed the sales of our banking business in Canada, our retail banking operations in France and our business in Russia.

At 30 June 2024, the most material balance held for sale came from our business in Argentina. Although there was a reclassification on the balance sheet, there was no separate income statement reclassification. As a result, charges for changes in allowances for ECL shown in the credit risk disclosures include charges relating to financial assets classified as 'assets held for sale'.

'Loans and other credit-related commitments' and 'financial guarantees', as reported in credit disclosures, also include exposures and allowances relating to financial assets classified as 'assets held for sale'.

Loans and advances to customers and banks measured at amortised cost

	At 30 Jun 2024		At 31 Dec 2023	
	Total gross loans and advances	**Allowance for ECL**	Total gross loans and advances	Allowance for ECL
	$m	**$m**	$m	$m
As reported	**1,050,837**	**(10,523)**	1,062,526	(11,089)
Reported in 'Assets held for sale'	**2,932**	**(48)**	84,075	(303)
Total	**1,053,769**	**(10,571)**	1,146,601	(11,392)

At 30 June 2024, gross loans and advances of our business in Argentina were $2,214m, and the related allowances for ECL were $39m.

Lending balances held for sale continue to be measured at amortised cost less allowances for impairment and, therefore, such carrying amounts may differ from fair value.

These lending balances are part of associated disposal groups that are measured in their entirety at the lower of carrying amount and fair value less costs to sell. Any difference between the carrying amount

of these assets and their sales price is part of the overall gain or loss on the associated disposal group sale as a whole.

For further details of the carrying amount and the fair value at 30 June 2024 of loans and advances to banks and customers classified as held for sale, see Note 15 on the interim condensed consolidated financial statements.

Gross loans and allowance for ECL on loans and advances to customers and banks reported in 'Assets held for sale'

	Business in Argentina		Banking business in Canada		Retail banking operations in France		Other		Total	
	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Loans and advances to customers at amortised cost	**1,598**	**(39)**	**-**	**-**	**-**	**-**	**703**	**(9)**	**2,301**	**(48)**
- personal	**558**	**(28)**	**-**	**-**	**-**	**-**	**304**	**(1)**	**862**	**(29)**
- corporate and commercial	**1,040**	**(11)**	**-**	**-**	**-**	**-**	**310**	**(8)**	**1,350**	**(19)**
- non-bank financial institutions	**-**	**-**	**-**	**-**	**-**	**-**	**89**	**-**	**89**	**-**
Loans and advances to banks at amortised cost	**616**	**-**	**-**	**-**	**-**	**-**	**15**	**-**	**631**	**-**
At 30 Jun 2024	**2,214**	**(39)**	**-**	**-**	**-**	**-**	**718**	**(9)**	**2,932**	**(48)**
Loans and advances to customers at amortised cost	-	-	56,349	(220)	16,984	(82)	255	(1)	73,588	(303)
- personal	-	-	27,071	(95)	13,920	(79)	140	(1)	41,131	(175)
- corporate and commercial	-	-	27,789	(120)	3,012	(3)	-	-	30,801	(123)
- non-bank financial institutions	-	-	1,489	(5)	52	-	115	-	1,656	(5)
Loans and advances to banks at amortised cost	-	-	154	-	10,333	-	-	-	10,487	-
At 31 Dec 2023	-	-	56,503	(220)	27,317	(82)	255	(1)	84,075	(303)

Measurement uncertainty and sensitivity analysis of ECL estimates

The recognition and measurement of ECL involves the use of significant judgement and estimation. We form multiple economic scenarios based on economic forecasts, apply these assumptions to credit risk models to estimate future credit losses, and probability-weight the results to determine an unbiased ECL estimate.

Management assessed the current economic environment, reviewed the latest economic forecasts and discussed key risks before selecting the economic scenarios and their weightings.

The Central scenario is constructed to reflect the latest macroeconomic expectations. Outer scenarios incorporate the crystallisation of economic and geopolitical risks, including those relating to the outcome of recent and future elections, the Israel-Hamas war and disruptions in the Red Sea.

Management judgemental adjustments are used where modelled ECL does not fully reflect the identified risks and related uncertainty or to capture significant late-breaking events.

At 30 June 2024, there was an overall reduction in management judgemental adjustments compared with 31 December 2023, as modelled outcomes better reflected the key risks.

Methodology

At 30 June 2024, four economic scenarios were used to capture the latest economic expectations and to articulate management's view of the range of risks and potential outcomes. Each scenario is updated with the latest economic forecasts and distributional estimates each quarter.

Three scenarios, the Upside, Central and Downside, are drawn from external consensus forecasts, market data and distributional estimates of the entire range of economic outcomes. The fourth scenario, the Downside 2, represents management's view of severe downside risks.

The Central scenario is deemed the 'most likely' scenario, and usually attracts the largest probability weighting. It is created using consensus forecasts, which is the average of a panel of external forecasts.

The outer scenarios represent the tails of the distribution and are less likely to occur. The consensus Upside and Downside scenarios are created with reference to forecast probability distributions for select markets that capture economists' views of the entire range of economic outcomes. In the later years of those scenarios, projections revert to long-term consensus trend expectations. Reversion to trend is done with reference to historically observed quarterly changes in the values of macroeconomic variables.

The fourth scenario, the Downside 2, represents management's view of severe downside risks. It is a globally consistent, narrative-driven scenario that explores a more extreme economic outcome than those captured by the consensus scenarios. In this scenario, variables do not, by design, revert to long-term trend expectations and may instead explore alternative states of equilibrium, where economic variables move permanently away from past trends.

The consensus Downside and the consensus Upside scenarios are each calibrated to be consistent with a 10% probability. The Downside 2 is calibrated to a 5% probability. The Central scenario is assigned the remaining 75%. This weighting scheme is deemed appropriate for the unbiased estimation of ECL in most circumstances. However, management may choose to depart from this probability-based scenario weighting approach when the economic outlook and forecasts are determined to be particularly uncertain and risks are elevated.

In the second quarter of 2024, the assigned scenario weights were consistent with their calibrated probabilities, the same as in the fourth quarter of 2023. Economic forecasts for the Central scenario improved modestly, and the dispersion within consensus forecast panels remained low. Risks, including the increased policy uncertainty relating to the outcome of elections across key markets and elevated geopolitical tensions, were deemed to be reflected in the Downside scenarios.

Scenarios produced to calculate ECL are aligned to HSBC's top and emerging risks.

Description of economic scenarios

The economic assumptions presented in this section are formed by HSBC with reference to external forecasts and estimates for the purpose of calculating ECL.

Forecasts may change and remain subject to uncertainty. Outer scenarios are designed to capture potential crystallisation of key economic and financial risks and alternative paths for economic variables.

In our key markets, GDP forecasts in the Central scenario have improved in the second quarter of 2024 compared with the fourth quarter of 2023, particularly in the US. At the same time, expectations for interest rate cuts have been scaled back. In the second quarter of 2024, risks to the economic outlook included a number of significant geopolitical issues and uncertainty relating to election outcomes.

Within our Downside scenarios, the economic consequences from the crystallisation of those risks were captured by higher commodity and goods prices, the re-acceleration of inflation, a rise in interest rates and global recession.

The scenarios used to calculate ECL are described below.

The consensus Central scenario

GDP growth is expected to slow in 2024 relative to the previous year in the US and Europe, as elevated interest rates continue to squeeze household finances and corporate margins. Inflation is expected to continue to decline, as wage growth and services inflation moderate. Lower inflation and looser labour market conditions are expected to enable major central banks to embark on a gradual reduction in policy rates. Growth only recovers to its long-term expected trend in later years.

In mainland China and Hong Kong, GDP growth is also expected to be slower in 2024 relative to 2023 amid weaker private sector confidence, falling property valuations and moderate global trade growth. Despite those headwinds, growth in mainland China is still expected to remain close to the official target as authorities have increased fiscal and monetary support to the economy. In Hong Kong, the continued recovery in the tourism and related sectors is expected to continue, while the recent suspension of property transaction taxes is expected to bring about a gradual recovery in the market towards the end of the year.

Global GDP is expected to grow by 2.5% in 2024 in the Central scenario and the average rate of global GDP growth is forecast to be 2.6% over the entire forecast period. This is below the average growth rate reported over the five-year period prior to the onset of the pandemic of 2.9%.

The key features of our Central scenario are:

- GDP growth rates in our main markets are expected to slow in 2024 relative to 2023. Across most of our key markets weaker growth is caused by high interest rates, which act to deter consumption and investment.
- In most markets, unemployment is expected to remain flat or rise moderately from current levels. The exceptions are Mexico, where unemployment is expected to rise more quickly back towards its long-term average, and France where structural reforms are expected to enable unemployment to fall from current levels.
- Inflation is expected to fall as services inflation and wage growth moderates. It is anticipated that inflation converges towards central banks' target rates in 2025. In mainland China, weak consumption and excess supply have caused inflation to drop sharply but further policy support lifts demand and inflation rises over the scenario.
- Weak conditions in housing markets are expected to persist through 2024 and 2025 in many of our main markets, including the UK, Hong Kong and mainland China. Higher interest rates and, in many cases, declining prices are expected to depress activity. In the US, limited housing

supply is expected to ensure that house prices rise strongly.

- Challenging conditions are also forecast to continue in the commercial property sector in a number of our key markets. Structural changes to demand in the office segment in particular are driving lower valuations.
- Policy interest rates in key markets are forecast to have peaked and are projected to decline in 2024. In the longer term, they are expected to remain at a higher level than in the pre-pandemic period.
- The Brent crude oil price is forecast to average around $81 per barrel over the forecast period.

The Central scenario was created from consensus forecasts available in late May, and reviewed continually until the end of June 2024. In accordance with HSBC's scenario framework, a probability weight of 75% has been assigned to the Central scenario across all major markets.

The following table describes key macroeconomic variables in the consensus Central scenario.

Consensus Central scenario 3Q24-2Q29 (as at 2Q24)

	UK	US	Hong Kong	Mainland China	France	UAE	Mexico
GDP (annual average growth rate, %)							
2024	**0.5**	**2.4**	**2.9**	**4.9**	**0.8**	**3.8**	**2.3**
2025	**1.2**	**1.7**	**2.8**	**4.4**	**1.3**	**4.1**	**1.9**
2026	**1.6**	**2.0**	**2.5**	**4.2**	**1.5**	**3.7**	**2.2**
2027	**1.7**	**2.0**	**2.5**	**3.9**	**1.4**	**3.6**	**2.2**
2028	**1.6**	**1.9**	**2.4**	**3.7**	**1.3**	**3.0**	**2.2**
5-year average[1]	**1.4**	**1.9**	**2.6**	**4.1**	**1.3**	**3.6**	**2.2**
Unemployment rate (%)							
2024	**4.5**	**4.0**	**3.0**	**5.2**	**7.6**	**2.6**	**2.7**
2025	**4.7**	**4.1**	**3.0**	**5.1**	**7.5**	**2.6**	**3.2**
2026	**4.5**	**3.9**	**3.0**	**5.1**	**7.0**	**2.6**	**3.3**
2027	**4.5**	**3.9**	**3.0**	**5.0**	**6.9**	**2.6**	**3.3**
2028	**4.5**	**3.9**	**3.0**	**5.0**	**6.6**	**2.6**	**3.4**
5-year average[1]	**4.6**	**4.0**	**3.0**	**5.1**	**7.0**	**2.6**	**3.2**
House prices (annual average growth rate, %)							
2024	**0.0**	**5.8**	**(8.7)**	**(5.7)**	**(3.7)**	**16.1**	**7.8**
2025	**1.2**	**3.9**	**0.8**	**(1.0)**	**2.7**	**6.9**	**4.2**
2026	**3.2**	**3.3**	**4.3**	**0.6**	**4.1**	**4.2**	**3.8**
2027	**3.4**	**3.7**	**2.4**	**1.9**	**4.3**	**2.8**	**3.8**
2028	**2.4**	**3.0**	**2.6**	**2.3**	**3.8**	**1.6**	**3.8**
5-year average[1]	**2.3**	**3.5**	**1.7**	**0.4**	**3.1**	**4.6**	**4.2**
Inflation (annual average growth rate, %)							
2024	**2.6**	**3.2**	**2.1**	**0.8**	**2.5**	**2.5**	**4.3**
2025	**2.2**	**2.4**	**2.1**	**1.6**	**1.9**	**2.1**	**3.7**
2026	**2.1**	**2.3**	**2.2**	**1.9**	**1.8**	**2.2**	**3.5**
2027	**2.2**	**2.3**	**2.3**	**1.9**	**1.9**	**2.0**	**3.4**
2028	**2.1**	**2.2**	**2.3**	**1.9**	**1.9**	**1.9**	**3.4**
5-year average[1]	**2.2**	**2.4**	**2.2**	**1.8**	**1.9**	**2.1**	**3.5**

Consensus Central scenario 3Q24-2Q29 (as at 2Q24) (continued)

	UK	US	Hong Kong	Mainland China	France	UAE	Mexico
Central bank policy rate (annual average, %)[2]							
2024	**5.2**	**5.3**	**5.7**	**3.4**	**3.8**	**5.3**	**10.8**
2025	**4.6**	**4.6**	**5.0**	**3.4**	**3.1**	**4.7**	**9.6**
2026	**4.0**	**4.1**	**4.4**	**3.6**	**2.7**	**4.1**	**8.7**
2027	**3.8**	**3.9**	**4.2**	**3.7**	**2.5**	**3.9**	**8.4**
2028	**3.6**	**3.8**	**4.1**	**3.9**	**2.5**	**3.8**	**8.3**
5-year average[1]	**4.0**	**4.2**	**4.5**	**3.7**	**2.8**	**4.2**	**8.9**

1 The five-year average is calculated over a projected period of 20 quarters from 3Q24 to 2Q29.

2 For China, rate shown is the Loan Prime Rate.

Consensus Central scenario 2024-2028 (as at 4Q23)

	UK	US	Hong Kong	Mainland China	France	UAE	Mexico
GDP (annual average growth rate, %)							
2024	0.3	1.0	2.6	4.5	0.8	3.7	1.9
2025	1.2	1.8	2.7	4.4	1.5	4.0	2.2
2026	1.7	2.1	2.6	4.3	1.6	3.8	2.3
2027	1.6	2.0	2.6	3.8	1.5	3.4	2.4
2028	1.6	2.0	2.6	3.9	1.5	3.4	2.4
5-year average[1]	1.3	1.8	2.6	4.2	1.4	3.6	2.2
Unemployment rate (%)							
2024	4.7	4.3	3.0	5.2	7.5	2.6	2.9
2025	4.6	4.2	3.0	5.1	7.3	2.6	2.9
2026	4.3	4.0	3.2	5.1	7.0	2.6	2.9
2027	4.2	4.0	3.2	5.1	6.8	2.6	2.9
2028	4.2	4.0	3.2	5.1	6.8	2.6	2.9
5-year average[1]	4.4	4.1	3.1	5.1	7.1	2.6	2.9
House prices (annual average growth rate, %)							

2024	(5.5)	2.9	(6.6)	(0.6)	(1.0)	12.6	6.5
2025	0.1	2.7	(0.7)	1.1	2.4	7.7	4.2
2026	3.5	3.1	2.6	2.6	4.0	4.4	4.2
2027	3.0	2.7	2.8	4.0	4.4	2.6	4.0
2028	3.0	2.1	3.0	4.5	4.0	2.3	4.0
5-year average[1]	0.8	2.7	0.2	2.3	2.8	5.9	4.6
Inflation (annual average growth rate, %)							
2024	3.2	2.7	2.1	1.8	2.7	2.3	4.2
2025	2.2	2.2	2.1	2.0	1.8	2.2	3.6
2026	2.2	2.3	2.2	2.1	1.7	2.1	3.5
2027	2.3	2.2	2.4	2.0	1.9	2.1	3.5
2028	2.3	2.2	2.4	2.0	2.1	2.1	3.5
5-year average	2.4	2.3	2.2	2.0	2.0	2.1	3.7
Central bank policy rate (annual average, %)[2]							
2024	5.0	5.0	5.4	3.2	3.6	5.1	10.4
2025	4.3	4.0	4.4	3.3	2.8	4.1	8.6
2026	3.9	3.7	4.1	3.5	2.6	3.7	7.9
2027	3.8	3.7	4.1	3.7	2.6	3.7	7.9
2028	3.7	3.8	4.1	3.9	2.7	3.8	8.1
5-year average[1]	4.1	4.1	4.4	3.5	2.9	4.1	8.6

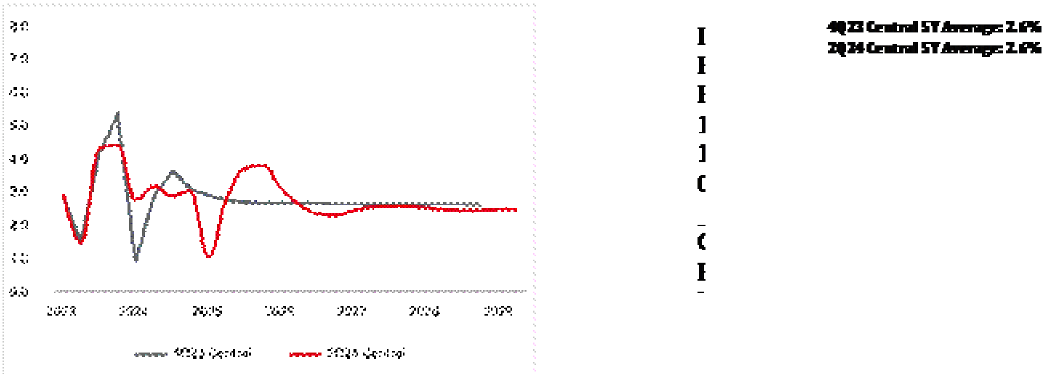
1 The five-year average is calculated over a projected period of 20 quarters from 1Q24 to 4Q28.

2 For China, rate shown is the Loan Prime Rate.

The graphs compare the respective Central scenario with current economic expectations beginning in the second quarter of 2024.

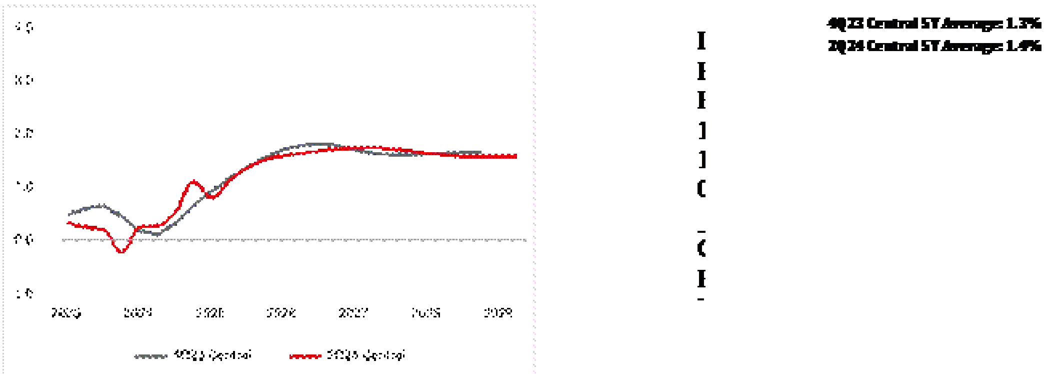
GDP growth: Comparison of Central scenarios

Hong Kong



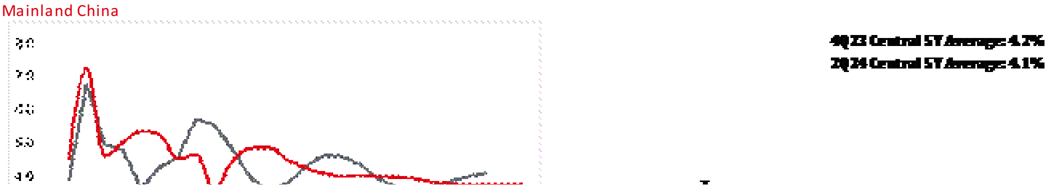
Note: Real GDP shown as year-on-year percentage change.

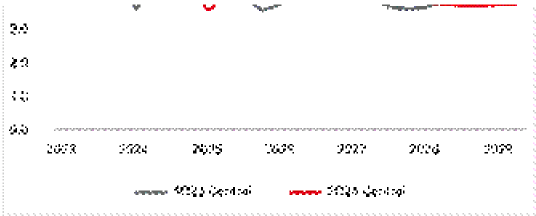
UK



Note: Real GDP shown as year-on-year percentage change.

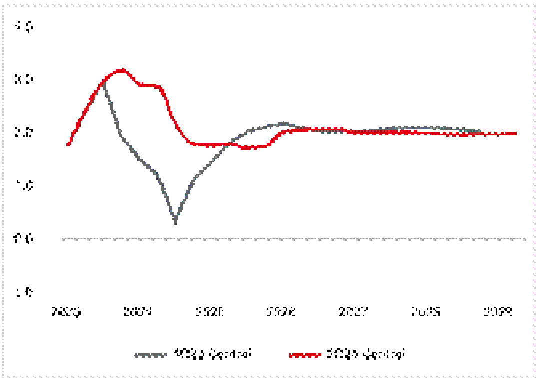
Mainland China





Note: Real GDP shown as year-on-year percentage change.

US



Note: Real GDP shown as year-on-year percentage change.

4Q23 Central 5Y Average: 1.8%
2Q24 Central 5Y Average: 1.9%

The consensus Upside scenario

Compared to the Central scenario, the consensus Upside scenario features stronger economic activity in the near term, before converging to the long-run trend expectations. It also incorporates a faster fall in the rate of inflation than incorporated in the Central scenario.

The scenario is consistent with a number of key upside risk themes. These include a faster reduction in central bank policy interest rates, a de-escalation in geopolitical tensions as the Israel-Hamas and Russia-Ukraine wars move towards conclusions, and an improvement in the US-China relationship.

The following table describes key macroeconomic variables in the consensus Upside scenario.

Consensus Upside scenario (3Q24-2Q29)

	UK	US	Hong Kong	Mainland China	France	UAE	Mexico
GDP level (%, start-to-peak)[1]	11.5 (2Q29)	14.9 (2Q29)	20.8 (2Q29)	28.7 (2Q29)	9.2 (2Q29)	27.4 (2Q29)	17.3 (2Q29)
Unemployment rate (%, min)[2]	2.9 (2Q26)	3.1 (2Q26)	2.5 (1Q25)	4.8 (2Q26)	6.1 (2Q26)	2.1 (2Q26)	2.6 (1Q25)
House price index (%, start-to-peak)[1]	19.1 (2Q29)	27.7 (2Q29)	22.9 (2Q29)	8.1 (2Q29)	22.4 (2Q29)	26.8 (2Q29)	28.0 (2Q29)

Inflation rate (YoY % change, min)[3]	**0.8**	**(2Q25)**	**1.1**	**(2Q25)**	**0.8**	**(2Q25)**	**0.2**	**(2Q25)**	**1.1**	**(2Q25)**	**1.4**	**(2Q25)**	**2.5**	**(2Q25)**
Central bank policy rate (%, min)[2]	**3.6**	**(4Q28)**	**3.8**	**(4Q28)**	**4.1**	**(4Q28)**	**3.3**	**(2Q25)**	**2.5**	**(3Q28)**	**3.8**	**(4Q28)**	**8.2**	**(3Q25)**

1 Cumulative change to the highest level of the series during the 20-quarter projection.

2 Lowest projected unemployment or policy rate in the scenario. For China, the rate shown is the Loan Prime rate.

3 Lowest projected year-on-year percentage change in inflation in the scenario.

Consensus Upside scenario 2024-2028 (as at 4Q23)

	UK		US		Hong Kong		Mainland China		France		UAE		Mexico	
GDP level (%, start-to-peak)[1]	10.8	(4Q28)	14.3	(4Q28)	21.8	(4Q28)	30.4	(4Q28)	10.4	(4Q28)	30.7	(4Q28)	17.8	(4Q28)
Unemployment rate (%, min)[2]	3.1	(4Q24)	3.1	(2Q25)	2.4	(3Q24)	4.8	(4Q25)	6.2	(4Q25)	2.0	(4Q25)	2.4	(3Q24)
House price index (%, start-to-peak)[1]	13.0	(4Q28)	21.9	(4Q28)	17.9	(4Q28)	19.7	(4Q28)	19.6	(4Q28)	34.2	(4Q28)	30.6	(4Q28)
Inflation rate (YoY % change, min)[3]	1.3	(2Q25)	1.4	(1Q25)	0.3	(4Q24)	0.6	(3Q24)	1.5	(3Q24)	1.4	(1Q25)	2.7	(1Q25)
Central bank policy rate (%, min)[2]	3.7	(3Q28)	3.7	(2Q27)	4.1	(1Q27)	3.1	(3Q24)	2.6	(2Q26)	3.7	(1Q27)	7.8	(2Q25)

1 Cumulative change to the highest level of the series during the 20-quarter projection.

2 Lowest projected unemployment or policy rate in the scenario. For China, the rate shown is the Loan Prime rate.

3 Lowest projected year-on-year percentage change in inflation in the scenario.

Downside scenarios

Downside scenarios explore the intensification and crystallisation of a number of key economic and financial risks. These include an escalation of geopolitical tensions, which disrupt key commodity and goods markets, causing inflation and interest rates to rise, and creating a global recession.

As the geopolitical environment remains volatile and complex, risks include:

- a broader and more prolonged conflict in the Middle East that undermines confidence, drives an increase in global energy costs and reduces trade and investment;
- continued differences between the US and China, which lead to increased trade frictions and higher inflation, due to an escalation in tariff actions and rising costs;
- a potential escalation in the Russia-Ukraine war, which expands beyond Ukraine's borders, and further disrupts energy, fertiliser and food supplies; and
- election outcomes that deliver adverse policies that work to undermine global trade growth and international supply chains.

High inflation and higher interest rates also remain key risks given the pressure on household budgets and firms' costs. A wage-price spiral, triggered by higher inflation and labour supply shortages, could put sustained upward pressure on wages and services prices, aggravating cost pressures and increasing the squeeze on household real incomes and corporate margins. In turn, it raises the risk of a more forceful policy response from central banks, a steeper trajectory for interest rates, significantly higher defaults and, ultimately, a deep economic recession.

The consensus Downside scenario

In the consensus Downside scenario, economic activity is weaker compared with the Central scenario. In this scenario, GDP declines, unemployment rates rise, and asset prices fall. The scenario features an escalation of geopolitical tensions, which causes a rise in inflation, as supply chain constraints intensify and energy prices rise. The scenario also features a temporary increase in interest rates above the Central scenario, before the effects of weaker consumption demand begin to dominate, and commodity prices and inflation fall again.

The following table describes key macroeconomic variables in the consensus Downside scenario.

Consensus Downside scenario (3Q24-2Q29)

	UK		US		Hong Kong		Mainland China		France		UAE		Mexico	
GDP level (%, start-to-trough)[1]	(0.7)	(3Q26)	(1.2)	(1Q25)	(2.3)	(4Q24)	(2.3)	(4Q24)	(0.3)	(1Q25)	0.3	(3Q24)	(0.9)	(3Q25)
Unemployment rate (%, max)[2]	6.3	(3Q25)	5.1	(1Q25)	4.4	(2Q26)	6.6	(2Q26)	8.5	(1Q25)	3.4	(3Q25)	3.7	(4Q25)
House price index (%, start-to-trough)[1]	(5.9)	(4Q25)	(0.2)	(3Q24)	(5.2)	(2Q25)	(9.8)	(1Q26)	(0.5)	(4Q24)	(0.2)	(3Q24)	0.7	(3Q24)
Inflation rate (YoY % change, max)[3]	3.4	(2Q25)	3.8	(4Q24)	3.8	(2Q25)	3.1	(1Q25)	3.5	(1Q25)	2.6	(2Q25)	6.1	(2Q25)
Central bank policy rate (%, max)[2]	5.6	(3Q24)	5.8	(3Q24)	6.2	(3Q24)	3.5	(4Q24)	4.1	(1Q25)	5.9	(3Q24)	12.0	(1Q25)

1 Cumulative change to the lowest level of the series during the 20-quarter projection.

2 The highest projected unemployment or policy rate in the scenario. For China, the rate shown is the Loan Prime rate.

3 The highest projected year-on-year percentage change in inflation in the scenario.

Consensus Downside scenario 2024-2028 (as at 4Q23)

	UK		US		Hong Kong		Mainland China		France		UAE		Mexico	
GDP level (%, start-to-trough)[1]	(1.0)	(2Q25)	(1.4)	(3Q24)	(1.6)	(3Q25)	(1.5)	(1Q24)	(0.3)	(2Q24)	1.4	(1Q24)	(0.3)	(4Q24)
Unemployment rate (%, max)[2]	6.4	(1Q25)	5.6	(4Q24)	4.7	(4Q25)	6.9	(4Q25)	8.5	(4Q24)	3.7	(4Q25)	3.5	(4Q25)
House price index (%, start-to-trough)[1]	(12.0)	(2Q25)	(1.3)	(3Q24)	(9.6)	(4Q24)	(7.1)	(3Q25)	(1.2)	(3Q24)	0.3	(1Q24)	1.2	(1Q24)
Inflation rate (YoY % change, max)[3]	4.1	(1Q24)	3.5	(4Q24)	3.8	(3Q24)	3.5	(4Q24)	3.8	(2Q24)	3.0	(1Q24)	6.5	(4Q24)
Central bank policy rate (%, max)[2]	5.7	(1Q24)	5.6	(1Q24)	6.0	(1Q24)	3.2	(3Q24)	4.2	(1Q24)	5.7	(1Q24)	12.0	(3Q24)

1 Cumulative change to the lowest level of the series during the 20-quarter projection.

2 The highest projected unemployment or policy rate in the scenario. For China, the rate shown is the Loan Prime rate.

3 The highest projected year-on-year percentage change in inflation in the scenario.

Downside 2 scenario

The Downside 2 scenario features a deep global recession and reflects management's view of the tail of the economic distribution. It incorporates the crystallisation of a number of risks simultaneously, including a further escalation of geopolitical crises globally, which creates severe supply disruptions to goods and energy markets.

In the scenario, as inflation surges and central banks tighten monetary policy further, confidence evaporates. However, this impulse is assumed to prove short-lived, as recession takes hold, causing a sharp fall in demand, leading commodity prices to correct sharply and global price inflation to fall.

The following table describes key macroeconomic variables in the Downside 2 scenario.

Downside 2 scenario (3Q24-2Q29)

	UK		US		Hong Kong		Mainland China		France		UAE		Mexico	
GDP level (%, start-to-trough)[1]	(8.8)	(4Q25)	(4.1)	(3Q25)	(8.0)	(3Q25)	(7.7)	(2Q25)	(7.4)	(3Q25)	(7.0)	(4Q25)	(8.7)	(1Q26)
Unemployment rate (%, max)[2]	8.4	(4Q25)	8.9	(1Q26)	6.4	(2Q25)	6.6	(4Q26)	10.2	(2Q26)	4.9	(1Q25)	5.4	(4Q25)
House price index (%, start-to-trough)[1]	(29.7)	(2Q26)	(15.6)	(2Q25)	(35.8)	(2Q27)	(28.1)	(3Q26)	(15.0)	(4Q26)	(14.0)	(4Q26)	0.7	(3Q24)
Inflation rate (YoY % change, max)[3]	10.2	(4Q24)	5.0	(4Q24)	4.3	(2Q25)	5.4	(1Q25)	8.6	(4Q24)	3.5	(2Q25)	6.5	(2Q25)
Central bank policy rate (%, max)[2]	5.9	(3Q24)	6.0	(3Q24)	6.4	(3Q24)	4.0	(1Q25)	5.0	(3Q24)	6.1	(3Q24)	12.4	(1Q25)

1 Cumulative change to the lowest level of the series during the 20-quarter projection.

2 The highest projected unemployment or policy rate in the scenario. For China, the rate shown is the Loan Prime rate.

3 The highest projected year-on-year percentage change in inflation in the scenario.

Downside 2 scenario 2024-2028 (as at 4Q23)

	UK		US		Hong Kong		Mainland China		France		UAE		Mexico	
GDP level (%, start-to-trough)[1]	(8.8)	(2Q25)	(4.6)	(1Q25)	(8.2)	(1Q25)	(6.4)	(1Q25)	(6.6)	(1Q25)	(4.9)	(2Q25)	(8.1)	(2Q25)
Unemployment rate (%, max)[2]	8.4	(2Q25)	9.3	(2Q25)	6.4	(4Q24)	7.0	(4Q25)	10.2	(4Q25)	4.3	(3Q24)	4.9	(2Q25)
House price index (%, start-to-trough)[1]	(30.2)	(4Q25)	(14.7)	(4Q24)	(32.8)	(3Q26)	(25.5)	(4Q25)	(14.5)	(2Q26)	(2.9)	(4Q25)	1.2	(1Q24)
Inflation rate (YoY % change, max)[3]	10.1	(2Q24)	4.8	(2Q24)	4.1	(3Q24)	4.1	(4Q24)	8.6	(2Q24)	3.5	(2Q24)	7.0	(4Q24)
Central bank policy rate (%, max)[2]	6.0	(1Q24)	6.1	(1Q24)	6.4	(1Q24)	4.1	(3Q24)	5.2	(1Q24)	6.1	(1Q24)	12.7	(3Q24)

1 Cumulative change to the lowest level of the series during the 20-quarter projection.

2 The highest projected unemployment or policy rate in the scenario. For China, the rate shown is the Loan Prime rate.

3 The highest projected year-on-year percentage change in inflation in the scenario.

Scenario weightings

In reviewing the economic environment, the level of risk and uncertainty, management has considered both global and country-specific factors.

In the second quarter of 2024, key considerations around uncertainty attached to the Central scenario projections focused on:

- the announcements of elections in the UK and France, as well as the forthcoming election in the US. Potential policy uncertainty arising from these elections was a major discussion point;
- the lagged impact of elevated interest rates on household finances and businesses, and the implications of volatility in monetary policy expectations on growth and employment;
- estimation and forecast uncertainty for UK unemployment given ongoing methodology updates at the UK Office for National Statistics;
- the outlook for real estate in our key markets, particularly in the US, UK, Hong Kong and mainland China; and
- geopolitical risks, including tensions in the Middle East and the Russia-Ukraine war.

Although these risk factors remain significant, management assessed that they were adequately reflected in the scenarios at their calibrated probabilities.

It was noted that economic forecasts had improved modestly and dispersion of forecasts around the consensus have either remained stable, or have moved lower. Similarly, financial market measures of volatility also remained very low through the second quarter of 2024.

This has led management to assign scenario probabilities that are aligned to the standard scenario probability calibration framework. This entailed assigning a 75% probability weighting to the Central scenario in our major markets. The consensus Upside scenario was assigned a 10% weighting, and the consensus Downside scenario was given 10%. The Downside 2 was assigned a 5% weighting.

In support of the decision, it was noted that policymakers in mainland China are expected to implement additional stimulus measures to support the economy, which would reduce the uncertainty attached to current forecasts. Hong Kong faces a similar backdrop, where targeted policy support is expected to ensure a steady pace of economic growth.

In respect of the discussion around elections, management concluded that the UK Central scenario already incorporated information around the future government and its policies. The subsequent election outcome result has not changed any scenario assumptions. By contrast, election outcomes in France and the US were considered less certain and forecasts assume policy continuity in the respective Central scenarios as a result. Outer scenarios were assessed to adequately reflect the current downside risks.

For the UAE, it was observed that geopolitical risks have remained high since the outbreak of the Israel-Hamas war; that economic and market impacts have been limited; that oil production remains unaffected; and that escalation risks appear contained.

Management concluded that consensus expectations for Mexico were consistent with its view of the economic outlook, while assessments of uncertainty were also aligned to historical averages.

The following table describes the probabilities assigned in each scenario.

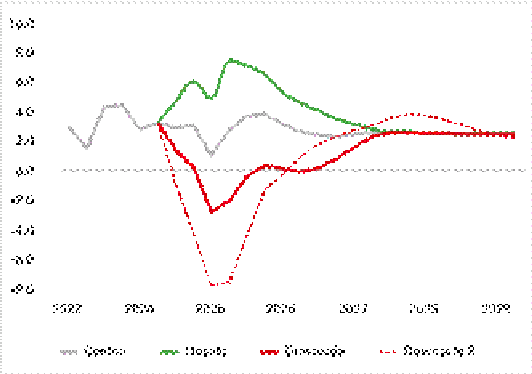
Scenario weightings, %

	Standard weights	UK	US	Hong Kong	Mainland China	France	UAE	Mexico
2Q24								
Upside	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**
Central	**75**	**75**	**75**	**75**	**75**	**75**	**75**	**75**
Downside	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**
Downside 2	**5**	**5**	**5**	**5**	**5**	**5**	**5**	**5**
4Q23								
Upside	10	10	10	10	10	10	10	10
Central	75	75	75	75	75	75	75	75
Downside	10	10	10	10	10	10	10	10
Downside 2	5	5	5	5	5	5	5	5

At 30 June 2024, the consensus Upside and Central scenarios for our main markets had a combined weighting of 85%, the same as at 31 December 2023.

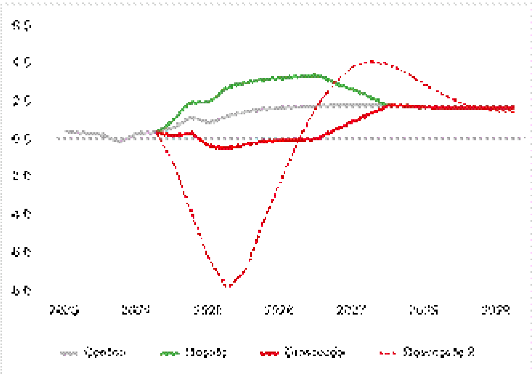
The following graphs show the historical and forecasted GDP growth rate for the various economic scenarios in our four largest markets.

Hong Kong



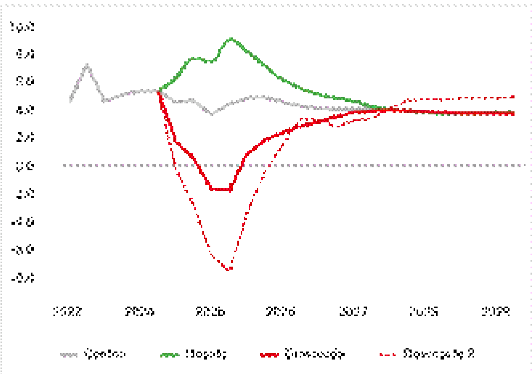
Note: Real GDP shown as year-on-year percentage change.

UK



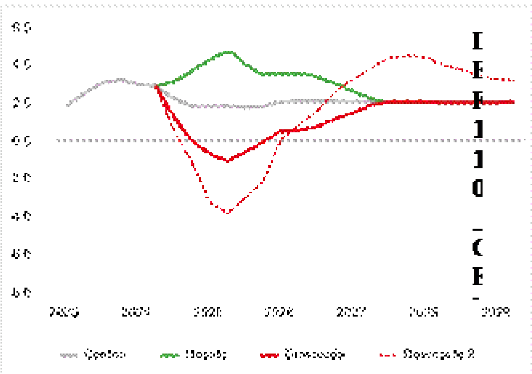
Note: Real GDP shown as year-on-year percentage change.

Mainland China



Note: Real GDP shown as year-on-year percentage change.

US



Note: Real GDP shown as year-on-year percentage change.

Critical estimates and judgements

The calculation of ECL under IFRS 9 involved significant judgements, assumptions and estimates at 30 June 2024. These included:

- the selection and configuration of economic scenarios, given the constant change in economic conditions and distribution of economic risks; and
- estimating the economic effects of those scenarios on ECL, where similar observable historical conditions cannot be captured by the credit risk models.

How economic scenarios are reflected in ECL calculations

The methodologies for the application of forward economic guidance into the calculation of ECL for wholesale and retail portfolios are set out on page 162 of the Annual Report and Accounts 2023. Models are used to reflect economic scenarios in ECL estimates. These models are based largely on historical observations and correlations with default.

Economic forecasts and ECL model responses to these forecasts are subject to a degree of uncertainty. The models continue to be supplemented by management judgemental adjustments where required.

Management judgemental adjustments

In the context of IFRS 9, management judgemental adjustments are typically short-term increases or decreases to the modelled allowance for ECL at either a customer, segment or portfolio level where management believes allowances do not sufficiently reflect the credit risk/expected credit losses at the reporting date. These can relate to risks or uncertainties that are not reflected in the models and/or to any late-breaking events with significant uncertainty, subject to management review and challenge.

This includes refining model inputs/outputs using adjustments to ECL based on management judgement and quantitative analysis for impacts that are difficult to model.

The effects of management judgemental adjustments are considered for both balances and allowance for ECL when determining whether or not a significant increase in credit risk has occurred and is allocated to a stage where appropriate. This is in accordance with the internal adjustments framework.

Management judgemental adjustments are reviewed under the governance process for IFRS 9 (as detailed in the section 'Credit risk management' on page 147 of the Annual Report and Accounts 2023).

Review and challenge focuses on the rationale and quantum of the adjustments with a further review carried out by the second line of defence where significant. For some management judgemental adjustments, internal frameworks establish the conditions under which these adjustments should no longer be required and as such are considered as part of the governance process. This internal governance process allows management judgemental adjustments to be reviewed regularly and, where possible, to reduce the reliance on these through model recalibration or redevelopment, as appropriate.

The drivers of management judgemental adjustments continue to evolve with the economic environment and as new risks emerge.

In addition to management judgemental adjustments there are also 'Other adjustments', which are made to address process limitations, data/model deficiencies and can also include where appropriate, the impact of new models where governance has sufficiently progressed to allow an accurate estimate of ECL allowance to be incorporated into the total reported ECL.

'Management judgemental adjustments' and 'Other adjustments' constitute the total value of adjustments to modelled allowance for ECL. For the wholesale portfolio, defaulted exposures are assessed individually and management judgemental adjustments are made only to the performing portfolio.

At 30 June 2024, there was a $0.4bn reduction in management judgemental adjustments compared with 31 December 2023.

Management judgemental adjustments made in estimating the reported ECL at 30 June 2024 are set out in the following table.

Management judgemental adjustments to ECL at 30 June 2024[1]

	Retail $bn	Wholesale[3] $bn	Total $bn
Modelled ECL (A)[4]	**2.7**	**2.1**	**4.8**
Banks, sovereigns, government entities and low-risk counterparties		**0.0**	**0.0**
Corporate lending adjustments		**0.2**	**0.2**
Other credit judgements	**0.1**		**0.1**
Total management judgemental adjustments (B)[5]	**0.1**	**0.2**	**0.3**
Other adjustments (C)[6]	**(0.2)**	**(0.1)**	**(0.3)**
Final ECL (A + B + C)[7]	**2.6**	**2.2**	**4.8**

Management judgemental adjustments to ECL at 31 December 2023[1,2]

	Retail $bn	Wholesale[3] $bn	Total $bn
Modelled ECL (A)[4]	2.6	2.4	5.0
Banks, sovereigns, government entities and low-risk counterparties		0.0	0.0
Corporate lending adjustments		0.1	0.1
Inflation-related adjustments	0.1		0.1
Other credit judgements	0.5		0.5
Total management judgemental adjustments (B)[5]	0.6	0.1	0.7
Other adjustments (C)[6]	0.0	0.0	0.0
Final ECL (A + B + C)[7]	3.2	2.5	5.7

1 Management judgemental adjustments presented in the table reflect increases or (decreases) in allowance for ECL, respectively.

2 31 December 2023 includes the Canada banking business and retail banking operations in France.

3 The wholesale portfolio corresponds to adjustments to the performing portfolio (stage 1 and stage 2).

4 (A) refers to probability-weighted allowance for ECL before any adjustments are applied.

5 (B) refers to adjustments that are applied where management believes allowance for ECL does not sufficiently reflect the credit risk/expected credit losses of any given portfolio at the reporting date. These can relate to risks or uncertainties that are not reflected in the model and/or to any late-breaking events.

6 (C) refers to adjustments to allowance for ECL made to address process limitations, data/model deficiencies, can also include where appropriate, the impact of new models where governance has sufficiently progressed to allow an accurate estimate of ECL allowance to be incorporated into the total reported ECL.

7 As presented within our internal credit risk governance (see page 147 of the Annual Report and Accounts 2023

In the wholesale portfolio, management judgemental adjustments were an increase to modelled allowance for ECL of $0.2bn (31 December 2023: $0.1bn increase), mostly to reflect heightened uncertainty in specific sectors and geographies, including adjustments to exposures to the real estate sectors in the US, Hong Kong, the UK, mainland China and the UAE. Compared with 31 December 2023, management judgemental adjustments increased by $0.1bn at 30 June 2024 due to adjustments applied to high-risk sectors and customers.

In the retail portfolio, management judgemental adjustments were an increase to modelled allowance for ECL of $0.1bn at 30 June 2024 (31 December 2023: $0.6bn increase).

Management judgemental adjustments in relation to other credit judgements increased allowance for ECL by $0.1bn (31 December 2023: $0.5bn). There was a significant reduction in the amount of adjustments from 31 December 2023 as performance remained resilient and in the UK there was less uncertainty in relation to the potential delayed impact of economic scenarios on unsecured portfolio defaults.

Economic scenarios sensitivity analysis of ECL estimates

Management considered the sensitivity of the ECL outcome against the economic forecasts as part of the ECL governance process by recalculating the allowance for ECL under each scenario described above for selected portfolios, applying a 100% weighting to each scenario in turn. The weighting is reflected in both the determination of a significant increase in credit risk and the measurement of the resulting allowances.

The allowance for ECL calculated for the Upside and Downside scenarios should not be taken to represent the upper and lower limits of possible ECL outcomes. The impact of defaults that might occur in the future under different economic scenarios is captured by recalculating allowances for loans at the balance sheet date.

There is a particularly high degree of estimation uncertainty in numbers representing tail risk scenarios when assigned a 100% weighting.

For wholesale credit risk exposures, the sensitivity analysis excludes allowance for ECL and financial instruments related to defaulted (stage 3) obligors. Loans to defaulted obligors are a small portion of the overall wholesale lending exposure, even if representing the majority of the allowance for ECL. The measurement of stage 3 ECL is relatively more sensitive to credit factors specific to the obligor than future economic scenarios, and therefore the effects of macroeconomic factors are not necessarily the key consideration when performing individual assessments of allowances for obligors in default. Due to the range and specificity of the credit factors to which the ECL is sensitive, it is not possible to provide a meaningful alternative sensitivity analysis for a consistent set of risks across all defaulted obligors.

For retail mortgage exposures the sensitivity analysis includes allowance for ECL for defaulted obligors of loans and advances. This is because the retail ECL for secured mortgage portfolios, including loans in all stages, is sensitive to macroeconomic variables.

Wholesale and retail sensitivity

The wholesale and retail sensitivity tables present the 100%-weighted results. These exclude portfolios held by the insurance business, private banking and small portfolios, and as such cannot be directly compared with personal and wholesale lending presented in other credit risk tables. In both the wholesale and retail analysis, the comparative period results for Downside 2 scenarios are also not directly comparable with the current period, because they reflect different risks relative to the consensus scenarios for the period end.

The wholesale and retail sensitivity analysis is stated inclusive of management judgemental adjustments, as appropriate to each scenario.

For both retail and wholesale portfolios, the gross carrying amount of financial instruments is the same under each scenario. For exposures with similar risk profile and product characteristics, the sensitivity impact is therefore largely the result of changes in macroeconomic assumptions.