RNS Number : 5763Y
HSBC Holdings PLC
31 July 2024

Wholesale analysis

IFRS 9 ECL sensitivity to future economic conditions[1,2,3]

By geography at 30 Jun 2024[5]	Reported Gross carrying amount[4] $m	Reported allowance for ECL $m	Consensus Central scenario allowance for ECL $m	Consensus Upside scenario allowance for ECL $m	Consensus Downside scenario allowance for ECL $m	Downside 2 scenario allowance for ECL $m
UK	**422,340**	**803**	**738**	**591**	**989**	**2,455**
US	**200,895**	**202**	**186**	**187**	**241**	**455**
Hong Kong	**428,358**	**543**	**506**	**373**	**741**	**1,199**
Mainland China	**129,488**	**179**	**146**	**90**	**314**	**791**
Mexico	**35,659**	**55**	**51**	**41**	**67**	**229**
UAE	**56,876**	**54**	**52**	**45**	**61**	**104**
France	**170,093**	**102**	**100**	**88**	**116**	**150**
Other geographies[6]	**451,769**	**269**	**242**	**190**	**378**	**875**
Total	**1,895,479**	**2,206**	**2,020**	**1,604**	**2,907**	**6,257**
of which:						
Stage 1	**1,759,826**	**743**	**682**	**535**	**870**	**868**
Stage 2	**135,653**	**1,463**	**1,337**	**1,069**	**2,037**	**5,389**
By geography at 31 Dec 2023[5]						
UK	426,427	820	754	599	1,041	2,487
US	191,104	215	199	189	268	441
Hong Kong	447,480	609	566	433	807	1,393
Mainland China	129,945	258	217	142	414	945
Canada[7]	84,092	89	75	56	107	487
Mexico	30,159	60	56	46	73	226
UAE	52,074	32	32	30	34	40
France	178,827	98	102	90	124	141
Other geographies[6]	450,271	325	298	245	410	882
Total	1,990,378	2,507	2,301	1,829	3,278	7,043
of which:						
Stage 1	1,820,843	754	702	553	860	854
Stage 2	169,535	1,753	1,599	1,276	2,418	6,189

1 Allowance for ECL sensitivity includes off-balance sheet financial instruments. These are subject to significant measurement uncertainty.

2 Includes low credit-risk financial instruments such as debt instruments at FVOCI, which have high carrying amounts but low ECL under all the above scenarios.

3 Excludes defaulted obligors. For a detailed breakdown of performing and non-performing wholesale portfolio exposures, see page 87.

4 Staging refers only to probability-weighted/reported gross carrying amount. Stage allocation of gross exposures varies by scenario, with higher allocation to stage 2 under the Downside 2 scenario.

5 Geographies include all legal entities which share a common set of macroeconomic scenarios for the majority of exposures.

6 Includes small portfolios that use less complex modelling approaches and are not sensitive to macroeconomic changes.

7 Classified as held for sale at 31 December 2023.

At 30 June 2024, the highest level of 100% scenario-weighted ECL was observed in the UK and Hong Kong. This higher ECL impact was largely driven by significant exposure in these regions. In the wholesale portfolio, off-balance sheet financial instruments have a lower likelihood to be fully converted to a funded exposure at the point of default, and consequently the ECL sensitivity impact is lower in relation to its nominal amount when compared with an on-balance sheet exposure with similar risk profile.

Compared with 31 December 2023, the Downside 2 ECL impact reduced by $0.8bn mostly due to sale of the Canada business, decrease of exposures in the performing portfolio in Hong Kong and slower deterioration of the macroeconomic conditions under this scenario, which led to a reduction of ECL impact in some markets such as mainland China.

Retail analysis

IFRS 9 ECL sensitivity to future economic conditions[1]

By geography at 30 Jun 2024	Reported gross carrying amount $m	Reported allowance for ECL $m	Consensus Central scenario allowance for ECL $m	Consensus Upside scenario allowance for ECL $m	Consensus Downside scenario allowance for ECL $m	Downside 2 scenario allowance for ECL $m
UK						
Mortgages	**161,684**	**162**	**152**	**146**	**169**	**320**
Credit cards	**7,448**	**253**	**249**	**210**	**266**	**403**
Other	**8,023**	**235**	**232**	**199**	**260**	**315**
Mexico						
Mortgages	**8,315**	**178**	**168**	**138**	**206**	**358**
Credit cards	**2,271**	**318**	**314**	**312**	**319**	**400**
Other	**4,148**	**443**	**438**	**428**	**453**	**550**
Hong Kong						
Mortgages	**105,741**	**2**	**2**	**1**	**2**	**8**
Credit cards	**9,169**	**260**	**204**	**183**	**318**	**1,096**
Other	**6,442**	**110**	**94**	**86**	**116**	**425**
UAE						
Mortgages	**1,879**	**16**	**16**	**16**	**16**	**17**
Credit cards	**476**	**26**	**25**	**25**	**26**	**35**
Other	**681**	**20**	**19**	**19**	**20**	**29**
US						
Mortgages	**15,367**	**7**	**7**	**7**	**8**	**14**
Credit cards	**193**	**15**	**15**	**14**	**16**	**16**
Other geographies						
Mortgages	**53,273**	**155**	**151**	**145**	**161**	**219**
Credit cards	**3,618**	**164**	**158**	**144**	**187**	**277**
Other	**2,384**	**75**	**73**	**70**	**78**	**111**
Total	**391,113**	**2,439**	**2,319**	**2,143**	**2,622**	**4,592**
of which: mortgages						
Stage 1	**304,217**	**78**	**67**	**51**	**104**	**283**
Stage 2	**39,815**	**175**	**165**	**144**	**187**	**343**
Stage 3	**2,229**	**267**	**265**	**259**	**272**	**309**
of which: credit cards						
Stage 1	**18,913**	**248**	**233**	**201**	**290**	**630**
Stage 2	**3,962**	**597**	**540**	**495**	**649**	**1,400**
Stage 3	**300**	**190**	**190**	**190**	**193**	**196**
of which: others						
Stage 1	**18,192**	**223**	**211**	**188**	**246**	**499**
Stage 2	**2,875**	**356**	**344**	**310**	**377**	**624**
Stage 3	**611**	**304**	**304**	**304**	**305**	**306**

IFRS 9 ECL sensitivity to future economic conditions[1,2] (continued)

By geography at 31 Dec 2023	Reported gross carrying amount $m	Reported allowance for ECL $m	Consensus Central scenario allowance for ECL $m	Consensus Upside scenario allowance for ECL $m	Consensus Downside scenario allowance for ECL $m	Downside 2 scenario allowance for ECL $m
UK						
Mortgages	161,127	189	180	172	201	334
Credit cards	7,582	344	340	302	353	486
Other	8,183	341	333	273	383	515
Mexico						
Mortgages	8,666	188	180	150	235	363
Credit cards	2,445	295	286	206	376	489
Other	4,529	513	503	426	600	731
Hong Kong						
Mortgages	106,136	2	2	1	3	5
Credit cards	9,128	287	239	214	395	887
Other	6,269	109	100	88	124	256
UAE						
Mortgages	2,001	25	25	25	25	25
Credit cards	471	24	24	22	25	32
Other	721	20	20	19	21	28
France						
Mortgages	20,589	50	50	50	51	51
Other	1,328	44	44	43	45	48
US						
Mortgages	14,385	8	4	3	4	10
Credit cards	204	15	15	10	15	16
Canada						
Mortgages	25,464	67	65	64	70	99
Credit cards	338	13	13	12	16	15
Other	1,368	13	13	12	14	33
Other geographies						
Mortgages	55,368	152	149	144	158	198
Credit cards	3,655	173	166	151	202	291
Other	2,416	91	86	83	95	137
Total	442,373	2,962	2,835	2,471	3,411	5,049

Total	442,373	2,962	2,835	2,471	3,411	5,049
of which: mortgages						
Stage 1	347,874	101	92	77	145	303
Stage 2	43,451	264	249	225	280	429
Stage 3	2,412	316	314	307	322	352
of which: credit cards						
Stage 1	18,557	249	232	180	329	604
Stage 2	4,953	707	657	546	859	1,415
Stage 3	312	193	193	192	194	197
of which: others						
Stage 1	19,551	218	205	151	272	501
Stage 2	4,542	540	519	423	636	868
Stage 3	722	373	373	370	375	379

1 Allowance for ECL sensitivities exclude portfolios utilising less complex modelling approaches.

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

At 30 June 2024, the most significant level of allowance for ECL sensitivity was observed in the UK, Mexico and Hong Kong. Mortgages reflected the lowest level of allowance for ECL sensitivity across most markets given the significant levels of collateral relative to the exposure values. Hong Kong mortgages had low levels of ECL allowance due to the credit quality of the portfolio. Credit cards and other unsecured lending across stages 1 and 2 are more sensitive to economic forecasts and therefore reflected the highest level of allowance for ECL sensitivity during 2024.

There was reduction in the total sensitivity for ECL allowance in all scenarios compared with 31 December 2023 due to model updates and scenario evolution.

There is limited sensitivity in credit cards and other unsecured lending in stage 3 as levels of loss on defaulted exposures remain materially consistent through various economic conditions. The alternative downside is from the tail of the economic distribution where allowance for ECL is more sensitive based on historical experience.

The reported gross carrying amount by stage is representative of the weighted scenario allowance for ECL. The allowance for ECL sensitivity to the other scenarios includes changes in allowance for ECL due to the levels of loss and the migration of additional lending balances in or out of stage 2.

Group ECL sensitivity results

The ECL impact of the scenarios and management judgemental adjustments are highly sensitive to movements in economic forecasts. Based upon the sensitivity tables presented above, if the Group ECL balance (excluding wholesale stage 3, which is assessed individually) was estimated solely on the basis of the Central scenario, Upside scenario, Downside 1 scenario or the Downside 2 scenario at 30 June 2024, it would increase/(decrease) as presented in the below table.

Total Group ECL at 30 Jun 2024	**Retail[1] $bn**	**Wholesale[1] $bn**
Reported ECL	**2.4**	**2.2**
Scenarios		
100% consensus Central scenario	**(0.1)**	**(0.2)**
100% consensus Upside scenario	**(0.3)**	**(0.6)**
100% consensus Downside scenario	**0.2**	**0.7**
100% Downside 2 scenario	**2.2**	**4.1**

Total Group ECL at 31 Dec 2023		
Reported ECL	3.0	2.5
Scenarios		
100% consensus Central scenario	(0.1)	(0.2)
100% consensus Upside scenario	(0.5)	(0.7)
100% consensus Downside scenario	0.4	0.8
100% Downside 2 scenario	2.1	4.5

1 On the same basis as retail and wholesale sensitivity analysis.

At 30 June 2024, the Group allowance for ECL decreased in the retail portfolio by $0.6bn and decreased by $0.3bn in the wholesale portfolio, compared with 31 December 2023. There was reduction in ECL sensitivity across all scenarios as a result of the sale of our Canada banking business and sale of our retail banking operations in France during the first half of 2024.

The decrease in the Downside 2 scenario sensitivity within the wholesale portfolio since 31 December 2023 was also driven by a decrease of exposures in the performing portfolio in Hong Kong and a slower deterioration of macroeconomic conditions in some markets, such as mainland China. There was a modest increase in the Downside 2 scenario sensitivity within the retail portfolio since 31 December 2023, driven by deterioration of house prices in Hong Kong and offset by model updates in a number of markets.

Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers

The following disclosure provides a reconciliation by stage of the Group's gross carrying/nominal amount and allowances for loans and advances to banks and customers, including loan commitments and financial guarantees. Movements are calculated on a quarterly basis and therefore fully capture stage movements between quarters. If movements were calculated on a year-to-date basis they would only reflect the opening and closing position of the financial instrument.

The transfers of financial instruments represent the impact of stage transfers upon the gross carrying/nominal amount and associated allowance for ECL.

The net remeasurement of ECL arising from stage transfers represents the increase or decrease due to these transfers, for example, moving from a 12-month (stage 1) to a lifetime (stage 2) ECL measurement basis. Net remeasurement excludes the underlying customer risk rating ('CRR')/probability of default ('PD') movements of the financial instruments transferring stage. This is captured, along with other credit quality movements in the 'changes in risk parameters - credit quality' line item.

Changes in 'Net new and further lending/repayments' represents the impact from volume movements within the Group's lending portfolio and includes 'New financial assets originated or purchased', 'assets derecognised (including final repayments)' and 'changes to risk parameters - further lending/repayment'.

Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees

(Reviewed)

	Non-credit impaired				Credit impaired					
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying/ nominal amount $m	Allowance for ECL $m	Gross carrying/ nominal amount $m	Allowance for ECL $m	Gross carrying/ nominal amount $m	Allowance for ECL $m	Gross carrying/ nominal amount $m	Allowance for ECL $m	Gross carrying/ nominal amount $m	Allowance for ECL $m
At 1 Jan 2024	**1,496,805**	**(1,300)**	**153,084**	**(3,102)**	**20,799**	**(7,063)**	**85**	**(30)**	**1,670,773**	**(11,495)**
Transfers of financial instruments:	(11,716)	(774)	4,004	1,428	7,712	(654)	-	-	-	-
- transfers from stage 1 to stage 2	(62,466)	226	62,466	(226)	-	-	-	-	-	-
- transfers from stage 2 to stage 1	51,401	(977)	(51,401)	977	-	-	-	-	-	-
- transfers to stage 3	(984)	5	(7,705)	806	8,689	(811)	-	-	-	-
- transfers from stage 3	333	(28)	644	(129)	(977)	157	-	-	-	-
Net remeasurement of ECL arising from transfer of stage	-	647	-	(552)	-	(127)	-	-	-	(32)
Net new and further lending/ repayments	44,715	(64)	(16,213)	289	(2,949)	587	-	(2)	25,553	810
Changes to risk parameters - credit quality	-	150	-	(685)	-	(1,197)	-	(3)	-	(1,735)
Changes to models used for ECL calculation	-	16	-	(3)	-	22	-	-	-	35
Assets written off	-	-	-	-	(1,549)	1,549	-	-	(1,549)	1,549
Foreign exchange and others[1,2]	(57,198)	48	(5,251)	89	(97)	(164)	-	-	(62,546)	(27)
At 30 Jun 2024	**1,472,606**	**(1,277)**	**135,624**	**(2,536)**	**23,916**	**(7,047)**	**85**	**(35)**	**1,632,231**	**(10,895)**
ECL income statement change for the period		749		(951)		(715)		(5)		(922)
Recoveries										126
Others										(86)
Total ECL income statement change for the period										**(882)**

	At 30 Jun 2024		6 months ended 30 Jun 2024
	Gross carrying/nominal amount	Allowance for ECL	ECL release/(charge)
	$m	$m	$m
As above	**1,632,231**	**(10,895)**	**(882)**
Other financial assets measured at amortised cost	**850,367**	**(158)**	**(77)**
Non-trading reverse purchase agreement commitments	**73,584**	**-**	**-**
Performance and other guarantees not considered for IFRS 9	**-**	**-**	**(94)**
Summary of financial instruments to which the impairment requirements in IFRS 9 are applied/Summary consolidated income statement	**2,556,182**	**(11,053)**	**(1,053)**
Debt instruments measured at FVOCI	**318,238**	**(96)**	**(13)**
Total allowance for ECL/total income statement ECL change for the period	**n/a**	**(11,149)**	**(1,066)**

1 Total includes $2.5bn of gross carrying loans and advances to customers and banks, which were classified to assets held for sale, and corresponding allowance for ECL of $42m, reflecting business disposals as disclosed on page 68.

2 Total includes $35.3bn of nominal amount and $21m of corresponding allowance for ECL related to derecognition of loan commitments and financial guarantees following the sale of our banking business in Canada during 1H24.

As shown in the previous table, the allowance for ECL for loans and advances to customers and banks and relevant loan commitments and financial guarantees decreased by $600m during the period, from $11,495m at 31 December 2023 to $10,895m at 30 June 2024.

This decrease was driven by:

- $1,549m of assets written off, $780m of which in relation to Wholesale and $769m in relation to Personal;
- $810m relating to volume movements, which included the ECL allowance associated with new originations, assets derecognised and further pending repayment; and
- $35m relating to changes to models used for ECL calculation.

These were partly offset by:

- $1,735m relating to underlying credit quality changes, including the credit quality impact of financial instruments transferring between stages;
- $32m relating to the net remeasurement impact of stage transfers; and
- foreign exchange and other movements of $27m.

The ECL charge for the period of $922m presented in the previous table consisted of $1,735m relating to underlying credit quality changes, including the credit quality impact of financial instruments transferring between stages, and $32m relating to the net remeasurement impact of stage transfers. These were partly offset by $810m relating to underlying net book volume and $35m relating to changes to models used for ECL calculation.

Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees (continued)

(Reviewed)

	Non-credit impaired				Credit impaired				Total	
	Stage 1		Stage 2		Stage 3		POCI			
	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
At 1 Jan 2023	1,433,643	(1,257)	177,223	(3,710)	21,207	(6,949)	129	(38)	1,632,202	(11,954)

Transfers of financial instruments:	(18,948)	(1,048)	10,286	2,228	8,662	(1,180)	-	-	-	-
- transfers from stage 1 to stage 2	(150,728)	442	150,728	(442)	-	-	-	-	-	-
- transfers from stage 2 to stage 1	133,079	(1,467)	(133,079)	1,467	-	-	-	-	-	-
- transfers to stage 3	(1,986)	23	(8,600)	1,379	10,586	(1,402)	-	-	-	-
- transfers from stage 3	687	(46)	1,237	(176)	(1,924)	222	-	-	-	-
Net remeasurement of ECL arising from transfer of stage	-	917	-	(973)	-	(124)	-	-	-	(180)
Net new and further lending/repayments	77,693	(185)	(36,795)	661	(4,956)	1,117	(36)	3	35,906	1,596
Changes to risk parameters - credit quality		307		(1,262)		(3,896)		21		(4,830)
Changes to models used for ECL calculation	-	(22)	-	46	-	7	-	-	-	31
Assets written off	-	-	-	-	(3,922)	3,922	-	-	(3,922)	3,922
Credit-related modifications that resulted in derecognition	-	-	-	-	(119)	95	-	-	(119)	95
Foreign exchange and others[1]	4,417	(12)	2,370	(92)	(73)	(55)	(8)	(16)	6,706	(175)
At 31 Dec 2023	1,496,805	(1,300)	153,084	(3,102)	20,799	(7,063)	85	(30)	1,670,773	(11,495)
ECL income statement change for the period	-	1,017	-	(1,528)	-	(2,896)	-	24	-	(3,383)
Recoveries	-	-	-	-	-	-	-	-	-	268
Other	-	-	-	-	-	-	-	-	-	(195)
Total ECL income statement change for the period[2]	-	-	-	-	-	-	-	-	-	(3,310)

	At 31 Dec 2023		12 months ended 31 Dec 2023
	Gross carrying/nominal amount $m	Allowance for ECL $m	ECL charge $m
As above	1,670,773	(11,495)	(3,310)
Other financial assets measured at amortised cost	960,271	(422)	(35)
Non-trading reverse purchase agreement commitments	69,777	-	-
Performance and other guarantees not considered for IFRS 9	-	-	(44)
Summary of financial instruments to which the impairment requirements in IFRS 9 are applied/Summary consolidated income statement	2,700,821	(11,917)	(3,389)
Debt instruments measured at FVOCI	302,348	(97)	(58)
Total allowance for ECL/total income statement ECL change for the period	n/a	(12,014)	(3,447)

1 Total includes $7.7bn of gross carrying loans and advances, which were classified from assets held for sale, and a corresponding allowance for ECL of $70m, reflecting the planned sale of our retail banking operations in France no longer meeting the definition of held for sale. For further details, see 'Assets held for sale' on page 68.

2 The 31 December 2023 total ECL income statement change of $3,310m is attributable to $1,342m for the six months ended 30 June 2023 and $1,968m to the six months ended 31 December 2023.

Credit quality of financial instruments

We assess the credit quality of all financial instruments that are subject to credit risk. The credit quality of financial instruments is a point-in-time assessment of PD, whereas stages 1 and 2 are determined based on relative deterioration of credit quality since initial recognition. Accordingly, for non-credit-impaired financial instruments, there is no direct relationship between the credit quality assessment and stages 1 and 2, though typically the lower credit quality bands exhibit a higher proportion in stage 2.

The five credit quality classifications each encompass a range of granular internal credit rating grades assigned to wholesale and personal lending businesses and the external ratings attributed by external agencies to debt securities, as shown in the following table. Personal lending credit quality is disclosed based on a 12-month point-in-time PD adjusted for multiple economic scenarios. The credit quality classifications for wholesale lending are based on internal credit risk ratings.

Credit quality classification

	Sovereign debt securities and bills	Other debt securities and bills	Wholesale lending and derivatives		Retail lending	
	External credit rating	External credit rating	Internal credit rating	12-month Basel probability of default %	Internal credit rating	12 month probability-weighted PD %
Quality classification[1,2]						
Strong	BBB and above	A- and above	CRR 1 to CRR 2	0 - 0.169	Band 1 and 2	0.000 - 0.500
Good	BBB- to BB	BBB+ to BBB-	CRR 3	0.170 - 0.740	Band 3	0.501 - 1.500
Satisfactory	BB- to B and unrated	BB+ to B and unrated	CRR 4 to CRR 5	0.741 - 4.914	Band 4 and 5	1.501 - 20.000
Sub-standard	B- to C	B- to C	CRR 6 to CRR 8	4.915 - 99.999	Band 6	20.001 - 99.999
Credit impaired	Default	Default	CRR 9 to CRR 10	100	Band 7	100

1 Customer risk rating ('CRR').

2 12-month point-in-time probability-weighted probability of default ('PD').

Distribution of financial instruments to which the impairment requirements in IFRS 9 are applied, by credit quality and stage allocation

(Reviewed)

	Gross carrying/nominal amount							
	Strong $m	Good $m	Satisfactory $m	Sub-standard $m	Credit impaired $m	Total $m	Allowance for ECL $m	Net $m
Loans and advances to customers at amortised cost	509,871	197,438	197,634	21,080	22,744	948,767	(10,510)	938,257
- stage 1	487,521	172,944	154,028	3,450	-	817,943	(1,112)	816,831
- stage 2	22,350	24,494	43,606	17,630	-	108,080	(2,399)	105,681
- stage 3	-	-	-	-	22,662	22,662	(6,964)	15,698
- POCI	-	-	-	-	82	82	(35)	47
Loans and advances to banks at amortised cost	92,718	4,734	4,397	219	2	102,070	(13)	102,057
- stage 1	92,620	4,708	3,700	203	-	101,231	(9)	101,222
- stage 2	98	26	697	16	-	837	(2)	835
- stage 3	-	-	-	-	2	2	(2)	-
- POCI	-	-	-	-	-	-	-	-
Other financial assets measured at amortised cost	744,337	68,275	35,731	1,584	440	850,367	(158)	850,209
- stage 1	743,981	67,713	34,870	810	-	847,374	(96)	847,278
- stage 2	356	562	861	774	-	2,553	(26)	2,527
- stage 3	-	-	-	-	440	440	(36)	404
- POCI	-	-	-	-	-	-	-	-
Loans and other credit-related commitments	417,367	135,294	77,315	7,698	961	638,635	(335)	638,300
- stage 1	413,905	128,479	67,174	2,935	-	612,493	(149)	612,344
- stage 2	3,462	6,815	10,141	4,763	-	25,181	(123)	25,058
- stage 3	-	-	-	-	958	958	(63)	895
- POCI	-	-	-	-	3	3	-	3
Financial guarantees	7,501	3,785	4,147	616	294	16,343	(37)	16,306
- stage 1	7,481	3,637	3,282	123	-	14,523	(7)	14,516
- stage 2	20	148	865	493	-	1,526	(12)	1,514
- stage 3	-	-	-	-	294	294	(18)	276
- POCI	-	-	-	-	-	-	-	-
At 30 Jun 2024	1,771,794	409,526	319,224	31,197	24,441	2,556,182	(11,053)	2,545,129
Debt instruments at FVOCI[1]								
- stage 1	303,803	12,674	7,418	-	-	323,895	(37)	323,858
- stage 2	48	-	469	2,053	-	2,570	(59)	2,511
- stage 3	-	-	-	-	-	-	-	-
- POCI	-	-	-	-	-	-	-	-
At 30 Jun 2024	303,851	12,674	7,887	2,053	-	326,465	(96)	326,369

1 For the purposes of this disclosure, gross carrying value is defined as the amortised cost of a financial asset, before adjusting for any loss allowance. As such, the gross carrying value of debt instruments at FVOCI will not reconcile to the balance sheet as it excludes fair value gains and losses.

Distribution of financial instruments to which the impairment requirements in IFRS 9 are applied, by credit quality and stage allocation (continued)

(Reviewed)

	Gross carrying/notional amount							
	Strong $m	Good $m	Satisfactory $m	Sub-standard $m	Credit impaired $m	Total $m	Allowance for ECL $m	Net $m
Loans and advances to customers at amortised cost	497,665	206,476	197,582	28,532	19,354	949,609	(11,074)	938,535
- stage 1	478,422	177,410	147,940	5,612	-	809,384	(1,130)	808,254
- stage 2	19,243	29,066	49,642	22,920	-	120,871	(2,964)	117,907
- stage 3	-	-	-	-	19,273	19,273	(6,950)	12,323
- POCI	-	-	-	-	81	81	(30)	51
Loans and advances to banks at amortised cost	101,057	4,640	6,363	855	2	112,917	(15)	112,902
- stage 1	101,011	4,631	5,550	287	-	111,479	(10)	111,469
- stage 2	46	9	813	568	-	1,436	(3)	1,433
- stage 3	-	-	-	-	2	2	(2)	-
- POCI	-	-	-	-	-	-	-	-
Other financial assets measured at amortised cost	815,259	80,151	60,197	4,000	664	960,271	(422)	959,849
- stage 1	814,776	78,486	53,095	516	-	946,873	(109)	946,764
- stage 2	483	1,665	7,102	3,484	-	12,734	(132)	12,602
- stage 3	-	-	-	-	664	664	(181)	483
- POCI	-	-	-	-	-	-	-	-
Loans and other credit-related commitments	436,359	142,500	73,230	7,782	1,144	661,015	(367)	660,648
- stage 1	432,017	135,192	61,213	2,527	-	630,949	(153)	630,796
- stage 2	4,342	7,308	12,017	5,255	-	28,922	(128)	28,794
- stage 3	-	-	-	-	1,140	1,140	(86)	1,054
- POCI	-	-	-	-	4	4	-	4
Financial guarantees	7,700	4,146	4,080	699	384	17,009	(39)	16,970
- stage 1	7,497	3,943	3,204	102	-	14,746	(7)	14,739
- stage 2	203	203	876	597	-	1,879	(7)	1,872
- stage 3	-	-	-	-	384	384	(25)	359
- POCI	-	-	-	-	-	-	-	-
At 31 Dec 2023	1,858,040	437,913	341,452	41,868	21,548	2,700,821	(11,917)	2,688,904
Debt instruments at FVOCI[1]								
- stage 1	288,909	12,037	7,579	-	-	308,525	(37)	308,488
- stage 2	50	-	318	805	-	1,173	(59)	1,114
- stage 3	-	-	-	-	5	5	(1)	4
- POCI	-	-	-	-	-	-	-	-
At 31 Dec 2023	288,959	12,037	7,897	805	5	309,703	(97)	309,606

1 For the purposes of this disclosure, gross carrying value is defined as the amortised cost of a financial asset, before adjusting for any loss allowance. As such, the gross carrying value of debt instruments at FVOCI will not reconcile to the balance sheet as it excludes fair value gains and losses.

Personal lending

This section provides details of the major legal entities, countries and products that are driving the change observed in personal loans and advances to customers, with the impact of foreign exchange separately identified. Additionally, Hong Kong and UK mortgage book loan-to-value ('LTV') data is provided.

Further product granularity is also provided by stage, with data for major legal entities presented for loans and advances to customers, loans and other credit-related commitments and financial guarantees.

At 30 June 2024, total personal lending for loans and advances to customers of $446.5bn decreased by $1.1bn on a reported basis, compared with 31 December 2023. This included adverse foreign exchange movements of $5.6bn.

On a constant currency basis, the increase of $4.5bn was mainly driven by growth 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). This was partly offset by a decrease in Argentina (down $0.3bn) following the classification of our business as held for sale.

On a reported basis, the allowance for ECL attributable to personal lending, excluding off-balance sheet loan commitments and guarantees, decreased by $0.4bn to $2.5bn, compared with 31 December 2023. This was driven by a resilient performance, and a reduction in credit judgements in the UK in relation to unemployment and the potential delayed impact of economic scenarios on unsecured portfolio defaults.

On a constant currency basis, mortgage lending balances increased by $3.2bn to $360.4bn at 30 June 2024. Mortgages grew by $2.4bn in HSBC UK, $1.1bn in the United States, $0.7bn in Australia and $0.2bn in Mexico. This was partly offset by a decrease of $1.0bn in Singapore.

The allowance for ECL attributable to mortgages of $0.5bn decreased by $0.1bn compared with 31 December 2023.

The quality of both our Hong Kong and UK mortgage books remained high, with low levels of impairment allowances. The average LTV ratio on new mortgage lending in Hong Kong was 66%, compared with an estimated 61% for the overall mortgage portfolio. The average LTV ratio on new lending in the UK was 67%, compared with an estimated 53% for the overall mortgage portfolio.

On a constant currency basis, other personal lending balances increased by $1.3bn compared with 31 December 2023. This included an increase of $1.0bn in Singapore, $0.1bn in HSBC UK, $0.1bn in Taiwan and $0.1bn in Mexico. This was partly offset by a decrease of $0.3bn in Argentina following the classification of our business as held for sale.

The allowance for ECL attributable to other personal lending of $2.0bn decreased by $0.3bn, on a constant currency basis, compared with 31 December 2023. The allowance for ECL attributable to unsecured lending decreased by $0.2bn and credit cards decreased by $0.1bn.

Total personal lending for loans and advances to customers by stage distribution

	Gross carrying amount				Allowance for ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	$m	$m	$m	$m	$m	$m	$m	$m
By portfolio								
First lien residential mortgages	**317,924**	**40,093**	**2,403**	**360,420**	**(85)**	**(174)**	**(269)**	**(528)**
- of which: interest only (including offset)	**21,611**	**2,556**	**151**	**24,318**	**(4)**	**(13)**	**(31)**	**(48)**
- affordability (including US adjustable rate mortgages)	**15,314**	**420**	**280**	**16,014**	**(3)**	**(1)**	**(8)**	**(12)**
Other personal lending	**77,729**	**7,106**	**1,199**	**86,034**	**(466)**	**(945)**	**(551)**	**(1,962)**
- second lien residential mortgages	**355**	**13**	**27**	**395**	**-**	**(1)**	**(3)**	**(4)**
- guaranteed loans in respect of residential property	**7,728**	**223**	**81**	**8,032**	**(2)**	**(5)**	**(17)**	**(24)**
- other personal lending which is secured	**30,324**	**512**	**112**	**30,948**	**(11)**	**(4)**	**(18)**	**(33)**
- credit cards	**19,588**	**3,749**	**345**	**23,682**	**(220)**	**(593)**	**(204)**	**(1,017)**
- other personal lending which is unsecured	**17,676**	**2,512**	**619**	**20,807**	**(212)**	**(325)**	**(301)**	**(838)**
- motor vehicle finance	**2,058**	**97**	**15**	**2,170**	**(21)**	**(17)**	**(8)**	**(46)**
At 30 Jun 2024	**395,653**	**47,199**	**3,602**	**446,454**	**(551)**	**(1,119)**	**(820)**	**(2,490)**
By legal entity								
HSBC UK Bank plc	**146,102**	**36,331**	**1,214**	**183,647**	**(163)**	**(274)**	**(246)**	**(683)**
HSBC Bank plc[1]	**23,081**	**1,468**	**346**	**24,895**	**(22)**	**(23)**	**(103)**	**(148)**
The Hongkong and Shanghai Banking Corporation Limited	**190,908**	**7,088**	**1,072**	**199,068**	**(156)**	**(358)**	**(156)**	**(670)**
HSBC Bank Middle East Limited	**3,307**	**355**	**51**	**3,713**	**(16)**	**(29)**	**(33)**	**(78)**
HSBC North America Holdings Inc.	**19,217**	**513**	**396**	**20,126**	**(5)**	**(11)**	**(14)**	**(30)**
Grupo Financiero HSBC, S.A. de C.V.	**12,297**	**1,414**	**520**	**14,231**	**(183)**	**(422)**	**(265)**	**(870)**
Other trading entities[1]	**741**	**30**	**3**	**774**	**(6)**	**(2)**	**(3)**	**(11)**
At 30 Jun 2024	**395,653**	**47,199**	**3,602**	**446,454**	**(551)**	**(1,119)**	**(820)**	**(2,490)**

1 At 31 December 2023, 'Other trading entities' included gross carrying amount of $9,079m and allowances for ECL of $23m related to Private Banking entities that were reclassified to HSBC Bank plc to continue the process of simplifying our structure.

Total personal lending for loans and other credit-related commitments and financial guarantees by stage distribution

	Nominal amount				Allowance for ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	$m	$m	$m	$m	$m	$m	$m	$m
HSBC UK Bank plc	**53,964**	**524**	**82**	**54,570**	**(7)**	**-**	**(2)**	**(9)**
HSBC Bank plc	**1,380**	**5**	**2**	**1,387**	**-**	**-**	**-**	**-**
The Hongkong and Shanghai Banking Corporation Limited	**186,657**	**2,818**	**186**	**189,661**	**(3)**	**-**	**-**	**(3)**
HSBC Bank Middle East Limited	**2,290**	**7**	**-**	**2,297**	**-**	**-**	**-**	**-**
HSBC North America Holdings Inc.	**3,738**	**69**	**3**	**3,810**	**-**	**-**	**-**	**-**
HSBC Bank Canada	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Grupo Financiero HSBC, S.A. de C.V.	**4,236**	**-**	**-**	**4,236**	**(22)**	**-**	**-**	**(22)**
Other trading entities	**2,587**	**42**	**2**	**2,631**	**(1)**	**-**	**-**	**(1)**
At 30 Jun 2024	**254,852**	**3,465**	**275**	**258,592**	**(33)**	**-**	**(2)**	**(35)**

Total personal lending for loans and advances to customers by stage distribution (continued)

	Gross carrying amount				Allowance for ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	$m	$m	$m	$m	$m	$m	$m	$m
By portfolio								
First lien residential mortgages	320,410	38,287	2,212	360,909	(102)	(200)	(269)	(571)
- of which: interest only (including offset)	21,895	2,923	139	24,957	(4)	(27)	(31)	(62)
- affordability (including US adjustable rate mortgages)	14,380	381	291	15,052	(3)	(1)	(10)	(14)
Other personal lending	76,124	9,196	1,293	86,613	(477)	(1,234)	(585)	(2,296)
- second lien residential mortgages	317	58	21	396	-	(3)	(5)	(8)
- guaranteed loans in respect of residential property	8,001	502	90	8,593	(1)	(5)	(14)	(20)
- other personal lending which is secured	28,900	424	157	29,481	(13)	(5)	(24)	(42)
- credit cards	19,909	4,419	352	24,680	(236)	(697)	(203)	(1,136)
- other personal lending which is unsecured	17,010	3,582	659	21,251	(212)	(505)	(331)	(1,048)
- motor vehicle finance	1,987	211	14	2,212	(15)	(19)	(8)	(42)
At 31 Dec 2023	396,534	47,483	3,505	447,522	(579)	(1,434)	(854)	(2,867)
By legal entity								
HSBC UK Bank plc	146,354	35,190	1,218	182,762	(152)	(490)	(255)	(897)
HSBC Bank plc	14,598	1,747	273	16,618	(24)	(22)	(91)	(137)
The Hongkong and Shanghai Banking Corporation Limited	191,382	7,741	948	200,071	(165)	(402)	(162)	(729)
HSBC Bank Middle East Limited	3,335	397	47	3,779	(19)	(33)	(36)	(88)
HSBC North America Holdings Inc.	18,096	553	364	19,013	(5)	(14)	(16)	(35)
Grupo Financiero HSBC, S.A. de C.V.	12,717	1,740	536	14,993	(197)	(463)	(273)	(933)
Other trading entities	10,052	115	119	10,286	(17)	(10)	(21)	(48)
At 31 Dec 2023	396,534	47,483	3,505	447,522	(579)	(1,434)	(854)	(2,867)

Total personal lending for loans and other credit-related commitments and financial guarantees by stage distribution (continued)

	Nominal amount				Allowance for ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	$m	$m	$m	$m	$m	$m	$m	$m
HSBC UK Bank plc	52,093	734	88	52,915	(11)	-	(2)	(13)
HSBC Bank plc	1,630	36	4	1,670	-	-	-	-
The Hongkong and Shanghai Banking Corporation Limited	181,967	2,479	223	184,669	(3)	-	-	(3)
HSBC Bank Middle East Limited	1,978	7	1	1,986	-	-	-	-
HSBC North America Holdings Inc.	3,695	72	8	3,775	-	-	-	-
HSBC Bank Canada	6,610	113	30	6,753	-	-	-	-
Grupo Financiero HSBC, S.A. de C.V.	4,308	-	-	4,308	(8)	-	-	(8)
Other trading entities	2,008	31	1	2,040	(1)	-	-	(1)
At 31 Dec 2023	254,289	3,472	355	258,116	(23)	-	(2)	(25)

Wholesale lending

This section provides further details on the major legal entities, countries and industries driving the decrease in wholesale loans and advances to customers and banks, with the impact of foreign exchange separately identified. Industry granularity is also provided by stage, with legal entity data presented for loans and advances to customers, banks, other credit commitments, financial guarantees and similar contracts.

At 30 June 2024, wholesale lending for loans and advances to banks and customers of $604.4bn decreased by $10.6bn on a reported basis, compared with 31 December 2023. This included adverse foreign exchange movements of $10.8bn.

On a constant currency basis, the total wholesale lending increase of $0.2bn was driven by an increase in loans and advances to non-bank financial institutions, which grew by $5.7bn, including a $2.5bn increase in the UK, $1.5bn in France and a $1.2bn increase in India.

Corporate and commercial balances increased by $1.9bn. This increase, which was spread across multiple industries, was partly offset by a decrease of $2.9bn in 'real estate and construction' exposures driven by repayments. Additionally, there was a $0.5bn decrease from the reclassification of our business in Argentina into 'assets held for sale'.

The increase in stage 3 corporate and commercial exposure during the period was driven by defaults in commercial real estate lending, mainly in Hong Kong. The associated allowance for ECL for those loans is relatively lower due to the high collateralisation, with headroom for depreciation.

On a constant currency basis, loans and advances to banks declined by $7.4bn, including a $4.8bn decrease in Singapore, a $2.5bn decrease in the UK, a $1.9bn decrease in China and a $0.6bn decrease from the reclassification of our business in Argentina into 'assets held for sale'. These were partly offset by a $2.0bn increase in UAE.

On a reported basis, loan commitments and financial guarantees of $396.4bn decreased by $23.5bn since 31 December 2023. Excluding unfavourable foreign exchange movements of $7.4bn, loan commitments and financial guarantees decreased by $16.1bn due to lower exposures with corporate and commercial customers.

The allowance for ECL attributable to loans and advances to banks and customers of $8.0bn at 30 June 2024 decreased from $8.2bn at 31 December 2023. This included adverse foreign exchange movements of $0.2bn.

On a constant currency basis, the wholesale allowance for ECL for loans and advances to customers decreased by $36m and the allowance for ECL for loans and advances to banks remained broadly flat.

The allowance for ECL attributable to loan commitments and financial guarantees at 30 June 2024 decreased to $0.3bn from $0.4bn at 31 December 2023.

Total wholesale lending for loans and advances to banks and customers by stage distribution

	Gross carrying amount					Allowance for ECL				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Corporate and commercial	346,248	58,178	18,556	82	423,064	(509)	(1,245)	(5,968)	(35)	(7,757)
- agriculture, forestry and fishing	5,170	1,761	299	-	7,230	(13)	(48)	(55)	-	(116)
- mining and quarrying	6,389	451	325	-	7,165	(10)	(9)	(54)	-	(73)
- manufacturing	73,557	11,184	1,624	21	86,386	(91)	(171)	(773)	(18)	(1,053)
- electricity, gas, steam and air-conditioning supply	13,884	1,177	214	-	15,275	(14)	(14)	(92)	-	(120)
- water supply, sewerage, waste management and remediation	2,735	593	21	-	3,349	(4)	(20)	(13)	-	(37)
- real estate and construction	70,855	18,056	8,723	53	97,687	(91)	(447)	(2,639)	(16)	(3,193)
- of which: commercial real estate	55,785	15,872	7,080	53	78,790	(67)	(414)	(2,166)	(16)	(2,663)
- wholesale and retail trade, repair of motor vehicles and motorcycles	67,879	9,633	2,879	4	80,395	(77)	(143)	(1,263)	(1)	(1,484)
- transportation and storage	16,924	3,802	443	-	21,169	(16)	(70)	(197)	-	(283)
- accommodation and food	10,489	2,780	1,530	-	14,799	(40)	(82)	(149)	-	(271)
- publishing, audiovisual and broadcasting	17,476	1,775	295	-	19,546	(47)	(62)	(99)	-	(208)
- professional, scientific and technical activities	23,294	2,792	809	4	26,899	(33)	(59)	(291)	-	(383)
- administrative and support services	19,523	2,126	586	-	22,235	(33)	(46)	(203)	-	(282)
- public administration and defence, compulsory social security	97	8	-	-	105	-	-	-	-	-
- education	1,089	224	56	-	1,369	(3)	(9)	(11)	-	(23)
- health and care	3,302	638	166	-	4,106	(10)	(18)	(19)	-	(47)
- arts, entertainment and recreation	1,094	474	98	-	1,666	(4)	(4)	(52)	-	(60)
- other services	6,211	537	286	-	7,034	(22)	(30)	(55)	-	(107)
- activities of households	605	7	-	-	612	-	-	-	-	-
- extra-territorial organisations and bodies activities	90	2	-	-	92	-	-	-	-	-
- government	5,566	145	202	-	5,913	(1)	-	(3)	-	(4)
- asset-backed securities	19	13	-	-	32	-	(13)	-	-	(13)
Non-bank financial institutions	76,042	2,703	504	-	79,249	(52)	(35)	(176)	-	(263)
Loans and advances to banks	101,231	837	2	-	102,070	(9)	(2)	(2)	-	(13)
At 30 Jun 2024	**523,521**	**61,718**	**19,062**	**82**	**604,383**	**(570)**	**(1,282)**	**(6,146)**	**(35)**	**(8,033)**
By legal entity										

HSBC UK Bank plc	**76,357**	**14,977**	**3,672**	**-**	**95,006**	**(225)**	**(439)**	**(639)**	**-**	**(1,303)**
HSBC Bank plc[1]	**86,874**	**7,864**	**2,539**	**43**	**97,320**	**(70)**	**(115)**	**(895)**	**(15)**	**(1,095)**
The Hongkong and Shanghai Banking Corporation Limited	**282,180**	**30,826**	**10,876**	**35**	**323,917**	**(172)**	**(543)**	**(3,737)**	**(19)**	**(4,471)**
HSBC Bank Middle East Limited	**24,285**	**1,630**	**814**	**4**	**26,733**	**(24)**	**(13)**	**(444)**	**(1)**	**(482)**
HSBC North America Holdings Inc.	**32,034**	**4,378**	**562**	**-**	**36,974**	**(32)**	**(118)**	**(128)**	**-**	**(278)**
Grupo Financiero HSBC, S.A. de C.V.	**13,930**	**1,270**	**250**	**-**	**15,450**	**(37)**	**(50)**	**(142)**	**-**	**(229)**
Other trading entities[1]	**7,796**	**773**	**349**	**-**	**8,918**	**(10)**	**(4)**	**(161)**	**-**	**(175)**
Holding companies, shared service centres and intra-Group eliminations	**65**	**-**	**-**	**-**	**65**	**-**	**-**	**-**	**-**	**-**
At 30 Jun 2024	**523,521**	**61,718**	**19,062**	**82**	**604,383**	**(570)**	**(1,282)**	**(6,146)**	**(35)**	**(8,033)**

1 At 31 December 2023, Other trading entities included gross carrying amount of $1,792m and allowances for ECL of $1m related to Private Banking entities that were reclassified to HSBC Bank plc to continue the process of simplifying our structure.

Total wholesale lending for loans and other credit-related commitments and financial guarantees by stage distribution[1]

	Nominal amount					Allowance for ECL				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
	$m	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Corporate and commercial	**233,770**	**18,131**	**908**	**3**	**252,812**	**(112)**	**(127)**	**(76)**	**-**	**(315)**
Financial	**138,394**	**5,111**	**69**	**-**	**143,574**	**(11)**	**(8)**	**(3)**	**-**	**(22)**
At 30 Jun 2024	**372,164**	**23,242**	**977**	**3**	**396,386**	**(123)**	**(135)**	**(79)**	**-**	**(337)**
By legal entity										
HSBC UK Bank plc	**34,909**	**4,896**	**233**	**-**	**40,038**	**(31)**	**(37)**	**(48)**	**-**	**(116)**
HSBC Bank plc	**165,863**	**8,848**	**262**	**3**	**174,976**	**(19)**	**(25)**	**(17)**	**-**	**(61)**
The Hongkong and Shanghai Banking Corporation Limited	**68,349**	**3,860**	**177**	**-**	**72,386**	**(49)**	**(32)**	**(7)**	**-**	**(88)**
HSBC Bank Middle East Limited	**6,803**	**245**	**26**	**-**	**7,074**	**(6)**	**(12)**	**(4)**	**-**	**(22)**
HSBC North America Holdings Inc.	**91,810**	**5,166**	**213**	**-**	**97,189**	**(18)**	**(29)**	**-**	**-**	**(47)**
Grupo Financiero HSBC, S.A. de C.V.	**2,765**	**35**	**-**	**-**	**2,800**	**-**	**-**	**-**	**-**	**-**
Other trading entities	**1,665**	**192**	**66**	**-**	**1,923**	**-**	**-**	**(3)**	**-**	**(3)**
At 30 Jun 2024	**372,164**	**23,242**	**977**	**3**	**396,386**	**(123)**	**(135)**	**(79)**	**-**	**(337)**

1 Included in loans and other credit-related commitments and financial guarantees is $74bn relating to unsettled reverse repurchase agreements, which once drawn are classified as 'Reverse repurchase agreements - non-trading'.

Total wholesale lending for loans and advances to banks and customers by stage distribution (continued)

	Gross carrying amount					Allowance for ECL				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Corporate and commercial	342,878	69,738	14,958	81	427,655	(499)	(1,500)	(5,774)	(30)	(7,803)
- agriculture, forestry and fishing	5,207	1,662	312	-	7,181	(13)	(53)	(64)	-	(130)
- mining and quarrying	6,260	638	325	-	7,223	(7)	(11)	(83)	-	(101)
- manufacturing	69,690	13,744	1,877	22	85,333	(89)	(194)	(839)	(21)	(1,143)
- electricity, gas, steam and air-conditioning supply	12,817	1,283	255	-	14,355	(14)	(17)	(88)	-	(119)
- water supply, sewerage, waste management and remediation	2,753	407	102	-	3,262	(5)	(7)	(51)	-	(63)
- real estate and construction	73,701	21,871	5,835	48	101,455	(96)	(629)	(2,554)	(7)	(3,286)
- of which: commercial real estate	59,883	19,107	4,552	47	83,589	(73)	(603)	(2,091)	(7)	(2,774)
- wholesale and retail trade, repair of motor vehicles and motorcycles	66,083	10,676	2,358	4	79,121	(80)	(127)	(1,132)	(2)	(1,341)
- transportation and storage	17,117	3,894	445	-	21,456	(18)	(52)	(160)	-	(230)
- accommodation and food	9,681	5,135	1,058	-	15,874	(27)	(118)	(112)	-	(257)
- publishing, audiovisual and broadcasting	17,455	2,066	210	-	19,731	(42)	(81)	(50)	-	(173)
- professional, scientific and technical activities	22,686	3,327	733	7	26,753	(32)	(63)	(306)	-	(401)
- administrative and support services	19,055	2,551	597	-	22,203	(31)	(63)	(174)	-	(268)
- public administration and defence, compulsory social security	1,037	5	-	-	1,042	-	-	-	-	-
- education	1,137	277	46	-	1,460	(3)	(8)	(4)	-	(15)
- health and care	3,245	808	183	-	4,236	(9)	(21)	(26)	-	(56)
- arts, entertainment and recreation	1,666	196	99	-	1,961	(5)	(6)	(31)	-	(42)
- other services	7,065	972	318	-	8,355	(26)	(37)	(90)	-	(153)
- activities of households	684	10	-	-	694	-	-	-	-	-
- extra-territorial organisations and bodies activities	100	1	-	-	101	-	-	-	-	-
- government	5,420	202	205	-	5,827	(2)	-	(10)	-	(12)
- asset-backed securities	19	13	-	-	32	-	(13)	-	-	(13)
Non-bank financial institutions	69,972	3,650	810	-	74,432	(52)	(30)	(322)	-	(404)
Loans and advances to banks	111,479	1,436	2	-	112,917	(10)	(3)	(2)	-	(15)
At 31 Dec 2023	524,329	74,824	15,770	81	615,004	(561)	(1,533)	(6,098)	(30)	(8,222)
By legal entity										
HSBC UK Bank plc	76,793	18,735	3,769	-	99,297	(213)	(474)	(593)	-	(1,280)
HSBC Bank plc	82,025	8,452	2,673	40	93,190	(69)	(138)	(1,035)	(7)	(1,249)
The Hongkong and Shanghai Banking Corporation Limited	287,876	37,402	7,077	38	332,393	(185)	(696)	(3,349)	(21)	(4,251)
HSBC Bank Middle East Limited	21,927	1,598	894	3	24,422	(17)	(11)	(571)	(2)	(601)
HSBC North America Holdings Inc.	30,797	5,712	583	-	37,092	(24)	(145)	(127)	-	(296)
Grupo Financiero HSBC, S.A. de C.V.	13,714	1,186	382	-	15,282	(39)	(56)	(231)	-	(326)
Other trading entities	11,164	1,739	392	-	13,295	(14)	(13)	(192)	-	(219)
Holding companies, shared service centres and intra-group eliminations	33	-	-	-	33	-	-	-	-	-
At 31 Dec 2023	524,329	74,824	15,770	81	615,004	(561)	(1,533)	(6,098)	(30)	(8,222)

Total wholesale lending for loans and other credit-related commitments and financial guarantees by stage distribution[1] (continued)

	Nominal amount					Allowance for ECL				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total

	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Corporate and commercial	256,367	22,218	1,066	4	279,655	(126)	(125)	(107)	-	(358)
Financial	135,039	5,111	103	-	140,253	(11)	(10)	(2)	-	(23)
At 31 Dec 2023	391,406	27,329	1,169	4	419,908	(137)	(135)	(109)	-	(381)
By legal entity										
HSBC UK Bank plc	31,982	5,760	350	-	38,092	(31)	(32)	(56)	-	(119)
HSBC Bank plc	148,980	9,466	310	4	158,760	(20)	(27)	(27)	-	(74)
The Hongkong and Shanghai Banking Corporation Limited	70,436	3,975	79	-	74,490	(59)	(39)	(16)	-	(114)
HSBC Bank Middle East Limited	6,944	323	56	-	7,323	(4)	(1)	(3)	-	(8)
HSBC North America Holdings Inc.	101,067	5,103	248	-	106,418	(14)	(27)	(1)	-	(42)
HSBC Bank Canada	28,156	2,461	66	-	30,683	(8)	(8)	(3)	-	(19)
Grupo Financiero HSBC, S.A. de C.V.	2,092	34	-	-	2,126	(1)	-	-	-	(1)
Other trading entities	1,749	207	60	-	2,016	-	(1)	(3)	-	(4)
At 31 Dec 2023	391,406	27,329	1,169	4	419,908	(137)	(135)	(109)	-	(381)

1 Included in loans and other credit-related commitments and financial guarantees is $70bn relating to unsettled reverse repurchase agreements, which once drawn are classified as 'Reverse repurchase agreements - non-trading'.

Commercial real estate

Commercial real estate ('CRE') lending includes the financing of corporate, institutional and high net worth customers who are investing primarily in income-producing assets and, to a lesser extent, in their construction and development. The portfolio is globally diversified with larger concentrations in Hong Kong, the UK, mainland China and the US.

Our global exposure is centred largely on cities with economic, political or cultural significance. In more developed markets, our exposure mainly comprises the financing of investment assets, the redevelopment of existing stock and the augmentation of both commercial and residential markets to support economic and population growth. In less developed commercial real estate markets, our exposures comprise lending for development assets on relatively short tenors with a particular focus on supporting larger, better capitalised developers involved in residential construction or assets supporting economic expansion.

Excluding adverse foreign exchange movements of $0.7bn, commercial real estate lending decreased by $4.1bn, mainly from $2.4bn in Hong Kong due to loan repayments.

In the tables below, we have disclosed additional information related to exposures booked in Hong Kong excluding exposures to mainland China borrowers by stage and credit quality. These exposures mostly comprise lending to Hong Kong borrowers and, to a lesser degree, borrowers overseas.

Commercial real estate lending to customers

	The Hongkong and Shanghai	Grupo	of which:	of which: Hong Kong excluding

	HSBC UK Bank plc $m	HSBC Bank plc $m	Banking Corporation Limited $m	HSBC Bank Middle East Limited $m	HSBC North America Holdings Inc. $m	Financiero HSBC, S.A. de C.V. $m	Other trading entities $m	Total $m	UK $m	Hong Kong $m	exposure to mainland China borrowers $m
Gross loans and advances											
Stage 1	**9,800**	**4,205**	**38,475**	**999**	**1,792**	**494**	**20**	**55,785**	**10,115**	**25,694**	**24,945**
Stage 2	**3,460**	**347**	**10,698**	**171**	**1,137**	**58**	**1**	**15,872**	**3,492**	**8,854**	**7,440**
Stage 3	**499**	**232**	**5,934**	**119**	**253**	**22**	**21**	**7,080**	**577**	**5,566**	**3,224**
POCI	**-**	**37**	**16**	**-**	**-**	**-**	**-**	**53**	**37**	**16**	**-**
At 30 Jun 2024	**13,759**	**4,821**	**55,123**	**1,289**	**3,182**	**574**	**42**	**78,790**	**14,221**	**40,130**	**35,609**
- of which: forborne loans	**628**	**126**	**2,402**	**117**	**453**	**48**	**-**	**3,774**	**743**	**2,234**	
Allowance for ECL	**(157)**	**(64)**	**(2,295)**	**(30)**	**(101)**	**(11)**	**(5)**	**(2,663)**	**(192)**	**(2,081)**	**(258)**
Gross loans and advances											
Stage 1	10,304	4,218	41,307	1,126	1,803	685	440	59,883	10,790	28,846	27,560
Stage 2	3,262	400	13,229	189	1,956	70	1	19,107	3,294	10,375	8,681
Stage 3	444	184	3,570	145	166	25	18	4,552	470	3,226	576
POCI	-	32	15	-	-	-	-	47	32	15	-
At 31 Dec 2023	14,010	4,834	58,121	1,460	3,925	780	459	83,589	14,586	42,462	36,817
- of which: forborne loans	461	69	2,454	126	433	52	-	3,595	519	2,227	
Allowance for ECL	(148)	(49)	(2,399)	(55)	(98)	(15)	(10)	(2,774)	(172)	(2,149)	(296)

Commercial real estate lending to customers by global business

	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	Grupo Financiero HSBC, S.A. de C.V. $m	Other trading entities $m	Total $m	of which: UK $m	of which: Hong Kong $m
Wealth and Personal Banking[1]	**367**	**582**	**79**	**-**	**2**	**-**	**-**	**1,030**	**367**	**79**
Commercial Banking	**13,392**	**3,146**	**36,525**	**688**	**3,180**	**574**	**42**	**57,547**	**13,455**	**26,768**
Global Banking and Markets	**-**	**1,093**	**18,381**	**601**	**-**	**-**	**-**	**20,075**	**399**	**13,145**
Corporate Centre	**-**	**-**	**138**	**-**	**-**	**-**	**-**	**138**	**-**	**138**
At 30 Jun 2024	**13,759**	**4,821**	**55,123**	**1,289**	**3,182**	**574**	**42**	**78,790**	**14,221**	**40,130**
Wealth and Personal Banking[1]	409	377	66	-	2	-	423	1,277	409	66
Commercial Banking	13,601	3,322	37,826	733	3,923	780	36	60,221	13,686	27,811
Global Banking and Markets	-	1,135	20,066	727	-	-	-	21,928	491	14,444
Corporate Centre	-	-	163	-	-	-	-	163	-	141
At 31 Dec 2023	14,010	4,834	58,121	1,460	3,925	780	459	83,589	14,586	42,462

1 Comprised exclusively by exposures in Global Private Banking.

Commercial real estate lending to customers by credit quality

	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	Grupo Financiero HSBC, S.A. de C.V. $m	Other trading entities $m	Total $m	of which: UK $m	of which: Hong Kong $m	of which: Hong Kong excluding exposure to mainland China borrowers $m
Strong	**4,241**	**905**	**10,748**	**196**	**23**	**5**	**21**	**16,139**	**4,464**	**5,256**	**5,028**
Good	**2,578**	**1,905**	**16,365**	**268**	**638**	**189**	**-**	**21,943**	**2,633**	**11,081**	**10,535**
Satisfactory	**5,734**	**1,569**	**18,747**	**535**	**1,463**	**319**	**-**	**28,367**	**5,777**	**15,081**	**14,836**
Sub-standard	**707**	**173**	**3,313**	**171**	**805**	**39**	**-**	**5,208**	**733**	**3,130**	**1,986**
Credit impaired	**499**	**269**	**5,950**	**119**	**253**	**22**	**21**	**7,133**	**614**	**5,582**	**3,224**
At 30 Jun 2024	**13,759**	**4,821**	**55,123**	**1,289**	**3,182**	**574**	**42**	**78,790**	**14,221**	**40,130**	**35,609**
Strong	3,940	740	12,394	255	25	65	16	17,435	4,191	6,527	6,118
Good	2,555	2,054	17,777	246	781	130	18	23,561	2,592	12,004	11,262
Satisfactory	6,370	1,642	19,509	634	1,691	500	407	30,753	6,575	16,290	15,759
Sub-standard	701	182	4,856	180	1,262	60	-	7,241	726	4,400	3,102
Credit impaired	444	216	3,585	145	166	25	18	4,599	502	3,241	576
At 31 Dec 2023	14,010	4,834	58,121	1,460	3,925	780	459	83,589	14,586	42,462	36,817

Approximately 60% of the Hong Kong CRE portfolio (excluding exposure to mainland China borrowers) is secured.

Unsecured exposures are typically granted to strong, listed CRE developers, which commonly are members of conglomerate groups with diverse cashflows. There has been relatively little credit deterioration in this portfolio. All unsecured exposures are performing, with close to 90% rated Strong or Good.

There has been some credit deterioration in the portfolio of secured exposures, as certain borrowers have sought payment deferrals to accommodate debt serviceability challenges. Nevertheless, collateral coverage remains strong. As at 30 June 2024, the weighted average LTV:

- Of performing exposures rated sub-standard was 50%;
- Of impaired exposures was 55%. This has driven relatively low levels of stage 3 allowance for ECL.

Collateral coverage levels have remained broadly stable during the past six months despite an observed softening of property valuations. This reflects generally conservative LTVs at loan inception, providing headroom for collateral depreciation, as well as a trend of borrower deleveraging and loan right-sizing at the point of refinance to mitigate against higher interest rates.

Collateral values are subject to regular assessments and updates in line with our existing practice. Through ongoing portfolio reviews and stress testing, vulnerable borrowers, including those with higher loan to value levels, have been identified and are subject to heightened monitoring and management.

Refinance risk in commercial real estate

Commercial real estate lending tends to require the repayment of a significant proportion of the principal at maturity. Typically, a customer will arrange repayment through the acquisition of a new loan to settle the existing debt. Refinance risk is the risk that a customer, being unable to repay the debt on maturity, fails to refinance it at commercial terms. We monitor our commercial real estate portfolio closely, assessing indicators for signs of potential issues with refinancing.

Commercial real estate gross loans and advances to customers maturity analysis

									of which:	
	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	Grupo Financiero HSBC, S.A. de C.V. $m	Other trading entities $m	Total $m	UK $m	Hong Kong $m
< 1 year	**3,588**	**1,460**	**25,383**	**430**	**1,499**	**195**	**23**	**32,578**	**3,854**	**20,708**
1-2 years	**4,145**	**1,100**	**12,506**	**158**	**187**	**30**	**4**	**18,130**	**4,280**	**8,449**
2-5 years	**5,506**	**1,568**	**14,791**	**397**	**1,484**	**323**	**14**	**24,083**	**5,556**	**9,361**
> 5 years	**520**	**693**	**2,443**	**304**	**12**	**26**	**1**	**3,999**	**531**	**1,612**
At 30 Jun 2024	**13,759**	**4,821**	**55,123**	**1,289**	**3,182**	**574**	**42**	**78,790**	**14,221**	**40,130**
< 1 year	3,553	1,496	25,427	396	1,472	619	437	33,400	3,950	19,887
1-2 years	4,514	474	14,144	175	623	60	2	19,992	4,571	10,923
2-5 years	5,411	2,149	16,052	441	1,814	71	3	25,941	5,520	9,885
> 5 years	532	715	2,498	448	16	30	17	4,256	545	1,767
At 31 Dec 2023	14,010	4,834	58,121	1,460	3,925	780	459	83,589	14,586	42,462

The following table presents the Group's exposure to borrowers classified in the commercial real estate sector where the ultimate parent is based in mainland China, as well as all commercial real estate exposures booked on mainland China balance sheets. The exposures at 30 June 2024 are split by country/territory and credit quality including allowances for ECL by stage.

Mainland China commercial real estate

	Hong Kong	Mainland China	Rest of the Group	Total
	$m	$m	$m	$m
Loans and advances to customers[1]	4,683	4,250	317	9,250
Guarantees issued and others[2]	82	65	6	153
Total mainland China commercial real estate exposure at 30 Jun 2024	**4,765**	**4,315**	**323**	**9,403**
Distribution of mainland China commercial real estate exposure by credit quality				
Strong	297	1,669	105	2,071
Good	408	942	-	1,350
Satisfactory	310	1,279	49	1,638
Sub-standard	1,144	167	151	1,462
Credit impaired	2,606	258	18	2,882
At 30 Jun 2024	**4,765**	**4,315**	**323**	**9,403**
Allowance for ECL by credit quality				
Strong	-	(3)	-	(3)
Good	-	(4)	-	(4)
Satisfactory	-	(30)	-	(30)
Sub-standard	(103)	(28)	(18)	(149)
Credit impaired	(1,721)	(88)	(3)	(1,812)
At 30 Jun 2024	**(1,824)**	**(153)**	**(21)**	**(1,998)**
Allowance for ECL by stage distribution				
Stage 1	-	(9)	-	(9)
Stage 2	(103)	(56)	(18)	(177)
Stage 3	(1,721)	(88)	(3)	(1,812)
At 30 Jun 2024	**(1,824)**	**(153)**	**(21)**	**(1,998)**
ECL coverage %	**38.3**	**3.5**	**6.5**	**21.2**

1 Amounts represent gross carrying amount.

2 Amounts represent nominal amount for guarantees and other contingent liabilities.

Mainland China commercial real estate (continued)

	Hong Kong	Mainland China	Rest of the Group	Total
	$m	$m	$m	$m
Loans and advances to customers[1]	6,033	4,917	839	11,789
Guarantees issued and others[2]	255	66	37	358
Total mainland China commercial real estate exposure at 31 Dec 2023	6,288	4,983	876	12,147
Distribution of mainland China commercial real estate exposure by credit quality				
Strong	781	1,723	6	2,510
Good	604	953	421	1,978
Satisfactory	679	1,704	261	2,644
Sub-standard	1,298	327	188	1,813
Credit impaired	2,926	276	-	3,202
At 31 Dec 2023	6,288	4,983	876	12,147
Allowance for ECL by credit quality				
Strong	-	(3)	-	(3)
Good	-	(5)	(1)	(6)
Satisfactory	(3)	(27)	-	(30)
Sub-standard	(66)	(87)	(16)	(169)
Credit impaired	(1,726)	(125)	-	(1,851)
At 31 Dec 2023	(1,795)	(247)	(17)	(2,059)
Allowance for ECL by stage distribution				
Stage 1	-	(10)	-	(10)
Stage 2	(69)	(112)	(17)	(198)
Stage 3	(1,726)	(125)	-	(1,851)
At 31 Dec 2023	(1,795)	(247)	(17)	(2,059)
ECL coverage %	28.5	5.0	1.9	17.0

1 Amounts represent gross carrying amount.

2 Amounts represent nominal amount for guarantees and other contingent liabilities.

Commercial real estate financing refers to lending that focuses on commercial development and investment in real estate and covers commercial, residential and industrial assets. The exposures in the table are related to companies whose primary activities are focused on these activities. The table also includes financing provided to a corporate or financial entity for the purchase or financing of a property that supports the overall operations of the business. Such exposures are outside of our normal definition of commercial real estate, as applied elsewhere in this report, but are provided here for a more comprehensive view of our mainland property exposure.

The table above shows 54% ($5.1bn) of total exposure with a credit quality of 'satisfactory' or above, which was lower in proportion compared with 31 December 2023 at 59% ($7.1bn). Total 'credit impaired' exposures have increased to 31% ($2.9bn) (31 December 2023: 26%, $3.2bn), reflecting sustained stress in the China commercial real estate market, including weakness in both property market fundamentals and financing conditions for borrowers operating in this sector.

Allowances for ECL are substantially against unsecured exposures. For secured exposures, allowances for ECL are minimal, reflecting the nature and value of the security held.

Facilities booked in Hong Kong continue to represent the largest proportion of mainland China commercial real estate exposures, although total exposures reduced to $4.8bn, down $1.5bn since 31 December 2023, as a result of de-risking measures, repayments and write-offs. This portfolio remains relatively higher risk, with 21% (31 December 2023: 33%) of exposure booked with a credit quality of 'satisfactory' or above and 55% 'credit impaired' (31 December 2023: 47%).

At 30 June 2024, the Group had allowances for ECL of $1.8bn (31 December 2023: $1.8bn) held against mainland China commercial real estate exposures to companies whose ultimate parent is based in mainland China, which are booked in Hong Kong. ECL coverage increased to 38% (31 December 2023: 29%).

Approximately 40% ($0.8bn) of the unimpaired exposure in the Hong Kong portfolio is lending to state-owned enterprises and relatively strong private-owned enterprises. This is reflected in the relatively low allowance for ECL in this part of the portfolio.

Market conditions remain subdued as a result of generally weak sentiment and residential property transaction levels. Performance divergence between privately-owned enterprises and state-owned enterprises has continued in the first half of 2024, with state-owned enterprises achieving above-market sales, and benefiting from market share gains and better access to funding. A series of policy measures have been introduced by the Chinese government to stabilise the market, with some initial improvement in sentiment driving an early rebound in secondary market transactions. We continue to closely monitor developments in the real estate sector, including the extent to which government support measures are driving a sustained stabilisation in property market fundamentals and financing conditions.

The Group has additional exposures to mainland China commercial real estate as a result of lending to multinational corporates booked outside of mainland China. These are not incorporated in the table above.

Supplementary information

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

Summary of financial instruments to which the impairment requirements in IFRS 9 are applied - by global business

	Gross carrying/nominal amount					Allowance for ECL				
	Stage 1 $m	Stage 2 $m	Stage 3 $m	POCI $m	Total $m	Stage 1 $m	Stage 2 $m	Stage 3 $m	POCI $m	Total $m
WPB[1]	**552,650**	**48,019**	**3,861**	**-**	**604,530**	**(591)**	**(1,156)**	**(846)**	**-**	**(2,593)**
CMB	**433,623**	**50,668**	**16,921**	**45**	**501,257**	**(503)**	**(1,083)**	**(5,253)**	**(21)**	**(6,860)**
GBM	**695,052**	**12,609**	**2,301**	**37**	**709,999**	**(121)**	**(174)**	**(887)**	**(14)**	**(1,196)**
Corporate Centre[1]	**85,223**	**174**	**21**	**-**	**85,418**	**(2)**	**(14)**	**(16)**	**-**	**(32)**
Total gross carrying amount on-balance sheet at 30 Jun 2024	**1,766,548**	**111,470**	**23,104**	**82**	**1,901,204**	**(1,217)**	**(2,427)**	**(7,002)**	**(35)**	**(10,681)**
WPB	**254,078**	**3,456**	**268**	**-**	**257,802**	**(34)**	**-**	**(9)**	**-**	**(43)**
CMB	**124,304**	**13,687**	**754**	**-**	**138,745**	**(87)**	**(108)**	**(66)**	**-**	**(261)**
GBM	**248,434**	**9,564**	**230**	**3**	**258,231**	**(35)**	**(27)**	**(6)**	**-**	**(68)**
Corporate Centre	**200**	**-**	**-**	**-**	**200**	**-**	**-**	**-**	**-**	**-**
Total nominal amount off-balance sheet at 30 Jun 2024	**627,016**	**26,707**	**1,252**	**3**	**654,978**	**(156)**	**(135)**	**(81)**	**-**	**(372)**
WPB	**129,090**	**1,001**	**-**	**-**	**130,091**	**(13)**	**(16)**	**-**	**-**	**(29)**
CMB	**93,505**	**1,052**	**-**	**-**	**94,557**	**(11)**	**(18)**	**-**	**-**	**(29)**
GBM	**90,868**	**376**	**-**	**-**	**91,244**	**(12)**	**(6)**	**-**	**-**	**(18)**
Corporate Centre	**2,229**	**117**	**-**	**-**	**2,346**	**(1)**	**(19)**	**-**	**-**	**(20)**
Debt instruments measured at FVOCI at 30 Jun 2024	**315,692**	**2,546**	**-**	**-**	**318,238**	**(37)**	**(59)**	**-**	**-**	**(96)**
WPB	630,661	54,069	4,233	-	688,963	(621)	(1,551)	(977)	-	(3,149)
CMB	464,893	66,688	12,698	49	544,328	(508)	(1,336)	(4,995)	(23)	(6,862)
GBM	696,377	14,247	3,002	32	713,658	(119)	(199)	(1,161)	(7)	(1,486)
Corporate Centre	75,805	37	6	-	75,848	(1)	(13)	-	-	(14)
Total gross carrying amount on-balance sheet at 31 Dec 2023	1,867,736	135,041	19,939	81	2,022,797	(1,249)	(3,099)	(7,133)	(30)	(11,511)
WPB	253,333	3,811	333	-	257,477	(22)	-	(2)	-	(24)
CMB	142,206	16,238	877	-	159,321	(100)	(101)	(102)	-	(303)
GBM	250,007	10,752	314	4	261,077	(38)	(34)	(7)	-	(79)
Corporate Centre	149	-	-	-	149	-	-	-	-	-
Total nominal amount off-balance sheet at 31 Dec 2023	645,695	30,801	1,524	4	678,024	(160)	(135)	(111)	-	(406)
WPB	124,747	406	-	-	125,153	(14)	(17)	-	-	(31)
CMB	86,021	405	-	-	86,426	(9)	(18)	-	-	(27)
GBM	88,229	173	1	-	88,403	(13)	(6)	(1)	-	(20)
Corporate Centre	2,201	165	-	-	2,366	(1)	(18)	-	-	(19)
Debt instruments measured at FVOCI at 31 Dec 2023	301,198	1,149	1	-	302,348	(37)	(59)	(1)	-	(97)

1 With effect from 1 January 2024, following the sale of our retail banking business in France, we have prospectively reclassified the $7.6bn portfolio of retained loans from WPB to Corporate Centre.

Wholesale lending - loans and advances to customers at amortised cost by country/territory

	Gross carrying amount				Allowance for ECL			
	Corporate and commercial $m	of which: real estate and construction[1] $m	Non-bank financial institutions $m	Total $m	Corporate and commercial $m	of which: real estate and construction[1] $m	Non-bank financial institutions $m	Total $m
UK	**103,684**	**17,990**	**20,669**	**124,353**	**(1,531)**	**(262)**	**(75)**	**(1,606)**
- of which: HSBC UK Bank plc (ring-fenced bank)	**79,516**	**17,318**	**9,084**	**88,600**	**(1,238)**	**(224)**	**(64)**	**(1,302)**
- of which: HSBC Bank plc (non-ring-fenced bank)[2]	**24,007**	**672**	**11,535**	**35,542**	**(293)**	**(38)**	**(11)**	**(304)**
- of which: Other trading entities[2]	**161**	**-**	**50**	**211**	**-**	**-**	**-**	**-**
France	**25,859**	**4,550**	**7,034**	**32,893**	**(586)**	**(45)**	**(19)**	**(605)**
Germany	**6,860**	**234**	**909**	**7,769**	**(76)**	**-**	**-**	**(76)**
Switzerland	**1,231**	**244**	**241**	**1,472**	**(12)**	**-**	**-**	**(12)**
Hong Kong	**122,948**	**46,470**	**17,244**	**140,192**	**(3,367)**	**(2,127)**	**(84)**	**(3,451)**
Australia	**11,948**	**4,599**	**2,173**	**14,121**	**(31)**	**(3)**	**-**	**(31)**
India	**12,415**	**2,278**	**6,485**	**18,900**	**(46)**	**(6)**	**(7)**	**(53)**
Indonesia	**3,427**	**140**	**361**	**3,788**	**(120)**	**(49)**	**-**	**(120)**
Mainland China	**29,426**	**6,038**	**8,230**	**37,656**	**(251)**	**(149)**	**(7)**	**(258)**
Malaysia	**5,867**	**1,143**	**250**	**6,117**	**(63)**	**(12)**	**-**	**(63)**
Singapore	**17,249**	**3,561**	**1,206**	**18,455**	**(343)**	**(63)**	**(1)**	**(344)**
Taiwan	**4,712**	**14**	**62**	**4,774**	**-**	**-**	**-**	**-**
Egypt	**798**	**37**	**49**	**847**	**(105)**	**(6)**	**-**	**(105)**
UAE	**13,258**	**1,865**	**1,626**	**14,884**	**(420)**	**(265)**	**-**	**(420)**
US	**26,037**	**4,874**	**9,952**	**35,989**	**(229)**	**(105)**	**(49)**	**(278)**

Mexico	**11,043**	**651**	**1,273**	**12,316**	**(224)**	**(10)**	**(5)**	**(229)**
Other	**26,302**	**2,999**	**1,485**	**27,787**	**(353)**	**(91)**	**(16)**	**(369)**
At 30 Jun 2024	**423,064**	**97,687**	**79,249**	**502,313**	**(7,757)**	**(3,193)**	**(263)**	**(8,020)**
UK	105,536	17,852	18,343	123,879	(1,451)	(246)	(231)	(1,682)
- of which: HSBC UK Bank plc (ring-fenced bank)	80,248	17,060	9,372	89,620	(1,212)	(212)	(66)	(1,278)
- of which: HSBC Bank plc (non-ring-fenced bank)	24,791	792	8,971	33,762	(240)	(34)	(165)	(405)
- of which: Other trading entities[2]	497	-	-	497	1	-	-	1
France	27,017	4,796	5,701	32,718	(636)	(53)	(18)	(654)
Germany	6,667	240	632	7,299	(74)	-	-	(74)
Switzerland	1,168	423	378	1,546	(12)	(1)	-	(12)
Hong Kong	125,340	48,594	19,319	144,659	(3,099)	(2,147)	(57)	(3,156)
Australia	12,685	4,443	1,564	14,249	(49)	(1)	-	(49)
India	10,856	2,083	5,315	16,171	(47)	(7)	(4)	(51)
Indonesia	3,100	162	411	3,511	(136)	(58)	-	(136)
Mainland China	28,655	6,709	7,775	36,430	(313)	(212)	(11)	(324)
Malaysia	5,797	1,137	258	6,055	(69)	(15)	-	(69)
Singapore	15,845	3,458	948	16,793	(321)	(40)	(1)	(322)
Taiwan	4,512	30	81	4,593	-	-	-	-
Egypt	899	45	86	985	(128)	(10)	(1)	(129)
UAE	13,740	1,979	823	14,563	(543)	(296)	-	(543)
US	26,993	5,143	9,155	36,148	(239)	(101)	(58)	(297)
Mexico	11,326	865	1,349	12,675	(320)	(19)	(5)	(325)
Other	27,519	3,496	2,294	29,813	(366)	(80)	(18)	(384)
At 31 Dec 2023	427,655	101,455	74,432	502,087	(7,803)	(3,286)	(404)	(8,207)

1 Real estate lending within this disclosure corresponds solely to the industry of the borrower. 'Commercial real estate' on page 90 includes borrowers in multiple industries investing in income-producing assets and, to a lesser extent, their construction and development.

2 At 31 December 2023, 'Other trading entities' included gross carrying amount of $497m and allowances for ECL of $1m related to the Private Banking entity that was reclassified to HSBC Bank plc to continue the process of simplifying our structure.

Personal lending - loans and advances to customers at amortised cost by country/territory

	Gross carrying amount				Allowance for ECL			
	First lien residential mortgages $m	Other personal $m	of which: credit cards $m	Total $m	First lien residential mortgages $m	Other personal $m	of which: credit cards $m	Total $m
UK	**169,381**	**20,056**	**8,051**	**189,437**	**(181)**	**(515)**	**(260)**	**(696)**
- of which: HSBC UK Bank plc (ring-fenced bank)	**165,794**	**17,853**	**7,972**	**183,647**	**(176)**	**(507)**	**(258)**	**(683)**
- of which: HSBC Bank plc (non-ring-fenced bank)[1]	**3,587**	**2,203**	**79**	**5,790**	**(5)**	**(8)**	**(2)**	**(13)**
- of which: Other trading entities[1]	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
France[2]	**403**	**7,023**	**1**	**7,426**	**(12)**	**(11)**	**-**	**(23)**
Germany	**-**	**132**	**-**	**132**	**-**	**-**	**-**	**-**
Switzerland	**1,665**	**4,978**	**-**	**6,643**	**(1)**	**(14)**	**-**	**(15)**
Hong Kong	**107,456**	**31,001**	**9,035**	**138,457**	**(2)**	**(390)**	**(259)**	**(392)**
Australia	**23,193**	**442**	**399**	**23,635**	**(5)**	**(11)**	**(10)**	**(16)**
India	**1,820**	**783**	**212**	**2,603**	**(5)**	**(15)**	**(12)**	**(20)**
Indonesia	**50**	**294**	**132**	**344**	**(2)**	**(10)**	**(6)**	**(12)**
Mainland China	**6,652**	**820**	**248**	**7,472**	**(6)**	**(44)**	**(34)**	**(50)**
Malaysia	**2,202**	**1,955**	**828**	**4,157**	**(20)**	**(69)**	**(34)**	**(89)**
Singapore	**6,953**	**6,444**	**536**	**13,397**	**-**	**(41)**	**(18)**	**(41)**
Taiwan	**5,461**	**1,430**	**339**	**6,891**	**-**	**(16)**	**(4)**	**(16)**
Egypt	**-**	**283**	**68**	**283**	**-**	**(1)**	**-**	**(1)**
UAE	**1,915**	**1,326**	**484**	**3,241**	**(7)**	**(58)**	**(26)**	**(65)**
US	**19,479**	**648**	**188**	**20,127**	**(13)**	**(16)**	**(14)**	**(29)**
Mexico	**8,341**	**5,890**	**2,381**	**14,231**	**(179)**	**(691)**	**(306)**	**(870)**
Other	**5,449**	**2,529**	**780**	**7,978**	**(95)**	**(60)**	**(34)**	**(155)**
At 30 Jun 2024	**360,420**	**86,034**	**23,682**	**446,454**	**(528)**	**(1,962)**	**(1,017)**	**(2,490)**
UK	168,469	19,503	8,056	187,972	(209)	(697)	(339)	(906)
- of which: HSBC UK Bank plc (ring-fenced bank)	164,878	17,884	7,975	182,762	(205)	(692)	(336)	(897)
- of which: HSBC Bank plc (non-ring-fenced bank)	3,226	141	81	3,367	(3)	(5)	(2)	(8)
- of which: Other trading entities[1]	365	1,478	-	1,843	(1)	-	(1)	(1)
France[2]	436	7,476	1	7,912	(13)	(8)	-	(21)
Germany	-	165	-	165	-	-	-	-
Switzerland	1,770	5,466	-	7,236	(1)	(20)	-	(21)
Hong Kong	107,182	31,248	9,663	138,430	(2)	(417)	(286)	(419)
Australia	23,001	446	396	23,447	(5)	(19)	(18)	(24)
India	1,537	680	185	2,217	(4)	(16)	(12)	(20)
Indonesia	58	288	137	346	(2)	(11)	(7)	(13)
Mainland China	7,503	754	287	8,257	(3)	(49)	(39)	(52)
Malaysia	2,313	2,115	882	4,428	(23)	(87)	(36)	(110)
Singapore	8,151	5,589	521	13,740	-	(38)	(17)	(38)
Taiwan	5,607	1,370	309	6,977	-	(17)	(4)	(17)
Egypt	-	341	89	341	-	(1)	(1)	(1)
UAE	1,957	1,325	440	3,282	(10)	(62)	(24)	(72)
US	18,340	673	199	19,013	(15)	(19)	(14)	(34)
Mexico	8,778	6,215	2,465	14,993	(176)	(757)	(297)	(933)
Other	5,807	2,959	1,050	8,766	(108)	(78)	(42)	(186)
At 31 Dec 2023	360,909	86,613	24,680	447,522	(571)	(2,296)	(1,136)	(2,867)

1 At 31 December 2023, 'Other trading entities' included gross carrying amount of $1,843m and allowances for ECL of $1m related to the Private Banking entity that was reclassified to HSBC Bank plc to continue the process of simplifying our structure.

2 Included in other personal lending as at 30 June 2024 is $6,980m (31 December 2023: $7,424m) guaranteed by Crédit Logement.

Treasury risk

Overview

Treasury risk is the risk of having insufficient capital, liquidity or funding resources to meet financial obligations and satisfy regulatory requirements, including the risk of an adverse impact on earnings or capital due to structural and transactional foreign exchange exposures, as well as changes in market interest rates, together with pension and insurance risk.

Treasury risk arises from changes to the respective resources and risk profiles driven by customer behaviour, management decisions or the external environment.

Approach and policy

Our objective in the management of treasury risk is to maintain appropriate levels of capital, liquidity, funding, foreign exchange and market risk to support our business strategy, and meet our regulatory and stress testing-related requirements.

Our approach to treasury management is driven by our strategic and organisational requirements, taking into account the regulatory, economic and commercial environment. We aim to maintain a strong capital and liquidity base to support the risks inherent in our business and invest in accordance with our strategy, meeting both consolidated and local regulatory requirements at all times.

Our policy is underpinned by our risk management framework. The risk management framework incorporates a number of measures aligned to our assessment of risks for both internal and regulatory purposes. These risks include credit, market, operational, pensions, structural and transactional foreign exchange risk, and interest rate risk in the banking book.

A summary of our current policies and practices regarding the management of treasury risk is set out on pages 203 to 217 of the Annual Report and Accounts 2023.

Treasury risk management

Key developments in the first half of 2024

- The Board approved the first interim dividend of $0.10 per share, which was paid in June 2024. We have successfully concluded the share buy-back announced for the first quarter of 2024, amounting to $3bn. We also intend to initiate a further share buy-back of up to $3bn, which we expect to complete within three months.
- On 1 January 2024, HSBC Continental Europe completed the sale of its retail banking operations in France, with no material incremental impact on CET1.
- On 28 March 2024, HSBC completed the sale of HSBC Bank Canada to the Royal Bank of Canada. The associated gain on sale of $4.8bn added approximately 0.8 percentage points to the CET1 ratio as of 30 March 2024. In addition to the interim dividend, following completion of this transaction, the Board also approved a special dividend of $0.21 per share, paid in June 2024.
- On 9 April 2024, HSBC entered into a binding agreement to sell its business in Argentina to Grupo Financiero Galicia. The transaction is subject to conditions, including regulatory approval, and is not expected to have a significant impact on the Group's CET1 ratio by closing.

For quantitative disclosures on capital ratios, own funds and RWAs, see pages 99 to 101. For quantitative disclosures on liquidity and funding metrics, see pages 102 to 104. For quantitative disclosures on interest rate risk in the banking book, see pages 105 to 106.

Capital, liquidity and funding risk management processes

Assessment and risk appetite

Our capital management policy is supported by a global capital management framework. The framework sets out our approach to determining key

Our capital management policy is supported by a global capital management framework. The framework sets out our approach to determining key capital risk appetites including CET1, total capital, minimum requirements for own funds and eligible liabilities ('MREL'), the leverage ratio and double leverage. Our internal capital adequacy assessment process ('ICAAP') is an assessment of the Group's capital position, outlining both regulatory and internal capital resources and requirements resulting from HSBC's business model, strategy, risk profile and management, performance and planning, risks to capital, and the implications of stress testing. Our assessment of capital adequacy is driven by an assessment of risks. These risks include credit, market, operational, pensions, insurance, structural foreign exchange, interest rate risk in the banking book and Group risk. Climate risk is also considered as part of the ICAAP, and we are continuing to develop our approach. The Group's ICAAP supports the determination of the consolidated capital risk appetite and target ratios and enables the assessment and determination of capital requirements by regulators. Subsidiaries prepare ICAAPs in line with global guidance, while considering their local regulatory regimes to determine their own risk appetites and ratios.

HSBC Holdings is the provider of MREL to its subsidiaries, including equity and non-equity capital. These investments are funded by HSBC Holdings' own equity capital and MREL-eligible debt. MREL includes own funds and liabilities that can be written down or converted into capital resources in order to absorb losses or recapitalise a bank in the event of its failure. In line with our existing structure and business model, HSBC has three resolution groups - the European resolution group, the Asian resolution group and the US resolution group. There are some smaller entities that fall outside these resolution groups.

HSBC Holdings seeks to maintain a prudent balance between the composition of its capital and its investments in subsidiaries.

As a matter of long-standing policy, the holding company group retains a substantial holdings capital buffer comprising cash and other high-quality liquid assets, which at 30 June 2024 was in excess of $20bn, our target operating level.

We aim to ensure that management has oversight of our liquidity and funding risks at Group and entity level through robust governance, in line with our risk management framework. We manage liquidity and funding risk at an operating entity level, in accordance with globally consistent policies, procedures and reporting standards. This ensures that obligations can be met in a timely manner, in the jurisdiction where they fall due.

Operating entities are required to meet internal minimum requirements and any applicable regulatory requirements at all times. These requirements are assessed through our internal liquidity adequacy assessment process ('ILAAP'), which ensures that operating entities have robust strategies, policies, processes and systems for the identification, measurement, management and monitoring of liquidity risk over an appropriate set of time horizons, including intra-day. The ILAAP informs the validation of risk tolerance and the setting of risk appetite. It also assesses the capability to manage liquidity and funding effectively in each major entity. These metrics are set and managed locally but are subject to robust global review and challenge to ensure consistency of approach and application of the Group's policies and controls.

Planning and performance

Capital and RWA plans form part of the annual financial resource plan that is approved by the Board.

Capital and RWA forecasts are submitted to the Group Executive Committee on a monthly basis, and capital and RWAs are monitored and managed against the plan. The responsibility for global capital allocation principles rests with the Group Chief Financial Officer, supported by the Group Capital Management Meeting. This is a specialist forum addressing capital management, reporting into Holdings ALCO.

Through our internal governance processes, we seek to strengthen discipline over our investment and capital allocation decisions, and to ensure that returns on investment meet management's objectives. Our strategy is to allocate capital to businesses and entities to support growth objectives where returns above internal hurdle levels have been identified, and to meet their regulatory and economic capital needs. We evaluate and manage business returns by using a return on average tangible equity measure and a related economic profit measure.

Funding and liquidity plans also form part of the financial resource plan that is approved by the Board. The Board-level appetite measures are the liquidity coverage ratio ('LCR') and net stable funding ratio ('NSFR'), together with an internal liquidity metric at entity level. In addition, we use a wider set of measures to manage an appropriate funding and liquidity profile, including legal entity depositor concentration limits, intra-day liquidity, forward-looking funding assessments and other key measures.

Risks to capital and liquidity

Outside the stress testing framework, other risks may be identified that have the potential to affect our RWAs, capital and/or liquidity position. Downside and Upside scenarios are assessed against our management objectives, and mitigating actions are assigned as necessary. We closely monitor future regulatory developments and continue to evaluate the impact of these upon our capital and liquidity requirements, particularly those related to the UK's implementation of the outstanding measures to be implemented from the Basel III reforms ('Basel 3.1').

Regulatory developments

Future changes to our ratios may occur with the implementation of Basel 3.1. The Prudential Regulation Authority ('PRA') has published its consultation paper on the UK's implementation, with a proposed implementation date of 1 July 2025. Whilst the PRA is still to release a near final draft of the remaining parts of Basel 3.1, we continue to assess the impact of the near final rules.

- For further details, see the 'Regulatory developments' section in our Pillar 3 Disclosures at 30 June 2024, which is expected to be published on or around 7 August 2024 at www.hsbc.com/investors.

Regulatory reporting processes and controls

We are advancing a comprehensive initiative aimed at strengthening our global processes, enhancing consistency, and improving controls across our regulatory reporting. This remains a top priority for both HSBC management and regulatory authorities. This multifaceted programme includes data enhancement, transformation of the reporting systems, and an uplift to the control environment over the report production process.

While this programme continues, there may be further impacts on some of our regulatory ratios, such as the CET1, LCR and NSFR, as we implement recommended changes and continue to enhance our controls across the process.

Stress testing and recovery and resolution planning

The Group uses stress testing to inform management of the capital and liquidity needed to withstand internal and external shocks, including a global economic downturn or a systems failure. Stress testing results are also used to inform risk mitigation actions, input into global business performance through tangible equity allocation, and recovery and resolution planning, as well as to re-evaluate business plans where analysis shows capital, liquidity and/or returns do not meet their target.

In addition to a range of internal stress tests, we are subject to supervisory stress testing in many jurisdictions. These include the exercises of the Bank of England ('BoE'), the US Federal Reserve Board, the European Banking Authority, the European Central Bank and the Hong Kong Monetary Authority. The results of regulatory stress testing and our internal stress tests are used when assessing our internal capital and liquidity requirements through the ICAAP and ILAAP. The outcomes of stress testing exercises carried out by the PRA and other regulators feed into the setting of regulatory minimum ratios and buffers.

We maintain recovery plans for the Group and material entities, which set out potential options management could take in a range of stress scenarios that could result in a breach of capital or liquidity buffers. The Group recovery plan sets out the framework and governance arrangements to support restoring HSBC to a stable and viable position, and so lowering the probability of failure from either idiosyncratic company-specific stress or systemic market-wide issues. Our material entities' recovery plans provide detailed actions that management would consider taking in a stress scenario should their positions deteriorate and threaten to breach risk appetite and regulatory minimum levels. This is to help ensure that HSBC entities can stabilise their financial position and recover from financial losses in a stress environment.

The Group also has capabilities, resources, and arrangements in place to address the unlikely event that HSBC might not be recoverable and would therefore need to be resolved by regulators. The Group and the BoE publicly disclosed the status of HSBC's progress against the BoE's Resolvability Assessment Framework ('RAF') in June 2022, following the submission of HSBC's inaugural resolvability self-assessment in October 2021. HSBC has continued to enhance its resolvability capabilities since this time and submitted its second self-assessment in October 2023. A subsequent update was provided to the BoE in January 2024. Further public disclosure by the Group and the BoE as to HSBC's progress against the Resolvability Assessment Framework is expected to be made in August 2024.

Overall, our recovery and resolution planning helps to safeguard the Group's financial and operational stability. HSBC is committed to continuing to enhance its recovery and resolution capabilities, in line with the Group's preferred resolution strategy and regulatory expectations, including the RAF.

Measurement of interest rate risk in the banking book processes

Assessment and risk appetite

Interest rate risk in the banking book is the risk of an adverse impact to earnings or capital due to changes in market interest rates. It is generated by our non-traded assets and liabilities, specifically loans, deposits and financial instruments that are not held for trading intent or in order to hedge positions held with trading intent. Interest rate risk that can be economically hedged is transferred to Global Treasury, with some exceptions.

Hedging is generally executed through interest rate derivatives or fixed-rate government bonds. Any interest rate risk that Global Treasury cannot economically hedge is not transferred and remains within the global business where the risk originates.

Global Treasury uses a number of measures to monitor and control interest rate risk in the banking book, including:

- banking net interest income sensitivity; and
- economic value of equity sensitivity.

Banking net interest income sensitivity

A principal part of our management of non-traded interest rate risk is to monitor the sensitivity of expected banking net interest income ('banking NII') under varying interest rate scenarios (i.e. simulation modelling), where all other economic variables are held constant. Banking NII sensitivity measures the sensitivity of NII adjusted for the funding costs of the trading book and of interest related to AT1 capital. This monitoring is undertaken at an entity and Group level, where a range of interest rate scenarios are monitored on a one-year basis.

Banking NII sensitivity figures represent the effect of pro forma movements in projected yield curves based on a static balance sheet size and structure, except for certain mortgage products where balances are impacted by interest rate sensitive prepayments. These sensitivity calculations do not incorporate actions that would be taken by Global Treasury or in the business that originates the risk to mitigate the effect of interest rate movements.

The banking NII sensitivity calculations assume that interest rates of all maturities move by the same amount in the 'up-shock' scenario. The sensitivity calculations in the 'down-shock' scenarios reflect no floors to the shocked market rates. However, customer product-specific interest rate floors are recognised where applicable.

Economic value of equity sensitivity

Economic value of equity ('EVE') measures the present value of our banking book assets and liabilities excluding equity, based on a run-off balance sheet. Economic value of equity sensitivity measures the impact to EVE from a movement in interest rates, including the assumed term profile of non-maturing deposits having adjusted for stability and price sensitivity. It is measured and reported as part of our internal risk metrics, regulatory rules (including the Supervisory Outlier Test) and external Pillar 3 disclosures.

For further details, see the 'Economic value of equity and net interest income sensitivity' section in our Pillar 3 Disclosures at 30 June 2024, which is expected to be published on or around 7 August 2024 at www.hsbc.com/investors.

Capital risk in the first half of 2024

Capital overview

Capital and liquidity adequacy metrics

	At	
	30 Jun 2024	31 Dec 2023
Risk-weighted assets ('RWAs') ($bn)		
Credit risk	**664.1**	683.9
Counterparty credit risk	**36.8**	35.5
Market risk	**37.9**	37.5
Operational risk	**96.3**	97.2
Total RWAs	**835.1**	854.1
Capital on a transitional basis ($bn)		
Common equity tier 1 capital	**125.3**	126.5
Tier 1 capital	**144.3**	144.2
Total capital	**172.1**	171.2
Capital ratios on a transitional basis (%)		
Common equity tier 1 ratio	**15.0**	14.8
Tier 1 ratio	**17.3**	16.9
Total capital ratio	**20.6**	20.0
Capital on an end point basis ($bn)		
Common equity tier 1 capital	**125.3**	126.5
Tier 1 capital	**144.3**	144.2
Total capital	**168.1**	167.1
Capital ratios on an end point basis (%)		
Common equity tier 1 ratio	**15.0**	14.8
Tier 1 ratio	**17.3**	16.9
Total capital ratio	**20.1**	19.6
Liquidity coverage ratio ('LCR')		
Total high-quality liquid assets ($bn)	**646.1**	647.5
Total net cash outflow ($bn)	**472.3**	477.1
LCR (%)[1]	**137**	136

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

References to EU regulations and directives (including technical standards) should, as applicable, be read as references to the UK's version of such regulations and directives, as onshored into UK law under the European Union (Withdrawal) Act 2018, and as may be subsequently amended under UK law.

Capital figures and ratios in the previous table are calculated in accordance with the regulatory requirements of the Capital Requirements

Regulation and Directive, the CRR II regulation and the Prudential Regulation Authority ('PRA') Rulebook ('CRR II'). The table presents them under the transitional arrangements in CRR II for capital instruments and after their expiry, known as the end point.

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

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

Own funds

Own funds disclosure

Ref*		**30 Jun 2024**	31 Dec 2023
		$m	$m
6	Common equity tier 1 capital before regulatory adjustments	**164,545**	165,868
28	Total regulatory adjustments to common equity tier 1	**(39,252)**	(39,367)
29	**Common equity tier 1 capital**	**125,293**	126,501
36	Additional tier 1 capital before regulatory adjustments	**19,035**	17,732
43	Total regulatory adjustments to additional tier 1 capital	**(70)**	(70)
44	**Additional tier 1 capital**	**18,965**	17,662
45	**Tier 1 capital**	**144,258**	144,163
51	Tier 2 capital before regulatory adjustments	**28,914**	28,148
57	Total regulatory adjustments to tier 2 capital	**(1,088)**	(1,107)
58	**Tier 2 capital**	**27,826**	27,041
59	**Total capital**	**172,084**	171,204
	Capital ratios	**%**	%
61	Common equity tier 1 ratio	**15.0**	14.8
62	Tier 1 ratio	**17.3**	16.9
63	**Total capital ratio**	**20.6**	20.0

* These are references to lines prescribed in the Pillar 3 'Own funds disclosure' template.

At 30 June 2024, our common equity tier 1 ('CET1') capital ratio increased to 15.0% from 14.8% at 31 December 2023, driven by a decrease in RWAs of $19bn, and a decline in CET1 capital of $1.2bn. The overall rise in our CET1 ratio during the period was contributed by:

- a 0.7 percentage point net increase from strategic transactions, including the gain on disposal of our Canada banking business adjusted for the $0.21 per share special dividend, the RWAs reduction from our disposals in France and Canada, which was partially offset by the impairment loss following the held for sale classification of our business in Argentina;
- a 0.2 percentage point increase from capital generation, mainly through regulatory profits less dividends, adjusted for the share buy-backs announced along with our 4Q23 and 1Q24 results;
- a 0.5 percentage point decrease driven by higher RWAs mainly from asset size movements and model updates, excluding the reduction from our disposals in France and Canada; and
- a 0.2 percentage point decrease from the adverse impact of foreign exchange fluctuations and an increase in regulatory deductions.

At 30 June 2024, our Pillar 2A requirement, set by the PRA's Individual Capital Requirement based on a point-in-time assessment, was equivalent to 2.6% of RWAs, of which 1.5% was met by CET1 capital. Throughout the first half of 2024, we complied with the PRA's regulatory capital adequacy requirements.

Risk-weighted assets

RWAs by global business

	WPB $bn	CMB $bn	GBM $bn	Corporate Centre $bn	Total RWAs $bn
Credit risk	**146.8**	**301.2**	**131.8**	**84.3**	**664.1**
Counterparty credit risk	**1.0**	**0.6**	**33.2**	**2.0**	**36.8**
Market risk	**1.2**	**1.2**	**27.7**	**7.8**	**37.9**
Operational risk	**33.5**	**32.7**	**32.4**	**(2.3)**	**96.3**
At 30 Jun 2024	**182.5**	**335.7**	**225.1**	**91.8**	**835.1**
At 31 Dec 2023	192.9	354.5	218.5	88.2	854.1

RWAs by legal entities[1]

	HSBC UK Bank plc $bn	HSBC Bank plc $bn	The Hongkong and Shanghai Banking Corporation Limited $bn	HSBC Bank Middle East Limited $bn	HSBC North America Holdings Inc $bn	HSBC Bank Canada $bn	Grupo Financiero HSBC, S.A. de C.V. $bn	Other trading entities $bn	Holding companies, shared service centres and intra-Group eliminations[2] $bn	Total RWAs $bn
Credit risk	**113.2**	**75.2**	**315.6**	**19.1**	**62.3**	**-**	**25.1**	**45.8**	**7.8**	**664.1**
Counterparty credit risk	**0.2**	**18.5**	**10.4**	**0.7**	**3.6**	**-**	**0.5**	**2.9**	**-**	**36.8**
Market risk[3]	**0.2**	**25.5**	**29.2**	**2.6**	**3.7**	**-**	**0.8**	**1.5**	**3.2**	**37.9**
Operational risk	**17.9**	**17.9**	**46.0**	**3.7**	**7.2**	**-**	**4.9**	**4.8**	**(6.1)**	**96.3**
At 30 Jun 2024	**131.5**	**137.1**	**401.2**	**26.1**	**76.8**	**-**	**31.3**	**55.0**	**4.9**	**835.1**
At 31 Dec 2023	129.2	131.5	396.7	24.3	72.2	31.9	32.6	59.6	6.7	854.1

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

2 Balance at 30 June 2024 includes HSBC Bank Canada operational risk RWAs due to the averaging calculation and will roll off over future reporting cycles.

3 Market risk RWAs are non-additive across the legal entities due to diversification effects within the Group.

RWA movement by global businesses by key driver

	Credit risk, counterparty credit risk and operational risk					
	WPB $bn	CMB $bn	GBM $bn	Corporate Centre $bn	Market risk $bn	Total RWAs $bn
RWAs at 1 Jan 2024	**191.6**	**353.5**	**196.3**	**75.2**	**37.5**	**854.1**
Asset size	**1.3**	**4.3**	**5.6**	**4.0**	**6.0**	**21.2**
Asset quality	**0.7**	**1.4**	**(1.8)**	**(0.5)**	**-**	**(0.2)**
Model updates	**0.3**	**0.1**	**3.3**	**3.3**	**-**	**7.0**
Methodology and policy	**(1.6)**	**1.4**	**(0.4)**	**2.7**	**-**	**2.1**
Acquisitions and disposals	**(7.3)**	**(20.5)**	**(2.7)**	**(0.2)**	**(5.6)**	**(36.3)**
Foreign exchange movements[1]	**(3.7)**	**(5.7)**	**(2.9)**	**(0.5)**	**-**	**(12.8)**
Total RWA movement	**(10.3)**	**(19.0)**	**1.1**	**8.8**	**0.4**	**(19.0)**
RWAs at 30 Jun 2024	**181.3**	**334.5**	**197.4**	**84.0**	**37.9**	**835.1**

1 Credit risk foreign exchange movements in this disclosure are computed by retranslating RWAs into US dollars based on the underlying transactional currencies and other movements in the table are presented on a constant currency basis.

RWA movement by legal entities by key driver[1]

	Credit risk, counterparty credit risk and operational risk										
	HSBC UK Bank plc $bn	HSBC Bank plc $bn	The Hongkong and Shanghai Banking Corporation Limited $bn	HSBC Bank Middle East Limited $bn	HSBC North America Holdings Inc $bn	HSBC Bank Canada[2] $bn	Grupo Financiero HSBC, S.A. de C.V. $bn	Other trading entities $bn	Holding companies, shared service centres and intra-Group eliminations[2] $bn	Market risk $bn	Total RWAs $bn
RWAs at 1 Jan 2024	**129.0**	**108.8**	**369.3**	**21.5**	**69.6**	**31.1**	**31.9**	**58.0**	**(2.6)**	**37.5**	**854.1**
Asset size	**1.8**	**1.9**	**2.0**	**0.9**	**2.0**	**-**	**0.7**	**6.1**	**(0.2)**	**6.0**	**21.2**
Asset quality	**0.3**	**(0.3)**	**1.1**	**(0.5)**	**1.2**	**-**	**-**	**(2.0)**	**-**	**-**	**(0.2)**
Model updates	**0.1**	**1.2**	**4.1**	**1.1**	**0.4**	**-**	**-**	**0.1**	**-**	**-**	**7.0**
Methodology and policy	**1.4**	**5.4**	**(1.6)**	**0.5**	**(0.1)**	**(3.4)**	**-**	**(4.6)**	**4.5**	**-**	**2.1**
Acquisitions and disposals	**-**	**(3.5)**	**0.2**	**-**	**-**	**(27.1)**	**-**	**(0.3)**	**-**	**(5.6)**	**(36.3)**
Foreign exchange movements[3]	**(1.3)**	**(1.9)**	**(3.1)**	**-**	**-**	**(0.6)**	**(2.1)**	**(3.8)**	**-**	**-**	**(12.8)**
Total RWA movement	**2.3**	**2.8**	**2.7**	**2.0**	**3.5**	**(31.1)**	**(1.4)**	**(4.5)**	**4.3**	**0.4**	**(19.0)**
RWAs at 30 Jun 2024	**131.3**	**111.6**	**372.0**	**23.5**	**73.1**	**-**	**30.5**	**53.5**	**1.7**	**37.9**	**835.1**

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

2 The balance in methodology and policy includes HSBC Bank Canada operational risk RWAs due to the averaging calculation and will roll off over future reporting cycles.

3 Credit risk foreign exchange movements in this disclosure are computed by retranslating the RWAs into US dollars based on the underlying transactional currencies and other movements in the table are presented on a constant currency basis.

During the first half of the year, RWAs decreased by $19.0bn, mainly due to strategic disposals of $36.3bn and foreign currency translation differences of $12.8bn, which were partially offset by asset size movements of $21.2bn.

Asset size

The $6.0bn increase in market risk RWAs was mainly attributed to a rise in value at risk, and the incremental risk charge from increased positions, notably in Asia and HSBC Bank plc.

GBM RWAs increased by $5.6bn, mainly driven by a rise in corporate exposures, primarily in HSBC Bank plc and higher sovereign exposures in Mexico. Further RWA increases were largely attributed to mark-to-market movements and organic growth in counterparty credit risk, notably in Asia and North America.

CMB RWAs rose by $4.3bn, due to an increase in corporate lending, mainly in HSBC UK Bank plc, Argentina and North America, and higher sovereign exposures in Argentina.

Corporate Centre RWAs increased by $4.0bn, which was largely driven by a rise in SAB corporate exposures.

WPB RWAs increased by $1.3bn, primarily due to higher sovereign exposures in Argentina, and mortgage portfolio growth in North America and HSBC UK.

Asset quality

The $0.2bn fall in RWAs was mainly due to portfolio mix changes, and favourable credit risk migrations in Argentina and Sri Lanka, which was largely offset by unfavourable credit risk migrations in Asia.

Model updates

The $7.0bn increase mainly follows a revision to the definition of default in our PD models for exposures to financial institutions.

Acquisitions and disposals

RWAs decreased by $36.3bn, predominantly from the disposal of our banking business in Canada and the sale of our retail banking operations in France.

Methodology and policy

Methodology changes and risk parameter refinements mainly in Argentina, HSBC UK Bank plc and HSBC Bank plc, offset by Asia, led to the RWAs increase of $2.1bn.

This includes the retained portfolio of our France retail banking operations transferred from WPB to Corporate Centre.

Leverage ratio[1]

	At	
	30 Jun 2024	31 Dec 2023
	$bn	$bn
Tier 1 capital (leverage)	**144.3**	144.2
Total leverage ratio exposure	**2,514.5**	2,574.8
	%	%
Leverage ratio	**5.7**	5.6

1 Leverage ratio calculation is in line with the PRA's UK leverage rules. This includes IFRS 9 transitional arrangement and excludes central bank claims.

Our leverage ratio was 5.7% at 30 June 2024, up from 5.6% at 31 December 2023. The reduction in the leverage exposures led to a rise of 0.1 percentage point in the leverage ratio. This was primarily due to the reduction of the balance sheet, mainly driven by the disposal of our banking business in Canada and the sale of our retail banking operations in France.

At 30 June 2024, our UK minimum leverage ratio requirement of 3.25% was supplemented by a leverage ratio buffer of 1.0%, made up of an additional leverage ratio buffer of 0.7% and a countercyclical leverage ratio buffer of 0.3%.

These buffers translated into capital values of $17.6bn and $7.5bn respectively. We exceeded these leverage requirements throughout 1H24.

Regulatory transitional arrangements for IFRS 9 'Financial Instruments'

We have adopted the regulatory transitional arrangements of the Capital Requirements Regulation for IFRS 9, including paragraph four of article 473a. These allow banks to add back to their capital base a proportion of the impact that IFRS 9 has upon their loan loss allowances. Our capital and ratios are presented under these arrangements throughout the tables in this section, including the end point figures.

Liquidity and funding risk in the first half of 2024

Liquidity metrics

At 30 June 2024, all of the Group's material operating entities were above regulatory minimum levels.

Each entity maintains sufficient unencumbered liquid assets to comply with local and regulatory requirements. The liquidity value of these liquid assets for each entity is shown in the following table along with the individual LCR levels on a local regulatory requirements basis wherever applicable. Where local regulatory requirements are not applicable, the PRA LCR is shown. The local basis may differ from PRA measures due to differences in the way regulators have implemented the Basel III standards.

Each entity maintains a sufficient stable funding profile and it is assessed by using the PRA NSFR or other appropriate metrics.

In addition to regulatory metrics, HSBC uses a wide set of measures to manage its liquidity and funding profile.

The Group liquidity and funding position on an average basis is analysed in the following sections.

Operating entities' liquidity

	At 30 Jun 2024			
			Net outflows	
	LCR[6]	HQLA		NSFR[6]
	%	$bn	$bn	%
HSBC UK Bank plc (ring-fenced bank)[1]	**193**	**114**	**59**	**155**
HSBC Bank plc (non-ring-fenced bank)[2]	**146**	**131**	**90**	**114**
The Hongkong and Shanghai Banking Corporation Limited - Hong Kong branch[3]	**195**	**142**	**73**	**127**
HSBC Singapore[4]	**314**	**29**	**9**	**180**
Hang Seng Bank	**263**	**50**	**19**	**166**
HSBC Bank China	**176**	**25**	**14**	**144**
HSBC Bank USA	**172**	**81**	**47**	**129**
HSBC Continental Europe[5]	**156**	**83**	**53**	**138**
HSBC Bank Middle East - UAE branch	**257**	**14**	**5**	**154**
HSBC Bank Canada	**-**	**-**	**-**	**-**
HSBC Bank Mexico	**160**	**9**	**6**	**124**

	At 31 Dec 2023			
HSBC UK Bank plc (ring-fenced bank)[1]	201	118	59	158
HSBC Bank plc (non-ring-fenced bank)[2]	148	132	89	116
The Hongkong and Shanghai Banking Corporation Limited - Hong Kong branch[3]	192	147	77	127
HSBC Singapore[4]	292	26	9	174
Hang Seng Bank	254	52	21	163
HSBC Bank China	170	24	14	139
HSBC Bank USA	172	82	48	131
HSBC Continental Europe[5]	158	83	52	137
HSBC Bank Middle East - UAE branch	281	13	5	163
HSBC Bank Canada	164	21	13	129
HSBC Bank Mexico	149	8	5	124

1 HSBC UK Bank plc refers to the HSBC UK liquidity group, which comprises five legal entities: HSBC UK Bank plc, Marks and Spencer Financial Services plc, HSBC Private Bank (UK) Limited, HSBC Innovation Bank Limited and HSBC Trust Company (UK) Limited, managed as a single operating entity, in line with the application of UK liquidity regulation as agreed with the PRA.

2 HSBC Bank plc includes overseas branches and special purpose entities consolidated by HSBC for financial statements purposes.

3 The Hongkong and Shanghai Banking Corporation Limited - Hong Kong branch represents the material activities of The Hongkong and Shanghai Banking Corporation Limited. It is monitored and controlled for liquidity and funding risk purposes as a stand-alone operating entity.

4 HSBC Singapore includes HSBC Bank (Singapore) Limited and The Hongkong and Shanghai Banking Corporation Limited - Singapore branch. Liquidity and funding risk is monitored and controlled at country level in line with the local regulator's approval.

5 In response to the requirement for an intermediate parent undertaking in line with EU Capital Requirements Directive ('CRD V'), HSBC Continental Europe acquired control of HSBC Germany and HSBC Bank Malta on 30 November 2022. The averages for LCR and NSFR include the impact of the inclusion of the two entities from November 2022.

6 The LCR and NSFR ratios presented in the above table are based on average values. The LCR is the average of the preceding 12 months. The NSFR is the average of the preceding four quarters.

Consolidated liquidity metrics

Liquidity coverage ratio

At 30 June 2024, the average high-quality liquid assets ('HQLA') held at entity level amounted to $789bn (31 December 2023: $795bn), a decrease

At 30 June 2024, the average high-quality liquid assets ('HQLA') held at entity level amounted to $780bn (31 December 2023: $795bn), a decrease of $15bn. The Group consolidation methodology includes a deduction to reflect the impact of limitations in the transferability of entity liquidity around the Group. This resulted in an adjustment of $134bn to LCR HQLA and $7bn to LCR inflows on an average basis.

During 1H24, we enhanced our liquidity consolidation process and revised the associated provisions originally recognised to address historical limitations. As Group LCR is reported as a 12-month average, the benefit of these changes will be recognised incrementally over the coming year starting from 30 June 2024.

	At[1]		
	30 Jun 2024	30 Jun 2023	31 Dec 2023
	$bn	$bn	$bn
High-quality liquid assets (in entities)	**780**	796	795
Group LCR HQLA[2]	**646**	631	648
Net outflows[2]	**472**	478	477
Liquidity coverage ratio (%)	**137**	132	136
Adjustment for transfer restrictions[2]	**(141)**	(172)	(154)

1 Group LCR numbers above are based on average month-end values of the preceding 12 months.

2 These include a total adjustment for transfer restrictions on a 12-month average basis of $141bn as at 30 June 2024, of which a $134bn deduction applied to LCR HQLA and $7bn to LCR inflows.

Liquid assets

After the $134bn adjustment, the Group LCR HQLA of $646bn (31 December 2023: $648bn) was held in a range of asset classes and currencies. Of these, 96% were eligible as level 1 (31 December 2023: 97%).

The following tables reflect the composition of the liquidity pool by asset type and currency at 30 June 2024:

Liquidity pool by asset type[1]

	Liquidity pool $bn	Cash $bn	Level 1[2] $bn	Level 2[2] $bn
Cash and balance at central bank	**283**	**283**	**-**	**-**
Central and local government bonds	**337**	**-**	**316**	**21**
Regional government and public sector entities	**2**	**-**	**2**	**-**
International organisation and multilateral development banks	**14**	**-**	**14**	**-**
Covered bonds	**8**	**-**	**3**	**5**
Other	**2**	**-**	**1**	**1**
Total at 30 Jun 2024	**646**	**283**	**336**	**27**
Total at 31 Dec 2023	648	310	317	21

1 Group liquid assets numbers are based on average month-end values over the preceding 12 months.

2 As defined in EU and PRA regulation, level 1 assets means 'assets of extremely high liquidity and credit quality', and level 2 assets means 'assets of high liquidity and credit quality'.

Liquidity pool by currency[1]

	$ $bn	£ $bn	€ $bn	HK$ $bn	Other $bn	Total $bn
Liquidity pool at 30 Jun 2024	**188**	**169**	**111**	**52**	**126**	**646**
Liquidity pool at 31 Dec 2023	184	173	112	51	128	648

1 Group liquid assets numbers are based on average month-end values over the preceding 12 months.

Sources of funding

Our primary sources of funding are customer current accounts and savings deposits payable on demand or at short notice. We issue secured and unsecured wholesale securities to supplement customer deposits, meet regulatory obligations and to change the currency mix, maturity profile or location of our liabilities.

The following 'Funding sources' and 'Funding uses' tables provide a view of how our consolidated balance sheet is funded. In practice, all the principal operating entities are required to manage liquidity and funding risk on a stand-alone basis.

The tables analyse our consolidated balance sheet according to the assets that primarily arise from operating activities and the sources of funding primarily supporting these activities. Assets and liabilities that do not arise from operating activities are presented as a net balancing source or deployment of funds.

In 1H24, the level of customer accounts continued to exceed the level of loans and advances to customers. The positive funding gap was predominantly deployed in liquid assets.

Funding sources

	At	
	30 Jun 2024	31 Dec 2023
	$m	$m
Customer accounts	**1,593,834**	1,611,647
Deposits by banks	**82,435**	73,163
Repurchase agreements - non-trading	**202,770**	172,100
Debt securities in issue	**98,158**	93,917
Cash collateral, margin and settlement accounts	**105,226**	85,255
Liabilities of disposal groups held for sale[1]	**5,041**	108,406
Subordinated liabilities	**25,510**	24,954
Financial liabilities designated at fair value	**140,800**	141,426
Insurance contract liabilities	**125,252**	120,851
Trading liabilities	**77,455**	73,150
- repos	**13,356**	12,198
- stock lending	**4,566**	3,322
- other trading liabilities	**59,533**	57,630
Total equity	**190,414**	192,610
Other balance sheet liabilities	**328,108**	341,198
	2,975,003	3,038,677

Funding uses

	At	
	30 Jun 2024	31 Dec 2023
	$m	$m
Loans and advances to customers	**938,257**	938,535
Loans and advances to banks	**102,057**	112,902
Reverse repurchase agreements - non-trading	**230,189**	252,217
Cash collateral, margin and settlement accounts	**105,974**	89,911
Assets held for sale[1]	**5,821**	114,134
Trading assets	**331,307**	289,159
- reverse repos	**14,280**	16,575
- stock borrowing	**10,541**	14,609
- other trading assets	**306,486**	257,975
Financial investments	**467,356**	442,763
Cash and balances with central banks	**277,112**	285,868
Other balance sheet assets	**516,930**	513,188
	2,975,003	3,038,677

1 'Liabilities of disposal groups held for sale' includes $4.1bn and 'Assets held for sale' includes $5.3bn in respect of the planned sale of our Argentina business (2023: 'Liabilities of disposal groups held for sale' includes $82bn and Assets held for sale' includes $88bn in respect of the planned sale of our banking business in Canada. 'Liabilities of disposal groups held for sale' includes $26bn and 'Assets of disposal groups held for sale' includes $28bn in respect of the sale of our retail banking operations in France).

Interest rate risk in the banking book in the first half of 2024

Banking net interest income sensitivity

Banking NII sensitivity analyses the sensitivity of our banking net interest income to interest rate shocks. This metric, which was introduced in our Annual Report and Accounts 2023, includes the sensitivity coming from trading book assets funded by banking book liabilities, as well as the currency impacts of vanilla foreign exchange swaps to optimise cash management across the Group. Banking NII sensitivity is therefore a more comprehensive measure than NII sensitivity, which was disclosed previously. It is aligned with the presentation of banking net interest income as an alternative performance measure intended to approximate the Group's banking revenue that is directly impacted by changes in interest rates.

The following tables set out the assessed impact to a hypothetical base case projection of our banking NII under an immediate shock of 100bps to the current market-implied path of interest rates across all currencies on 30 June 2024. For example, Year 3 shows the impact of an immediate rate shock on the banking NII projected for the third year.

The sensitivities shown represent a hypothetical simulation of income, assuming a static balance sheet (specifically no assumed migration from current account to term deposits), and no management actions from Global Treasury. This also incorporates the effect of hypothetical managed rate product pricing assumptions, prepayment of mortgages and deposit stability. The sensitivity calculations exclude pensions, insurance, and interests in associates.

The sensitivity analysis performed in the case of a down-shock does not include floors to market rates, and it does not include floors on some wholesale assets and liabilities. However, floors have been

maintained for deposits and loans to customers where this is contractual or where negative rates would not be applied.

As market and policy rates move, the degree to which these changes are passed on to customers will vary based on a number of factors, including the absolute level of market rates, regulatory and contractual frameworks, and competitive dynamics. To aid comparability between markets we have simplified the basis of preparation for our disclosure and have used a 50% pass-on assumption for major entities on certain interest-bearing deposits. Our pass-through asset assumptions are largely in line with our contractual agreements or established market practice, which typically results in a significant portion of interest rate changes being passed on.

An immediate interest rate rise of 100bps would increase projected banking NII by $2.2bn. An immediate interest rate fall of 100bps would decrease projected banking NII by $2.7bn.

The sensitivity of banking NII for 12 months as at 30 June 2024 decreased by $0.6bn in the plus 100bps parallel shock, and by $0.7bn in the minus 100bps parallel shock, when compared with 31 December 2023. The drivers of the reduction in banking NII sensitivity include the increase in stabilisation activities in line with Group strategy. The currency split of banking NII sensitivity changes depending on the optimal deployment of cash at a point in time, which will change period on period.

For further details of measurement of interest rate risk in the banking book, see page 205 of the Annual Report and Accounts 2023.

Banking NII sensitivity to an instantaneous change in yield curves (12 months) - Year 1 sensitivity by currency

	Currency					
	$	HK$	£	€	Other	Total
	$m	$m	$m	$m	$m	$m
Change in Jul 2024 to Jun 2025 (based on balance sheet at 30 Jun 2024)						
+100bps parallel	**729**	**330**	**283**	**169**	**734**	**2,245**
-100bps parallel	**(781)**	**(364)**	**(424)**	**(194)**	**(887)**	**(2,650)**
Change in Jan 2024 to Dec 2024 (based on balance sheet at 31 Dec 2023)						
+100bps parallel	343	411	496	285	1,297	2,832
-100bps parallel	(494)	(493)	(602)	(304)	(1,460)	(3,353)

Banking NII sensitivity to an instantaneous down 100bps parallel change in yield curves - Year 2 and Year 3 sensitivity by currency

	Currency					
	$	HK$	£	€	Other	Total
	$m	$m	$m	$m	$m	$m
Change in banking NII (based on balance sheet at 30 Jun 2024)						
Year 2 (Jul 2025 to Jun 2026)	**(1,145)**	**(467)**	**(783)**	**(256)**	**(1,262)**	**(3,913)**
Year 3 (Jul 2026 to Jun 2027)	**(1,540)**	**(554)**	**(1,214)**	**(323)**	**(1,361)**	**(4,992)**
Change in NII (based on balance sheet at 31 Dec 2023)						
Year 2 (Jan 2025 to Dec 2025)	(1,015)	(693)	(938)	(333)	(1,798)	(4,777)
Year 3 (Jan 2026 to Dec 2026)	(1,289)	(761)	(1,439)	(405)	(1,926)	(5,820)

Non-trading portfolios

Value at risk of the non-trading portfolios

Non-trading portfolios comprise of positions that primarily arise from the interest rate management of our retail and wholesale banking assets and liabilities, financial investments measured at fair value through other comprehensive income ('FVOCI') or at amortised cost, and exposures arising from our insurance operations.

From February 2024, we adopted a methodology change to measure non-trading value at risk ('VaR') over a 10 day holding period as opposed to 1 day, in order to better reflect longer average time horizons in the management of non-trading portfolios compared to trading portfolios. Comparative data at 31 December 2023 and 30 June 2023 has been restated on a 10 day basis accordingly, using a scalar approach that results in restated numbers being approximately three times higher than previously reported 1 day basis numbers.
The VaR for non-trading activity has increased to $792m at 30 June 2024, compared with $577m at 31 December 2023. The increase was primarily due to higher duration risk exposures in Global Treasury.

The portfolio diversification has decreased from 31 December 2023 but remained broadly stable on average and reflects the natural offsets in risk measured as the difference between the portfolio level VaR and the aggregation of VaR at the asset class level.

Non-trading VaR includes non-trading financial instruments held in portfolios managed by Markets Treasury. The management of interest rate risk in the banking book is described further in 'Banking net interest income sensitivity' on page 105.

The Group non-trading VaR for the half-year to 30 June 2024 is shown in the following table.

Non-trading VaR, 99% 10 day

	Interest rate	Credit spread	Portfolio diversification[1]	Total
	$m	$m	$m	$m
Half-year to 30 Jun 2024	**682.4**	**333.2**	**(224.1)**	**791.5**
Average	**740.5**	**337.2**	**(241.4)**	**836.3**
Maximum	**1,000.6**	**369.1**		**1,097.6**
Minimum	**474.2**	**324.3**		**572.2**
Half-year to 30 Jun 2023	494.2	266.5	(210.8)	549.9

Average	426.2	218.2	(157.6)	486.8
Maximum	502.5	266.5		587.4
Minimum	344.0	174.5		401.5
Half year to 31 Dec 2023	549.6	356.7	(329.5)	576.7
Average	560.2	312.9	(244.5)	628.6
Maximum	638.6	368.0		709.4
Minimum	504.3	249.9		537.2

1 When VaR is calculated at a portfolio level, natural offsets in risk can occur when compared with aggregating VaR at the asset class level. This difference is called portfolio diversification. The asset class VaR maxima and minima reported in the table occurred on different dates within the reporting period. For this reason, we do not report an implied portfolio diversification measure between the maximum (minimum) asset class VaR measures and the maximum (minimum) total VaR measures in this table.

Non-trading VaR excludes equity risk on securities held at fair value, non-trading book foreign exchange risk and the risks managed in HSBC Holdings arising from long-term capital issuance.

HSBC's management of market risk in the non-trading book is described in the 'Treasury risk' section on page 97.

Market risk

Overview

Market risk is the risk of an adverse financial impact on trading activities arising from changes in market parameters, such as interest rates, foreign exchange rates, asset prices, volatilities, correlations and credit spreads. Exposure to market risk is separated into two portfolios: trading portfolios and non-trading portfolios.

Market risk in the first half of 2024

There were no material changes to the policies and practices for the management of market risk in the first half of 2024.

- A summary of our current policies and practices for the management of market risk is set out in 'Market risk management' on page 218 of the Annual Report and Accounts 2023.

Inflation expectations have been in focus during the first half of 2024, against a backdrop of resilient economic growth and elections in multiple countries. Central bank policies have diverged, with the US Federal Reserve holding interest rates unchanged and the Bank of Japan concluding its period of negative interest rates by raising the overnight interest rate to a range of about zero to 0.1%, while the ECB and some other European central banks cut rates in June. After trending upwards until April, government bond yields have generally fallen in 2Q24, largely driven by lower inflation and expectations for monetary policy easing by central banks. Japanese government bond yields have instead risen to the highest in the last decade following the central bank's historic policy shift. In Europe, the France-Germany yield spread has widened amid uncertainty from the French legislative elections. Equities have risen to multiple record highs in the US and in Europe, amid strong corporate earnings and positive sentiment in the technology sector. Some emerging markets equities have tended to outperform developed markets during 2Q24, particularly in Asia. In foreign exchange markets, the US dollar strengthening has continued, mostly in line with interest rate differentials. The Yen has weakened to multi-decade lows against the US dollar. Whilst sentiment has remained resilient in credit markets, credit spreads widened marginally during June, with a more pronounced increase for high-yield credit compared to investment grade.

We continued to manage market risk prudently in the first half of 2024. Main sensitivity exposures and VaR remained within appetite as the business pursued its core market-making activity in support of our customers. Market risk was managed using a complementary set of risk measures and limits, including stress testing and scenario analysis.

Trading portfolios

Value at risk of the trading portfolios

Trading VaR was predominantly generated by Markets and Securities Services. Trading VaR at $52.7m as of 30 June 2024 has not changed materially compared with 31 December 2023. Exposures to interest rate risk factors from the Fixed Income and Foreign Exchange businesses were the main drivers of Trading VaR at the end of June 2024. Trading VaR peaked in March 2024 and was mainly driven by:

- Increased contribution of exposures to short-term interest rates for major currencies.
- The effects of relatively large, short-term interest rate shocks that are captured in the VaR scenario window.

VaR reduced following hedging activity to manage down exposures to interest rates across the Markets business.

The Group trading VaR for the half-year is shown in the table below.

Trading VaR, 99% 1 day

	Foreign exchange and commodity $m	Interest rate $m	Equity $m	Credit spread $m	Portfolio diversification[1] $m	Total $m
Half-year to 30 Jun 2024	**20.6**	**47.5**	**15.7**	**9.9**	**(41.1)**	**52.7**
Average	**15.4**	**57.1**	**14.0**	**10.2**	**(37.1)**	**59.7**
Maximum	**29.8**	**78.1**	**17.6**	**12.7**		**83.3**
Minimum	**6.9**	**42.0**	**12.7**	**6.6**		**45.7**
Half-year to 30 Jun 2023	18.9	64.9	23.5	16.1	(55.6)	67.8
Average	16.7	51.9	17.5	11.1	(41.5)	55.7
Maximum	23.5	74.8	23.5	16.1		82.4
Minimum	10.6	33.9	14.9	7.7		42.2
Half-year to 31 Dec 2023	13.4	55.9	15.2	7.2	(38.9)	52.8
Average	15.6	55.9	20.4	12.1	(40.2)	63.8
Maximum	24.6	86.0	27.8	16.5		98.2
Minimum	9.3	25.5	13.4	6.6		34.4

1 Asset class VaR reported in the table above is calculated by using a 500-day historical window. Total VaR, which is utilised for internal risk management and for regulatory capital, is the maximum of VaR calculated by using a 250-day historical window and VaR calculated by using a 500-day historical window. When VaR is calculated at a portfolio level, natural offsets in risk can occur when compared with aggregating VaR at the asset class level. This difference is called portfolio diversification. The asset class VaR maxima and minima reported in the table occurred on different dates within the reporting period. For this reason, we do not report an implied portfolio diversification measure between the maximum (minimum) asset class VaR measures and the maximum (minimum) total VaR measures in this table.

The table below shows trading VaR at a 99% confidence level compared with trading VaR at a 95% confidence level at 30 June 2024.

This comparison facilitates the benchmarking of the trading VaR, which can be stated at different confidence levels, with financial institution peers. The 95% VaR is unaudited.

Comparison of trading VaR, 99% 1 day vs trading VaR, 95% 1 day

	Trading VaR, 99% 1 day $m	Trading VaR, 95% 1 day $m
Half-year to 30 Jun 2024	**52.7**	**30.9**
Average	**59.7**	**37.8**
Maximum	**83.3**	**48.9**
Minimum	**45.7**	**28.0**
Half-year to 30 Jun 2023	67.8	44.5
Average	55.7	34.5
Maximum	82.4	47.8
Minimum	42.2	26.2
Half-year to 31 Dec 2023	52.8	35.3
Average	63.8	39.0
Maximum	98.2	53.3
Minimum	34.4	21.0

Back-testing

We routinely validate the accuracy of our VaR models by back-testing the VaR metric against both actual and hypothetical profit and loss. Hypothetical profit and loss excludes non-modelled items such as fees, commissions and revenue related to intra-day transactions. The hypothetical profit and loss reflects the profit and loss that would be realised if positions were held constant from the end of one trading day to the end of the next. This measure of profit and loss does not align with how risk is dynamically hedged and is not, therefore, necessarily indicative of the actual performance of the business.

The number of hypothetical loss back-testing exceptions, together with a number of other indicators, is used to assess model performance and to consider whether enhanced internal monitoring of the VaR model is required. We back-test our VaR at set levels of our Group entity hierarchy.

During the first half of 2024, the Group experienced no back-testing exceptions on losses against actual and hypothetical profit and losses.

Insurance manufacturing operations risk

Overview

The key risks for our insurance manufacturing operations are market risks, in particular interest rate, growth asset and credit risks, as well as insurance underwriting and operational risks. Liquidity risk, while significant for other parts of the Group, is relatively minor for our insurance operations.

Insurance manufacturing operations risk in the first half of 2024

There have been no material changes to the policies and practices for the management of risks arising in our insurance operations described in the Annual Report and Accounts 2023.

A summary of our policies and practices regarding the risk management of insurance operations, our insurance model and the main contracts we manufacture is provided on page 233 of the Annual Report and Accounts 2023.

The risk profile of our insurance manufacturing operations is assessed in the Group's internal capital adequacy assessment process ('ICAAP'), based on the financial capacity of the operations to support the risks to which they are exposed.

Capital adequacy is assessed on both the Group's economic capital basis, and the relevant local insurance regulatory basis. The Group's economic capital basis is largely aligned to European Solvency II regulations, other than in Asia, where it is based on the Hong Kong risk-based capital regulations, which are effective from 1 July 2024. Risk appetite buffers are set to ensure that the operations are able to remain solvent on both bases, allowing for business-as-usual volatility and extreme but plausible stress events. In addition, the insurance manufacturing operations manage their market, liquidity, credit, underwriting and non-financial risk exposures to Board-approved risk appetite limits. Overall, at 30 June 2024, the majority of the capital and financial risk positions of our insurance operations were within risk appetite. We continue to monitor these risks closely in the current volatile economic climate.

The following table shows the composition of assets and liabilities by contract type.

Balance sheet of insurance manufacturing subsidiaries by type of contract

	Life direct participating and investment DPF contracts $m	Life other[1] $m	Other contracts[2] $m	Shareholder assets and liabilities $m	Total $m
Financial assets	118,296	4,074	5,379	6,858	134,607
- financial assets designated and otherwise mandatorily measured at fair value through profit or loss	105,665	3,862	3,990	1,210	114,727
- derivatives	170	6	-	4	180
- financial investments - at amortised cost	571	67	1,093	4,106	5,837
- financial assets at fair value through other comprehensive income	8,000	-	6	632	8,638
- other financial assets	3,890	139	290	906	5,225
Insurance contract assets	13	111	-	-	124
Reinsurance contract assets	-	4,595	-	-	4,595
Other assets and investment properties[3]	2,680	277	249	1,855	5,061
Total assets at 30 Jun 2024	120,989	9,057	5,628	8,713	144,387
Liabilities under investment contracts designated at fair value	-	-	5,109	-	5,109
Insurance contract liabilities	120,558	4,129	-	-	124,687
Reinsurance contract liabilities	-	696	-	-	696
Deferred tax	-	12	-	1	13
Other liabilities	-	-	-	6,351	6,351
Total liabilities	120,558	4,837	5,109	6,352	136,856
Total equity	-	-	-	7,531	7,531
Total liabilities and equity at 30 Jun 2024	120,558	4,837	5,109	13,883	144,387
Financial assets	113,605	3,753	5,812	7,696	130,866

Financial assets	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
- financial assets designated and otherwise mandatorily measured at fair value through profit or loss	100,427	3,593	4,177	1,166	109,363
- derivatives	258	10	-	6	274
- financial investments - at amortised cost	1,351	67	1,157	4,772	7,347
- financial assets at fair value through other comprehensive income	8,859	-	5	693	9,557
- other financial assets	2,710	83	473	1,059	4,325
Insurance contract assets	13	213	-	-	226
Reinsurance contract assets	-	4,871	-	-	4,871
Other assets and investment properties	2,782	164	35	1,636	4,617
Total assets at 31 Dec 2023	116,400	9,001	5,847	9,332	140,580
Liabilities under investment contracts designated at fair value	-	-	5,103	-	5,103
Insurance contract liabilities	116,389	3,961	-	-	120,350
Reinsurance contract liabilities	-	819	-	-	819
Deferred tax	-	1	-	3	4
Other liabilities	-	-	-	6,573	6,573
Total liabilities	116,389	4,781	5,103	6,576	132,849
Total equity	-	-	-	7,731	7,731
Total liabilities and equity at 31 Dec 2023	116,389	4,781	5,103	14,307	140,580

1 'Life other' mainly includes protection insurance contracts as well as reinsurance contracts. The reinsurance contracts primarily provide diversification benefits over the life participating and investment discretionary participation feature ('DPF') contracts.

2 'Other contracts' includes investment contracts for which HSBC does not bear significant insurance risk.

3 Following classification of HSBC's operations in Argentina to assets held for sale, the assets of our Argentinian insurance manufacturing business of $450m are presented in 'Other assets and investment properties', and associated liabilities of $359m are presented in 'Other liabilities'.

Directors' responsibility statement

The Directors[1] are required to prepare the interim condensed consolidated financial statements on a going concern basis unless it is not appropriate. They are satisfied that the Group has the resources to continue in business for the foreseeable future and that the financial statements continue to be prepared on a going concern basis.

The Directors confirm that to the best of their knowledge:

- the financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the UK, IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board ('IASB') and IAS 34 'Interim Financial Reporting' as adopted by the European Union, and the Disclosure Guidance and Transparency Rules ('DTR') sourcebook of the UK's Financial Conduct Authority;
- this Interim Report 2024 gives a true, fair, balanced and understandable view of the assets, liabilities, financial position and profit or loss of the Company; and
- this Interim Report 2024 includes a fair review of the information required by:
  - DTR 4.2.7R, being an indication of: important events that have occurred during the first six months of the financial year ending 31 December 2024 and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
  - DTR 4.2.8R, being: related party transactions that have taken place in the first six months of the financial year ending 31 December 2024, which have materially affected the financial position or performance of HSBC during that period; and any changes in the related parties transactions described in the Annual Report and Accounts 2023 that could materially affect the financial position or performance of HSBC during the first six months of the financial year ending 31 December 2024.

On behalf of the Board

Sir Mark E Tucker

Group Chairman

31 July 2024

1 Sir Mark Edward Tucker*, Noel Paul Quinn, Geraldine Joyce Buckingham†, Rachel Duan†, Georges Bahjat Elhedery, Dame Carolyn Julie Fairbairn†, James Anthony Forese†, Ann Frances Godbehere†, Steven Craig Guggenheimer†, Dr José Antonio Meade Kuribreña†, Kalpana Jaisingh Morparia†, Eileen K Murray†, Brendan Robert Nelson† and Swee Lian Teo†.

* Non-executive Group Chairman † Independent non-executive Director

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