



THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED

*(a company incorporated in Hong Kong with limited liability,
a licensed bank regulated by the Hong Kong Monetary Authority and
registered under the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong)
for Types 1, 2, 4, 5, 6 and 9 regulated activities)*

as Issuer

**Unlisted Structured Products Programme
(Programme)**

The Hongkong and Shanghai Banking Corporation Limited

as Product Arranger to the Programme

Our unlisted structured products issued under this Programme are NOT equivalent to time deposits. They are embedded with derivatives. Investors may sustain a total loss in their investment.

If you are in any doubt about any of the contents of the structured products offering documents or your investment in our structured products, you should consult a licensed securities dealer, bank manager, solicitor, certified public accountant or other professional adviser to seek independent professional advice.

The Securities and Futures Commission (“SFC”) has authorised the issue of this addendum to the financial disclosure document based on the standard format submitted under Section 105(1) of the Securities and Futures Ordinance. The SFC takes no responsibility for the contents of this addendum to the financial disclosure document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this addendum to the financial disclosure document. The SFC’s authorisation does not imply its endorsement or recommendation of the structured products referred to in this addendum to the financial disclosure document.

IMPORTANT

This addendum to the financial disclosure document sets out our supplemental financial information.

Before you decide whether to invest in our structured products, you should read the financial disclosure document dated 24 July 2024, this addendum to the financial disclosure document, the programme memorandum dated 24 July 2024 (the “**programme memorandum**”), the relevant product booklet (including any addendum to these documents as specified in the relevant indicative term sheet) and the relevant indicative term sheet (together, the “**structured products offering documents**”) and ensure that you fully understand and are willing to assume the risks associated with such an investment. Electronic copies of the structured products offering documents in respect of a series of structured product are available from your distributor(s) and at our website which is presently at <https://www.hsbcnet.com/gbm/structured-investments/asia-pacific/unlisted-structured-products-programme>. This website has not been reviewed by the SFC.

If you are in any doubt about any of the contents of this addendum to the financial disclosure document, you should obtain independent professional advice.

You are warned that the market value of our structured products may fluctuate and you may sustain a total loss of your investment. You should therefore ensure that you understand the nature of our structured products and carefully study the risk warnings set out in the programme memorandum and other structured products offering documents and, where necessary, seek independent professional advice, before you decide whether to invest in our structured products.

Our structured products offering documents include particulars given in compliance with the Code on Unlisted Structured Investment Products issued by the SFC (the “**Code**”) for the purpose of giving information with regard to The Hongkong and Shanghai Banking Corporation Limited as the issuer, The Hongkong and Shanghai Banking Corporation Limited as the product arranger, the Programme and our structured products. The issuer and the product arranger collectively and individually accept full responsibility for the contents of, and the completeness and accuracy of the information contained in the structured products offering documents and confirm, having made all reasonable enquiries, that to the best of the knowledge and belief of the issuer and the product arranger, there is no untrue or misleading statement, or other facts the omission of which would make any statement herein untrue or misleading. The issuer and the product arranger confirm that the structured products comply with the Code. The issuer also confirms that it meets the eligibility requirements applicable to issuers set out in the Code and the product arranger confirms that it meets the eligibility requirements applicable to product arrangers set out in the Code. The Hongkong and Shanghai Banking Corporation Limited is the “product arranger” for the purposes of the Code.

Our structured products constitute general, unsecured and unsubordinated contractual obligations of The Hongkong and Shanghai Banking Corporation Limited (as issuer) and of no other person. If you invest in our structured products, you are relying upon the creditworthiness of The Hongkong and Shanghai Banking Corporation Limited.

A Chinese version of this addendum to the financial disclosure document is also available from your distributor(s) and at our website which is presently at <https://www.hsbcnet.com/gbm/structured-investments/asia-pacific/unlisted-structured-products-programme>. This website has not been reviewed by the SFC.

本財務披露文件附錄的中文版本可於閣下的分銷商及本公司網站(網址現為 <https://www.hsbcnet.com/gbm/structured-investments/asia-pacific/unlisted-structured-products-programme>)瀏覽。此網站未經證監會審閱。

Our structured products are not available to any person that is: (a) a U.S. person (as defined in Regulation S of the United States Securities Act of 1933, as amended); (b) a U.S. person as defined in 17 C.F.R. § 23.23(a)(23) (a “**CFTC U.S. Person**”) or to others for offer or sale to or for the account or benefit of any such CFTC U.S. Person or; (c) a “United States person” as defined in U.S. Executive Order 13959, as amended by U.S. Executive Order 14032, or in the Chinese Military-Industrial Complex Sanctions Regulations (31 C.F.R. Part 586) (“**E.O. 13959 U.S. Persons**”), to the extent that the underlyings for the relevant structured products (i) include securities whose purchase or sale by E.O. 13959 U.S. Persons is restricted under Executive Order 13959 (as amended) or (ii) provide any investment exposure to any such securities ((i) and (ii) collectively, “**E.O. 13959 Restricted Underlyings**”).

E.O. 13959 U.S. Persons are restricted from purchasing or selling the structured products with E.O. 13959 Restricted Underlyings after the effective date of the Executive Order 13959 (as amended) restrictions applicable to those underlyings and investors should seek their own independent legal advice regarding compliance with Executive Order 13959 (as amended).

We publish our annual report and audited consolidated financial statements following the end of each of our financial years, i.e. 31 December and our interim report and unaudited interim condensed consolidated financial statements following the end of each of our semi-annual interim financial periods, i.e. 30 June.

Information included on the website(s) referred to in this addendum to the financial disclosure document does not form part of this addendum to the financial disclosure document.

None of the distributors which sell our structured products is responsible in any way to ensure the accuracy of the financial disclosure document, this addendum to the financial disclosure document, our programme memorandum and any product booklet (including any addendum to these documents as set out in the relevant term sheet) or any term sheet.

This addendum to the financial disclosure document does not constitute a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong. This addendum to the financial disclosure document will not be lodged or registered under the securities laws of any jurisdiction outside Hong Kong and will not be registered with any regulatory authority outside Hong Kong. You should observe any applicable restrictions in the relevant jurisdiction in making an investment in our structured products.

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**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS OF
THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2024**

The following unaudited financial information has been extracted from the unaudited condensed consolidated financial statements of the Issuer as at and for the six-month period ended 30 June 2024 (the “**Unaudited Financial Statements**”). References to page numbers (i.e. the numeric page numbers as referred to within this section and the numeric page numbers which appear above the page numbers of this addendum to the financial disclosure document) in this section are to the page numbers of the Unaudited Financial Statements.

Interim condensed consolidated financial statements

Consolidated income statement

	Half-year to	
	30 Jun 2024	30 Jun 2023
	HK\$m	HK\$m
Net interest income	58,285	65,827
– interest income	157,620	137,949
– interest expense	(99,335)	(72,122)
Net fee income	21,022	20,026
– fee income	27,668	26,280
– fee expense	(6,646)	(6,254)
Net income from financial instruments held for trading or managed on a fair value basis	46,885	37,150
Net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	13,460	27,023
Changes in fair value of designated debts issued and related derivatives	(158)	213
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	88	156
Gains less losses from financial investments	57	11
Insurance finance expense	(13,348)	(26,660)
Insurance service result	4,110	3,121
– Insurance revenue	7,583	5,854
– Insurance service expense	(3,473)	(2,733)
Other operating income	2,235	2,729
Net operating income before change in expected credit losses and other credit impairment charges	132,636	129,596
Change in expected credit losses and other credit impairment charges	(3,555)	(3,571)
Net operating income	129,081	126,025
Employee compensation and benefits	(19,736)	(18,971)
General and administrative expenses	(27,700)	(26,288)
Depreciation and impairment of property, plant and equipment	(5,382)	(4,654)
Amortisation and impairment of intangible assets	(4,202)	(3,461)
Total operating expenses	(57,020)	(53,374)
Operating profit	72,061	72,651
Share of profit in associates and joint ventures	10,007	10,559
Profit before tax	82,068	83,210
Tax expense	(13,019)	(13,455)
Profit for the period	69,049	69,755
Attributable to:		
– ordinary shareholders of the parent company	63,151	63,620
– other equity holders	2,158	2,397
– non-controlling interests	3,740	3,738
Profit for the period	69,049	69,755

Consolidated statement of comprehensive income

	Half-year to	
	30 Jun 2024 HK\$m	30 Jun 2023 HK\$m
Profit for the period	69,049	69,755
Other comprehensive income/(expense)		
Items that will be reclassified subsequently to profit or loss when specific conditions are met:		
Debt instruments at fair value through other comprehensive income	(750)	938
– fair value gain/(losses)	(676)	1,517
– fair value gains transferred to the income statement	(58)	(5)
– expected credit (recoveries)/losses recognised in the income statement	4	(231)
– income taxes	(20)	(343)
Cash flow hedges	(1,996)	(219)
– fair value gains	9,568	5,290
– fair value gains reclassified to the income statement	(11,947)	(5,576)
– income taxes	383	67
Share of other comprehensive income of associates and joint ventures	1,962	367
Exchange differences	(12,316)	(16,158)
Items that will not be reclassified subsequently to profit or loss:		
Property revaluation	990	2,863
– fair value gains	1,174	3,430
– income taxes	(184)	(567)
Equity instruments designated at fair value through other comprehensive income	187	74
– fair value gains	329	77
– income taxes	(142)	(3)
Changes in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	(1,958)	(3,443)
– before income taxes	(2,323)	(4,109)
– income taxes	365	666
Remeasurement of defined benefit asset/liability	399	139
– before income taxes	476	170
– income taxes	(77)	(31)
Other comprehensive expense for the period, net of tax	(13,482)	(15,439)
Total comprehensive income for the period	55,567	54,316
Attributable to:		
– ordinary shareholders of the parent company	49,665	48,183
– other equity holders	2,158	2,397
– non-controlling interests	3,744	3,736
Total comprehensive income for the period	55,567	54,316

Consolidated balance sheet

	Notes	At	
		30 Jun 2024 HK\$m	31 Dec 2023 HK\$m
Assets			
Cash and balances at central banks		229,785	232,987
Items in the course of collection from other banks		50,225	22,049
Hong Kong Government certificates of indebtedness		336,004	328,304
Trading assets		1,137,258	941,250
Derivatives		419,500	409,253
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss		747,791	707,573
Reverse repurchase agreements – non-trading		693,725	831,186
Loans and advances to banks		501,382	563,801
Loans and advances to customers	3	3,542,605	3,557,076
Financial investments	4	2,064,549	2,029,212
Amounts due from Group companies		182,145	158,592
Interests in associates and joint ventures	5	177,398	170,206
Goodwill and intangible assets		39,480	38,923
Property, plant and equipment		126,372	129,675
Deferred tax assets		9,336	9,315
Prepayments, accrued income and other assets		392,534	370,991
Total assets		10,650,089	10,500,393
Liabilities			
Hong Kong currency notes in circulation		336,004	328,304
Items in the course of transmission to other banks		50,984	27,536
Repurchase agreements – non-trading		672,456	521,984
Deposits by banks		210,365	182,146
Customer accounts	6	6,240,261	6,261,051
Trading liabilities		104,667	103,050
Derivatives		403,121	450,216
Financial liabilities designated at fair value		192,063	170,728
Debt securities in issue		76,362	87,745
Retirement benefit liabilities		984	1,362
Amounts due to Group companies		404,116	465,476
Accruals and deferred income, other liabilities and provisions		281,160	258,113
Insurance contract liabilities		767,700	730,829
Current tax liabilities		16,885	15,344
Deferred tax liabilities		23,067	23,923
Total liabilities		9,780,195	9,627,807
Equity			
Share capital		180,181	180,181
Other equity instruments		52,422	52,465
Other reserves		104,421	117,214
Retained earnings		474,253	462,866
Total shareholders' equity		811,277	812,726
Non-controlling interests		58,617	59,860
Total equity		869,894	872,586
Total liabilities and equity		10,650,089	10,500,393

Consolidated statement of changes in equity

	Half-year to 30 Jun 2024										
	Share capital ¹	Other equity instruments	Retained earnings	Other reserves					Total shareholders' equity	Non-controlling interests	Total equity
				Property revaluation reserve	Financial assets at FVOCI reserve	Cash flow hedge reserve	Foreign exchange reserve	Other ⁴			
HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	
At 1 Jan 2024	180,181	52,465	462,866	65,279	(2,546)	1,851	(47,899)	100,529	812,726	59,860	872,586
Profit for the period	–	–	65,309	–	–	–	–	–	65,309	3,740	69,049
Other comprehensive income/(expense) (net of tax)	–	–	(1,640)	962	1,061	(1,978)	(12,002)	111	(13,486)	4	(13,482)
– debt instruments at fair value through other comprehensive income	–	–	–	–	(814)	–	–	–	(814)	64	(750)
– equity instruments designated at fair value through other comprehensive income	–	–	–	–	141	–	–	–	141	46	187
– cash flow hedges	–	–	–	–	–	(1,980)	–	–	(1,980)	(16)	(1,996)
– changes in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	–	–	(1,957)	–	–	–	–	–	(1,957)	(1)	(1,958)
– property revaluation	–	–	–	962	–	–	–	–	962	28	990
– remeasurement of defined benefit asset/liability	–	–	322	–	–	–	–	–	322	77	399
– share of other comprehensive income/(expense) of associates and joint ventures	–	–	(5)	–	1,856	–	–	111	1,962	–	1,962
– exchange differences	–	–	–	–	(122)	2	(12,002)	–	(12,122)	(194)	(12,316)
Total comprehensive income/(expense) for the period	–	–	63,669	962	1,061	(1,978)	(12,002)	111	51,823	3,744	55,567
Other equity instruments issued ²	–	8,574	–	–	–	–	–	–	8,574	–	8,574
Other equity instruments redeemed ³	–	(8,617)	–	–	–	–	–	–	(8,617)	–	(8,617)
Dividends to shareholders ⁵	–	–	(51,458)	–	–	–	–	–	(51,458)	(3,181)	(54,639)
Movement in respect of share-based payment arrangements	–	–	(155)	–	–	–	–	74	(81)	5	(76)
Transfers and other movements ⁶	–	–	(669)	(2,194)	3	(1)	–	1,171	(1,690)	(1,811)	(3,501)
At 30 Jun 2024	180,181	52,422	474,253	64,047	(1,482)	(128)	(59,901)	101,885	811,277	58,617	869,894

Consolidated statement of changes in equity (continued)

	Half-year to 30 Jun 2023										
	Share capital ¹	Other equity instruments	Retained earnings	Other reserves					Total shareholders' equity	Non-controlling interests	Total equity
				Property revaluation reserve	Financial assets at FVOCI reserve	Cash flow hedge reserve	Foreign exchange reserve	Other ⁴			
HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	
At 1 Jan 2023	180,181	52,386	466,148	65,148	(11,186)	(1,487)	(38,470)	94,832	807,552	56,828	864,380
Profit for the period	—	—	66,017	—	—	—	—	—	66,017	3,738	69,755
Other comprehensive income/(expense) (net of tax)	—	—	(3,343)	2,665	1,492	(336)	(15,844)	(71)	(15,437)	(2)	(15,439)
– debt instruments at fair value through other comprehensive income	—	—	—	—	927	—	—	—	927	11	938
– equity instruments designated at fair value through other comprehensive income	—	—	—	—	128	—	—	—	128	(54)	74
– cash flow hedges	—	—	—	—	—	(336)	—	—	(336)	117	(219)
– changes in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	—	—	(3,447)	—	—	—	—	—	(3,447)	4	(3,443)
– property revaluation	—	—	—	2,665	—	—	—	—	2,665	198	2,863
– remeasurement of defined benefit asset/liability	—	—	103	—	—	—	—	—	103	36	139
– share of other comprehensive income/(expense) of associates and joint ventures	—	—	1	—	437	—	—	(71)	367	—	367
– exchange differences	—	—	—	—	—	—	(15,844)	—	(15,844)	(314)	(16,158)
Total comprehensive income/(expense) for the period	—	—	62,674	2,665	1,492	(336)	(15,844)	(71)	50,580	3,736	54,316
Other equity instruments issued ²	—	7,850	—	—	—	—	—	—	7,850	—	7,850
Other equity instruments redeemed ³	—	(7,771)	—	—	—	—	—	—	(7,771)	—	(7,771)
Dividends to shareholders ⁵	—	—	(37,897)	—	—	—	—	—	(37,897)	(2,251)	(40,148)
Movement in respect of share-based payment arrangements	—	—	(53)	—	—	—	—	(82)	(135)	6	(129)
Transfers and other movements ⁶	—	—	(199)	(1,902)	19	—	—	1,561	(521)	(75)	(596)
At 30 Jun 2023	180,181	52,465	490,673	65,911	(9,675)	(1,823)	(54,314)	96,240	819,658	58,244	877,902

Consolidated statement of changes in equity (continued)

	Half-year to 31 Dec 2023										
	Share capital ¹	Other equity instruments	Retained earnings	Other reserves					Total shareholders' equity	Non-controlling interests	Total equity
				Property revaluation reserve	Financial assets at FVOCI reserve	Cash flow hedge reserve	Foreign exchange reserve	Other ⁴			
HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	
At 1 Jul 2023	180,181	52,465	490,673	65,911	(9,675)	(1,823)	(54,314)	96,240	819,658	58,244	877,902
Profit for the period	—	—	24,730	—	—	—	—	—	24,730	3,042	27,772
Other comprehensive income/(expense) (net of tax)	—	—	(2,072)	1,521	6,348	3,678	7,146	(86)	16,535	363	16,898
– debt instruments at fair value through other comprehensive income	—	—	—	—	6,857	—	—	—	6,857	158	7,015
– equity instruments designated at fair value through other comprehensive income	—	—	—	—	(817)	—	—	—	(817)	(156)	(973)
– cash flow hedges	—	—	—	—	—	3,670	—	—	3,670	154	3,824
– changes in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	—	—	(1,966)	—	—	—	—	—	(1,966)	(1)	(1,967)
– property revaluation	—	—	—	1,521	—	—	—	—	1,521	112	1,633
– remeasurement of defined benefit asset/liability	—	—	(110)	—	—	—	—	—	(110)	(8)	(118)
– share of other comprehensive income/(expense) of associates and joint ventures	—	—	4	—	451	—	—	(86)	369	—	369
– exchange differences	—	—	—	—	(143)	8	7,146	—	7,011	104	7,115
Total comprehensive income/(expense) for the period	—	—	22,658	1,521	6,348	3,678	7,146	(86)	41,265	3,405	44,670
Dividends to shareholders ⁵	—	—	(48,459)	—	—	—	—	—	(48,459)	(1,592)	(50,051)
Movement in respect of share-based payment arrangements	—	—	(46)	—	—	—	—	(126)	(172)	6	(166)
Transfers and other movements ⁶	—	—	(1,960)	(2,153)	781	(4)	(731)	4,501	434	(203)	231
At 31 Dec 2023	180,181	52,465	462,866	65,279	(2,546)	1,851	(47,899)	100,529	812,726	59,860	872,586

1 Ordinary share capital includes preference shares which have been redeemed or bought back via payments out of distributable profits in previous years.

2 During the first half of 2024, an additional tier 1 capital instrument amounting to SG\$1,500m was issued for which there was SG\$15m of issuance costs.

During the first half of 2023, an additional tier 1 capital instrument amounting to US\$1,000m was issued for which there were no issuance costs.

3 During the first half of 2024, an additional tier 1 capital instrument amounting to US\$1,100m was redeemed at par.

During the first half of 2023, an additional tier 1 capital instrument was redeemed at fair value (US\$1,041m).

4 The other reserves mainly comprise share of associates' other reserves, purchase premium arising from transfer of business from fellow subsidiaries, property revaluation reserve relating to transfer of properties to a fellow subsidiary and the share-based payment reserve. The share-based payment reserve is used to record the amount relating to share awards and options granted to employees of the group directly by HSBC Holdings plc.

5 Including distributions paid on perpetual subordinated loans classified as equity under HKFRS.

6 The movement from retained earnings to other reserves includes the relevant transfers in associates according to local regulatory requirements, and from the property revaluation reserve to retained earnings in relation to depreciation of revalued properties.

Consolidated statement of cash flows

	Half-year to	
	30 Jun 2024 HK\$m	30 Jun 2023 HK\$m
Profit before tax	82,068	83,210
Adjustments for non-cash items:		
Depreciation, amortisation and impairment	9,584	8,115
Net (gain)/loss from investing activities	252	(52)
Share of profits in associates and joint ventures	(10,007)	(10,559)
Gain on disposal of subsidiaries, businesses, associates and joint ventures	—	(4)
Change in expected credit losses gross of recoveries and other credit impairment charges	3,969	3,962
Provisions	189	132
Share-based payment expense	524	469
Other non-cash items included in profit before tax	(17,498)	(10,975)
Change in operating assets	(51,810)	(53,561)
Change in operating liabilities	134,033	160,402
Elimination of exchange differences	24,730	5,957
Dividends received from associates	60	65
Contributions paid to defined benefit plans	(143)	(141)
Tax paid	(12,519)	(7,167)
Net cash from operating activities	163,432	179,853
Purchase of financial investments	(1,403,117)	(1,900,337)
Proceeds from the sale and maturity of financial investments	1,342,449	1,737,785
Purchase of property, plant and equipment	(952)	(832)
Proceeds from sale of property, plant and equipment and assets held for sale	22	51
Proceeds from disposal of customer loan portfolios	—	717
Net cash inflow from purchase of business	4,854	—
Net investment in intangible assets	(4,667)	(4,492)
Proceeds from disposal of associate	—	4
Net cash outflow on purchase of subsidiaries	(345)	—
Net cash from investing activities	(61,756)	(167,104)
Issue of other equity instruments	8,574	7,850
Redemption of other equity instruments	(8,617)	(7,771)
Net cash outflow from change in stake of subsidiary	(1,952)	—
Subordinated loan capital issued ¹	4,398	48,531
Subordinated loan capital repaid ¹	—	(34,889)
Dividends paid to shareholders of the parent company and non-controlling interests	(54,639)	(40,148)
Net cash from financing activities	(52,236)	(26,427)
Net increase/(decrease) in cash and cash equivalents	49,440	(13,678)
Cash and cash equivalents at 1 Jan	996,638	1,121,695
Exchange differences in respect of cash and cash equivalents	(37,730)	(18,215)
Cash and cash equivalents at 30 Jun²	1,008,348	1,089,802

Interest received in the first half of 2024 was HK\$159,118m (first half of 2023: HK\$140,115m), interest paid in the first half of 2024 was HK\$106,429m (first half of 2023: HK\$69,310m) and dividends received in the first half of 2024 was HK\$4,561m (first half of 2023: HK\$3,156m).

¹ Changes in subordinated liabilities (including those issued to Group companies) during the first half of the year included amounts from issuance and repayments as presented above, and non-cash changes from foreign exchange loss of HK\$1,090m in the first half of 2024 (first half of 2023: loss of HK\$577m) and fair value loss after hedging of HK\$3,127m in the first half of 2024 (first half of 2023: fair value gain of HK\$3,164m).

² At 30 June 2024, HK\$141,392m (2023: HK\$162,113m) was not available for use by the group due to a range of restrictions, including currency exchange and other restrictions.

Notes on the Interim condensed consolidated financial statements

1 Basis of preparation and material accounting policies

(a) Compliance with Hong Kong Financial Reporting Standards

The Interim condensed consolidated financial statements of the group have been prepared in accordance with HKAS 34 'Interim Financial Reporting' as issued by the Hong Kong Institute of Certified Public Accountants ('HKICPA'). These financial statements should be read in conjunction with the Annual Report and Accounts 2023.

Standards applied during the half-year to 30 June 2024

There were no new standards or amendments to standards that had an effect on these Interim condensed consolidated financial statements.

(b) Use of estimates and judgements

Management believes that the critical estimates and judgements applicable to the group are those that relate to the impairment of amortised cost and FVOCI debt financial assets, the valuation of financial instruments, interests in associates and insurance contract liabilities.

There were no changes in the current period to the critical estimates and judgements applied in 2023, which are stated in Note 1 of the Annual Report and Accounts 2023.

(c) Composition of the group

There were no material changes in the composition of the group in the half-year to 30 June 2024.

(d) Future accounting developments

Amendments to HKAS 21 'Lack of Exchangeability'

In September 2023, the HKICPA published amendments to HKAS 21 'Lack of Exchangeability' effective from 1 January 2025. The group is undertaking an assessment of the potential impact.

HKFRS 18 'Presentation and Disclosure in Financial Statements'

In July 2024, the HKICPA published HKFRS 18 'Presentation and Disclosure in Financial Statements', effective for annual reporting periods beginning on or after 1 January 2027. The new accounting standard aims to give users of financial statements more transparent and comparable information about an entity's financial performance. It will replace HKAS 1 'Presentation of Financial Statements' but carries over many requirements from that HKAS unchanged. In addition, there are three sets of new requirements relating to the structure of the income statement, management-defined performance measures and the aggregation and disaggregation of information.

While HKFRS 18 will not change recognition criteria or measurement bases, it might have a significant impact on presenting information in the financial statements, in particular the income statement. The group is currently assessing any impacts as well as data readiness before developing a more detailed implementation plan.

New standards and amendments to IFRS Accounting Standards

The IASB has published the following amendments to IFRS Accounting Standards, effective from 1 January 2026, which have not yet been adopted for use by the HKICPA. There are no significant differences between IFRS Accounting Standards and Hong Kong Financial Reporting Standards ('HKFRS'), and the HKICPA has a policy to converge with IFRS Accounting Standards.

Amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures'

In May 2024, the IASB issued amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures', effective for annual reporting periods beginning on or after 1 January 2026. In addition to guidance as to when certain financial liabilities can be deemed settled when using an electronic payment system, the amendments also provide further clarification regarding the classification of financial assets that contain contractual terms that change the timing or amount of contractual cash flows, including those arising from ESG related contingencies and financial assets with certain non-recourse features. The group is undertaking an assessment of the potential impact.

(e) Going concern

The Interim condensed consolidated financial statements are prepared on a going concern basis, as the Directors are satisfied that the group and the Bank have the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows, capital requirements and capital resources. These considerations include stressed scenarios that reflect the uncertainty in the macroeconomic environment following disrupted supply chains, slower economic activity and ongoing geopolitical tensions. They also considered other top and emerging risks, including climate change, as well as the related impacts on profitability, capital and liquidity.

(f) Accounting policies

The accounting policies applied by the group for the Interim condensed consolidated financial statements are consistent with those described in Note 1 of the Annual Report and Accounts 2023, as are the methods of computation.

(g) Presentation of information

The following disclosures required by HKFRS have been included in the section marked as 'Reviewed by PricewaterhouseCoopers' in this Interim Report 2024:

- Consolidated income statement and balance sheet data by reportable segments are included in the 'Financial Review' on page 3.

2 Dividends

Dividends to shareholders of the parent company

	Half-year to			
	30 Jun 2024		30 Jun 2023	
	HK\$ per share	HK\$m	HK\$ per share	HK\$m
Dividends paid on ordinary shares				
– fourth interim dividend in respect of the previous financial year approved and paid during the half-year	0.41	20,300	0.27	13,500
– first interim dividend paid	0.43	21,200	0.44	22,000
– special dividend paid	0.16	7,800	—	—
Total	1.00	49,300	0.71	35,500
Total coupons on other equity instruments		2,158		2,397
Dividends to shareholders		51,458		37,897

The Directors declared a second interim dividend in respect of the half-year ended 30 June 2024 of HK\$0.41 per ordinary share (HK\$20,500m) (half-year ended 30 June 2023: a second interim dividend of HK\$0.43 per ordinary share (HK\$21,500m) and a special dividend for first half 2023 of HK\$0.16 per ordinary share (HK\$7,800m)).

Total coupons on other equity instruments

	Half-year to	
	30 Jun 2024	30 Jun 2023
	HK\$m	HK\$m
US\$1,000m Fixed rate perpetual subordinated loan (interest rate fixed at 6.090%)	475	478
US\$1,200m Fixed rate perpetual subordinated loans (interest rate fixed at 6.172%)	578	581
US\$600m Fixed rate perpetual subordinated loan (interest rate fixed at 5.910%)	277	277
US\$1,100m Fixed rate perpetual subordinated loan (interest rate fixed at 6.000%) ¹	515	516
US\$1,000m Floating rate perpetual subordinated loan (interest rate at compounded SOFR plus 5.090%) ²	—	545
US\$1,000m Fixed rate perpetual subordinated loan (interest rate fixed at 8.000%)	313	—
Total	2,158	2,397

¹ This subordinated loan was early repaid in the first half of 2024 and distributions were made on repayment.

² This subordinated loan was early repaid in the first half of 2023 and no distribution in first half of 2024.

3 Loans and advances to customers

	At	
	30 Jun 2024	31 Dec 2023
	HK\$m	HK\$m
Gross loans and advances to customers	3,582,701	3,595,929
Expected credit loss allowances	(40,096)	(38,853)
	3,542,605	3,557,076

The following table provides an analysis of gross loans and advances to customers by industry sector based on the Statistical Classification of economic activities in the European Community ('NACE').

Analysis of gross loans and advances to customers

	At	
	30 Jun	31 Dec
	2024	2023
	HK\$m	HK\$m
Residential mortgages	1,211,041	1,224,325
Credit card advances	96,010	101,257
Other personal	247,522	237,440
Total personal	1,554,573	1,563,022
Real estate & Construction	516,643	537,393
Wholesale and retail trade	361,739	350,492
Manufacturing	358,144	359,914
Transportation and storage	98,512	96,789
Other	404,428	396,760
Total corporate and commercial	1,739,466	1,741,348
Non-bank financial institutions	288,662	291,559
	3,582,701	3,595,929
By geography¹		
Hong Kong	2,176,037	2,211,592
Mainland China	352,421	349,116
Australia	294,837	294,502
Singapore	248,736	238,537
India	167,930	143,657
Taiwan	91,096	90,396
Malaysia	80,234	81,898
Indonesia	32,267	30,141
Others	139,143	156,090

¹ The geographical information shown above is classified by the location of the principal operations of the subsidiary or the branch responsible for advancing the funds.

Gross loans and advances to customers decreased by HK\$13bn, or 0.4%, which included unfavourable foreign exchange translation effects of HK\$38bn. Excluding this impact, the underlying increase of HK\$25bn was driven by an increase in corporate and commercial lending of HK\$20bn, mainly in Singapore, India and mainland China, partly offset by declines in Hong Kong.

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

- Stage 1: These financial assets are unimpaired and without significant increase in credit risk on which a 12-month allowance for ECL is recognised.
- Stage 2: A significant increase in credit risk has been experienced on these financial assets since initial recognition for which a lifetime ECL is recognised.
- Stage 3: There is objective evidence of impairment and the financial assets are therefore considered to be in default or otherwise credit impaired on which a lifetime ECL is recognised.
- POCI: Financial assets that are purchased or originated at a deep discount are seen to reflect the incurred credit losses on which a lifetime ECL is recognised.

Notes on the Interim condensed consolidated financial statements (unaudited)

Summary of credit risk (excluding debt instruments measured at fair value through other comprehensive income ("FVOCI")) by stage distribution and ECL coverage by industry sector

	Gross carrying/nominal amount ¹					Allowance for ECL					ECL coverage %				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage1	Stage 2	Stage 3	POCI	Total	Stage1	Stage 2	Stage 3	POCI	Total
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	%	%	%	%	%
Loans and advances to customers	3,193,197	295,925	93,310	269	3,582,701	(2,524)	(7,032)	(30,394)	(146)	(40,096)	0.1	2.4	32.6	54.3	1.1
– personal	1,490,849	55,351	8,374	–	1,554,574	(1,219)	(2,796)	(1,218)	–	(5,233)	0.1	5.1	14.5	–	0.3
– corporate ²	1,425,142	229,945	84,109	269	1,739,465	(1,128)	(4,090)	(28,719)	(146)	(34,083)	0.1	1.8	34.1	54.3	2.0
– financial institutions ³	277,206	10,629	827	–	288,662	(177)	(146)	(457)	–	(780)	0.1	1.4	55.3	–	0.3
Loans and advances to banks	501,267	154	–	–	501,421	(38)	(1)	–	–	(39)	–	0.6	–	–	–
Other financial assets	2,153,387	10,658	411	–	2,164,456	(326)	(24)	(117)	–	(467)	–	0.2	28.5	–	–
Loan and other credit-related commitments	1,947,571	48,334	2,636	–	1,998,541	(366)	(197)	(37)	–	(600)	–	0.4	1.4	–	–
– personal	1,452,421	22,002	1,445	–	1,475,868	(24)	–	–	–	(24)	–	–	–	–	–
– corporate ²	357,038	19,760	1,191	–	377,989	(321)	(175)	(37)	–	(533)	0.1	0.9	3.1	–	0.1
– financial institutions ³	138,112	6,572	–	–	144,684	(21)	(22)	–	–	(43)	–	0.3	–	–	–
Financial guarantee	43,844	3,818	187	–	47,849	(27)	(58)	(16)	–	(101)	–	1.5	8.6	–	0.2
– personal	5,232	6	–	–	5,238	–	–	–	–	–	–	–	–	–	–
– corporate ²	32,339	3,788	187	–	36,314	(24)	(58)	(16)	–	(98)	0.1	1.5	8.6	–	0.3
– financial institutions ³	6,273	24	–	–	6,297	(3)	–	–	–	(3)	–	–	–	–	–
At 30 Jun 2024	7,839,266	358,889	96,544	269	8,294,968	(3,281)	(7,312)	(30,564)	(146)	(41,301)	–	2.0	31.7	54.3	0.5

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

	Gross carrying/nominal amount ¹					Allowance for ECL					ECL coverage %				
	Stage 1 HK\$m	Stage 2 HK\$m	Stage 3 HK\$m	POCI HK\$m	Total HK\$m	Stage 1 HK\$m	Stage 2 HK\$m	Stage 3 HK\$m	POCI HK\$m	Total HK\$m	Stage 1 %	Stage 2 %	Stage 3 %	POCI %	Total %
Loans and advances to customers	3,180,483	352,477	62,679	290	3,595,929	(2,681)	(8,575)	(27,433)	(164)	(38,853)	0.1	2.4	43.8	56.6	1.1
– personal	1,495,142	60,473	7,406	—	1,563,021	(1,285)	(3,142)	(1,265)	—	(5,692)	0.1	5.2	17.1	—	0.4
– corporate ²	1,405,747	280,699	54,613	290	1,741,349	(1,187)	(5,396)	(25,839)	(164)	(32,586)	0.1	1.9	47.3	56.6	1.9
– financial institutions ³	279,594	11,305	660	—	291,559	(209)	(37)	(329)	—	(575)	0.1	0.3	49.8	—	0.2
Loans and advances to banks	563,647	205	—	—	563,852	(50)	(1)	—	—	(51)	—	0.5	—	—	—
Other financial assets	2,296,216	12,497	396	—	2,309,109	(277)	(11)	(105)	—	(393)	—	0.1	26.5	—	—
Loan and other credit-related commitments	1,929,040	47,175	2,113	—	1,978,328	(455)	(285)	(101)	—	(841)	—	0.6	4.8	—	—
– personal	1,416,939	19,362	1,742	—	1,438,043	(25)	(1)	—	—	(26)	—	—	—	—	—
– corporate ²	381,803	25,661	371	—	407,835	(399)	(273)	(101)	—	(773)	0.1	1.1	27.2	—	0.2
– financial institutions ³	130,298	2,152	—	—	132,450	(31)	(11)	—	—	(42)	—	0.5	—	—	—
Financial guarantee	42,828	3,244	253	—	46,325	(20)	(10)	(24)	—	(54)	—	0.3	9.5	—	0.1
– personal	4,654	6	—	—	4,660	—	—	—	—	—	—	—	—	—	—
– corporate ²	33,169	3,131	253	—	36,553	(19)	(10)	(24)	—	(53)	0.1	0.3	9.5	—	0.1
– financial institutions ³	5,005	107	—	—	5,112	(1)	—	—	—	(1)	—	—	—	—	—
At 31 Dec 2023	8,012,214	415,598	65,441	290	8,493,543	(3,483)	(8,882)	(27,663)	(164)	(40,192)	—	2.1	42.3	56.6	0.5

The above tables do not include balances due from Group companies.

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

² Includes corporate and commercial customers.

³ Includes non-bank financial institutions.

4 Financial investments

Carrying amounts of financial investments

	At	
	30 Jun 2024 HK\$m	31 Dec 2023 HK\$m
Financial investments measured at fair value through other comprehensive income	1,489,405	1,410,271
– treasury and other eligible bills	713,455	700,863
– debt securities	769,805	703,459
– equity securities	6,145	5,949
Debt instruments measured at amortised cost	575,144	618,941
– treasury and other eligible bills	1,994	52,758
– debt securities	573,150	566,183
	2,064,549	2,029,212

5 Interests in associates and joint ventures

Bank of Communications Co., Ltd.

The group maintains a 19.03% interest in Bank of Communications Co., Ltd. ('BoCom'). The group's investment in BoCom is classified as an associate. Significant influence in BoCom was established with consideration of all relevant factors, including representation on BoCom's Board of Directors and participation in a resource and experience sharing agreement ('RES'). Under the RES, HSBC staff have been seconded to assist in the maintenance of BoCom's financial and operating policies. Investments in associates are recognised using the equity method of accounting in accordance with HKAS 28 whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the group's share of associate's net assets. An impairment test is required if there is any indication of impairment.

The fair value of the group's investment in BoCom is below its carrying amount. At 31 December 2023, the group performed an impairment test on the carrying amount, which resulted in an impairment of HK\$24.0bn, as the recoverable amount as determined by a value in use ('VIU') calculation was lower than the carrying value.

Notes on the Interim condensed consolidated financial statements (unaudited)

The VIU may increase or decrease depending on the effect of changes to model inputs. The main model inputs are described below and are based on factors observed at period-end. The factors that could result in increases or reductions in the VIU include changes in BoCom's short-term performance, a change in regulatory capital requirements or revisions to the forecast of BoCom's future profitability.

If the group did not have significant influence in BoCom, the investment would be carried at fair value rather than the current carrying value.

Impairment testing

At 30 June 2024, the carrying amount of the investment is HK\$173.3bn (31 December 2023: HK\$166.2bn) with fair value of HK\$86.7bn (31 December 2023: HK\$68.8bn). The group has concluded there is no indication of further significant impairment (or indication that an impairment may no longer exist or may have decreased significantly) since 31 December 2023. As part of this assessment, the group updated the VIU calculation which supported there was no significant change to the 31 December 2023 impairment position. As a result, no additional impairment to the carrying amount (or reversal of impairment) is made at 30 June 2024.

Basis of recoverable amount

The updated assessment was performed by comparing the recoverable amount of BoCom, determined by a VIU calculation, with its carrying value. The VIU calculation uses discounted cash flow projections based on management's best estimates of future earnings available to ordinary shareholders prepared in accordance with HKAS 36. Significant management judgement is required in arriving at the best estimate.

There are two main components to the VIU calculation. The first component is management's best estimate of BoCom's earnings. Forecast earnings growth over the short to medium term continues to be lower than recent (within the last five years) actual growth, and reflects the impact of recent macroeconomic, policy and industry factors in mainland China. As a result of management's intent to continue to retain its investment for the long term, earnings beyond the short to medium term are extrapolated into perpetuity using a long-term growth rate to derive a terminal value, which comprises the majority of the VIU. The second component is the capital maintenance charge ('CMC'), which is management's forecast of the earnings that need to be withheld in order for BoCom to meet capital requirements over the forecast period, meaning that CMC is deducted when arriving at management's estimate of future earnings available to ordinary shareholders. The CMC reflects the revised capital requirements arising from revisions of the ratio of risk-weighted assets to total assets assumption. The principal inputs to the CMC calculation include estimates of asset growth, the ratio of risk-weighted assets to total assets and the expected capital requirements. An increase in the CMC as a result of a change to these principal inputs would reduce VIU. Additionally, management considers other qualitative factors, to ensure that the inputs to the VIU calculation remain appropriate.

Key assumptions in value-in-use calculation

We used a number of assumptions in our VIU calculation, in accordance with the requirements of HKAS 36:

- Long-term profit growth rate: 3.00% (31 December 2023: 3.00%) for periods after 2027, which does not exceed forecast GDP growth in mainland China and is similar to forecasts by external analysts.
- Long-term asset growth rate: 3.25% (31 December 2023: 3.00%) for periods after 2027, which is the rate that assets are expected to grow to achieve long-term profit growth of 3.00%. The increase of long-term asset growth rate was supported by historical data which is expected to continue.
- Discount rate: 8.53% (31 December 2023: 9.00%), which is based on a capital asset pricing model ('CAPM'), using market data. The discount rate used is within the range of 7.7% to 9.4% (31 December 2023: 7.9% to 9.7%) indicated by the CAPM, and decreased as a consequence of a market-driven reduction in the risk-free rate and beta.
- Expected credit losses ('ECL') as a percentage of loans and advances to customers: ranges from 0.78% to 0.97% (31 December 2023: 0.80% to 0.97%) in the short to medium term, reflecting reported credit experience in mainland China. For periods after 2027, the ratio is 0.97% (31 December 2023: 0.97%), which is higher than BoCom's average ECL as a percentage of loans and advances to customers in recent years prior to the pandemic.
- Risk-weighted assets as a percentage of total assets: ranges from 62.0% to 62.5% (31 December 2023: 62.0% to 63.7%) in the short to medium term, reflecting higher risk-weights in the short term followed by an expected reversion to recent historical levels. For periods after 2027, the ratio is 62.0% (31 December 2023: 62.0%), which is similar to BoCom's actual results in recent years.
- Loans and advances to customers growth rate: ranges from 9.0% to 10.0% (31 December 2023: 9.0% to 10.0%) in the short to medium term, which is similar to BoCom's actual results in recent years. Increases in the forecast growth rate of loans and advances to customers results in higher forecast ECL.
- Operating income growth rate: ranges from -0.4% to 9.3% (31 December 2023: -0.4% to 9.7%) in the short to medium term, which is similar to BoCom's actual results in recent years, and is impacted by projections of net interest income in the short term as a consequence of recent macroeconomic, policy and industry factors in mainland China.
- Cost-income ratio: ranges from 35.5% to 39.8% (31 December 2023: 35.5% to 39.8%) in the short to medium term. These ratios are similar to BoCom's actual results in recent years and forecasts disclosed by external analysts.
- Effective tax rate ('ETR'): ranges from 6.3% to 15.0% (31 December 2023: 5.3% to 15.0%) in the short to medium term, reflecting BoCom's actual results and an expected increase towards the long-term assumption through the forecast period. For periods after 2027, the rate is 15.0% (31 December 2023: 15.0%), which is higher than the recent historical average, and aligned to the minimum tax rate as proposed by the OECD/Group of 20 ('G20') Inclusive Framework on Base Erosion and Profit Shifting.
- Capital requirements: capital adequacy ratio of 12.5% (31 December 2023: 12.5%) and tier 1 capital adequacy ratio of 9.5% (31 December 2023: 9.5%), based on BoCom's capital risk appetite and capital requirements respectively.

The VIU is highly sensitive to the assumptions above. To indicate the scale of that sensitivity, we also disclose the reasonably possible range of VIU based changes to these assumptions. This is based on impacts arising from the favourable/unfavourable change in the earnings in the short to medium term, the long-term expected credit losses as a percentage of loans and advances to customers, and a 50bps increase/decrease in the discount rate. At 30 June 2024, we estimate that the reasonably possible range of VIU is HK\$110.5bn to HK\$242.6bn (31 December 2023: HK\$102.3bn to HK\$225.2bn), acknowledging that the fair value of the group's investment has ranged from HK\$52.6bn to HK\$86.7bn over the last five years as at the date of the impairment test. All other long-term assumptions, and the basis of the CMC, have been kept unchanged when determining the reasonably possible range of the VIU.

6 Customer accounts

Customer accounts by country/territory

	At	
	30 Jun 2024 HK\$m	31 Dec 2023 HK\$m
Hong Kong	4,246,486	4,246,041
Singapore	555,951	574,574
Mainland China	448,659	437,542
Australia	237,792	250,550
India	217,142	190,439
Malaysia	124,350	123,487
Taiwan	126,454	132,410
Indonesia	42,038	43,744
Other	241,389	262,264
	6,240,261	6,261,051

7 Fair values of financial instruments carried at fair value

The accounting policies, control framework and hierarchy used to determine fair values at 30 June 2024 are consistent with those applied for the Annual Report and Accounts 2023.

The following table provides an analysis of financial instruments carried at fair value and bases of valuation.

	Fair value hierarchy			Third-party total HK\$m	Inter- company ² HK\$m	Total HK\$m
	Level 1 HK\$m	Level 2 HK\$m	Level 3 HK\$m			
At 30 Jun 2024						
Assets						
Trading assets ¹	891,960	236,036	9,262	1,137,258	—	1,137,258
Derivatives	2,466	278,616	1,705	282,787	136,713	419,500
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	210,723	402,267	134,801	747,791	—	747,791
Financial investments	1,245,724	240,540	3,141	1,489,405	—	1,489,405
Liabilities						
Trading liabilities ¹	55,419	49,240	8	104,667	—	104,667
Derivatives	1,346	269,376	1,794	272,516	130,605	403,121
Financial liabilities designated at fair value ¹	—	155,267	36,796	192,063	—	192,063
At 31 Dec 2023						
Assets						
Trading assets ¹	637,806	294,184	9,260	941,250	—	941,250
Derivatives	938	268,318	2,143	271,399	137,854	409,253
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	182,874	402,113	122,586	707,573	—	707,573
Financial investments	1,077,040	329,689	3,542	1,410,271	—	1,410,271
Liabilities						
Trading liabilities ¹	66,685	36,363	2	103,050	—	103,050
Derivatives	2,048	303,584	2,409	308,041	142,175	450,216
Financial liabilities designated at fair value ¹	—	142,071	28,657	170,728	—	170,728

¹ These balances exclude HK\$13,095m Level 2 assets (2023: HK\$15,043m) and HK\$225,094m Level 2 liabilities (2023: HK\$224,187m) held with HSBC Group entities.

² Derivatives balances with HSBC Group entities are largely under 'Level 2'.

Notes on the Interim condensed consolidated financial statements (unaudited)

Transfers between Level 1 and Level 2 fair values

	Assets				Liabilities		
	Financial investments HK\$m	Trading assets HK\$m	Designated and otherwise mandatorily measured at fair value HK\$m	Derivatives HK\$m	Trading liabilities HK\$m	Designated at fair value HK\$m	Derivatives HK\$m
1 Jan to 30 Jun 2024							
Transfers from Level 1 to Level 2	29,430	13,628	4,777	—	18	—	—
Transfers from Level 2 to Level 1	38,732	20,025	8,703	—	142	—	—
1 Jan to 31 Dec 2023							
Transfers from Level 1 to Level 2	94,475	60,546	13,386	—	296	—	—
Transfers from Level 2 to Level 1	69,552	40,626	19,403	—	1,591	—	—

Transfers between levels of the fair value hierarchy are deemed to occur at the end of each quarter. Transfers into and out of levels of the fair value hierarchy are primarily attributable to changes in observability of valuation inputs and price transparency.

Fair value valuation bases

Financial instruments measured at fair value using a valuation technique with significant unobservable inputs – Level 3

	Assets					Liabilities			
	Financial investments HK\$m	Trading assets HK\$m	Designated and otherwise mandatorily measured at fair value through profit or loss HK\$m	Derivatives HK\$m	Total HK\$m	Trading liabilities HK\$m	Designated at fair value HK\$m	Derivatives HK\$m	Total HK\$m
Private equity and related investments	2,765	—	120,409	—	123,174	—	—	—	—
Structured notes	—	—	23	—	23	—	36,796	—	36,796
Others	376	9,262	14,369	1,705	25,712	8	—	1,794	1,802
At 30 Jun 2024	3,141	9,262	134,801	1,705	148,909	8	36,796	1,794	38,598
Private equity and related investments	2,886	48	108,278	—	111,212	1	—	—	1
Structured notes	—	—	23	—	23	—	28,657	—	28,657
Others	656	9,212	14,285	2,143	26,296	1	—	2,409	2,410
At 31 Dec 2023	3,542	9,260	122,586	2,143	137,531	2	28,657	2,409	31,068

The basis for determining the fair value of the financial instruments in the table above is explained on pages 138 to 139 of the Annual Report and Accounts 2023.

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy

Movement in Level 3 financial instruments

	Assets				Liabilities		
	Financial investments HK\$m	Trading assets HK\$m	Designated and otherwise mandatorily measured at fair value through profit or loss HK\$m	Derivatives HK\$m	Trading liabilities HK\$m	Designated at fair value ¹ HK\$m	Derivatives HK\$m
At 1 Jan 2024	3,542	9,260	122,586	2,143	2	28,657	2,409
Total gains/(losses) recognised in profit or loss	–	41	2,205	765	–	120	746
– net income/(losses) from financial instruments held for trading or managed on a fair value basis	–	41	–	765	–	120	746
– changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss ²	–	–	2,205	–	–	–	–
Total gains/(losses) recognised in other comprehensive income ('OCI')	(299)	(132)	(143)	(12)	–	(140)	(23)
– financial investments: fair value changes	(264)	–	–	–	–	1	–
– exchange differences	(35)	(132)	(143)	(12)	–	(141)	(23)
Purchases	1,141	2,138	26,602	–	–	–	–
New issuances	–	–	–	–	–	2,311	–
Sales	–	(38)	(189)	–	–	–	–
Settlements	(1,103)	(2,335)	(15,504)	(580)	1	6,139	(943)
Transfers out	(140)	(202)	(1,480)	(825)	–	(417)	(557)
Transfers in	–	530	724	214	5	126	162
At 30 Jun 2024	3,141	9,262	134,801	1,705	8	36,796	1,794
Unrealised gains/(losses) recognised in profit or loss relating to assets and liabilities held at 30 Jun 2024	–	(33)	(2,092)	321	–	3	(277)
– net income/(losses) from financial instruments held for trading or managed on a fair value basis	–	(33)	–	321	–	–	(277)
– changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	–	–	(2,092)	–	–	3	–

Notes on the Interim condensed consolidated financial statements (unaudited)

Movement in Level 3 financial instruments (continued)

	Assets				Liabilities		
	Financial investments	Trading assets	Designated and otherwise mandatorily measured at fair value through profit or loss	Derivatives	Trading liabilities	Designated at fair value ¹	Derivatives
At 1 Jan 2023	4,308	9,283	101,819	3,301	6	34,734	1,712
Total gains/(losses) recognised in profit or loss	—	(173)	4,946	(1,450)	(11)	(358)	108
– net income/(losses) from financial instruments held for trading or managed on a fair value basis	—	(173)	—	(1,450)	(11)	—	108
– changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss ²	—	—	4,946	—	—	(358)	—
Total gains/(losses) recognised in other comprehensive income	300	(176)	3	10	1	(404)	(13)
– financial investments: fair value changes	375	—	—	—	—	12	—
– exchange differences	(75)	(176)	3	10	1	(416)	(13)
Purchases	1,119	1,759	11,946	—	—	—	—
New issuances	—	—	—	—	—	3,354	—
Sales	—	(1,698)	(18)	—	—	—	—
Settlements	(1,059)	(3,012)	(7,890)	34	5	296	(327)
Transfers out	—	(1,043)	—	(142)	(3)	(6,915)	(96)
Transfers in	—	1,247	—	12	8	858	248
At 30 Jun 2023	4,668	6,187	110,806	1,765	6	31,565	1,632
Unrealised gains/(losses) recognised in profit or loss relating to assets and liabilities held at 30 Jun 2023	—	(393)	2,360	989	—	(20)	(241)
– net income/(losses) from financial instruments held for trading or managed on a fair value basis	—	(393)	—	989	—	—	(241)
– changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	—	—	2,360	—	—	(20)	—

¹ Includes structured deposits where the settlement balance represents the net of matured and new deposits.

² Includes net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss of HK\$2,176m (2023: HK\$4,671m).

Transfers between levels of the fair value hierarchy are deemed to occur at the end of each quarter. Transfers into and out of levels of the fair value hierarchy are primarily attributable to observability of valuation inputs and price transparency.

Effect of changes in significant unobservable assumptions to reasonably possible alternatives

The following table shows the sensitivity of Level 3 fair values to reasonably possible alternative assumptions:

Sensitivity of fair values to reasonably possible alternative assumptions

	At 30 Jun 2024				At 31 Dec 2023			
	Reflected in profit or loss		Reflected in OCI		Reflected in profit or loss		Reflected in OCI	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Derivatives, trading assets and trading liabilities ¹	196	(338)	—	—	284	(345)	—	—
Financial assets and liabilities designated and otherwise mandatorily measured at fair value through profit or loss	7,694	(7,079)	—	—	6,163	(6,163)	—	—
Financial investments	—	—	128	(128)	—	—	170	(170)
Total	7,890	(7,417)	128	(128)	6,447	(6,508)	170	(170)

¹ 'Derivatives, trading assets and trading liabilities' are presented as one category to reflect the manner in which these instruments are risk-managed.

The sensitivity analysis aims to measure a range of fair values consistent with the application of a 95% confidence interval. Methodologies take account of the nature of the valuation technique employed, as well as the availability and reliability of observable proxy and historical data.

When the fair value of a financial instrument is affected by more than one unobservable assumption, the above table reflects the most favourable or the most unfavourable change from varying the assumptions individually.

Key unobservable inputs to Level 3 financial instruments

The following table lists key unobservable inputs to Level 3 financial instruments and provides the range of those inputs at 30 June 2024.

There has been no change to the key unobservable inputs to Level 3 financial instruments and inter-relationships therein, which are detailed on page 141 of the Annual Report and Accounts 2023.

Quantitative information about significant unobservable inputs in Level 3 valuations

	Fair value		Key valuation techniques	Key unobservable inputs	30 Jun 2024		31 Dec 2023	
	Assets HK\$m	Liabilities HK\$m			Full range of inputs		Full range of inputs	
					Lower	Higher	Lower	Higher
Private equity and related investments	123,174	–	See footnote 1	See footnote 1				
Structured notes	23	36,796						
– equity-linked notes	23	11,669	Model – Option model	Equity volatility	6%	72%	6%	71%
			Model – Option model	Equity correlation	39%	99%	34%	98%
– FX-linked notes	–	19,396	Model – Option model	FX volatility	2%	30%	3%	34%
– other	–	5,731						
Others ²	25,712	1,802						
At 30 Jun 2024	148,909	38,598						

¹ Given the bespoke nature of the analysis in respect of each private equity holding, it is not practical to quote a range of key unobservable inputs.

² 'Others' includes a range of smaller holdings.

8 Fair values of financial instruments not carried at fair value

	At			
	30 Jun 2024		31 Dec 2023	
	Carrying amount HK\$m	Fair value HK\$m	Carrying amount HK\$m	Fair value HK\$m
Assets¹				
Reverse repurchase agreements – non-trading	693,725	693,647	831,186	831,199
Loans and advances to banks	501,382	501,362	563,801	563,706
Loans and advances to customers	3,542,605	3,480,018	3,557,076	3,507,623
Financial investments – at amortised cost	575,144	563,283	618,941	611,531
Liabilities¹				
Repurchase agreements – non-trading	672,456	672,194	521,984	521,850
Deposits by banks	210,365	210,357	182,146	182,135
Customer accounts	6,240,261	6,241,376	6,261,051	6,261,771
Debt securities in issue	76,362	76,725	87,745	88,050

¹ Amounts with HSBC Group entities are not included here.

The fair values above are stated at a specific date and may be significantly different from the amounts which will actually be paid on the maturity or settlement dates of the instruments. In many cases, it would not be possible to realise immediately the estimated fair values given the size of the portfolios measured. Accordingly, these fair values do not represent the value of these financial instruments to the group as a going concern.

Other financial instruments not carried at fair value are typically short term in nature or re-priced to current market rates frequently. Accordingly, their carrying amount is a reasonable approximation of fair value. They include cash and balances at central banks, items in the course of collection from and transmission to other banks, Hong Kong Government certificates of indebtedness, Hong Kong currency notes in circulation, other financial assets and other financial liabilities, all of which are measured at amortised cost.

9 Contingent liabilities, contractual commitments and guarantees

	At	
	30 Jun 2024	31 Dec 2023
	HK\$m	HK\$m
Guarantees and contingent liabilities	429,781	435,597
Commitments ¹	3,430,267	3,411,916
	3,860,048	3,847,513

¹ Includes HK\$1,998,541m of commitments at 30 June 2024 (31 December 2023: HK\$1,978,328m) to which the impairment requirements in HKFRS 9 are applied where the group has become party to an irrevocable commitment.

The above table discloses the nominal principal amounts of commitments (excluding capital commitments), guarantees and other contingent liabilities, which represents the amounts at risk should contracts be fully drawn upon and clients default. As a significant portion of guarantees and commitments is expected to expire without being drawn upon, the total of the nominal principal amounts is not indicative of future liquidity requirements.

Contingent liabilities at 30 June 2024 included amounts in relation to legal and regulatory matters as set out in Note 13.

10 Segmental analysis

The Executive Committee ('EXCO') is considered the Chief Operating Decision Maker ('CODM') for the purpose of identifying the group's operating segments. Operating segment results are assessed by the CODM on the basis of performance measured in accordance with HKFRSs. The basis of identifying operating segments is set out in Note 31 'Segmental analysis' in the Annual Report and Accounts 2023, and the segmental analysis is presented based on reportable segments as assessed under HKFRS 8 'Operating Segments'.

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

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

Our global businesses and reportable segments

The group provides a comprehensive range of banking and related financial services to its customers in our global businesses: Wealth and Personal Banking ('WPB'), Commercial Banking ('CMB') and Global Banking and Markets ('GBM'). The products and services offered to customers are organised by these global businesses.

- WPB offers a full range of retail banking and wealth products to our customers from personal banking to ultra-high net worth individuals. Typically, customer offerings include retail banking products, such as current and savings accounts, mortgages and personal loans, credit cards, debit cards and local and international payment services. We also provide wealth management services, including insurance and investment products, global asset management services, investment management and Private Wealth Solutions for customers with more sophisticated and international requirements.
- CMB offers a broad range of products and services to serve the needs of our commercial customers, including small and medium-sized enterprises, mid-market enterprises and corporates. These include credit and lending, international trade and receivables finance, treasury management and liquidity solutions (payments and cash management and commercial cards), and investments. CMB also offers its customers access to products and services offered by other global businesses, such as GBM, which include foreign exchange products, raising capital on debt and equity markets and advisory services.
- GBM comprises of two separate reportable segments: Global Banking ('GB') and Markets and Securities Services ('MSS'). GB provides tailored financial solutions to major government, corporate and institutional clients and private investors worldwide. The client-focused business lines deliver a full range of banking capabilities including financing, advisory and transaction services. MSS provides services in credit, rates, foreign exchange, equities, money markets and securities services, and principal investment activities.
- Corporate Centre includes strategic investments such as our investment in BoCom, Central Treasury revenue, and costs which are not allocated to global businesses, mainly in relation to investments in technology.
- Other (GBM-other) mainly comprises other business activities which are jointly managed by GB and MSS.

Financial performance by reportable segments is presented in the 'Financial Review' on page 3, which forms part of the Interim condensed consolidated financial statements.

Geographical regions

	Hong Kong HK\$m	Rest of Asia-Pacific HK\$m	Intra-segment elimination HK\$m	Total HK\$m
Half-year to 30 Jun 2024				
Net operating income before change in expected credit losses and other credit impairment charges	82,271	50,763	(398)	132,636
Profit before tax	45,133	36,935	—	82,068
At 30 Jun 2024				
Total assets	7,583,099	3,854,305	(787,315)	10,650,089
Total liabilities	7,171,497	3,396,013	(787,315)	9,780,195
Credit commitments and contingent liabilities (contract amounts)	1,968,801	1,891,247	—	3,860,048
Half-year to 30 Jun 2023				
Net operating income before change in expected credit losses and other credit impairment charges	80,374	49,290	(68)	129,596
Profit before tax	44,940	38,270	—	83,210
At 30 Jun 2023				
Total assets	7,503,687	3,914,238	(1,005,050)	10,412,875
Total liabilities	7,080,273	3,459,750	(1,005,050)	9,534,973
Credit commitments and contingent liabilities (contract amounts)	1,954,764	1,753,524	—	3,708,288

11 Related party transactions

There were no changes in the related party transactions as described in the Annual Report and Accounts 2023 that have had a material effect on the financial position or performance of the group in the half-year to 30 June 2024. All related party transactions that took place in the half-year to 30 June 2024 were similar in nature to those described in the Annual Report and Accounts 2023.

12 Business acquisitions and disposal

In October 2023, HSBC Global Asset Management Singapore Limited, a wholly-owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited, entered into an agreement to acquire 100% of the shares of Silkroad Property Partners Pte Ltd ('Silkroad'). Silkroad is a Singapore headquartered Asia-Pacific-focused, real estate investment manager. The acquisition was completed on 31 January 2024.

In October 2023, HSBC Bank (China) Company Limited, a wholly-owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited, entered into an agreement to acquire Citibank China's retail wealth management portfolio in mainland China. The portfolio comprises assets under management and deposits, and the associated wealth customers. The acquisition was completed on 7 June 2024.

In accordance with HKFRS 3, the amounts recognised for both acquisitions at 30 June 2024 remain provisional until expiry of the measurement period.

In November 2023, The Hongkong and Shanghai Banking Corporation Limited (acting through its Mauritius Branch) entered into an agreement with ABSA Bank (Mauritius) Limited, a wholly-owned subsidiary of ABSA Bank Group Limited, to sell its Wealth and Personal Banking business in Mauritius. The sale was completed on 6 July 2024 and the financial impact was not significant for the group.

13 Legal proceedings and regulatory matters

The group is party to legal proceedings and regulatory matters in a number of jurisdictions arising out of its normal business operations. Apart from the matters described below, the group considers that none of these matters are material. The recognition of provisions is determined in accordance with the accounting policies set out in Note 1.2(n) of the Annual Report and Accounts 2023. While the outcomes of legal proceedings and regulatory matters are inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of these matters as at 30 June 2024. Any provision recognised does not constitute an admission of wrongdoing or legal liability. It is not practicable to provide an aggregate estimate of potential liability for our legal proceedings and regulatory matters as a class of contingent liabilities.

Korean short selling indictment

In March 2024, the Korean Prosecutors' Office issued a criminal indictment against the Bank and three current and former employees for breaching short selling rules under the Financial Investment Services and Capital Markets Act in connection with trades carried out between August 2021 and December 2021. The Bank is defending the action.

Other regulatory investigations, reviews and litigation

The Bank and/or certain of its affiliates are subject to a number of enquiries and examinations, requests for information, investigations and reviews by various tax authorities, regulators, competition and law enforcement authorities, as well as legal proceedings including litigation, arbitration and other contentious proceedings, in connection with various matters arising out of their businesses and operations.

At the present time, the Bank does not expect the ultimate resolution of any of these matters to be material to the group's financial position; however, given the uncertainties involved in legal proceedings and regulatory matters, there can be no assurance regarding the eventual outcome of a particular matter or matters.

14 Interim Report 2024 and statutory accounts

The information in this Interim Report 2024 is unaudited and does not constitute statutory accounts. The Interim Report 2024 was approved for release by the Board of Directors on 31 July 2024. The Bank's statutory annual consolidated accounts for the year ended 31 December 2023 have been delivered to the Hong Kong Monetary Authority and the Registrar of Companies according to section 662 of the Companies Ordinance (Cap. 622). The auditor has reported on those financial statements in their report dated 21 February 2024. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

15 Ultimate holding company

The Hongkong and Shanghai Banking Corporation Limited is an indirectly-held, wholly-owned subsidiary of HSBC Holdings plc, which is incorporated in England.

