

News Release

31 July 2024

THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED 2024 INTERIM CONSOLIDATED RESULTS – HIGHLIGHTS

- Profit before tax down 1% to HK\$82,068m (HK\$83,210m in the first half of 2023).
- Attributable profit down 1% to HK\$65,309m (HK\$66,017m in the first half of 2023).
- Net interest margin of 1.65% (1.83% in the first half of 2023).
- Annualised change in expected credit losses and other credit impairment charges ('ECL') as a percentage of average gross customer advances of 0.21% (0.21% in the first half of 2023).
- Return on average ordinary shareholders' equity of 16.6% (16.6% in the first half of 2023).
- Total assets up 1% to HK\$10,650bn (HK\$10,500bn at the end of 2023).
- Common equity tier 1 ratio of 15.8% (15.8% at the end of 2023), total capital ratio of 19.4% (19.7% at the end of 2023).
- Cost efficiency ratio of 43.0% (41.2% for the first half of 2023).

This document is issued by The Hongkong and Shanghai Banking Corporation Limited ('the Bank') and its subsidiaries (together 'the group'). References to 'HSBC', 'the Group' or 'the HSBC Group' within this document mean HSBC Holdings plc together with its subsidiaries. Within this document the Hong Kong Special Administrative Region of the People's Republic of China is referred to as 'Hong Kong'. The abbreviations 'HK\$m' and 'HK\$bn' represent millions and billions (thousands of millions) of Hong Kong dollars respectively.

Consolidated income statement and balance sheet data by reportable segments

	Wealth and Personal Banking HK\$m	Commercial Banking HK\$m	Global Banking HK\$m	Markets and Securities Services HK\$m	Corporate Centre ¹ HK\$m	Other (GBM–other) HK\$m	Total HK\$m
Half-year to 30 Jun 2024							
Net interest income/(expense)	39,599	29,890	12,058	3,136	(27,445)	1,047	58,285
Net fee income	11,779	5,528	2,567	947	201	—	21,022
Net income from financial instruments measured at fair value through profit or loss	16,945	2,246	40	14,527	26,439	78	60,275
Gains less losses from financial investments	27	19	—	—	—	11	57
Insurance finance income/(expense)	(13,358)	—	—	—	10	—	(13,348)
Insurance service result	4,125	—	—	—	(15)	—	4,110
Other operating income/(expense)	852	40	213	959	618	(447)	2,235
Net operating income/(expense) before change in expected credit losses and other credit impairment charges	59,969	37,723	14,878	19,569	(192)	689	132,636
Change in expected credit losses and other credit impairment charges	(881)	(1,959)	(700)	(20)	6	(1)	(3,555)
Net operating income/(expense)	59,088	35,764	14,178	19,549	(186)	688	129,081
Operating expenses	(26,081)	(11,307)	(5,443)	(8,039)	(5,016)	(1,134)	(57,020)
Operating profit/(loss)	33,007	24,457	8,735	11,510	(5,202)	(446)	72,061
Share of profit in associates and joint ventures	164	—	—	—	9,843	—	10,007
Profit/(loss) before tax	33,171	24,457	8,735	11,510	4,641	(446)	82,068
Balance sheet data at 30 Jun 2024							
Loans and advances to customers (net)	1,559,039	1,150,707	792,991	33,025	1,142	5,701	3,542,605
Customer accounts	3,606,574	1,659,609	754,960	210,366	22	8,730	6,240,261
Half-year to 30 Jun 2023							
Net interest income/(expense)	38,850	30,084	11,680	2,384	(18,011)	840	65,827
Net fee income	10,078	5,674	2,696	1,418	160	—	20,026
Net income from financial instruments measured at fair value through profit or loss	30,249	2,491	102	13,535	17,828	337	64,542
Gains less losses from financial investments	(5)	9	—	—	—	7	11
Insurance finance income/(expense)	(26,662)	—	—	—	2	—	(26,660)
Insurance service result	3,113	—	—	—	8	—	3,121
Other operating income/(expense)	1,328	66	212	707	730	(314)	2,729
Net operating income before change in expected credit losses and other credit impairment charges	56,951	38,324	14,690	18,044	717	870	129,596
Change in expected credit losses and other credit impairment charges	(962)	(2,534)	(55)	(39)	(4)	23	(3,571)
Net operating income	55,989	35,790	14,635	18,005	713	893	126,025
Operating expenses	(24,386)	(10,595)	(5,314)	(7,454)	(4,465)	(1,160)	(53,374)
Operating profit/(loss)	31,603	25,195	9,321	10,551	(3,752)	(267)	72,651
Share of profit in associates and joint ventures	218	—	—	—	10,341	—	10,559
Profit/(loss) before tax	31,821	25,195	9,321	10,551	6,589	(267)	83,210
Balance sheet data at 30 Jun 2023							
Loans and advances to customers (net)	1,560,869	1,219,984	809,792	44,593	1,338	3,447	3,640,023
Customer accounts	3,466,037	1,656,191	750,569	202,614	29	556	6,075,996

¹ Includes inter-segment elimination.

Financial review

The commentary in this financial review compares the group's financial performance for the half-year ended 30 June 2024 with the half-year ended 30 June 2023 unless otherwise stated.

Result commentary

The group reported profit before tax of HK\$82,068m, a decrease of HK\$1,142m, or 1%.

Net interest income decreased by HK\$7,542m, or 11%. Excluding the unfavourable foreign exchange impact, net interest income decreased by HK\$6,696m, or 10%, due to a reduced net interest margin and lower average interest earning assets. This also includes the impact of the cost of funding used to fund trading and fair value net assets and the impact of foreign exchange swaps in Markets Treasury, where an offsetting income or loss is recorded in trading and fair value income. The funding costs associated with generating trading and fair value income increased, reflecting higher interest rates and growth in net trading and fair value assets. In Hong Kong, the lower net interest margin was driven by higher funding cost of liabilities from the impact of deposit mix, partly offset by the rise in the yield on average interest earning assets including financial investments and customer advances.

Net fee income increased by HK\$996m, or 5%. Excluding the unfavourable foreign exchange impact, net fee income increased by HK\$1,283m, or 6%, primarily in Hong Kong from unit trust income as improved market sentiment resulted in higher sales volumes, and to a lesser extent from higher insurance agency commission income.

Net income from financial instruments measured at fair value through profit or loss decreased by HK\$4,267m, or 7%.

Net income from assets and liabilities of insurance business, including related derivatives, measured at fair value through profit or loss decreased by HK\$13,563m, or 50% primarily in Hong Kong reflecting lower fair value gains on financial assets measured at fair value through profit or loss which back insurance and investment contracts due to market impacts. There is an offsetting impact within the associated insurance liability accounting reported in 'Insurance finance income/(expense)'.

Net income from financial instruments held for trading or managed on a fair value basis increased by HK\$9,735m, or 26%, principally in Hong Kong from higher gains on derivatives and net interest income mainly benefiting from higher interest rates. The cost of funding used to fund trading and fair value net assets and the impact of foreign exchange swaps in Markets Treasury is included in net interest income.

Insurance finance expense decreased by HK\$13,312m, or 50%, offsetting gains reported on underlying assets held to support insurance contract liabilities.

Insurance service result increased by HK\$989m, or 32%, mainly reflecting increases to the release of contractual service margin ('CSM') as a result of a higher closing CSM balance primarily from new business written.

Other operating income decreased by HK\$494m, or 18%, mainly driven by losses from reinsurance contracts in Hong Kong.

Change in expected credit losses and other credit impairment charges decreased by HK\$16m, or was broadly flat. The charge reflects ECL in Singapore, mainland China and Hong Kong, mainly in the commercial real estate sector.

Total operating expenses increased by HK\$3,646m, or 7%. Excluding the favourable foreign exchange impact, operating expenses increased by HK\$4,256m, or 8%, primarily reflecting our continued investment in technology to support business growth. Employee compensation and benefits also increased, mainly from higher performance-related pay.

Share of profit in associates and joint ventures decreased by HK\$552m, or 5%. Excluding the unfavourable foreign exchange impact, share of profit in associates and joint ventures decreased by HK\$123m or 1%, as a result of lower net profits from Bank of Communications Co., Ltd. ('BoCom') driven by lower net interest income and net fee income.

Consolidated income statement

	Half-year to	
	30 Jun 2024 HK\$m	30 Jun 2023 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

	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	3,542,605	3,557,076
Financial investments	2,064,549	2,029,212
Amounts due from Group companies	182,145	158,592
Interests in associates and joint ventures	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	6,240,261	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										
	Other reserves								Total share-holders' equity	Non-controlling interests	Total equity
	Share capital ¹	Other equity instruments	Retained earnings	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 HK\$m	Other equity instruments HK\$m	Retained earnings HK\$m	Other reserves					Total shareholders' equity HK\$m	Non-controlling interests HK\$m	Total equity HK\$m
				Property revaluation reserve HK\$m	Financial assets at FVOCI reserve HK\$m	Cash flow hedge reserve HK\$m	Foreign exchange reserve HK\$m	Other ⁴ 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 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 HK\$m	Other equity instruments HK\$m	Retained earnings HK\$m	Other reserves					Total share-holders' equity HK\$m	Non-controlling interests HK\$m	Total equity HK\$m
				Property revaluation reserve HK\$m	Financial assets at FVOCI reserve HK\$m	Cash flow hedge reserve HK\$m	Foreign exchange reserve HK\$m	Other ⁴ 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.

1 Net interest income

	Half-year to	
	30 Jun 2024 HK\$m	30 Jun 2023 HK\$m
Net interest income	58,285	65,827
Average interest-earning assets	7,108,271	7,247,640
	%	%
Net interest spread	1.57	1.66
Contribution from net free funds	0.08	0.17
Net interest margin	1.65	1.83

2 Net fee income

	Half-year to	
	30 Jun 2024 HK\$m	30 Jun 2023 HK\$m
Funds under management	3,682	3,566
Unit trusts	3,508	2,596
Broking income	1,887	1,794
Cards	4,774	4,588
Global custody	1,908	1,907
Credit facilities	1,343	1,610
Imports/exports	1,603	1,650
Remittances	1,529	1,477
Account services	1,235	1,178
Underwriting	351	416
Insurance agency commission	1,082	889
Other	4,766	4,609
Fee income	27,668	26,280
Fee expense	(6,646)	(6,254)
Net fee income	21,022	20,026

3 Net income from financial instruments measured at fair value through profit or loss

	Half-year to	
	30 Jun 2024 HK\$m	30 Jun 2023 HK\$m
Net income/(expense) arising on:		
Net trading activities	49,671	40,416
Other instruments managed on a fair value basis	(2,786)	(3,266)
Net income from financial instruments held for trading or managed on a fair value basis	46,885	37,150
Financial assets held to meet liabilities under insurance and investment contracts	14,033	27,466
Liabilities to customers under investment contracts	(573)	(443)
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 ¹	(158)	213
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	88	156
Net income from financial instruments measured at fair value through profit or loss	60,275	64,542

¹ Includes debt instruments which are issued for funding purposes and are designated under the fair value option to reduce an accounting mismatch.

4 Change in expected credit losses and other credit impairment charges

	Half-year to	
	30 Jun 2024	30 Jun 2023
	HK\$m	HK\$m
Loans and advances to banks and customers	3,765	3,840
– new allowances net of releases	4,179	4,231
– recoveries of amounts previously written off	(414)	(391)
Loan commitments and guarantees	(239)	(112)
Other financial assets	29	(157)
Change in expected credit losses and other credit impairment charges	3,555	3,571

The annualised change in ECL as a percentage of average gross customer advances was 0.21 % for the first half of 2024 (first half of 2023: 0.21 %).

5 Associates and joint ventures

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. At 30 June 2024, 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) was recognised at 30 June 2024.

6 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.

7 Loans and advances to customers

	At	
	30 Jun 2024 HK\$m	31 Dec 2023 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 2024 HK\$m	31 Dec 2023 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.

8 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

9 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

10 Contingent liabilities, contractual commitments and guarantees

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

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.

11 Accounting policies

The accounting policies and methods of computation adopted by the group for this document are consistent with those set out in Note 1 on the Interim condensed consolidated financial statements 2024.

Standards adopted during the half-year to 30 June 2024

There were no new accounting standards or amendments to standards that had an effect on these Interim condensed consolidated financial statements. Accounting policies have been consistently applied to all the years presented, unless otherwise stated.

12 Statutory accounts

The information in this document is not audited and does not constitute the Bank's statutory accounts.

Certain financial information in this document is extracted from the Interim condensed consolidated financial statements for the half-year ended 30 June 2024, which were 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 will be delivered to 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). The Interim Report 2024, which includes the Interim condensed consolidated financial statements, will be published on the Bank's website: www.hsbc.com.hk. A press release will be issued to announce the availability of this information.

13 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.

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