HSBC makes cost of living payment to UK staff as it backs ‘internationalism’ strategy

HSBC has revealed a £1,500 cost of living payment for thousands of UK staff while rejecting calls for a demerger or spin-off of its Asian business on the grounds of its “internationalism”.

It is understood that around 18,000 of the London-headquartered bank’s lowest-paid workers will get the money to help them “avoid financial hardship” as inflation hits levels not seen for 40 years – driven by surging energy costs.

HSBC follows Natwest, Barclays and Lloyds in granting handouts.

A memo confirming the payment said bosses would also consider the longer-term impact of inflation for all staff as part of its regular annual pay review.

The payout was revealed hours after HSBC reported better-than-expected profits for the first half of its financial year and raised its outlook for returns as rising interest rates lift its revenues.

Also of interest to investors is a growing row over its structure.

HSBC had been urged by top shareholder Ping An Insurance Group Co of China to consider separating its Asian business on the grounds it would unlock greater value for shareholders.

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The idea was also backed by some retail investors in Hong Kong, and Hong Kong politician Christine Fong, who said on Sunday: “Bringing back primary listing in Hong Kong is the best way to protect interest for minority shareholders.

“We suffered the 2020 cancel dividend lesson, that’s why we strongly support Ping An should take seats in director board of HSBC.”

HSBC said external advisers had reviewed its strategy and, while the results of the review were shared with the board, they would not be made public.

Chief executive Noel Quinn told the Reuters news agency on Monday: "Look at the half-year results and you'll see the value of the current strategy."

On Monday the bank reported a pre-tax profit of $9.2bn for the six months ending 30 June, down from $10.84bn a year ago, but ahead of the $8.15bn average estimate from analysts.

HSBC said it would speed-up the restructuring of its US and European businesses and will rely on its global network to drive profits.

Restore dividend to pre-COVID levels 'as soon as possible'

Mr Quinn said in the group's half-year results that the bank's "internationalism remains the most defining characteristic of our identity".

He added: "Serving customers across borders is what we do best. It is how we can best help them to grow, and, we believe, the fastest way to accelerate returns for our shareholders."

HSBC once owned 10% of Ping An, before selling the stake for a handsome profit in 2012.

Now Ping An owns almost 10% of the bank and is China's most valuable publicly-listed insurer.

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But part of its income is from the HSBC dividend and the Bank of England banned UK lenders paying dividends early in 2020, as COVID-19 became a pandemic.

Even when the dividend was restored in July last year, it was half the rate the bank had paid until 2018.

Meanwhile the bank’s financial results on Monday showed that Asia accounted for 69% of its profits in the first half of 2022, compared to 64% a year ago.

The bank intends to revert to paying quarterly dividends from 2023, Mr Quinn said, adding: “We understand and appreciate the importance of dividends to all of our shareholders.

“We will aim to restore the dividend to pre-COVID-19 levels as soon as possible.”