HSBC Bank Malta p.l.c.

Pillar 3 Disclosures at 31 December 2024

HSBC

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Introduction

Regulatory framework for disclosures

HSBC Bank Malta p.l.c. is regulated on a consolidated basis by the European Central Bank ('ECB') which sets and monitors capital adequacy requirements.

Throughout 2024 HSBC Bank Malta p.l.c. calculated capital on a consolidated basis for prudential regulatory reporting purposes using the Basel III framework of the Basel Committee on Banking Supervision ('BCBS') as implemented by the European Union in the amended Capital Requirements Regulation and Directive, collectively referred to as CRR/CRD. The local group comprises HSBC Bank Malta p.l.c. and its subsidiary HSBC Global Asset Management (Malta) Limited. HSBC Life Assurance (Malta) Ltd is excluded from the regulatory scope of consolidation by eliminating assets, liabilities and post-acquisition reserves, leaving the investment of the insurance subsidiary to be recorded at cost and deducted from Common Equity Tier 1 capital ('CET1') subject to thresholds.

The Basel Committee's framework is structured around three 'pillars': the Pillar 1 minimum capital requirements and Pillar 2 supervisory review process are complemented by Pillar 3 market discipline. The aim of Pillar 3 is to produce disclosures that allow market participants to assess the scope of application by banks of the Basel Committee's framework and the rules in their jurisdiction, their capital condition, risk exposures and risk management processes, and hence their capital adequacy. Pillar 3 requires all material risks to be disclosed, enabling a comprehensive view of a bank's risk profile.

Pillar 3 disclosures

Purpose

The information contained in this document is for HSBC Bank Malta p.l.c. It should be read in conjunction with HSBC Bank Malta p.l.c.'s Annual Report and Accounts 2024.

Basis of preparation

The financial information contained in these disclosures have been prepared on a consolidated basis.

In its disclosures, HSBC Bank Malta p.l.c. provides comparative figures to facilitate analysis. Key ratios and figures are reflected throughout the Pillar 3 2024 disclosures. Where disclosures have been enhanced or are new, prior-year comparatives are not generally restated or provided.

Information relating to the rationale for withholding certain disclosures is provided in Appendix I.

HSBC Bank Malta p.l.c. publishes these Pillar 3 disclosures on the HSBC websites, www.hsbc.com and www.hsbc.com.mt, concurrently with the release of its Annual Report and Accounts.

These Pillar 3 disclosures include regulatory information complementing the financial and risk information presented therein.

Pillar 3 requirements may be met by inclusion in other disclosure media. Where HSBC Bank Malta p.l.c. adopts this approach, references are provided to the relevant pages of the Annual Report and Accounts 2024 or other locations.

Governance

Governance arrangements are detailed in the report on Corporate governance on pages 85 to 93 of HSBC Bank Malta p.l.c.'s Annual Report and Accounts 2024.

HSBC Bank Malta p.l.c.'s Pillar 3 disclosures have been subject to the internal review in accordance with the bank's financial reporting and governance processes. This Pillar 3 disclosure report was approved by HSBC Bank Malta p.l.c. Board of Directors on 14 March 2025 and signed on its behalf by HSBC Bank Malta p.l.c. Chief Financial Officer.

Key regulatory developments

The Basel III Reforms

The revised Capital Requirements Regulation ('CRR3') implementing the Basel III reforms package entered into force in the EU on the 1 January 2025. The reforms introduce substantial changes to the methodologies that banks are required to follow to calculate risk-weighted assets for credit, operational and credit valuation adjustment risks. It also includes an output floor that caps the benefit from using internal models, which is being phased in over a five-year transitional period. Over the coming years, the EBA is also set to deliver around 140 mandates aimed at developing a suite of regulatory standards and guidelines.

The European Commission ('EC') has elected to delay the implementation of the market risk elements of the package until 1 January 2026.

Capital Requirements Directive

In June 2024, the European Commission enacted a series of amendments to the Capital Requirements Directive ('CRD6'). The amended legislation introduces new regulatory requirements for ESG and cryptoasset-related risks across the prudential framework, some adaptations to Pillar 2 and capital buffer requirements to account for the changes to Pillar 1 requirements subsequent to CRR3. It also includes additional supervisory powers for national supervisors, particularly restrictions on cross-border activities provided by non-EU banking entities to EU-based clients, subject to certain exemptions.

EU member states have until the 10 January 2026 to transpose the CRD6 rules into national law, and an additional one-year transition period for provisions relating to cross-border services and third-country branches.

Guidelines on the management of Environmental, social and governance ('ESG') risks

The EU's Basel III reforms package includes rules related to the management of ESG risks and, in January 2025 the EBA published its final guidelines on the management of ESG risks as part of its mandate set out in the EBA's roadmap on sustainable finance. The guidelines apply from 11 January 2026 and set out the minimum standards and reference methodologies for banks for the identification, measurement, management, and monitoring of ESG risks, including through plans aimed at ensuring their resilience in the short, medium and long term. The guidelines also specify requirements regarding the internal processes and ESG risk management arrangements in accordance with the CRD6. Additionally, the EBA has launched a consultation on draft guidelines for ESG scenario analysis to complement its guidelines on the management of ESG risks.

EU Corporate Sustainability Reporting Directive ('CSRD')

The CSRD entered into force in January 2023 and broadened the scope of application of the Accounting Directive in the EU and also includes non-EU entities, subject to meeting certain criteria. Under the CSRD, EU and certain non-EU entities are expected to report sustainability information in accordance with the European Sustainability Reporting Standards ('ESRS') that were enacted in December 2023 with an effective date of 1 January 2024. In addition, the CSRD mandates the EC to adopt sustainability reporting standards for non-EU Groups ('NESRS') by 30 June 2026. Non-EU Groups with significant operations in the EU that meet certain threshold criteria are expected to report under the NESRS from 2029 for the financial year 2028.

In November 2024, the European Financial Reporting Advisory Group ('EFRAG') as technical advisor to the EC published a first working draft of the NESRS with a consultation period expected to begin in Q1 2025 and final draft standards expected to be delivered to the EC by the end of 2025. Additionally, EFRAG is drafting sector specific standards for high risk companies. Those reporting requirements are also set to go into effect in 2026.

In December 2024, the Capital Markets Supervision within the Malta Financial Services Authority communicated to local banks that the CSRD has yet to be transposed into local legislation. Therefore, until the respective national laws, regulations, and administrative provisions transposing the CSRD are brought into force in Malta, issuers subject to local Maltese law are not legally required to prepare their sustainability reporting due for publication in 2025 in terms of the CSRD.

The Authority also advised that it shall keep the market informed with any relevant developments relating to the transposition of the CSRD in due course.

On 26 February 2025, the European Commission has adopted a package of proposals to simplify sustainability reporting. The key proposed changes include raising the threshold for mandatory CSRD reporting to companies with over 1,000 employees and either a turnover above €50 million or a balance sheet above €25 million. The proposed changes to the CSRD requirements boosts competitiveness and unlocks additional investment capacity.

Significant Events

Strategic Review by HSBC Holdings plc

On 11 September 2024 HSBC Bank Malta p.l.c. announced that HSBC Holdings plc had informed the local Board of Directors that it will undertake a strategic review of its indirect 70.03% shareholding in the bank. It was communicated that the review process will consider a full range of options, and that no decisions have yet been made. The bank is at the initial phase of this process and the outcome remains unknown.

Please refer to the Annual Report and Accounts for more detail.

Table 1: Key metrics (KM1)

		At				
		31 Dec 2024	30 Sep 2024	30 Jun 2024	31 Mar 2024	31 Dec 2023
	Available capital (€000)+					
1	Common Equity Tier 1 ('CET1') capital^	**493,716**	434,809	454,968	448,442	455,071
1a	Fully loaded ECL accounting model CET1	**493,143**	433,915	453,541	446,606	450,399
2	Tier 1 capital^	**493,716**	434,809	454,968	448,442	455,071
2a	Fully loaded ECL accounting model Tier 1	**493,143**	433,915	453,541	446,606	450,399
3	Total capital^	**558,716**	499,809	519,968	513,442	520,071
3a	Fully loaded ECL accounting model total capital	**558,143**	498,915	518,541	511,606	515,399
	Risk-weighted exposure amounts ('RWEAs') (€000)					
4	Total risk-weighted exposure amount	**2,185,695**	2,148,650	2,159,153	2,136,005	2,213,655
	Total RWEAs as if IFRS 9 transitional arrangements had not been applied	**2,185,212**	2,147,914	2,158,041	2,134,569	2,209,993
	Capital ratios (%)					
5	Common Equity Tier 1 ratio (%)	**22.6**	20.2	21.1	21.0	20.6
5a	Fully loaded ECL accounting model Common Equity Tier 1 (%)	**22.6**	20.2	21.0	20.9	20.4
6	Tier 1 ratio (%)	**22.6**	20.2	21.1	21.0	20.6
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	**22.6**	20.2	21.0	20.9	20.4
7	Total capital ratio (%)	**25.6**	23.3	24.1	24.0	23.5
7a	Fully loaded ECL accounting model total capital ratio (%)	**25.5**	23.2	24.0	24.0	23.3
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	**2.5**	2.5	2.5	2.5	2.3
EU 7b	– of which: to be made up of CET1 capital (percentage points)	**1.4**	1.4	1.4	1.4	1.3
EU 7c	– of which: to be made up of Tier 1 capital (percentage points)	**1.9**	1.9	1.9	1.9	1.7
EU 7d	Total SREP own funds requirements (%)	**10.5**	10.5	10.5	10.5	10.3
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	**2.5**	2.5	2.5	2.5	2.5
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	**—**	—	—	—	—
9	Institution specific countercyclical capital buffer (%)	**0.1**	0.1	—	—	—
EU 9a	Systemic risk buffer (%)	**0.6**	0.6	0.6	0.6	0.4
10	Global Systemically Important Institution buffer (%)	**—**	—	—	—	—
EU 10a	Other Systemically Important Institution buffer (%)	**1.3**	1.3	1.3	1.3	1.3
11	Combined buffer requirement (%)	**4.4**	4.5	4.4	4.4	4.2
EU 11a	Overall capital requirements (%)	**14.9**	15.0	14.9	14.9	14.4
12	CET1 available after meeting the total SREP own funds requirements (%)	**14.7**	12.4	13.2	13.1	12.9
	Leverage ratio					
13	Total exposure measure^	**7,262,720**	6,992,470	7,183,192	7,023,259	7,149,295
14	Leverage ratio (%)^	**6.8**	6.2	6.3	6.4	6.4
14a	Fully loaded ECL accounting model leverage ratio (%)	**6.8**	6.2	6.3	6.4	6.3
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	**—**	—	—	—	—
EU 14b	– of which: to be made up of CET1 capital (percentage points)	**—**	—	—	—	—
EU 14c	Total SREP leverage ratio requirements (%)	**3.0**	3.0	3.0	3.0	3.0
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	**—**	—	—	—	—
EU 14e	Overall leverage ratio requirement (%)	**3.0**	3.0	3.0	3.0	3.0
	Liquidity Coverage Ratio ('LCR')[1]					
15	Total high-quality liquid assets ('HQLA') (Weighted value-average)	**3,117,858**	3,004,895	2,871,219	2,747,169	2,624,665
EU 16a	Cash outflows – Total weighted value	**1,161,095**	1,155,182	1,146,863	1,136,325	1,111,300
EU 16b	Cash inflows – Total weighted value	**579,575**	598,727	618,440	623,402	590,891
16	Total net cash outflows (adjusted value)	**581,520**	556,455	528,423	512,923	520,409
	LCR ratio (%)	**545.0**	548.6	552.0	543.4	504.4
	Net Stable Funding Ratio[1]					
18	Total available stable funding	**5,614,257**	5,494,212	5,549,308	5,527,412	5,599,552
19	Total required stable funding	**2,291,573**	2,322,431	2,378,580	2,445,790	2,517,240
20	NSFR ratio (%)	**245.0**	236.5	233.3	226.0	222.5

+ Capital figures and ratios are reported using the CRR2 transitional basis for capital instruments.
^ Figures have been prepared on an IFRS 9 transitional basis.
1 In line with CRR requirements LCR is disclosed as an average over 12 months whereas NSFR is disclosed as at reporting date.

The total capital ratio increased to 25.6% as at 31 December 2024 (December 2023:23.5%), due to increased profits and lower capital deductions for non-performing loans. The bank maintained a strong capital base and is fully compliant with the regulatory capital requirements.

The LCR increased by 40.6% between December 2023 and December 2024. The change in the LCR was driven by an increase in the twelve-month average High Quality Liquid Assets during 2024, and a decline in the average net outflows on the back of increased inflows. The LCR remains in excess of both the regulatory minimum and the risk appetite thresholds set by the bank.

Table 2: Net value of exposures

	Group					
	At 31 Dec 2024			At 31 Dec 2023		
	Net value of exposure^	**Risk-weighted assets^**	**Capital Required^**	Net value of exposure^	Risk-weighted assets^	Capital Required^
	€000	**€000**	**€000**	€000	€000	€000
Central governments or central banks	**1,939,541**	**56,511**	**4,521**	2,271,522	76,558	6,124
Public sector entities	**754,599**	**—**	**—**	522,138	—	—
Multilateral development banks	**259,077**	**—**	**—**	125,571	—	—
International Organisations	**717,966**	**—**	**—**	306,865	—	—
Institutions	**636,906**	**161,948**	**12,956**	756,089	181,752	14,540
Corporates	**1,111,656**	**423,120**	**33,850**	1,107,912	413,871	33,110
Retail exposures	**650,521**	**287,070**	**22,966**	617,019	254,996	20,400
Secured by mortgages on immovable property	**1,893,358**	**666,142**	**53,291**	2,066,160	744,101	59,528
Exposures in default	**55,856**	**62,802**	**5,024**	87,699	99,589	7,967
Items associated with particularly high risk	**32,703**	**28,288**	**2,263**	16,926	17,071	1,366
Equity exposures	**91**	**91**	**7**	89	89	7
Other exposures	**146,385**	**157,235**	**12,579**	144,996	147,539	11,803
Credit risk	**8,198,659**	**1,843,207**	**147,457**	8,022,986	1,935,566	154,845
Operational risk		**337,249**	**26,980**		276,399	22,112
Foreign exchange risk		**330**	**26**		194	16
Credit Valuation Adjustment Risk		**4,909**	**393**		1,496	120
Total		**2,185,695**	**174,856**		2,213,655	177,093
Own funds						
Common Equity Tier 1			**493,716**			455,071
Tier 2			**65,000**			65,000
Total own funds			**558,716**			520,071
Total capital ratio %			**25.6**			23.5

^ Figures have been prepared on an IFRS9 transitional basis.

Table OV1 which is presented in accordance with Article 438 (c) to (f) of the CRR provides an overview of the total RWA as well as the capital requirements for credit risk, including capital for operational risk, foreign exchange risk, and credit valuation adjustment risk, which are segregated into the various exposure classes and are derived from the RWA using a capital ratio of 8%.

Table 3: Overview of RWAs (OV1)[1,^]

		At					
		31 Dec 2024	30 Sep 2024	31 Dec 2023	**31 Dec 2024**	30 Sep 2024	31 Dec 2023
		Risk-weighted assets	Risk-weighted assets	Risk-weighted assets	**Minimum capital requirements**	Minimum capital requirements	Minimum capital requirements
		€000	€000	€000	**€000**	€000	€000
1	Credit risk (excluding CCR)	**1,822,530**	1,848,052	1,920,688	**145,803**	147,844	153,655
2	– of which: the standardised approach	**1,822,530**	1,848,052	1,920,688	**145,803**	147,844	153,655
3	– of which: the Foundation IRB ('F-IRB') approach	**—**	—	—	**—**	—	—
4	– of which: slotting approach	**—**	—	—	**—**	—	—
EU 4a	– of which: equities under the simple risk weighted approach	**—**	—	—	**—**	—	—
5	– of which: the Advanced IRB ('A-IRB') approach	**—**	—	—	**—**	—	—
6	Counterparty credit risk – CCR	**25,586**	24,048	16,374	**2,047**	1,924	1,310
7	– of which: the standardised approach	**20,677**	20,535	14,878	**1,654**	1,643	1,190
8	– of which: internal model method ('IMM')	**—**	—	—			
EU 8a	– of which: exposures to a CCP	**—**	—	—			
EU 8b	– of which: credit valuation adjustment – CVA	**4,909**	3,513	1,496	**393**	281	120
9	– of which: other CCR	**—**	—	—	**—**	—	—
15	Settlement risk	**—**	—	—	**—**	—	—
16	Securitisation exposures in the non-trading book (after the cap)	**—**	—	—	**—**	—	—
17	– of which: SEC-IRBA approach	**—**	—	—	**—**	—	—
18	– of which: SEC-ERBA (including IAA)	**—**	—	—	**—**	—	—
19	– of which: SEC-SA approach	**—**	—	—	**—**	—	—
EU 19a	– of which: 1250%/deduction	**—**	—	—	**—**	—	—
20	Position, foreign exchange and commodities risks (Market risk)	**330**	151	194	**26**	12	16
21	– of which: the standardised approach	**330**	151	194	**26**	12	16
22	– of which: IMA	**—**	—	—	**—**	—	—
EU 22a	Large exposures	**—**	—	—	**—**	—	—
23	Operational risk	**337,249**	276,399	276,399	**26,980**	22,112	22,112
EU 23a	– of which: basic indicator approach	—	—	—	**—**	—	—
EU 23b	– of which: standardised approach	**337,249**	276,399	276,399	**26,980**	22,112	22,112
EU 23c	– of which: advanced measurement approach	**—**	—	—	**—**	—	—
24	**Amounts below the thresholds for deduction (subject to 250% risk weight)[2]**	**56,511**	60,616	76,558	**4,521**	4,849	6,125
29	**Total**	**2,185,695**	2,148,650	2,213,655	**174,856**	171,892	177,093

^ Figures have been prepared on an IFRS 9 transitional basis.
1 'Capital requirements' here and in all tables where the term is used, represents the minimum total capital charge set at 8% of RWAs by article 92 of the Capital Requirements Regulation.
2 Amounts are presented for information only and excluded from the Total.

Linkage to the Annual Report and Accounts 2024

Basis of consolidation

The basis of consolidation for the purpose of financial accounting under the International Financial Reporting Standards ('IFRS') described in Note 2 on the Annual Report and Accounts differs from that used for regulatory purposes.

The following table provides a reconciliation of the financial accounting balance sheet to the regulatory scope of consolidation.

Subsidiaries engaged in insurance activities are excluded from the regulatory consolidation by excluding assets, liabilities, and post-acquisition reserves, leaving the investment of the insurance subsidiaries to be recorded at cost and deducted from CET1 capital (subject to thresholds).

Table 4: Reconciliation of regulatory own funds to balance sheet in the audited financial statements (EU CC2)

	Balance sheet as in published financial statements	De-consolidation of insurance entity	Regulatory balance sheet
	€000	€000	€000
Assets			
Balances with Central Bank of Malta, Treasury Bills and cash	**1,073,670**	**—**	**1,073,670**
Items in the course of collection from other banks	**4,061**	**—**	**4,061**
Financial assets mandatorily measured at fair value through profit or loss	**714,949**	**(714,949)**	**—**
Derivatives	**17,242**	**—**	**17,242**
Loans and advances to banks	**615,367**	**(14,335)**	**601,032**
Loans and advances to customers	**2,873,158**	**—**	**2,873,158**
Financial investments	**2,291,180**	**—**	**2,291,180**
Prepayments, accrued income and other assets	**35,424**	**(1,369)**	**34,055**
Current tax assets	**2,569**	**(2,348)**	**221**
Reinsurance contract assets	**2,912**	**(2,912)**	**—**
Non-current assets held for sale	**3,738**	**—**	**3,738**
Investment in subsidiaries	**—**	**28,578**	**28,578**
Right-of-use assets	**2,620**	**—**	**2,620**
Property, plant and equipment	**58,771**	**(7)**	**58,764**
Intangible assets	**23,185**	**(260)**	**22,925**
Deferred tax assets	**22,880**	**(276)**	**22,604**
Total assets at 31 Dec 2024	**7,741,726**	**(707,878)**	**7,033,848**
Liabilities			
Deposits by banks	**2,398**	**—**	**2,398**
Customer accounts	**6,158,270**	**19,068**	**6,177,338**
Items in the course of transmission to other banks	**10,872**	**—**	**10,872**
Liabilities under investment contracts	**165,677**	**(165,677)**	**—**
Derivatives	**13,747**	**—**	**13,747**
Accruals, deferred income and other liabilities	**55,525**	**(10,118)**	**45,407**
Current tax liabilities	**35,901**	**(4,289)**	**31,612**
Insurance contract liabilities	**519,177**	**(519,177)**	**—**
Provisions	**20,808**	**(754)**	**20,054**
Deferred tax liabilities	**3,429**	**—**	**3,429**
Borrowings from a group undertaking	**90,000**	**—**	**90,000**
Subordinated liabilities	**65,000**	**—**	**65,000**
Total liabilities at 31 Dec 2024	**7,140,804**	**(680,947)**	**6,459,857**
Equity			
Called up share capital	**108,092**	**—**	**108,092**
Revaluation reserve	**11,513**	**—**	**11,513**
Retained earnings[1]	**481,317**	**(26,931)**	**454,386**
Total equity at 31 Dec 2024	**600,922**	**(26,931)**	**573,991**
Total liabilities and equity at 31 Dec 2024	**7,741,726**	**(707,878)**	**7,033,848**

Table 4: Reconciliation of regulatory own funds to balance sheet in the audited financial statements (EU CC2) (continued)

	Balance sheet as in published financial statements	De-consolidation of insurance entity	Regulatory balance sheet
	€000	€000	€000
Assets			
Balances with Central Bank of Malta, Treasury Bills and cash	1,676,639	—	1,676,639
Items in course of collection from other banks	8,427	—	8,427
Financial assets mandatorily measured at fair value through profit or loss	693,024	(693,024)	—
Derivatives	13,577	—	13,577
Loans and advances to banks	720,583	(4,443)	716,140
Loans and advances to customers	3,083,843	—	3,083,843
Financial investments	1,315,859	—	1,315,859
Prepayments, accrued income and other assets	33,699	(3,287)	30,412
Current tax assets	1,153	(832)	321
Reinsurance contract assets	2,557	(2,557)	—
Non-current assets held for sale	5,816	—	5,816
Investment in subsidiaries	—	28,578	28,578
Right-of-use assets	2,284	—	2,284
Property, plant and equipment	51,694	(3)	51,691
Intangible assets	20,762	(406)	20,356
Deferred tax assets	31,002	(379)	30,623
Total assets at 31 Dec 2023	7,660,919	(676,353)	6,984,566
Liabilities and equity			
Deposits by banks	5,117	—	5,117
Customer accounts	6,141,520	32,968	6,174,488
Items in the course of transmission to other banks	18,359	—	18,359
Liabilities under investment contracts	156,958	(156,958)	—
Derivatives	5,748	—	5,748
Accruals, deferred income and other liabilities	55,055	(14,428)	40,627
Current tax liabilities	35,190	—	35,190
Insurance contract liabilities	519,363	(519,363)	—
Provisions	21,849	(1,130)	20,719
Deferred tax liabilities	3,727	—	3,727
Borrowings from a group undertaking	90,000	—	90,000
Subordinated liabilities	65,000	—	65,000
Total liabilities at 31 Dec 2023	7,117,886	(658,911)	6,458,975
Equity			
Called up share capital	108,092	—	108,092
Revaluation reserve	10,408	—	10,408
Retained earnings[1]	424,533	(17,442)	407,091
Total liabilities at 31 Dec 2023	543,033	(17,442)	525,591
Total liabilities and equity at 31 Dec 2023	7,660,919	(676,353)	6,984,566

1 The retained earnings also includes other movements in the equity. The balance sheet components are used in the calculation of the regulatory capital in table Own funds disclosure EU CC1. This table shows items at their accounting values which might be subject to adjustments in the calculation of regulatory capital.

Table 5: Principal entities with a different regulatory and accounting scope of consolidation (LI3)

			At 31 Dec 2024			
			Method of regulatory consolidation			
	Principal activities	Method of accounting consolidation	**Fully consolidated**	**Proportional consolidation**	**Neither consolidated nor deducted**	**Deducted from capital subject to thresholds[1]**
HSBC Bank Malta p.l.c.	Credit Institution	Fully consolidated	◆			
HSBC Global Asset Management (Malta) Ltd.	Fund Management	Fully consolidated	◆			
HSBC Life Assurance (Malta) Ltd	Life Assurance	Fully consolidated				◆

1 As at 31 December 2024 the investment in HSBC Life Assurance (Malta) Ltd. did not exceed the thresholds and was therefore risk weighted at 250%.

Risk management

Our risk management framework

We use a comprehensive risk management approach across the organisation and across all risk types, underpinned by our culture and values. This is outlined in our risk management framework, including the key principles and practices that we employ in managing material risks, both financial and non-financial. Whilst the framework fosters continuous monitoring of the risk environment, it also promotes risk awareness, and a sound operational and strategic decision making and escalation process. It supports a consistent approach to identifying and assessing, defining and enabling, managing and reporting and governing the risks we accept and incur in our activities with clear accountabilities. We actively review and develop our risk management framework and enhance our approach to managing risk.

Culture

HSBC has long recognised the importance of a strong culture. Our culture refers to our shared attitudes, values and standards that shape behaviours related to risk awareness, risk taking and risk management. It is instrumental in aligning the behaviours of individuals with our attitude to assuming and managing risk, which helps to ensure that our risk profile remains in line with our risk appetite. All our people are responsible for the management of risk, with the ultimate accountability residing with the Board. The fostering of a strong culture is a key responsibility of our senior executives.

Our culture is also reinforced by our approach to remuneration. Individual awards including those for senior executives are based on compliance with our values and the achievement of financial and non-financial objectives, which are aligned to our risk appetite and global strategy. We seek to build our business for the long term by balancing social, environmental and economic considerations in the decisions we make. Our strategic priorities are underpinned by our endeavour to operate in a sustainable way. This helps us to carry out our social responsibility and manage the risk profile of the business. In addition to other risks, we are committed to managing and mitigating climate-related risks, both physical and transition risks and continue to incorporate consideration of these into how we manage and oversee risks internally and with our customers.

Risk governance

The Board has overall accountability for the effective risk management and control environment and approves our risk appetite. It is advised on risk-related matters by the Risk Committee. Executive accountability for the ongoing monitoring, assessment and management of the risk environment and the effectiveness of the risk management framework resides with the Chief Risk Officer who is supported by the Risk Management Meeting ('RMM') of the Executive Committee.

Day-to-day responsibility for risk management is delegated to senior managers with individual accountability for decision making. These senior managers are supported by global functions and all our people have a role to play in risk management. These roles are defined using the three lines of defence model, which takes into account our business and functional structures. We use a defined executive risk governance structure to ensure appropriate oversight and accountability for risk, which facilitates the reporting and escalation to the RMM.

Risk appetite

Risk appetite is a key component of our management of risk. It describes the type and quantum of risk that HSBC Bank Malta p.l.c. is willing to accept in achieving its strategic goals. At HSBC, risk appetite is managed through a global risk appetite framework and articulated in a risk appetite statement ('RAS') which is reviewed and approved by the Board during the year to make sure it remains fit for purpose. Our risk appetite informs our strategic and financial planning process, defining the desired forward-looking risk profile of the bank.

Risk management and internal control systems

The Directors are responsible for maintaining and reviewing the effectiveness of risk management and internal control systems, and for determining the aggregate level and risk types they are willing to accept in achieving HSBC Bank Malta p.l.c.'s business objectives. On behalf of the Board, the Audit Committee has responsibility for oversight of risk management and internal controls over financial reporting, whereas the Risk Committee has responsibility for oversight of risk management and internal controls other than for financial reporting.

Risk measurement and reporting systems

Our risk measurement and reporting systems are designed to help ensure that risks are comprehensively captured with all the attributes necessary to support well-founded decisions, that those attributes are accurately assessed, and that information is delivered in a timely manner for those risks to be successfully managed and mitigated. We continue to invest significant resources in IT systems and processes in order to maintain and improve our risk management capabilities.

HSBC Bank Malta p.l.c. leverages on the risk measurement and reporting structures, which provide a common operating model for integrated risk management and the control framework that is deployed at HSBC Group level. This model sets out the respective responsibilities of HSBC Group and HSBC Bank Malta p.l.c.'s risk and compliance functions in respect of risk governance and oversight, approval authorities and lending guidelines, scorecards, management information and reporting, and relations with third parties such as regulators and auditors.

Capital and Leverage

Capital management

Approach and policy

HSBC Bank Malta p.l.c.'s objective in managing its capital is to maintain appropriate levels of capital to support its business strategy and meet regulatory requirements at all times.

HSBC Bank Malta p.l.c. manages its capital to ensure that it exceeds current and expected future requirements. Throughout 2024 HSBC Bank Malta p.l.c. complied with the European Central Bank ('ECB') regulatory capital adequacy requirements. To achieve this, the bank manages its capital within the context of a capital plan which is approved by the Board of Directors of HSBC Bank Malta p.l.c. ('the Board') and which determines the appropriate amount and mix of capital.

The policy on capital management is underpinned by HBMT ICAAP procedure and HBMT Capital Plan Manual, which enables a consistent management of the capital.

The Internal Capital Adequacy Assessment Process ('ICAAP') aims at assessing the adequacy of the bank's capital resources with regards to its risk and requirements, and incorporates different assessment methods of the capital needs. These capital measures include economic capital and regulatory capital defined as follows:

- Economic capital is the internally calculated capital requirement which is deemed necessary by HSBC Bank Malta p.l.c. to support the risks to which it is exposed to; and,
- Regulatory capital is the level of capital which HSBC Bank Malta p.l.c. is required to hold in accordance with the rules set by the legislation and the ECB.

The following risks are managed through the capital management framework:

- Credit and Concentration risk;
- Operational risk;
- Market and CVA risk;
- Interest rate risk in the banking book;
- Climate risk; and
- Liquidity risk.

The Basel III framework introduces other capital buffers, such as the Capital Conservation Buffer ('CCB'), the Countercyclical Buffer ('CCyB'), the Sectoral Systemic Risk Buffer ('sSyRB'), the Pillar 2 Guidance ('P2G') and other systemic buffers such as the Globally/ Other Systematically Important Institutions ('G-SII'/'O-SII') buffer. CRR and CRD legislations implemented Basel III in the EU.

Stress testing

Stress testing is incorporated in the stress testing framework and is an important component of understanding the resilience of HSBC Bank Malta p.l.c. to a given scenario based on a set of risk factors. The scenarios are extreme but plausible events. Stress testing allows senior management to assess the bank's vulnerabilities and to formulate its response including risk mitigating actions based on the conditions reflected in the identified stress scenarios.

The actual market stresses experienced by the financial system in recent years have been used to inform the capital planning process and further develop the stress scenarios employed within HSBC Bank Malta p.l.c.

Internal stress tests (using internally defined scenarios defined to capture the specific risks faced by HSBC Bank Malta p.l.c.), reverse stress tests and sensitivity analysis are performed. HSBC Bank Malta p.l.c. takes into account the results of all regulatory and internal stress testing when assessing internal capital requirements.

Risks to capital

A list of risks with associated potential impact on HSBC Bank Malta p.l.c.'s capital ratios are reviewed regularly. These risks could potentially affect either the Risk-Weighted Assets ('RWAs') and/or the capital position. These risks are monitored regularly within the Asset and Liability Management Committee ('ALCO') and the Risk Management Meeting ('RMM'). Scenario analysis are performed for the relevant categories of risk. The downside scenario is assessed against our capital management objectives and embedded in the capital risk appetite.

HSBC Bank Malta p.l.c.'s approach to manage its capital position aims at ensuring that the bank complies with the current regulatory requirements and internal risk appetite, as well as to ensure that future regulatory requirements are considered.

Regulatory capital framework

For regulatory purposes, the capital base can be divided into three tiers; the Common Equity Tier 1, Additional Tier 1, and Tier 2 capital. These are classified based on the degree of permanence and loss absorbency exhibited. HSBC Bank Malta p.l.c.'s capital base is made up of the Common Equity Tier 1 and Tier 2 capital, as it holds no instruments under Additional Tier 1.

Common Equity Tier 1 ('CET1') capital is the highest quality form of capital, comprising shareholders' equity and related non-controlling interests (subject to limits). Under CRR/CRD various capital deductions and regulatory adjustments are made against these items; these include deductions for intangible assets, deferred tax assets that rely on future profitability as well as prudential recognition for non-performing exposures.

Tier 2 ('T2') capital comprises of eligible subordinated debt and any related share premiums.

T2 capital instruments are either perpetual subordinated instruments or dated instruments on which there is an obligation to pay coupons. These instruments or subordinated loans comprise dated loan capital repayable at par on maturity and must have an original maturity of at least five years. Some subordinated loan capital may be called and redeemed by the issuer subject to prior consent from the ECB. It is a regulatory requirement that Tier 2 instruments are amortised on a straight line basis in their final five years to maturity, thus reducing the amount of capital that is recognised for regulatory purposes.

Our T2 capital consists of subordinated debt with HSBC Continental Europe ('HBCE') which is repayable at par on maturity. However, the borrower has the option for early repayment, subject to prior consent from the ECB.

As at 31 December 2024, the bank's Tier 2 capital consisted of €65,000,000 subordinated unsecured loan stock issued to HBCE. The term of the subordinated loan is 10 years with a maturity date of 14 December 2033 and an option of early redemption after five years. It bears interest at a rate equal to three-month Euribor plus a margin of 237 basis points.

The subordinated liabilities will, in the event of the winding up of the bank, be subordinated to the claims of depositors and other creditors.

The bank did not have any defaults of interest or other breaches with respect to its subordinated liabilities during the current and comparative periods.

Table EU CCA is the list of the main features of HSBC Bank Malta p.l.c. regulatory capital instruments prepared in accordance with Part Eight Article 437 of the CRR.

Table 6: Main features of regulatory own funds instruments and eligible liabilities instruments (EU CCA)

	Capital Instruments Main Features	HSBC Ordinary shares	Subordinated Tier 2 Regulatory Capital 2033
1	Issuer	HSBC Bank Malta p.l.c.	HSBC Bank Malta p.l.c.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	MT0000030107	N/A
2a	Public or private placement	Public	Private
3	Governing law(s) of the instrument	Maltese Law	Maltese Law
	Regulatory Treatment	—	—
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1	Tier 2
5	Post-transitional CRR rules	Common Equity Tier 1	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-) consolidated	Solo and (Sub) consolidated	Solo and (Sub) consolidated
7	Instrument type (types to be specified by each jurisdiction)	Common Equity Tier 1 instrument	Tier 2 instrument
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	108.09	65
9	Nominal amount of instrument	108,091,800	65,000,000
EU-9a	Issue price	N/A	At par (€100 per bond)
EU-9b	Redemption price	N/A	At €100
10	Accounting classification	Share Equity	Liability – amortised cost
11	Original date of issuance	January 27, 1993*	December 14, 2023
12	Perpetual or dated	N/A	Dated
13	Original maturity date	No	December 14, 2033
14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	December 14, 2028
16	Subsequent call dates, if applicable	N/A	N/A
	Coupons/dividends		N/A
17	Fixed or floating dividend/ coupon	Floating	Floating
18	Coupon rate and any related index	N/A	3 month EURIBOR +237 bps
19	Existence of dividend stopper	No	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Mandatory
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary	Mandatory
21	Existence of step up or other incentive to redeem	N/A	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Convertible
30	Write-down features	No	No
35	Position in subordination hierarchy in liquidation	Subordinated to HSBC Subordinated Tier 2 Capital	Subordinated to senior creditors and depositors
36	Non-compliant transitional features	No	No

* Date when the bank was initially listed on the Malta Stock Exchange.

The full Terms and Conditions ('T&Cs') of the HSBC Ordinary Shares are available in the Memorandum and Articles of Association; an electronic copy is available on our website (https://www.about.hsbc.com.mt/investor-relations) under section Company Notifications – Announcements. The full T&Cs of the T2 Regulatory Capital 2033 is available by contacting the Company Secretary of HSBC Bank Malta p.l.c. (companysecretarymalta@hsbc.com). Information with respect to any capital instrument in these documents should not be used for investment advice and does not constitute an offer to sell or solicitation of an offer to buy any such capital instrument or any advice or recommendation with respect to any such capital instrument. When making a decision about investments, investors as well as prospective investors should seek the advice of a professional financial adviser.

Further to the above, the local group's total own funds include other items the terms of which are described below.

The own funds disclosure template ('EU CC1') is presented in accordance with Article 437 of the CRR.

Table 7: Composition of regulatory own funds (EU CC1)

		At	
		31 Dec 2024	31 Dec 2023
Ref		€000	€000
	Common equity tier 1 ('CET1') capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	108,092	108,092
	– of which: ordinary shares	108,092	108,092
2	Retained earnings[1]	387,189	337,718
3	Accumulated other comprehensive income (and other reserves)	11,513	10,408
3a	Funds for general banking risk (related to BR09)	—	—
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	—	—
5	Minority interests (amount allowed in consolidated CET1)	—	—

Table 7: Composition of regulatory own funds (EU CC1) (continued)

		At	
		31 Dec 2024	31 Dec 2023
Ref		**€000**	€000
EU-5a	Independently reviewed profits net of any foreseeable charge or dividend	**39,093**	48,295
6	**Common equity tier 1 capital before regulatory adjustments**	**545,887**	504,513
	Common equity tier 1 capital: regulatory adjustments		
7	Additional valuation adjustments[2]	**(1,416)**	(863)
8	Intangible assets (net of related tax liability) (negative amount)	**(10,330)**	(10,942)
9	Not applicable	**—**	—
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	**—**	—
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	**—**	—
12	Negative amounts resulting from the calculation of expected loss amounts	**—**	—
13	Any increase in equity that results from securitised assets (negative amount)	**—**	—
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	**—**	—
15	Defined-benefit pension fund assets (negative amount)	**—**	—
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	**—**	—
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	**—**	—
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	**—**	—
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	**—**	—
20	Not applicable	**—**	—
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	**—**	—
EU-20b	– of which: qualifying holdings outside the financial sector (negative amount)	**—**	—
EU-20c	– of which: securitisation positions (negative amount)	**—**	—
EU-20d	– of which: free deliveries (negative amount)	**—**	—
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	**—**	—
22	Amount exceeding the 17.65% threshold (negative amount)[3]	**—**	—
23	– of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	**—**	—
24	Not applicable	**—**	—
25	– of which: deferred tax assets arising from temporary differences	**—**	—
EU-25a	Losses for the current financial year (negative amount)		
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	**—**	—
26	Not applicable	**—**	—
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	**—**	—
27a	Other regulatory adjustments	**(40,425)**	(37,637)
28	**Total regulatory adjustments to Common equity tier 1 (CET1)**	**(52,171)**	(49,442)
29	**Common equity tier 1 ('CET1') capital**	**493,716**	455,071
	Additional Tier 1 ('AT1') capital: instruments		
30	Capital instruments and the related share premium accounts	**—**	—
31	– of which: classified as equity under applicable accounting standards	**—**	—
32	– of which: classified as liabilities under applicable accounting standards	**—**	—
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	**—**	—
EU-33a	Amount of qualifying items referred to in Article 494a(1) subject to phase out from AT1	**—**	—
EU-33b	Amount of qualifying items referred to in Article 494b(1) subject to phase out from AT1	**—**	—
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	**—**	—
35	– of which: instruments issued by subsidiaries subject to phase out	**—**	—

Table 7: Composition of regulatory own funds (EU CC1) (continued)

Ref		At 31 Dec 2024 €000	At 31 Dec 2023 €000
36	**Additional Tier 1 (‘AT1’) capital before regulatory adjustments**	—	—
	Additional Tier 1 (‘AT1’) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	—	—
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	—	—
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	—	—
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	—	—
41	Not applicable	—	—
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	—	—
42a	Other regulatory adjustments to AT1 capital	—	—
43	**Total regulatory adjustments to Additional Tier 1 (‘AT1’) capital**	—	—
44	**Additional Tier 1 (‘AT1’) capital**	—	—
45	**Tier 1 capital (T1 = CET1 + AT1)**	**493,716**	455,071
	Tier 2 (‘T2’) capital: instruments		
46	Capital instruments and the related share premium accounts	**65,000**	65,000
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2 as described in Article 486 (4) CRR		
EU-47a	Amount of qualifying items referred to in Article 494a (2) subject to phase out from T2	—	—
EU-47b	Amount of qualifying items referred to in Article 494b (2) subject to phase out from T2	—	—
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	—	—
49	– of which: instruments issued by subsidiaries subject to phase out	—	—
50	Credit risk adjustments	—	—
51	**Tier 2 (‘T2’) capital before regulatory adjustments**	**65,000**	65,000
	Tier 2 (‘T2’) capital: regulatory adjustments		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	—	—
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	—	—
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	—	—
54a	Not applicable	—	—
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	—	—
56	Not applicable	—	—
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	—	—
56b	Other regulatory adjustments to T2 capital	—	—
57	**Total regulatory adjustments to Tier 2 (‘T2’) capital**	—	—
58	**Tier 2 (‘T2’) capital**	**65,000**	65,000
59	**Total capital (TC = T1 + T2)**	**558,716**	520,071
60	Total Risk exposure amount	**2,185,695**	2,213,655
	Capital ratios and buffers		
61	Common equity tier 1 %	**22.6**	20.6
62	Tier 1 %	**22.6**	20.6
63	Total capital %	**25.6**	23.5
64	Institution CET1 overall capital requirements %	**10.3**	9.9
65	– of which: capital conservation buffer requirement %	**2.5**	2.5

Table 7: Composition of regulatory own funds (EU CC1) (continued)

		At	
		31 Dec 2024	31 Dec 2023
Ref		**€000**	€000
66	– of which: counter cyclical buffer requirement %	**0.1**	—
67	– of which: systemic risk buffer requirement %	**0.6**	0.4
EU-67a	– of which: Global Systemically Important Institution ('G-SII') or Other Systemically Important Institution ('O-SII') buffer %	**1.3**	1.3
EU-67b	– of which: additional own funds requirements to address the risks other than the risk of excessive leverage %	**1.4**	1.3
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements %	**14.7**	12.9
69	Not applicable	**—**	—
70	Not applicable	**—**	—
71	Not applicable	**—**	—
	Amounts below the threshold for deduction (before risk weighting)		
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	**—**	—
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	**28,578**	28,578
74	Not applicable	**—**	—
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability)	**22,604**	30,623
	Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	**—**	—
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	**—**	—
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	**—**	—
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	**—**	—
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	**—**	—
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	**—**	—
82	Current cap on AT1 instruments subject to phase out arrangements	**—**	—
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	**—**	—
84	Current cap on T2 instruments subject to phase out arrangements	**—**	—
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	**—**	—

1 The retained earnings in the disclosure template above does not agree with the retained earnings in the consolidated results reported by the local group under IFRS due to the exclusion of the subsidiary engaged in insurance activities from the regulatory consolidation. Furthermore, the amount represents the closing retained earnings excluding profit for the period after proposed dividends.
2 Additional valuation adjustments are deducted from CET1. These are calculated on all assets and liabilities measured at fair value.
3 At 31 December 2024 the investment in HSBC Life Assurance (Malta) Ltd. did not exceed the thresholds and was therefore risk weighted at 250%.

Table 8: Reconciliation between accounting and regulatory scope of consolidation

	At	
	31 Dec 2024	31 Dec 2023
	€000	€000
Common Equity Tier 1 ('CET') capital		
Called up share capital	**108,092**	108,092
Retained earnings	**481,317**	424,533
Revaluation reserve	**11,513**	10,408
Adjustments		
– depositor compensation scheme	**(12,982)**	(12,735)
– intangible assets	**(10,330)**	(10,942)
– expected final dividend	**(28,104)**	(21,078)
– retained earnings - HSBC Life Assurance (Malta) Ltd	**(26,931)**	(17,442)
– prudential valuation adjustment	**(1,416)**	(863)
– IFRS 9 transitional adjustments	**573**	4,672
– single resolution fund	**(1,760)**	(1,760)
– non performing loans	**(26,256)**	(27,814)
	493,716	455,071
Tier 2 capital		
Subordinated liabilities	**65,000**	65,000
	65,000	65,000
Total own funds	**558,716**	520,071

Leverage ratio

The leverage ratio is a non-risk-based limit to supplement risk-based capital requirements. It aims at constraining the build-up of excess leverage in the banking sector, introducing additional safeguards against model risk and measurement errors. The leverage ratio is a volume-based measure calculated as Tier 1 capital divided by total weighted on and off balance sheet exposures, with further netting possibilities on market instruments.

The risk of excess leverage is managed as part of HSBC Bank Malta p.l.c.'s risk management framework and monitored using a leverage ratio metric within the Risk Appetite Statement ('RAS').

The RAS articulates the aggregate level and types of risk that HSBC Bank Malta p.l.c. is willing to accept in its business activities in order to achieve its strategic business objectives.

The RAS is monitored via the risk appetite profile report, which is presented monthly to the RMM.

The leverage exposure measure is also presented to the Asset and Liability Management Committee ('ALCO') every month.

The following is the local group's leverage ratio determined in accordance with the requirements stipulated by implementing regulation EU 2016/200 and ratified under regulation EU 2019/876.

Table EU LR1 gives a summary of the reconciliation between accounting assets and the leverage ratio exposures, whereas table EU LR2 gives a comprehensive disclosure of the leverage ratio.

Table 9: Summary reconciliation of accounting assets and leverage ratio exposures (EU LR1)

		At	
		31 Dec 2024	31 Dec 2023
		€000	€000
1	Total assets as per published financial statements	**7,741,726**	7,660,919
	Adjustments for:		
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	**(707,878)**	(676,353)
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	**—**	—
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	**—**	—
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with point (i) of Article 429a(1) ('CRR')	**—**	—
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	**—**	—
7	Adjustment for eligible cash pooling transactions	**—**	—
8	Adjustment for derivative financial instruments	**25,677**	25,682
9	Adjustment for securities financing transactions ('SFTs')	**—**	—
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	**255,366**	192,566
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	**—**	—
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	**—**	—
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	**—**	—
12	Other adjustments	**(52,171)**	(53,519)
13	**Total exposure measure**	**7,262,720**	7,149,295

Table 10: Leverage ratio common disclosure (EU LR2)

		At	
		31 Dec 2024	31 Dec 2023
		€000	€000
	On-balance sheet exposures (excluding derivatives)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	**7,016,606**	6,966,912
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	**—**	—
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	**—**	—
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	**—**	—
5	(General credit risk adjustments to on-balance sheet items)	**—**	—
6	(Asset amounts deducted in determining Tier 1 capital)	**(52,171)**	(49,442)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**6,964,435**	6,917,470
	Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	**24,088**	19,008
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	**—**	—
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	**18,831**	20,251
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	**—**	—
EU-9b	Exposure determined under Original Exposure Method	**—**	—
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	**—**	—
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	**—**	—
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (original Exposure Method)	**—**	—
11	Adjusted effective notional amount of written credit derivatives	**—**	—
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	**—**	—
13	**Total derivative exposures**	**42,919**	39,259

Table 10: Leverage ratio common disclosure (EU LR2) (continued)

		At	
		31 Dec 2024	31 Dec 2023
		€000	€000
	Securities financing transaction ('SFT') exposures		
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	**—**	—
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	**—**	—
16	Counterparty credit risk exposure for SFT assets	**—**	—
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	**—**	—
17	Agent transaction exposures	**—**	—
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	**—**	—
18	Total securities financing transaction exposures	**—**	—
	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	**1,145,351**	1,021,913
20	(Adjustments for conversion to credit equivalent amounts)	**(889,985)**	(829,347)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	**—**	—
22	**Off-balance sheet exposures**	**255,366**	192,566
	Excluded exposures		
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	**—**	—
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))	**—**	—
EU-22c	(Excluded exposures of public development banks (or units) – Public sector investments)	**—**	—
EU-22d	(Excluded exposures of public development banks (or units) – Promotional loans): – Promotional loans granted by a public development credit institution – Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State – Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)	**—**	—
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units)): – Promotional loans granted by a public development credit institution – Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State – Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)	**—**	—
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	**—**	—
EU-22g	(Excluded excess collateral deposited at triparty agents)	**—**	—
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	**—**	—
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	**—**	—
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	**—**	—
EU-22k	(Total exempted exposures)	**—**	—
	Capital and total exposure measure		
23	**Tier 1 capital**	**493,716**	455,071
24	**Total exposure measure**	**7,262,720**	7,149,295
	Leverage ratios		
25	Leverage ratio (%) – transitional	**6.8**	6.4
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	**6.8**	6.4
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	**6.8**	6.4
26	Regulatory minimum leverage ratio requirement (%)	**3.0**	3.0
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	**—**	—
EU-26b	– of which: to be made up of CET1 capital (percentage points)	**—**	—
27	Leverage ratio buffer requirement (%)	**—**	—
EU-27a	Overall leverage ratio requirement (%)	**3.0**	3.0
	Choice on transitional arrangements and relevant exposures		
EU-27b	Choice on transitional arrangements for the definition of the capital measure	**Transitional**	Transitional
	Disclosure of mean values		
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	**—**	—
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	**—**	—
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	**7,262,720**	7,149,295
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	**7,262,720**	7,149,295
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	**6.8**	6.4
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	**6.8**	6.4

Table 11: Leverage ratio – Split of on-balance sheet exposures (excluding derivatives and exempted exposures) (EU LR3)

		At	
		31 Dec 2024	31 Dec 2023
		€000	€000
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)**	**7,016,606**	6,966,912
EU-2	Trading book exposures	**—**	—
EU-3	Banking book exposures, – of which:	**7,016,606**	6,966,912
EU-4	Covered bonds	**—**	—
EU-5	Exposures treated as sovereigns	**1,939,481**	2,271,521
EU-6	Exposures to regional governments, multilateral development banks ('MDB'), international organisations and public sector entities not treated as sovereigns	**1,572,776**	891,106
EU-7	Institutions	**619,567**	716,677
EU-8	Secured by mortgages of immovable properties	**1,831,043**	2,051,333
EU-9	Retail exposures	**389,556**	341,815
EU-10	Corporates	**457,721**	459,239
EU-11	Exposures in default	**54,005**	83,664
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	**152,457**	151,557

Capital buffers

The local group is compliant with the CRD capital requirements. Banking Rule BR/15: 'Capital Buffers of Credit Institutions authorised under the Banking Act 1994, which requires additional buffers, namely the 'capital conservation buffer ('CCb')', the 'countercyclical buffer ('CCyB')', 'other systemically important institutions ('O-SII') buffer' and the 'systemic risk buffer'. Automatic restrictions on capital distributions apply if the local group's CET1 capital falls below the level of its CRD combined buffer – Maximum Distributable Amount ('MDA') threshold.

In addition to the CET1 capital, the local group is required to keep a capital conservation buffer equal to 2.5% in accordance with Article 129 of Directive 2013/36/EU, an O-SII buffer of 1.5% which is capped at 1.25% as determined by the competent authority under Article 131 of Directive 2013/36/EU, and the institution-specific countercyclical buffer as determined by Article 140 (1) of Directive 2013/36/EU. These capital buffers are to be composed of CET1 capital as a percentage of the Risk Weighted Assets.

The countercyclical capital buffer is an additional capital buffer and is designed to counter pro-cyclicality in the financial system. When cyclical systemic risk is judged to be increasing, the national authorities would increase the CCyB rate so institutions would accumulate capital to create buffers that strengthen the resilience of the banking sector during period of stress when losses materialise.

CRD contemplates a countercyclical buffer in the form of an institution-specific countercyclical buffer and the application of increased requirements to address macro-prudential or systemic risk. This is expected to be set in the range of 0-2.5% of relevant credit exposure RWAs, whereby the rate shall consist of the weighted average of the 'countercyclical buffer' rates that apply in the jurisdiction where the relevant exposures are located. Given that the local group's exposures are mainly contained within Malta, this buffer results in a marginal percentage.

The tables below disclose the geographical distribution of the bank's credit exposure relevant to the calculation of the institution-specific countercyclical buffer rate and the amount of institution-specific countercyclical capital buffer. The disclosures are performed in accordance with Article 440 of Regulation (EU) 575/2013.

Table 12: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer (EU CCyB1)

		Group						
		General credit exposures		Own funds requirement				
		Exposure value for SA[^,1,2]	Total exposure value	Relevant credit risk exposures – Credit risk	Total	Risk-weighted exposure amounts	Own funds requirements weights	Counter-cyclical capital buffer rate
10	Breakdown per country	€000	€000	€000	€000	€000	%	%
	Malta	**2,886,565**	**2,886,565**	**122,615**	**122,615**	**1,532,688**	**94.34**	**—**
	France	**60,494**	**60,494**	**4,806**	**4,806**	**60,075**	**3.70**	**1.0**
	United Kingdom	**40,791**	**40,791**	**1,717**	**1,717**	**21,462**	**1.32**	**2.0**
	Germany	**1,595**	**1,595**	**66**	**66**	**825**	**0.05**	**0.8**
	Belgium	**1,364**	**1,364**	**53**	**53**	**662**	**0.04**	**1.0**
	Luxembourg	**739**	**739**	**24**	**24**	**300**	**0.02**	**0.5**
	Ireland	**677**	**677**	**28**	**28**	**350**	**0.02**	**1.5**
	Netherlands	**638**	**638**	**22**	**22**	**275**	**0.02**	**2.0**
	Cyprus	**602**	**602**	**21**	**21**	**263**	**0.02**	**1.0**
	Hong Kong	**200**	**200**	**6**	**6**	**75**	**—**	**0.5**
	Australia	**143**	**143**	**4**	**4**	**50**	**—**	**1.0**
	Slovakia	**130**	**130**	**4**	**4**	**50**	**—**	**1.5**
	Norway	**124**	**124**	**3**	**3**	**38**	**—**	**2.5**
	Sweden	**26**	**26**	**1**	**1**	**13**	**—**	**2.0**
	Lithuania	**23**	**23**	**1**	**1**	**12**	**—**	**1.0**
	Bulgaria	**17**	**17**	**—**	**—**	**—**	**—**	**2.0**
	Armenia	**6**	**6**	**—**	**—**	**—**	**—**	**1.5**
	Hungary	**4**	**4**	**—**	**—**	**—**	**—**	**0.5**
	Latvia	**—**	**—**	**—**	**—**	**—**	**—**	**0.5**
	Others	**13,306**	**13,306**	**608**	**608**	**7,600**	**0.47**	**—**
20	**Total at 31 Dec 2024**	**3,007,444**	**3,007,444**	**129,979**	**129,979**	**1,624,738**	**100.00**	
	Malta	3,101,263	3,101,263	129,195	129,195	1,614,937	96.28	—
	France	55,829	55,829	4,466	4,466	55,825	3.33	0.5
	United Kingdom	12,922	12,922	492	492	6,150	0.37	2.0
	Germany	50	50	2	2	25	—	0.8
	Ireland	33	33	2	2	25	—	1.0
	Luxembourg	8	8	—	—	—	—	0.5
	Lithuania	6	6	—	—	—	—	1.0
	Norway	1	1	—	—	—	—	2.5
	Sweden	1	1	—	—	—	—	2.0
	Australia	—	—	—	—	—	—	1.0
	Bulgaria	—	—	—	—	—	—	2.0
	Cyprus	—	—	—	—	—	—	0.5
	Hong Kong	—	—	—	—	—	—	1.0
	Netherlands	—	—	—	—	—	—	1.0
	Romania	—	—	—	—	—	—	1.0
	Others	850	850	23	23	288	0.02	—
20	Total at 31 Dec 2023	3,170,963	3,170,963	134,180	134,180	1,677,250	100.00	

^ Figures have been prepared on an IFRS 9 transitional basis.
1 Column 'Exposure value for SA' represents the exposure at default ('EAD') amounts and is disclosed as per the EBA guidelines; EAD is the value of exposures after deducting provisions and credit risk mitigants.
2 Exposure less than €500 cannot be displayed as amounts are shown in €000.

Table 13: Amount of institution-specific countercyclical capital buffer (EU CCyB2)

		Group[^]	
		31 Dec 2024	31 Dec 2023
		€000	€000
1	Total risk exposure amount	**2,185,695**	2,213,655
2	Institution specific countercyclical capital buffer rate (%)	**0.07**	0.02
3	Institution specific countercyclical capital buffer requirement	**1,427**	532

^ Figures have been prepared on an IFRS 9 transitional basis.

Pillar 1

The capital requirements for credit risk, market risk, and operational risk are covered in Pillar 1. Both counterparty and non-counterparty credit risk requirements are included in credit risk. RWAs are used to describe these requirements. The table gives data on the extent of reasonable methodologies and our adopted approach by risk type.

Risk category	Scope of permissible approaches	Approach adopted by HSBC Bank Malta p.l.c.
Non-counterparty Credit risk	CRR allows three approaches for the calculation of Pillar 1 credit risk capital requirements. The standardised approach requires banks to use external credit ratings to determine the risk weightings applied to rated counterparties. Other counterparties are classified into broad categories and standardised risk weightings are applied to these categories. The internal ratings-based ('IRB') foundation approach, allows banks to calculate their credit risk capital requirements on the basis of their internal assessment of a counterparty's probability of default ('PD'), while their estimates of exposure at default ('EAD') and loss given default ('LGD') are subject to standard supervisory parameters. Finally, the IRB Advanced approach allows banks to use their own internal assessment in both determining PD and quantifying EAD and LGD. On the IRB approach expected losses are assessed by multiplying EAD by PD and LGD. The capital requirement is intended to cover unexpected losses. It is based on a formula which combines PD, LGD, EAD and other variables such as maturity and correlation.	We have adopted the standardised approach for our business, whereby risk weights are determined by exposure class, credit risk mitigation and credit ratings as outlined in CRR.
Counterparty credit risk	Two approaches to calculating CCR and determining exposures are defined by the CRR: the Standardised Approach ('SA-CCR') and the Internal Model Method ('IMM'). These exposures are used to determine capital requirements using the applicable credit risk approach: standardised, IRB foundation or IRB advanced. CRR also sets two approaches for calculating Credit Valuation Adjustment ('CVA') risk capital charges: an advanced methodology that is only available to institutions that have approved internal models, and a standardised approach.	We use the Standardised Approach to calculate the CCR exposure value and CVA.
Equity	Non-trading book equity exposures can be assessed under the standardised or IRB approaches.	We report all non trading book equity exposures under the Standardised Approach.
Securitisation	The securitisation framework under CRR prescribes the following approaches: – internal ratings-based approach ('SEC-IRBA'); – external ratings-based approach ('SEC-ERBA'); – internal assessment approach ('IAA'); and – standardised approach ('SEC-SA').	We do not engage in securitisation activities.
Market risk	Market risk capital requirements can be determined under either the standard rules or the Internal Models Approach ('IMA'). The latter involves the use of internal Value at Risk ('VaR') models to measure market risks and determine the appropriate capital requirement. In addition to the VaR models, other internal models are used, which include Stressed VaR and Incremental Risk Charge ('IRC').	We calculate the market risk capital requirement using the standardised rules.
Operational risk	The CRR includes a capital requirement for operational risk, based on three levels of sophistication. The capital required under the basic indicator approach is a simple percentage of gross revenues. Under the standardised approach, banks apply different percentages to the total operating income to each of eight defined business lines. The advanced measurement approach uses banks' own statistical analysis and modelling of operational risk data to determine capital requirements.	We use the standardised approach in determining our operational risk capital requirements.

Pillar 2 and ICAAP

Pillar 2

Article 73 of Directive 2013/36/EU requests institutions to have in place sound, effective, comprehensive strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital to cover the nature and level of risks that the institution might be exposed to.

The scope of Pillar 2 is to reinforce the minimum capital requirements of Pillar 1 which includes efforts by banks to assess their capital adequacy and by supervisors to review such assessment.

A major tool of the Pillar 2 is the Internal Capital Adequacy Assessment Process ('ICAAP'), conducted by HSBC Bank Malta p.l.c. to determine a forward-looking assessment of its capital requirements given its business strategy, risk profile, risk appetite and capital plan. As part of this ICAAP, a range of stress tests are applied to the bank's capital plan. These tests, coupled with the economic capital framework are used to assess the internal capital adequacy. This assessment process is summarised in an annual ICAAP report which is approved by the Board of HSBC Bank Malta p.l.c.. A capital adequacy statement ('CAS') is issued to the Joint Supervisory Team, providing the views of management on the capital adequacy of HSBC Bank Malta p.l.c. and is signed off by the executive and the Board of Directors.

The ECB as set out in the SSM regulation (Council regulation (EU) No 1024/2013) and the SSM Framework Regulation (Regulation (EU) No 468/2014 of the ECB), is assisted through the EBA/GL/2018/03 to determine the Pillar 2 requirement ('P2R') and Pillar 2 guidelines ('P2G'). The aforesaid report is a guideline on the revised common procedures and methodologies for the supervisory review and evaluation process ('SREP') and supervisory stress testing. The SREP is transposed into P2R which are added to the Pillar 1 requirements ('P1R'). The total SREP capital requirements which is composed only of the P1R and the P2R requirements add-on applicable on the total capital ratio, is the ratio that banks should respect under stressed scenarios. As a result of the annual SREP, conducted by the ECB, the P2R for HSBC Bank Malta p.l.c. is at 2.5%. The P2R is to be held in the form of 56.25% of CET1 and 75% of Tier 1, as a minimum.

The overall capital requirement ('OCR') applicable on total capital is composed of the P1R and the P2R add-on and the cumulated regulatory buffers. This stands as the applicable regulatory minimum on total capital for a bank falling under ECB supervision. HSBC Bank Malta p.l.c. is required to meet on a consolidated basis a minimum capital ratio of at least 14.89%. The OCR is composed of the 8% P1R, the 2.5% P2R and 4.39% Combined Buffer Requirement ('CBR'). The requirement of CET1 is 10.30% excluding P2G.

Internal capital adequacy assessment process

ALCO, the Risk Committee and ultimately the Board examine HSBC Bank Malta p.l.c. regulatory and economic capital profiles in order to ensure that capital resources:

- remain sufficient to support the bank's risk profile and outstanding commitments;
- exceed current regulatory requirements and that the bank is well placed to meet those expected in the future;
- allow the bank to remain adequately capitalised in the event of a severe economic downturn stress scenario; and
- remain consistent with the strategic and operational goals, meeting the shareholders and investors' expectations.

Stress testing forms an integral part of the ICAAP and highlights potential adverse and unexpected outcomes that could arise. The ICAAP provides a quantitative indication of how much capital might be required to absorb the losses should such scenarios occur.

The economic capital assessment is a risk-sensitive measure as it covers a wider range of risks. Both the regulatory and the economic capital assessments rely upon the use of models that are integrated into the management of risk. Economic capital models are calibrated to quantify the level of capital that is sufficient to absorb potential losses over a one-year time horizon.

The ICAAP and its constituent economic capital calculations are examined by the Joint Supervisory Team as part of its supervisory review and evaluation process. The ICAAP examination coupled with the EBA stress testing exercise inform the regulator's view of the P2R and P2G.

A strong level of integration between risk and capital management frameworks helps optimising the response to business demand for regulatory and economic capital. Risks that are explicitly assessed through economic capital are credit risk including credit concentration risk, market risk, CVA risk, operational risk, interest rate risk in the banking book, liquidity risk and climate risk.

Minimum Requirement for own funds and Eligible Liabilities ('MREL')

The Minimum Requirement for Own Funds and Eligible Liabilities ('MREL') is set by the Single Resolution Board ('SRB') to ensure that banks maintain at all times sufficient eligible instruments to facilitate the implementation of the preferred resolution strategy. HSBC Bank Malta p.l.c. is subject to the MREL requirements as revised in 2019 through amendments to the EU Bank Recovery and Resolution Directive 2014/59/EU ('BRRD'); Regulation 806/2014/EU establishing a Single Resolution Mechanism ('SRM'), the Capital Requirements Regulation ('CRR') and Capital Requirements Directive ('CRD'), collectively known as the Banking Package.

These MREL requirements can be met with own funds and eligible liabilities in line with the SRB Policy under the Banking Package. HSBC Bank Malta p.l.c. MREL Total Risk Exposure Amount ('TREA') regulatory target have been communicated at 20.49% of RWAs in 2024, exclusive of the CBR. By the end of December 2024, the combined buffer requirement ('CBR') was equivalent to 4.39% totalling 24.88%. The MREL Leverage Risk Exposure ('LRE') is set at 5.91% of leverage exposures.

As at 31 December 2024 HSBC Bank Malta p.l.c. has been able to meet the MREL requirements through own funds and other internal eligible liabilities.

In January 2023, the bank entered into a €30,000,000 loan agreement with HBCE. This loan is unsecured and has been granted on normal commercial terms for a period of four years with maturity date of 30 January 2027 and an option of early repayment, subject to the terms and conditions of the Loan Agreement and applicable laws and regulations. It bears interest at a rate equal to three-month Euribor plus a margin of 127 basis points. As at 31 December 2024, the interest rate was 4.32%(2023: 5.22%).

In December 2023, the bank has agreed to a transfer arrangement on the €60,000,000 loan agreement signed with HSBC Bank plc in December 2021. The loan was novated with HBCE as the new parent company of HSBC Bank Malta p.l.c., following the change of control in November 2022. The maturity date of the loan is 16 December 2031 with an option of early repayment, it is subject to the same terms and conditions of the original Loan Agreement, applicable laws, and regulations. It bears interest at a rate equal to three-month Euribor plus a margin of 117 basis points. As at 31 December 2024, the interest rate was 4.06% (2023: 5.10%).

Credit risk

Overview

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. It arises principally from direct lending, trade finance and treasury business, mainly through the holdings of debt securities, but also from off-balance sheet products such as guarantees. Credit risk represents our largest regulatory capital requirement.

We form part of a universal bank with a conservative approach to credit risk. This is reflected in our credit risk profile being diversified across a number of asset classes with a credit quality profile mainly concentrated in the lower risk classes.

The principal objectives of our credit risk functions are:

- to maintain across HSBC, a strong culture of responsible lending and a robust credit risk policy and control framework;
- to both partner and challenge our businesses in defining, implementing and continually re-evaluating our credit risk appetite under actual and stress scenario conditions; and
- to ensure there is independent expert scrutiny of credit risks, their costs and their mitigation.

The credit risk functions within Wholesale Credit Risk (‘WCR’) and Wealth and Personal Banking (‘WPB’) Risk are the constituent parts that support the Chief Risk Officer (‘CRO’) in overseeing credit risks. The major duties comprise undertaking independent reviews of large and high-risk credit proposals, overseeing large exposure policy and reporting on our wholesale and retail credit risk management disciplines. These functions also own our credit policy and credit systems programmes, oversee portfolio management and report on risk matters to senior executive management and regulators.

These credit risk functions work closely with other parts of Risk, for example with Operational Risk on the internal control framework and with the Country Head of Enterprise Risk Management on the risk appetite process. In addition, they work jointly with Finance on stress testing and impairment calculation under IFRS9.

The credit risk functions fulfil an essential role as independent risk control units that are distinct from business line management, as they provide objective scrutiny of risk rating assessments, credit proposals for approval and other risk matters.

Our credit risk procedures operate through a hierarchy of credit limit approval authorities. Credit approval authorities are assigned to the CEO, CRO and relevant staff. HSBC Bank Malta p.l.c. is responsible for the quality and performance of its credit portfolios in accordance with the HSBC Group standards. Where lending facilities are proposed in excess of local credit approval authorities, concurrence must be sought from the regional credit risk and/or the global credit risk function as appropriate.

Credit risk management

Our exposure to credit risk arises from a wide range of customers and products, and the risk rating systems in place to measure and monitor these risks are correspondingly diverse. Senior management receives a variety of reports on our credit risk exposures, including expected credit losses, total exposures (with sectoral distribution), updates on specific portfolios that are considered to have heightened credit risk, as well as key risk indicators through a number of metrics monitored in the Risk Appetite Statement.

Credit risk exposures are generally measured and managed in portfolios of either customer types or product categories. Risk rating systems are designed to assess the default propensity of, and loss severity associated with distinct customers who are managed as individual relationships or, on a portfolio basis.

Risk rating systems for retail exposures are generally quantitative in nature, applying techniques such as behavioural analysis across product portfolios comprising large numbers of homogeneous transactions. Rating systems for individually managed relationships typically use customer financial statements and market data analysis, but also qualitative elements and a final subjective overlay to better reflect any idiosyncratic elements of the customer’s risk profile.

A fundamental principle of our policy and approach is that analytical risk rating systems and scorecards are all valuable tools at the disposal of management. The wholesale credit process provides for at least an annual review of facility limits granted. Reviews may be more frequent, as required by circumstances such as the emergence of adverse risk factors.

We constantly seek to improve the quality of our risk management. HSBC Bank Malta p.l.c.’s IT systems that process credit risk data, continue to be enhanced in order to deliver both comprehensive management information in support of business strategy, and solutions to evolving regulatory reporting requirements. HSBC Bank Malta p.l.c. adheres to the HSBC Group standards that govern the process through which risk rating systems are initially developed, judged fit for purpose, approved and implemented. They also govern the conditions under which analytical risk model outcomes can be overridden by decision takers and the process of model performance monitoring and reporting. The emphasis is on an effective dialogue between business line and risk management, suitable independence of decision takers, and a good understanding and robust challenge on the part of senior management.

Like other facets of risk management, analytical risk rating systems are not static. They are subject to review and modification in light of the changing environment, the greater availability and quality of data, and any deficiencies identified through internal and external regulatory review. Structured processes and metrics are in place to capture relevant data and feed this into continuous model improvement.

Further explanation of HSBC Bank Malta p.l.c.’s approach to credit risk, including detail of the past due and impaired exposures, and its approach to credit risk impairment, can be found in the Annual Report and Accounts of HSBC Bank Malta p.l.c.

Table EU CR1 provides information on the gross carrying amount of exposures and related impairment with further details on the IFRS 9 stage, accumulated partial write off and collateral. The IFRS 9 stages have the following characteristics:

- Stage 1: These financial assets are unimpaired and without a significant increase in credit risk. A 12-month allowance for expected credit loss ('ECL') is recognised.
- Stage 2: A significant increase in credit risk has been experienced on these financial assets since initial recognition. 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. A lifetime ECL is recognised.
- Purchased or originated credit-impaired (‘POCI’): Financial assets purchased or originated at a deep discount are seen to reflect incurred credit losses. A lifetime ECL is recognised. Where held, these exposures are included in Stage 3 in this table.

Table 14: Performing and non-performing exposures and related provisions (EU CR1)

		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
			of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3
		€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
005	**Cash balances at central banks and other demand deposits**	1,262,006	1,262,006	—	—	—	—	(1)	(1)	—	—	—	—
010	**Loans and advances**	2,998,232	2,854,033	144,199	76,325	—	76,325	(17,375)	(7,501)	(9,874)	(19,573)	—	(19,573)
020	Central banks	—	—	—	—	—	—	—	—	—	—	—	—
030	General governments	144,088	141,079	3,009	—	—	—	(9)	(9)	—	—	—	—
040	Credit institutions	152,851	152,851	—	—	—	—	—	—	—	—	—	—
050	Other financial corporations	960	935	25	—	—	—	(26)	(1)	(25)	—	—	—
060	Non-financial corporations	652,016	629,341	22,675	30,859	—	30,859	(8,318)	(6,451)	(1,867)	(8,559)	—	(8,559)
070	– of which: SMEs	306,838	284,167	22,671	30,859	—	30,859	(5,223)	(3,384)	(1,839)	(8,559)	—	(8,559)
080	Households	2,048,317	1,929,827	118,490	45,466	—	45,466	(9,022)	(1,040)	(7,982)	(11,014)	—	(11,014)
090	**Debt securities**	2,535,989	2,535,989	—	—	—	—	(84)	(84)	—	—	—	—
100	Central banks	—	—	—	—	—	—	—	—	—	—	—	—
110	General governments	2,183,166	2,183,166	—	—	—	—	(52)	(52)	—	—	—	—
120	Credit institutions	352,823	352,823	—	—	—	—	(32)	(32)	—	—	—	—
130	Other financial corporations	—	—	—	—	—	—	—	—	—	—	—	—
140	Non-financial corporations	—	—	—	—	—	—	—	—	—	—	—	—
150	**Off-balance-sheet exposures**[1]	1,161,254	942,349	32,411	1,792	—	1,399	(1,050)	(845)	(74)	(64)	—	(55)
160	Central banks	—	—	—	—	—	—	—	—	—	—	—	—
170	General governments	158,874	158,791	—	—	—	—	(1)	(1)	—	—	—	—
180	Credit institutions	29,000	19,822	—	—	—	—	—	—	—	—	—	—
190	Other financial corporations	12,400	6,739	4,603	—	—	—	(3)	(2)	—	—	—	—
200	Non-financial corporations	680,011	488,684	24,240	1,666	—	1,273	(1,023)	(819)	(74)	(64)	—	(55)
210	Households	280,969	268,313	3,568	126	—	126	(23)	(23)	—	—	—	—
220	**Total at 31 Dec 2024**	7,957,481	7,594,377	176,610	78,117	—	77,724	(18,510)	(8,431)	(9,948)	(19,637)	—	(19,628)

		Accumulated partial write-off	Collateral and financial guarantees received	
			On performing exposures	On non-performing exposures
		€000	€000	€000
005	**Cash balances at central banks and other demand deposits**	—	—	—
010	**Loans and advances**	(10,979)	2,307,273	48,444
020	Central banks	—	—	—
030	General governments	—	143,784	—
040	Credit institutions	—	—	—
050	Other financial corporations	—	18	—
060	Non-financial corporations	(10,979)	354,159	17,594
070	– of which: SMEs	(10,979)	164,412	17,594
080	Households	—	1,809,312	30,850
090	**Debt securities**	—	450,405	—
100	Central banks	—	—	—
110	General governments	—	356,815	—
120	Credit institutions	—	93,590	—
130	Other financial corporations	—	—	—
140	Non-financial corporations	—	—	—
150	**Off-balance-sheet exposures**	—	—	—
160	Central banks	—	—	—
170	General governments	—	—	—
180	Credit institutions	—	—	—
190	Other financial corporations	—	—	—
200	Non-financial corporations	—	—	—
210	Households	—	—	—
220	**Total at 31 Dec 2024**	(10,979)	2,757,678	48,444

Table 14: Performing and non-performing exposures and related provisions (EU CR1) (continued)

		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
			of which: Stage 1	of which: Stage 2		of which: Stage 2	of which: Stage 3		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3
		€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
005	Cash balances at central banks and other demand deposits	1,776,430	1,776,430	—	—	—	—	(21)	(21)	—	—	—	—
010	Loans and advances	3,246,595	3,090,994	155,601	108,360	—	108,360	(28,126)	(14,662)	(13,464)	(22,025)	—	(22,025)
020	Central banks	—	—	—	—	—	—	—	—	—	—	—	—
030	General governments	165,701	165,701	—	—	—	—	(16)	(16)	—	—	—	—
040	Credit institutions	207,460	207,460	—	—	—	—	—	—	—	—	—	—
050	Other financial corporations	7,678	7,668	10	—	—	—	(8)	(2)	(6)	—	—	—
060	Non-financial corporations	698,257	644,149	54,108	54,212	—	54,212	(11,990)	(6,919)	(5,071)	(11,566)	—	(11,566)
070	– of which: SMEs	303,174	260,136	43,038	54,212	—	54,212	(8,043)	(3,454)	(4,589)	(11,566)	—	(11,566)
080	Households	2,167,499	2,066,016	101,483	54,148	—	54,148	(16,112)	(7,725)	(8,387)	(10,459)	—	(10,459)
090	Debt securities	1,706,044	1,706,044	—	—	—	—	(78)	(78)	—	—	—	—
100	Central banks	—	—	—	—	—	—	—	—	—	—	—	—
110	General governments	1,391,828	1,391,828	—	—	—	—	(67)	(67)	—	—	—	—
120	Credit institutions	314,216	314,216	—	—	—	—	(11)	(11)	—	—	—	—
130	Other financial corporations	—	—	—	—	—	—	—	—	—	—	—	—
140	Non-financial corporations	—	—	—	—	—	—	—	—	—	—	—	—
150	Off-balance-sheet exposures[1]	1,018,151	809,817	35,053	5,077	—	4,068	(1,140)	(817)	(80)	(703)	—	(421)
160	Central banks	—	—	—	—	—	—	—	—	—	—	—	—
170	General governments	63,376	63,293	—	—	—	—	(3)	(3)	—	—	—	—
180	Credit institutions	22,564	12,091	—	—	—	—	—	—	—	—	—	—
190	Other financial corporations	4,450	3,190	43	—	—	—	(12)	(8)	(3)	—	—	—
200	Non-financial corporations	628,963	444,178	32,856	4,897	—	3,888	(1,067)	(779)	(77)	(703)	—	(421)
210	Households	298,798	287,065	2,154	180	—	180	(58)	(27)	—	—	—	—
220	Total at 31 Dec 2023	7,747,220	7,383,285	190,654	113,437	—	112,428	(29,365)	(15,578)	(13,544)	(22,728)	—	(22,446)

			Collaterals and financial guarantees received	
		Accumulated partial write-off	On performing exposures	On non-performing exposures
		€000	€000	€000
005	Cash balances at central banks and other demand deposits	—	—	—
010	Loans and advances	(10,979)	2,623,651	78,396
020	Central banks	—	—	—
030	General governments	—	164,892	—
040	Credit institutions	—	—	—
050	Other financial corporations	—	28	—
060	Non-financial corporations	(10,979)	384,765	35,037
070	– of which: SMEs	(10,979)	185,610	35,037
080	Households	—	2,073,966	43,359
090	Debt securities	—	292,272	—
100	Central banks	—	—	—
110	General governments	—	246,272	—
120	Credit institutions	—	46,000	—
130	Other financial corporations	—	—	—
140	Non-financial corporations	—	—	—
150	Off-balance-sheet exposures	—	—	—
160	Central banks	—	—	—
170	General governments	—	—	—
180	Credit institutions	—	—	—
190	Other financial corporations	—	—	—
200	Non-financial corporations	—	—	—
210	Households	—	—	—
220	Total at 31 Dec 2023	(10,979)	2,915,923	78,396

1 As shown in the above table EU CR1, 'Off-balance-sheet exposures' exclude from the respective heading 'of which: stage 1', 'of which: stage 2' and 'of which: stage 3', those exposures which are out-of-scope for IFRS9, which are mainly non-financial guarantees.

The net credit exposure based on maturity and financial instrument is shown in table EU CR1-A. The term 'exposures' refers to items on the balance sheet whose 'net value of exposure' is determined by subtracting the gross amount from the credit risk adjustments. On the basis of the residual contractual maturity, the net exposure is divided into the five maturity buckets in the table.

Table 15: Maturity of exposures (EU CR1-A)

		Net exposure value[1,2]					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
		€000	€000	€000	€000	€000	€000
1	Loans and advances	**84,729**	**399,605**	**272,226**	**2,281,049**	**—**	**3,037,609**
2	Debt securities	**—**	**780,472**	**1,755,433**	**—**	**—**	**2,535,905**
3	**Total at 31 Dec 2024**	**84,729**	**1,180,077**	**2,027,659**	**2,281,049**	**—**	**5,573,514**
1	Loans and advances	103,471	328,391	429,649	2,442,987	—	3,304,498
2	Debt securities	—	517,158	1,188,994	51	—	1,706,203
3	Total at 31 Dec 2023	130,471	845,549	1,618,643	2,443,038	—	5,010,701

1 Cash balances at central banks,other demand deposits and off-balance sheet exposures are not included in the above table.
2 Comparative information for year ended 31 December 2023 has been restated with year ended 31 December 2024 presentation.

Credit concentration risk

Concentrations of credit risk arise when a number of counterparties or exposures have comparable economic characteristics, or such counterparties are engaged in similar activities, or operate in the same geographical areas or industry sectors, so that their collective ability to meet contractual obligations is uniformly affected by changes in economic, political or other conditions. HSBC Bank Malta p.l.c. uses a number of controls and measures to minimise undue concentration of exposure in its portfolios across industry, country and customer groups. These include portfolio and counterparty limits, approval and review controls, and stress testing.

In terms of Part Four of the CRR 'Large Exposures', the total amount of exposures which exceeded 10% of eligible capital represented 17.74% of the total loan portfolio as at 31 December 2024. These exposures are monitored by management.

The maximum on-balance sheet credit exposure to any client, group of connected clients or counterparty as at 31 December 2024 amounted to €256,176,929 before taking account of collateral or other credit enhancements.

Within its daily operations, the local group transacts with counterparty banks and other financial institutions. By conducting these transactions, the local group is running the risk of losing funds due to the possible delays in the repayment of existing and future obligations by counterparty banks. To mitigate this risk, the local group places short-term funds solely with pre-approved counterparties, subject to pre-established limits determined on the basis of the respective institution's credit rating, as well as with its parent. The positions are checked against the limits on a daily basis.

As prescribed in article 400(2)(c), in light of the fact that the local group is subject to prudential supervision on a consolidated basis, the local group's exposure with its parent is exempt from limits to large exposures outlined in article 395(1) of the CRR. Similarly, the local group invests in debt securities issued by the government of Malta, and given that these exposures attract a 0% risk weight they are exempt from large exposure limits.

The table below analyses the change in stock of specific credit risk adjustment for the financial year ended 31 December 2024 and 31 December 2023 respectively.

Table 16: Changes in the stock of non-performing loans and advances (EU CR2)

		At 31 Dec 2024	At 31 Dec 2023
		Gross carrying amount	Gross carrying amount
		€000	€000
010	Initial stock of non-performing loans and advances	**108,360**	127,766
020	Inflows to non-performing portfolios	**12,565**	8,215
030	Outflows from non-performing portfolios	**(44,600)**	(27,621)
040	– of which: Outflows due to write-offs	**(1,016)**	(567)
050	– of which: Outflow due to other situations	**(43,584)**	(27,054)
060	**Final stock of non-performing loans and advances**	**76,325**	108,360

Impaired loans and advances

Impaired loans and advances are those that are classified as CRR9 or CRR10. These grades are assigned when HSBC Bank Malta p.l.c. considers that either the customer is unlikely to pay its credit obligations in full without recourse to security, or when the customer is more than 90 days past due on any material credit obligation to the bank.

Impaired loans and advances also include renegotiated loans and advances that have been subject to a change in contractual cash flows as a result of a financial concession which the bank would not otherwise consider, and where it is probable that without the concession the borrower would be unable to meet the contractual payment obligations in full, unless the concession is insignificant and there are no other indicators of impairment. Impaired loans and advances can also arise from when a non-financial concession is granted, which may trigger an Unlikely to Pay ('UTP') assessment, the outcome of which may result in the exposure being re-classified as CRR9.

Risk mitigation

Our approach when granting credit facilities is to do so on the basis of capacity to repay, rather than placing primary reliance on credit risk mitigants. Depending on a customer's standing and the type of product, facilities may be provided on an unsecured basis.

Mitigation of credit risk is a key aspect of effective risk management and takes many forms. Our general policy is to promote the use of credit risk mitigation, justified by commercial prudence and capital efficiency. Detailed policies cover the acceptability, structuring and terms with regards to the availability of credit risk mitigation such as collateral security. These policies together with the setting of suitable valuation parameters are subject to regular review to ensure that they are supported by empirical evidence and continue to fulfil their intended purpose.

Policy and procedures

Policies and procedures govern the protection of our position from the outset of a customer relationship; for instance, in requiring standard terms and conditions or specifically agreed documentation permitting the offset of credit balances against debt obligations, and through controls over the integrity, current valuation and, if necessary, realisation of collateral security.

Collateral

The most common method of mitigating credit risk is to take collateral. In our retail residential and commercial real estate ('CRE') businesses, a mortgage over the property is usually taken to secure claims. In the commercial and industrial sectors, charges are created over business assets such as premises, stock and debtors. Loans to Wealth and Personal Banking customers may be made against a pledge of eligible marketable securities, cash or real estate. Facilities to small and medium-sized enterprises ('SME's') are commonly granted against guarantees given by their owners and/or directors.

For credit risk mitigants in the form of immovable property, the key determinant of concentration is geographic; the use of immovable property mitigants for risk management purposes is entirely property situated in Malta.

Valuing collateral

Valuation strategies are established to monitor collateral mitigants to ensure that they continue to provide the anticipated secure secondary repayment source. Collateral values are determined through a combination of professional appraisals and house price indices. Specifically, HSBC Bank Malta p.l.c. utilises the price index to update its mortgage portfolio value at six-monthly intervals, or more frequently as the need arises, for example, where market conditions are subject to significant change.

In addition, revaluation is also sought where, for example, as part of the regular credit assessment of the obligor, material concerns arise in relation to the performance of the collateral. CRE revaluation may also occur where a decline in the obligor's credit quality gives cause for concern that the principal payment source may not fully meet the obligation.

Other forms of Credit Risk Mitigation

Guarantees may be taken from third parties where the group extends facilities. In our corporate lending portfolio, we also take guarantees from corporates as part of parent/subsidiary or common parent relationships.

Recognition of risk mitigation under the standardised approach

Where credit risk mitigation is available in the form of an eligible guarantee, non-financial collateral or credit derivatives, the exposure is divided into covered and uncovered portions. The covered portion, which is determined after applying an appropriate 'haircut' for currency and maturity mismatches (and for omission of restructuring clauses for credit derivatives, where appropriate) to the amount of the protection provided, attracts the risk weight of the protection provider. The uncovered portion attracts the risk weight of the obligor. For exposures fully or partially covered by eligible financial collateral, the value of the exposure is adjusted under the financial collateral comprehensive method using supervisory volatility adjustments, including those arising from currency mismatch, which are determined by the specific type of collateral (and in the case of eligible debt securities, their credit quality) and its liquidation period. The adjusted exposure value is subject to the risk weight of the obligor.

Table 17: Credit risk mitigation ('CRM') techniques – overview (CR3)

		Exposures unsecured: carrying amount[1]	Exposures secured: carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees
		€000	€000	€000	€000
1	Loans and advances	**1,943,897**	**2,355,717**	**2,127,107**	**228,610**
2	Debt securities	**2,085,500**	**450,405**	**—**	**450,405**
3	**Total at 31 Dec 2024**	**4,029,397**	**2,806,122**	**2,127,107**	**679,015**
4	– of which: non-performing exposure	**8,308**	**48,444**	**48,444**	**—**
EU-5	– of which: defaulted	**8,308**	**48,444**	**48,444**	**—**
1	Loans and advances	2,379,166	2,702,047	2,441,417	260,630
2	Debt securities	1,413,694	292,272	—	292,272
3	Total at 31 Dec 2023	3,792,860	2,994,319	2,441,417	552,902
4	– of which: non-performing exposure	7,939	78,396	78,396	—
EU-5	– of which: defaulted	7,939	78,396	78,396	—

1 Cash balances at central banks and other demand deposits are included in the above table.

Credit risk exposures and credit risk mitigant techniques

The following table illustrates the effect of all CRM techniques applied in accordance with Part Three, Title II, Chapter 4 of the CRR, including the financial collateral simple method and the financial collateral comprehensive method in the application of Article 222 and Article 223 of the same regulation on standardised approach capital requirements' calculations. RWA density provides a synthetic metric on the riskiness of each portfolio.

Table 18: Standardised approach – credit conversion factor ('CCF') and credit risk mitigation ('CRM') effects (CR4)

		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWAs and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	RWA density
		€000	€000	€000	€000	€000	%
	Asset classes[1]						
1	Central governments or central banks	**1,939,481**	**—**	**2,176,521**	**22,844**	**56,511**	**2.6**
2	Regional government or local authorities	**—**	**—**	**—**	**—**	**—**	**—**
3	Public sector entities	**595,733**	**158,866**	**454,621**	**59,402**	**—**	**—**
4	Multilateral development banks	**259,077**	**—**	**259,077**	**—**	**—**	**—**
5	International organisations	**717,966**	**—**	**717,966**	**—**	**—**	**—**
6	Institutions	**619,567**	**4,508**	**619,566**	**1,230**	**155,538**	**25.1**
7	Corporates	**457,721**	**628,935**	**352,743**	**78,744**	**408,853**	**94.8**
8	Retail	**389,556**	**260,965**	**382,235**	**525**	**287,070**	**75.0**
9	Secured by mortgages on immovable property	**1,831,043**	**62,315**	**1,831,043**	**6,434**	**666,142**	**36.3**
10	Exposures in default	**54,005**	**1,851**	**53,207**	**526**	**62,802**	**116.9**
11	Exposures associated with particularly high risk	**5,981**	**26,722**	**5,763**	**13,095**	**28,288**	**150.0**
12	Covered bonds	**—**	**—**	**—**	**—**	**—**	**—**
13	Institutions and corporates with a short-term credit assessment	**—**	**—**	**—**	**—**	**—**	**—**
14	Collective investment undertakings	**—**	**—**	**—**	**—**	**—**	**—**
15	Equity	**91**	**—**	**91**	**—**	**91**	**100.0**
16	Other items	**146,385**	**—**	**146,385**	**—**	**157,235**	**107.4**
17	**Total at 31 Dec 2024**	**7,016,606**	**1,144,162**	**6,999,218**	**182,800**	**1,822,530**	**25.4**
	Asset classes[1]						
1	Central governments or central banks	2,271,521	1	2,533,229	35,597	76,558	3.0
2	Regional government or local authorities	—	—	—	—	—	—
3	Public sector entities	458,670	63,367	292,892	1,546	—	—
4	Multilateral development banks	125,571	—	125,571	—	—	—
5	International organisations	306,865	—	306,865	—	—	—
6	Institutions	716,677	18,022	716,677	13,265	177,474	24.3
7	Corporates	459,239	633,505	353,000	65,027	403,271	96.5
8	Retail	341,815	275,204	340,122	158	254,996	74.9
9	Secured by mortgages on immovable property	2,051,333	14,826	2,051,333	—	744,101	36.3
10	Exposures in default	83,664	4,035	83,200	129	99,589	119.5
11	Exposures associated with particularly high risk	6,472	10,454	6,390	4,991	17,071	150.0
12	Covered bonds	—	—	—	—	—	—
13	Institutions and corporates with a short-term credit assessment	—	—	—	—	—	—
14	Collective investment undertakings	—	—	—	—	—	—
15	Equity	89	—	89	—	89	100.0
16	Other items	144,996	—	144,996	—	147,539	101.8
17	Total at 31 Dec 2023	6,966,912	1,019,414	6,954,364	120,713	1,920,688	27.1

1 Derivative instruments exposures are not included in the above table.

Defaulted exposures

Table 19: Credit quality of forborne exposures (EU CQ1)

		Gross carrying amount/nominal amount				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
			Non-performing forborne						
		Performing forborne	Total	of which: defaulted	of which: impaired	On performing forborne exposures	On non-performing forborne exposures	Total	of which: forborne non-performing exposures
		€000	€000	€000	€000	€000	€000	€000	€000
005	**Cash balances at central banks and other demand deposits**	—	—	—	—	—	—	—	—
010	**Loans and advances**	**43,063**	**41,497**	**41,497**	**41,497**	**(1,499)**	**(7,877)**	**55,257**	**28,837**
020	Central banks	—	—	—	—	—	—	—	—
030	General governments	—	—	—	—	—	—	—	—
040	Credit institutions	—	—	—	—	—	—	—	—
050	Other financial corporations	—	—	—	—	—	—	—	—
060	Non-financial corporations	**12,777**	**25,436**	**25,436**	**25,436**	**(412)**	**(5,923)**	**15,631**	**15,281**
070	Households	**30,286**	**16,061**	**16,061**	**16,061**	**(1,087)**	**(1,954)**	**39,626**	**13,555**
080	**Debt securities**	—	—	—	—	—	—	—	—
090	**Loan commitments given**	—	—	—	—	—	—	—	—
100	**Total at 31 Dec 2024**	**43,063**	**41,497**	**41,497**	**41,497**	**(1,499)**	**(7,877)**	**55,257**	**28,836**
005	Cash balances at central banks and other demand deposits	—	—	—	—	—	—	—	—
010	Loans and advances	34,212	71,460	71,460	71,460	(1,947)	(11,951)	83,059	52,670
020	Central banks	—	—	—	—	—	—	—	—
030	General governments	—	—	—	—	—	—	—	—
040	Credit institutions	—	—	—	—	—	—	—	—
050	Other financial corporations	—	—	—	—	—	—	—	—
060	Non-financial corporations	3,030	49,980	49,980	49,980	(267)	(9,637)	34,617	33,661
070	Households	31,182	21,480	21,480	21,480	(1,680)	(2,314)	48,442	19,009
080	Debt securities	—	—	—	—	—	—	—	—
090	Loan commitments given	—	—	—	—	—	—	—	—
100	Total at 31 Dec 2023	34,212	71,460	71,460	71,460	(1,947)	(11,951)	83,059	52,670

The below table presents an analysis of performing and non-performing exposures by days past due. The gross NPL ratio at 31 December 2024 was 2.48% (3.23% at 31 December 2023) calculated in line with the EBA guidelines.

Table 20: Credit quality of performing and non-performing exposures by past due days (EU CQ3)

		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
		Total	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days	Total	Unlikely to pay but not past due or past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	of which: defaulted
		€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
5	**Cash balances at central banks and other demand deposits**	1,262,006	1,262,006	—	—	—	—	—	—	—	—	—	—
10	**Loans and advances**	2,998,232	2,995,263	2,969	76,325	44,328	2,932	2,231	2,283	8,223	5,512	10,816	76,325
20	Central banks	—	—	—	—	—	—	—	—	—	—	—	—
30	General governments	144,088	144,088	—	—	—	—	—	—	—	—	—	—
40	Credit institutions	152,851	152,851	—	—	—	—	—	—	—	—	—	—
50	Other financial corporations	960	960	—	—	—	—	—	—	—	—	—	—
60	Non-financial corporations	652,016	651,995	21	30,859	19,949	11	2	63	5,608	4,460	766	30,859
70	– of which: SMEs	306,838	306,817	21	30,859	19,949	11	2	63	5,608	4,460	766	30,859
80	Households	2,048,317	2,045,369	2,948	45,466	24,379	2,921	2,229	2,220	2,615	1,052	10,050	45,466
90	**Debt securities**	2,535,989	2,535,989	—	—	—	—	—	—	—	—	—	—
100	Central banks	—	—	—	—	—	—	—	—	—	—	—	—
110	General governments	2,183,166	2,183,166	—	—	—	—	—	—	—	—	—	—
120	Credit institutions	352,823	352,823	—	—	—	—	—	—	—	—	—	—
130	Other financial corporations	—	—	—	—	—	—	—	—	—	—	—	—
140	Non-financial corporations	—	—	—	—	—	—	—	—	—	—	—	—
150	**Off-balance-sheet exposures**	1,161,254			1,792								1,792
160	Central banks	—			—								—
170	General governments	158,874			—								—
180	Credit institutions	29,000			—								—
190	Other financial corporations	12,400			—								—
200	Non-financial corporations	680,011			1,666								1,666
210	Households	280,969			126								126
220	**Total at 31 Dec 2024**	7,957,481	6,793,258	2,969	78,117	44,328	2,932	2,231	2,283	8,223	5,512	10,816	78,117

Table 20: Credit quality of performing and non-performing exposures by past due days (EU CQ3) (continued)

		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
		Total	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days	Total	Unlikely to pay but not past due or past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	of which: defaulted
		€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
5	Cash balances at central banks and other demand deposits	1,776,430	1,776,430	—	—	—	—	—	—	—	—	—	—
10	Loans and advances	3,246,595	3,242,351	4,244	108,360	73,217	3,874	3,315	8,494	6,853	4,100	8,507	108,360
20	Central banks	—	—	—	—	—	—	—	—	—	—	—	—
30	General governments	165,701	165,701	—	—	—	—	—	—	—	—	—	—
40	Credit institutions	207,460	207,460	—	—	—	—	—	—	—	—	—	—
50	Other financial corporations	7,678	7,678	—	—	—	—	—	—	—	—	—	—
60	Non-financial corporations	698,257	697,873	384	54,212	40,458	67	111	6,154	3,711	2,595	1,116	54,212
70	– of which: SMEs	303,174	302,790	384	54,212	40,458	67	111	6,154	3,711	2,595	1,116	54,212
80	Households	2,167,499	2,163,639	3,860	54,148	32,759	3,807	3,204	2,340	3,142	1,505	7,391	54,148
90	Debt securities	1,706,044	1,706,044	—	—	—	—	—	—	—	—	—	—
100	Central banks	—	—	—	—	—	—	—					—
110	General governments	1,391,828	1,391,828	—	—	—	—	—	—	—	—	—	—
120	Credit institutions	314,216	314,216	—	—	—	—	—	—	—	—	—	—
130	Other financial corporations	—	—	—	—	—	—	—	—	—	—	—	—
140	Non-financial corporations	—	—	—	—	—	—	—	—	—	—	—	—
150	Off-balance-sheet exposures	1,018,151			5,077								5,077
160	Central banks	—			—								—
170	General governments	63,376			—								—
180	Credit institutions	22,564			—								—
190	Other financial corporations	4,450			—								—
200	Non-financial corporations	628,963			4,897								4,897
210	Households	298,798			180								180
220	Total at 31 Dec 2023	7,747,220	6,724,825	4,244	113,437	73,217	3,874	3,315	8,494	6,853	4,100	8,507	113,437

Table 21: Quality of non-performing exposures by geography (EU CQ4)

		Gross carrying/nominal amount						
			of which: non-performing	of which: defaulted	of which: subject to impairment	Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		€000	€000	€000	€000	€000	€000	€000
010	**On-balance-sheet exposures[1,2]**	**5,610,546**	**76,325**	**76,325**	**5,610,546**	**(37,032)**		**—**
020	Malta	**3,504,102**	**72,829**	**72,829**	**3,504,102**	**(36,045)**		**—**
030	France	**584,270**	**—**	**—**	**584,270**	**(65)**		**—**
040	Germany	**445,000**	**—**	**—**	**445,000**	**(51)**		**—**
050	Netherlands	**46,004**	**78**	**78**	**46,004**	**(4)**		**—**
060	United Kingdom	**11,165**	**823**	**823**	**11,165**	**(263)**		**—**
070	Other countries	**1,020,005**	**2,595**	**2,595**	**1,020,005**	**(604)**		**—**
080	**Off-balance-sheet exposures[2]**	**1,163,046**	**1,792**	**1,792**			**1,114**	
090	Malta	**1,105,901**	**1,738**	**1,738**			**1,025**	
100	France	**29,742**	**—**	**—**			**—**	
110	United Kingdom	**17,022**	**52**	**52**			**89**	
120	United States	**4,232**	**—**	**—**			**—**	
130	Belgium	**1,243**	**—**	**—**			**—**	
140	Other countries	**4,906**	**2**	**2**			**—**	
150	**Total at 31 Dec 2024**	**6,773,592**	**78,117**	**78,117**	**5,610,546**	**(37,032)**	**1,114**	**—**
010	On-balance-sheet exposures[1,2]	5,060,999	108,360	108,360	5,060,999	(50,229)		—
020	Malta	3,622,246	103,190	103,190	3,622,246	(48,814)		—
030	France	657,892	—	—	657,892	(21)		—
040	Germany	272,464	—	—	272,464	(59)		—
050	United Kingdom	40,305	102	102	40,305	(10)		—
060	United Arab Emirates	15,260	1,900	1,900	15,260	(444)		—
070	Other countries	452,832	3,168	3,168	452,832	(881)		—
080	Off-balance-sheet exposures[2]	1,023,228	5,077	5,077			1,843	
090	Malta	983,666	5,075	5,075			1,843	
100	United Kingdom	17,312	—	—			—	
110	United States	10,060	2	2			—	
120	France	4,686	—	—			—	
130	Belgium	2,646	—	—			—	
140	Other countries	4,858	—	—			—	
150	Total at 31 Dec 2023	6,084,227	113,437	113,437	5,060,999	(50,229)	1,843	—

1 Cash balances at central banks and other demand deposits are not included in the above table.
2 Amounts shown by geographical region and country/territory in the above table are based on the country/territory of residence of the counterparty except for financial investments with international organisations and multilateral developments which are assigned to the geographical area 'Other countries'.

Table 22: Credit quality of loans and advances to non-financial corporations by industry (EU CQ5)

		Gross carrying amount					
			of which: non-performing	of which: defaulted	of which: loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		€000	€000	€000	€000	€000	€000
010	Agriculture, forestry and fishing	**88**	**14**	**14**	**88**	**(15)**	**—**
020	Mining and quarrying	**—**	**—**	**—**	**—**	**—**	**—**
030	Manufacturing	**55,741**	**3,712**	**3,712**	**55,741**	**(969)**	**—**
040	Electricity, gas, steam and air conditioning supply	**116,941**	**—**	**—**	**116,941**	**(482)**	**—**
050	Water supply	**74**	**—**	**—**	**74**	**(1)**	**—**
060	Construction	**23,009**	**4,361**	**4,361**	**23,009**	**(1,550)**	**—**
070	Wholesale and retail trade	**142,834**	**5,463**	**5,463**	**142,834**	**(2,429)**	**—**
080	Transport and storage	**4,470**	**—**	**—**	**4,470**	**(399)**	**—**
090	Accommodation and food service activities	**40,277**	**3,637**	**3,637**	**40,277**	**(2,838)**	**—**
100	Information and communication	**3,666**	**2,372**	**2,372**	**3,666**	**(994)**	**—**
110	Real estate activities	**83,962**	**7,329**	**7,329**	**83,962**	**(2,212)**	**—**
120	Financial and insurance activities	**45,109**	**511**	**511**	**45,109**	**(816)**	**—**
130	Professional, scientific and technical activities	**118,138**	**4**	**4**	**118,138**	**(649)**	**—**
140	Administrative and support service activities	**26,553**	**961**	**961**	**26,553**	**(1,317)**	**—**
150	Public administration and defense, compulsory social security	**—**	**—**	**—**	**—**	**—**	**—**
160	Education	**5,872**	**—**	**—**	**5,872**	**(50)**	**—**
170	Human health services and social work activities	**14,483**	**2,481**	**2,481**	**14,483**	**(2,124)**	**—**
180	Arts, entertainment and recreation	**70**	**—**	**—**	**70**	**(1)**	**—**
190	Other services	**1,588**	**14**	**14**	**1,588**	**(31)**	**—**
200	**Total at 31 Dec 2024**	**682,875**	**30,859**	**30,859**	**682,875**	**(16,877)**	**—**
010	Agriculture, forestry and fishing	200	25	25	200	(28)	—
020	Mining and quarrying	—	—	—	—	—	—
030	Manufacturing	107,853	3,213	3,213	107,853	(1,902)	—
040	Electricity, gas, steam and air conditioning supply	66,366	—	—	66,366	(344)	—
050	Water supply	16,871	—	—	16,871	(6)	—
060	Construction	22,808	6,303	6,303	22,808	(2,171)	—
070	Wholesale and retail trade	143,419	5,022	5,022	143,419	(3,879)	—
080	Transport and storage	5,697	2	2	5,697	(255)	—
090	Accommodation and food service activities	51,606	17,647	17,647	51,606	(4,097)	—
100	Information and communication	23,950	59	59	23,950	(1,337)	—
110	Real estate activities	82,106	8,816	8,816	82,106	(3,218)	—
120	Financial and insurance activities	52,495	8,291	8,291	52,495	(1,812)	—
130	Professional, scientific and technical activities	136,563	158	158	136,563	(1,489)	—
140	Administrative and support service activities	21,224	782	782	21,224	(654)	—
150	Public administration and defense, compulsory social security	—	—	—	—	—	—
160	Education	1,353	1,154	1,154	1,353	(175)	—
170	Human health services and social work activities	17,615	2,449	2,449	17,615	(2,093)	—
180	Arts, entertainment and recreation	295	87	87	295	(18)	—
190	Other services	2,048	204	204	2,048	(78)	—
200	Total at 31 Dec 2023	752,469	54,212	54,212	752,469	(23,556)	—

The table below provides information on the instruments that were cancelled in exchange for collateral obtained by taking possession and on the value of the collateral obtained. The value at initial recognition represents the gross carrying amount of the collateral obtained by taking possession at initial recognition on the balance sheet, whilst the accumulated negative change is the accumulated impairment or negative change in the initial recognition value of the collateral obtained, including amortisation in the case of property plant and equipment ('PP&E') and investment properties.

Table 23: Collateral obtained by taking possession and execution processes (EU CQ7)

		At 31 Dec 2024		At 31 Dec 2023	
		Collateral obtained by taking possession		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
		€000	€000	€000	€000
010	Property Plant and Equipment ('PP&E')				
020	Other than PP&E	2,860	(472)	3,221	(472)
030	Residential immovable property	911	(400)	1,272	(400)
040	Commercial Immovable property	1,949	(72)	1,949	(72)
050	Movable property (auto, shipping, etc.)	—	—	—	—
060	Equity and debt instruments	—	—	—	—
070	Other collateral	—	—	—	—
080	**Total**	2,860	(472)	3,221	(472)

Counterparty credit risk

Overview

Counterparty Credit Risk ('CCR') is the credit risk associated with contracts to exchange value such as derivatives and securities financing transactions (including repos and reverse repos), and securities lending and borrowing. CCR exposures relating to derivatives and securities financing transactions create a bilateral risk of loss because the market value of the transaction can be positive or negative to either counterparty to the transaction. An economic loss to the local group would occur on derivatives and securities financing transactions if the transactions or portfolio of transactions with the counterparty has a positive economic value at the time of default.

The table on the following page sets out details of the local group's counterparty credit risk exposures through its over the counter ('OTC') derivative exposures.

Four approaches may be used under CRD to calculate exposure values for CCR: mark-to-market, original exposure, standardised approach ('SA-CCR') and IMM. Exposure values calculated under these approaches are used to determine RWAs. HSBC Bank Malta p.l.c. applies the SA-CCR approach. Under SA-CCR the exposure at default ('EAD') is calculated by multiplying the alpha factor (set at 1.4 by the Basel Committee) by the sum of the replacement cost ('RC') and potential future exposures ('PFE')

Credit exposure monitoring is performed by the Risk function.

Credit authority for CCR

HSBC Bank Malta p.l.c. Wholesale Credit Risk has a delegated approval authority for corporates. Depending on the level of the credit limit and customer risk rating ('CRR'), credit approval might require concurrence from HSBC Group or Regional WCR when HSBC Bank Malta p.l.c.'s delegated approval authority threshold is exceeded. Sovereigns, intra-group and banks limits require the region's or group WCR's concurrence irrespective of the amount of the facility.

All corporate credit limits are reviewed at least once a year. At the request of the local relationship manager and potentially the global relationship manager, HSBC Bank Malta p.l.c. WCR may recommend credit limit applications to the relevant credit authority for specific limit requests. WCR's recommendations highlight the main risk drivers and are based on the in-depth analysis of the existing portfolio which includes views on contingent market risk and stress exposure and potentially include proposals to reduce the portfolio risk or mitigate proposed transactions.

Credit limit set up for CCR management

Two groups of limits are used in the management of CCR:

- Counterparty-level limits; and;
- Portfolio-level traded credit risk limits.

Counterparty-level limits

Category A ('Cat A') limits
Cat A limits are those for which a credit limit is typically recorded at the full notional amount of the facility, the bank being actually or potentially at risk for 100% of the facility. Cat A facilities include on balance sheet assets such as loans or lines of credit. They may be either funded or unfunded. Cat A limits are set according to maturity bands.

Category B ('Cat B') limits
Cat B limits cover key counterparty credit exposures arising from off balance sheet products and are used for the monitoring of the Potential Future Exposure ('PFE'). Usage under Cat B represents the potential cost of replacement of the OTC contracts.

Category S ('Cat S') limits
Cat S limits cover the risk that counterparties will fail to meet their delivery obligations, either through payment systems ('PSL'), or through settlement processes for treasury and securities transactions ('TSL').

Portfolio-level limits

Risk has established a number of portfolio-level limits to monitor risk at an aggregate level. These are formalised through a mandate shared with the Head of Global Markets ('GM'), subject to annual review and ongoing monitoring routines.

Table 24: Analysis of counterparty credit risk ('CCR') exposure by approach (EU CCR1)

		Replacement cost €000	Potential future exposure €000	EEPE €000	Alpha used for computing regulatory exposure value €000	Exposure value pre-CRM €000	EAD post-CRM €000	Exposure value €000	RWAs €000
EU1	EU-Original Exposure Method (for derivatives)	—	—		1.4	—	—	—	—
EU2	EU-Simplified SA-CCR (for derivatives)	—	—		1.4	—	—	—	—
1	SA-CCR (for derivatives)	17,242	9,859		1.4	37,891	37,891	37,891	20,677
2	IMM (for derivatives and SFTs)			—	—	—	—	—	—
2a	– of which: securities financing transactions netting sets			—		—	—	—	—
2b	– of which: derivatives and long settlement transactions netting sets			—		—	—	—	—
2c	– of which: from contractual cross-product netting sets			—		—	—	—	—
3	Financial collateral simple method (for SFTs)					—	—	—	—
4	Financial collateral comprehensive method (for SFTs)					—	—	—	—
5	VaR for SFTs					—	—	—	—
6	**Total at 31 Dec 2024**					**37,891**	**37,891**	**37,891**	**20,677**
EU1	EU-Original Exposure Method (for derivatives)	—	—		1.4	—	—	—	—
EU2	EU-Simplified SA-CCR (for derivatives)	—	—		1.4	—	—	—	—
1	SA-CCR (for derivatives)	13,577	12,609		1.4	36,660	36,660	36,660	14,878
2	IMM (for derivatives and SFTs)			—	—	—	—	—	—
2a	– of which: securities financing transactions netting sets			—		—	—	—	—
2b	– of which: derivatives and long settlement transactions netting sets			—		—	—	—	—
2c	– of which: from contractual cross-product netting sets			—		—	—	—	—
3	Financial collateral simple method (for SFTs)					—	—	—	—
4	Financial collateral comprehensive method (for SFTs)					—	—	—	—
5	VaR for SFTs					—	—	—	—
6	Total at 31 Dec 2023					36,660	36,660	36,660	14,878

Table 25: Transactions subject to own funds requirements for CVA risk (EU CCR2)

		At 31 Dec 2024		At 31 Dec 2023	
		Exposure value	RWEA	Exposure value	RWEA
1	Total transactions subject to the Advanced method	—	—	—	—
2	(i) VaR component (including the 3× multiplier)		—		—
3	(ii) stressed VaR component (including the 3× multiplier)		—		—
4	Transactions subject to the Standardised method	21,572	4,909	9,215	1,496
EU4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	—	—	—	—
5	**Total transactions subject to own funds requirements for CVA risk**	**21,572**	**4,909**	9,215	1,496

Market risk

Overview

Market risk is the risk that movements in market risk factors, including foreign exchange rates, interest rates, credit spreads, equity prices and commodity prices, will reduce the bank's income or portfolio value.

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

Exposure to Market risk

Exposure to market risk is split into two portfolios:

- Trading portfolios: these comprise positions held for client servicing and market-making, with the intention of short-term resale and/or to hedge risks resulting from such positions.
- Non-trading portfolios: these comprise positions that primarily arise from the interest rate management of our retail and commercial banking assets and liabilities, financial investments measured at fair value through other comprehensive income, debt instruments measured at amortised cost, and exposures arising from our insurance operations.

The local group operates in non-trading portfolios, with the objective of managing and controlling market risk exposures, to optimise return on risk while maintaining a market risk profile consistent with our established risk appetite.

The table below reflects the market risk RWAs under the standardised approach.

Table 26: Market risk under standardised approach (MR1)

		At	
		31 Dec 2024	31 Dec 2023
		RWAs	RWAs
		€000	€000
	Outright products		
1	Interest rate risk (general and specific)	**—**	—
2	Equity risk (general and specific)	**—**	—
3	Foreign exchange risk	**330**	194
4	Commodity risk	**—**	—
	Options		
5	Simplified approach	**—**	—
6	Delta-plus approach	**—**	—
7	Scenario approach	**—**	—
8	Securitisation (specific risk)	**—**	—
9	**Total**	**330**	194

Non-Financial Risk ('NFR')

Overview

HSBC Bank Malta p.l.c. defines NFR as the risk of loss resulting from:

- people, inadequate or failed internal processes, data or systems; and
- external events, including Legal risk.

This risk includes external or internal fraud risk, non-authorised activities, errors and omissions - including low probability events that would result in a high value loss should they arise – and risks related to models. It arises during daily operations (including those undertaken by a Third Party on our behalf) while taking Financial Risk.

HSBC Bank Malta p.l.c. classifies losses using the following taxonomy, comprising seven level 1 risk categories: Financial Reporting and Tax Risk, Financial Crime and Fraud Risk, Regulatory Compliance Risk, Legal Risk, Resilience Risk, Model Risk and People Risk.

Further information can be found in The Report of the Directors under section Risk governance of the Annual Report and Accounts.

The following table reports our operational risk capital requirements for the current period.

Table 27: Non Financial Risk RWEAs and capital required (EU OR1)

	At 31 Dec 2024	Relevant indicator Year 3	Year 2	Year 1	Own funds requirement	Risk exposure amount
		€000	€000	€000	€000	€000
	Standardised Approach					
1	Banking activities subject to basic indicator approach ('BIA')	—	—	—	—	—
2	Banking activities subject to standardised (TSA)/alternative standardised ('ASA') approaches	137,843	224,341	236,673	26,980	337,249
3	Subject to TSA:	137,843	224,341	236,673		
4	Subject to ASA:	—	—	—		
5	Banking activities subject to advanced measurement approaches AMA	—	—	—	—	—

	At 31 Dec 2023	Year 3	Year 2	Year 1		
		€000	€000	€000	€000	€000
	Standardised Approach					
1	Banking activities subject to basic indicator approach ('BIA')	—	—	—	—	—
2	Banking activities subject to standardised (TSA)/alternative standardised ('ASA') approaches	127,940	137,843	224,341	22,112	276,399
3	Subject to TSA:	127,940	137,843	224,341		
4	Subject to ASA:	—	—	—	—	—
5	Banking activities subject to advanced measurement approaches AMA	—	—	—	—	—

Organisation and responsibilities

Responsibility for managing non-financial risk lies with our people. Our non-financial risk framework sets out our approach to governance and risk appetite and provides a single view of non-financial risks that matter the most and associated controls.

The effectiveness of first line of defence risk and control owners and second line of defence risk stewards in managing HSBC's Non-Financial Risk processes and practices is reported through the Risk Management Meeting ('RMM').

Non-financial risk is organised as a specific risk discipline within our Enterprise Risk function, managed by the Head of Operational Risk and the Head of Resilience Risk, who together are responsible for monitoring the effectiveness of the internal control environment, the level of operational losses and the resilience risk taxonomies.

We manage risk using a three lines of defence ('LOD') model:

The First LOD has ultimate ownership for risk and controls, and is accountable for identifying, assessing, and managing events and near misses, and for delivering good conduct outcomes.

The Second LOD provides subject matter expertise, advice, guidance and review and challenge of the First LOD's activities to help ensure that risk management decisions and actions are appropriate, within risk appetite and support the delivery of conduct outcomes. The Second LOD is independent of the risk-taking activities undertaken by the First LOD and includes Chief Risk and Compliance Officers, Risk Stewards, the Enterprise Risk Management ('ERM') function and Second LOD Assurance teams.

The third LOD is Internal Audit, which provides independent assurance to management and the non-executive Risk and Audit Committees as to whether our risk management, governance and internal control processes are designed and operating effectively.

Measurement and monitoring

We have codified our Risk Management Framework ('RMF') to a high level standard, supplemented by detailed policies. These policies explain our approach to identifying, assessing, monitoring and controlling financial and non-financial risk, and give guidance on mitigating actions to be taken when weaknesses are identified.

Monitoring risk exposure against risk appetite and tolerance on a regular basis, and setting out our risk acceptance process, drives risk awareness in a more forward-looking manner. It assists management in determining whether further action is required.

Business managers are responsible for maintaining an appropriate level of internal control, commensurate with the scale and nature of operations. They are responsible for identifying and assessing risks, designing controls and monitoring the effectiveness of these controls. The RMF helps managers to fulfil these responsibilities by defining a standard risk assessment methodology.

Risk and control assessment approach

Non-financial risk and control assessments are performed by individual business units and functions. The risk and control assessment process is designed to provide business areas and functions with a forward-looking view of non-financial risks, an assessment of the effectiveness of controls, and a tracking mechanism for action plans so that they can proactively manage non-financial risks within acceptable levels. These determine our end-to-end control effectiveness and the level of residual risk.

Recording

We use a Group-wide risk management system to record the results of our non-financial risk management process. Non-financial risk and control assessments as described above, are inputted and maintained by business units. Business management monitors and follows up the progress of documented action plans. Operational risk losses are entered into HSBC Group-wide risk management system and reported to the RMM, the Risk Committee, and the Board itself, on a regular basis.

Other risks

Liquidity and funding

Overview

Liquidity risk is the risk that HSBC Bank Malta p.l.c. does not have sufficient financial resources to meet its obligations as they fall due, or will have to access such resources at excessive cost. The risk arises from mismatches in the timing of cash flows or when the funding needed for illiquid asset positions cannot be obtained at the expected terms as and when required. In accordance with Article 451a(4) CRR, a qualitative assessment of the liquidity risk management is being disclosed. To complement the qualitative assessment, table EU LIQ1 hereunder has been defined to provide the quantitative LCR information and complements Article 435 (1) (f) of the CRR.

Liquidity management across HSBC group

The HSBC Group's operating entities are predominantly defined on a country basis to reflect the local management of liquidity and funding. In this context, liquidity and funding risks are managed by HSBC Bank Malta p.l.c. on a standalone basis with no implicit reliance assumed on any other Group entity (unless pre-committed). HSBC Group's general policy is that each defined operating entity should be self-sufficient in funding its own activities.

HSBC Bank Malta p.l.c. manages its liquidity and funding risks in line with the HSBC Group framework.

Strategies and processes in the management of liquidity risk

HSBC has an internal liquidity and funding risk management framework ('LFRF'), which aims to allow it to withstand very severe liquidity stresses. It is designed to be adaptable to changing business models, markets and regulations. The management of liquidity and funding is undertaken locally (by country) in compliance with HSBC Group's LFRF, and with practices and limits set by the Markets Treasury through the RMM and approved by the Board. HSBC Bank Malta p.l.c.'s policy is that it should be self-sufficient in funding its own activities.

The key aspects of the internal LFRF which is used to ensure that HSBC maintains an appropriate overall liquidity risk profile are:

- the bank is to manage liquidity and funding risk on a standalone basis without reliance on other members of HSBC Group or central banks and other shareholders;
- minimum liquidity coverage ratio ('LCR') requirement;
- minimum net stable funding ratio ('NSFR') requirement or other appropriate metric;
- annual individual liquidity adequacy assessment;
- liquidity funds transfer pricing; and
- forward looking funding assessments.

Structure and Organisation of the liquidity risk management function

The Asset, Liability and Capital Management ('ALCM') team is responsible for the application of the LFRF for HSBC Bank Malta p.l.c.. The elements of the LFRF are underpinned by a robust governance framework, the two major elements of which are:

- Asset and Liability Management Committees ('ALCOs'); and
- Annual Internal Liquidity Adequacy Assessment Process ('ILAAP') used to validate risk tolerance and set risk appetite.

HSBC Bank Malta p.l.c. is required to prepare an Internal Liquidity Adequacy Assessment ('ILAA') document at an appropriate frequency. The final objective of the ILAA, approved by the Board of Directors, is to verify that HSBC Bank Malta p.l.c. maintains liquidity resources which are adequate in both amount and quality at all times, ensuring that there is no significant risk that its liabilities cannot be met as they fall due, maintaining a prudent funding profile.

Management of liquidity and funding risk

Liquidity coverage ratio

The LCR metric was designed to promote the short-term resilience of a bank's liquidity profile. It aims to ensure that a bank has an adequate stock of unencumbered high-quality liquid assets ('HQLA') that consists of cash or assets that can be converted into cash at little or no loss of value in private markets, to meet its liquidity needs for a 30 calendar days liquidity stress scenario.

The LCR is calculated in accordance with Commission Delegated Regulation 2015/61 (LCR Delegated Act) supplementing the CRR.

In accordance with Regulation EU 2019/876 of the European Parliament ('CRR II'), the table below presents the average of the previous twelve month-end balances for each reporting date. As such therefore, the LCR values reported below do not represent the point-in-time ratios at the end of each period. As per the table below, as at 31 December 2024, HSBC Bank Malta p.l.c.'s twelve month-end average LCR stood at 545%.

Table 28: Quantitative information of LCR (EU LIQ1)

		Total unweighted value (average)				Total weighted value (average)			
		31 Dec 2024	30 Sep 2024	30 Jun 2024	31 Mar 2024	**31 Dec 2024**	30 Sep 2024	30 Jun 2024	31 Mar 2024
		€000	€000	€000	€000	**€000**	€000	€000	€000
EU 1a	Quarter ending on 31 Dec 2024								
EU 1b	Number of data points used in the calculation of averages	**12**	12	12	12	**12**	12	12	12
High-Quality Liquid Assets									
1	Total high-quality liquid assets ('HQLA'), after application of haircuts in line with Article 9 of regulation (EU) 2015/61					**3,117,858**	3,004,895	2,871,219	2,747,169
Cash – Outflows									
2	Retail deposits and deposits from small business customers	**4,592,107**	4,587,342	4,585,326	4,592,612	**337,446**	337,020	336,998	337,712
3	– of which: Stable deposits	**3,150,024**	3,148,771	3,147,718	3,153,392	**157,501**	157,439	157,386	157,670
4	– of which: Less stable deposits	**1,442,082**	1,438,571	1,437,608	1,439,220	**179,945**	179,581	179,612	180,042
5	Unsecured wholesale funding	**1,347,129**	1,334,779	1,327,474	1,309,102	**642,288**	636,767	630,983	622,290
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	**503,727**	491,270	488,492	476,340	**120,979**	117,824	117,096	113,998
7	Non-operational deposits (all counterparties)	**843,402**	843,509	838,982	832,762	**521,309**	518,944	513,887	508,291
8	Unsecured debt	**—**	—	—	—	**—**	—	—	—
9	Secured wholesale funding	**—**	—	—	—	**—**	—	—	—
10	Additional requirements	**964,447**	915,905	879,108	866,502	**136,150**	134,736	130,036	124,481
11	Outflows related to derivative exposures and other collateral requirements	**26,124**	31,283	31,350	27,961	**26,124**	31,283	31,350	27,961
12	Outflows related to loss of funding on debt products	**—**	—	—	—	**—**	—	—	—
13	Credit and liquidity facilities	**938,323**	884,621	847,758	838,541	**110,026**	103,453	98,687	96,521
14	Other contractual funding obligations	**48,171**	48,885	50,920	53,240	**34,561**	35,993	38,228	41,253
15	Other contingent funding obligations	**212,998**	213,322	212,374	211,784	**10,650**	10,666	10,619	10,589
16	Total Cash Outflows					**1,161,095**	1,155,182	1,146,863	1,136,325

Table 28: Quantitative information of LCR (EU LIQ1) (continued)

		Total unweighted value (average)				Total weighted value (average)			
		31 Dec 2024	30 Sep 2024	30 Jun 2024	31 Mar 2024	**31 Dec 2024**	30 Sep 2024	30 Jun 2024	31 Mar 2024
		€000	€000	€000	€000	**€000**	€000	€000	€000
Cash – Inflows									
17	Secured lending (e.g. reverse repos)	**—**	—	—	—	**—**	—	—	—
18	Inflows from fully performing exposures	**558,219**	574,849	599,107	611,065	**549,413**	563,521	583,724	592,343
19	Other cash inflows	**30,161**	35,205	34,716	31,059	**30,161**	35,205	34,716	31,059
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					**—**	—	—	—
EU-19b	(Excess inflows from a related specialised credit institution)					**870,821**	866,387	860,148	852,243
20	Total Cash Inflows	**588,380**	610,054	633,823	642,124	**579,575**	598,727	618,440	623,402
EU-20a	Fully exempt inflows	**—**	—	—	—	**—**	—	—	—
EU-20b	Inflows subject to 90% cap	**—**	—	—	—	**—**	—	—	—
EU-20c	Inflows subject to 75% cap[1]	**588,380**	610,054	633,823	642,124	**579,575**	598,727	618,440	623,402
Total Adjusted Value									
EU-21	Liquidity Buffer					**3,117,858**	3,004,895	2,871,219	2,747,169
22	Total Net Cash Outflows					**581,520**	556,455	528,423	512,923
23	Liquidity Coverage Ratio %					**545.0**	548.6	552.0	543.4

HSBC Bank Malta p.l.c. is largely funded through retail deposits. Despite the short-term contractual nature of retail deposits, these are observed as sticky in nature and are expected to remain on balance sheet for an extended period of time. Such funding is deemed to be a reliable source of stable funding.

The bank operates a structural liquidity surplus with the excess liquidity being either invested in high quality bonds, deposits with the Central Bank or placed with other HSBC Group entities. The high level of deposits compared to the level of loans results in excess liquidity, which explains the high level of NSFR and LCR ratios.

The key functions supporting liquidity management are the following:

- Asset Liability and Capital Management which manages the balance sheet to achieve efficient allocation and utilisation of all resources. Asset Liability and Capital Management function reviews the risk arising from the Liquidity and Funding, as well as Interest Rates, Foreign Exchange and Capital. It serves as the First Line of Defence and ensures prudent management of the above mentioned risk.
- Markets Treasury manages the liquidity of the bank in line with ALCM, Group and regulatory norms. It is also responsible for executing the management of the Interest Rate Risk in the Banking Book and forms part of the First Line of Defence.
- Risk function, through the RMM, is the formal governance committee established to provide recommendation and advice to HSBC Bank Malta p.l.c.'s CRO on enterprise-wide management of all risks. The Risk function is the Second Line of Defence for risk matters including liquidity.
- Asset and Liability Management Committee is the primary senior management committee for considering liquidity adequacy within the bank.
- The Board represents the bank's administrative, management and supervisory body.

Liquidity risk is largely managed locally, however local Markets Treasury interacts with other Group entities to deploy the excess liquidity and with HBCE on strategic matters regarding its €assets.

HSBC Bank Malta p.l.c.'s liquidity reporting includes LCR, NSFR, Additional Monitoring Metrics ('AMM') – (contains the maturity ladder, concentration of funding by counterparty, concentration of funding by product type, prices for various maturities, rollover of funding, concentration of counterbalancing capacity), and PRA110.

HSBC Bank Malta p.l.c. has also an Internal Liquidity Metric, which is a 90-day dual stress liquidity reporting metric. The Internal Liquidity Metric provides improved analysis of the liquidity of the bank. The metric also includes details of the management actions possible under the baseline scenario and the recovery scenario. HSBC Bank Malta p.l.c. ensures adequacy through HSBC's liquidity and funding management framework which ensures that all foreseeable funding commitments and deposit withdrawals can be met when due or in case of stress.

The HSBC Group framework requires operating entities to maintain strong liquidity positions in line with regulatory and internal requirements. These requirements ensure the maintenance of:

- A diversified and stable funding base comprising core retail and corporate customer deposits, institutional balances, and long-term funding, while discouraging reliance on short-term professional funding; and
- A liquid assets portfolio that enables HSBC Bank Malta p.l.c. to respond to unforeseen liquidity requirements.

HSBC Bank Malta p.l.c. has a strong liquidity surplus, however it also has set-up a Contingency Funding Plan which is expected to document procedures for:

- Identifying when a liquidity stress is starting;
- Managing liquidity during a liquidity stress; and
- Remediating the liquidity position once a liquidity stress has stabilised.

Stress testing serves to identify certain scenarios that could cause liquidity outflows to increase and inflows to slow or cease. The liquidity stress testing for HSBC Bank Malta p.l.c. takes the following forms:

- Calculation of the LCR, which is a 30-day combined stress;
- Calculation of the Internal Liquidity Metric which is both a market wide and idiosyncratic ninety-day stress; and
- Internal Liquidity Adequacy Assessment ('ILAA') which uses a series of scenarios to assess the suitability of HSBC Bank Malta p.l.c.'s liquidity position under stress.

On an annual basis management provides a declaration on the adequacy of liquidity risk management arrangements of the institution providing assurance that the liquidity risk management systems put in place are adequate with regard to the bank's profile and strategy. The Liquidity Adequacy Statement as per ILAAP signed by the bank's Chairman and CEO states: "HSBC Bank Malta p.l.c. maintains liquidity resources which are adequate in both amount and quality at all times to support the business activity, and ensures there is no significant risk that its liabilities cannot be met as they fall due".

Net stable funding ratio ('NSFR')

The NSFR requires institutions to maintain sufficient stable funding. It is designed to give a picture of the bank's long-term funding profile (that is, funding with a term of over one year) and is therefore used as a complement to the LCR.

HSBC Bank Malta p.l.c.'s NSFR was 245% as at 31 December 2024. The below table shows NSFR ratio for 31 Dec 2024 and 31 Dec 2023, respectively.

Table 29: Net Stable Funding Ratio (EU LIQ2)

		31 Dec 2024					31 Dec 2023				
		Unweighted value by residual maturity					Unweighted value by residual maturity				
		No maturity	**< 6 months**	**6 months to < 1yr**	**≥ 1yr**	**Weighted value**	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
Available stable funding ('ASF') Items		**€000**	**€000**	**€000**	**€000**	**€000**	€000	€000	€000	€000	€000
1	Capital items and instruments	**—**	**—**	**—**	**665,916**	**665,916**	—	—	—	599,467	599,467
2	Own funds	**—**	**—**	**—**	**496,204**	**496,204**	—	—	—	520,071	471,777
3	Other capital instruments		**—**	**—**	**169,712**	**169,712**		—	—	79,396	127,690
4	Retail deposits		**4,623,823**	**—**	**—**	**4,282,666**		4,613,862	—	—	4,274,553
5	Stable deposits		**3,155,407**	**—**	**—**	**2,997,637**		3,163,873	—	—	3,005,680
6	Less stable deposits		**1,468,415**	**—**	**—**	**1,285,029**		1,449,989	—	—	1,268,873
7	Wholesale funding:		**1,527,443**	**5,356**	**89,778**	**665,675**		1,547,529	6,880	90,500	725,533
8	Operational deposits		**531,370**	**—**	**—**	**265,685**		498,840	—	—	249,420
9	Other wholesale funding		**996,072**	**5,356**	**89,778**	**399,990**		1,048,689	6,880	90,500	476,113
10	Interdependent liabilities		**—**	**—**	**—**	**—**		—	—	—	—
11	Other liabilities:	**—**	**122,571**	**—**	**—**	**—**	—	122,376	—	—	—
12	NSFR derivative liabilities	**—**					—				
13	All other liabilities and capital instruments not included in the above categories		**122,571**	**—**	**—**	**—**		122,376	—	—	—
14	**Total ASF**					**5,614,257**					5,599,552

Table 29: Net Stable Funding Ratio (EU LIQ2) (continued)

		31 Dec 2024					31 Dec 2023				
		Unweighted value by residual maturity					Unweighted value by residual maturity				
		No maturity	**< 6 months**	**6 months to < 1yr**	**≥ 1yr**	**Weighted value**	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
Required stable funding ('RSF') Items											
15	Total high-quality liquid assets ('HQLA')					**6,392**					6,392
EU-15a	Assets encumbered for more than 12m in cover pool		**—**	**—**	**—**	**—**		—	—	—	—
16	Deposits held at other financial institutions for operational purposes		**—**	**—**	**—**	**—**		—	—	—	—
17	Performing loans and securities:		**756,516**	**110,322**	**2,611,312**	**2,059,684**		806,918	164,967	2,835,778	2,291,548
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		**—**	**—**	**—**	**—**		—	—	—	—
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		**600,662**	**—**	**110**	**60,176**		614,421	1,500	100,000	162,192
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs		**53,175**	**54,498**	**693,849**	**1,978,184**		67,995	89,788	844,067	2,113,554
21	– of which: With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		**9,739**	**21,825**	**201,515**	**1,118,966**		13,000	34,537	219,316	1,228,326
22	Performing residential mortgages		**41,709**	**44,151**	**1,906,305**	**—**		69,317	70,104	1,881,717	—
23	– of which: With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		**33,784**	**35,942**	**1,442,057**	**—**		60,281	61,071	1,540,501	—
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		**60,971**	**11,674**	**11,047**	**—**		55,186	3,575	9,995	—
25	Interdependent assets		**—**	**—**	**—**	**—**		—	—	—	—
26	Other assets:	**—**	**51,379**	**—**	**130,429**	**160,828**	—	43,549	—	136,448	168,960
27	Physical traded commodities		**—**	**—**	**—**	**—**		—	—	—	—
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		**—**	**—**	**—**	**—**		—	—	—	—
29	NSFR derivative assets										
30	NSFR derivative liabilities before deduction of variation margin posted		**13,747**	**—**	**—**	**687**		5,748	—	—	287
31	All other assets not included in the above categories		**37,631**	**—**	**130,429**	**160,141**		37,802	—	136,448	168,672
32	Off-balance sheet items		**—**	**—**	**1,296,788**	**64,669**		—	—	1,010,495	50,340
33	**Total RSF**					**2,291,573**					2,517,240
34	**Net Stable Funding Ratio (%)**					**245.0**					222.5

Liquid Assets

Liquid assets consist of any unencumbered liquid securities and available cash held by Markets Treasury. They are managed at HSBC Bank Malta p.l.c. level. The LFRF gives ultimate control of all unencumbered assets and sources of liquidity to Markets Treasury.

Liquidity stress testing

HSBC Bank Malta p.l.c. undertakes liquidity stress testing to test that its risk appetite is appropriate, to validate that it can continue to operate under various stress scenarios and to test whether the stress assumptions within the LCR scenario are appropriate and conservative enough for the business.

HSBC Bank Malta p.l.c. also conducts reverse stress testing with the specific aim of reviewing the remoteness of the scenarios that would lead HSBC Bank Malta p.l.c. to exhaust its liquidity resources. If the scenarios are not deemed remote enough, then corrective action is taken.

Several different stress testing scenarios are run to test the quality of liquidity resources under stresses of varying durations and nature. As part of this exercise, various assumptions are used which are approved by ALCO and the Board and the results of the stress testing are presented through the ILAAP to the Board and on a quarterly basis to ALCO.

Overall adequacy of liquidity risk management

HSBC Bank Malta p.l.c. is required to manage liquidity risk and funding risk in accordance with the LFRF, which includes the preparation of an ILAA document, to ensure that:

- liquidity resources are adequate, both as to the amount and quality;
- there is no significant risk that liabilities cannot be met as they fall due;
- a prudent structural funding profile is maintained;
- adequate liquidity resources continue to be maintained; and
- that the liquidity risk framework is adequate and robust.

The two key objectives of the ILAAP process are to:

- demonstrate that all material liquidity and funding risks are captured within the internal framework; and
- validate the risk tolerance/appetite set by HSBC Bank Malta p.l.c. by demonstrating that reverse stress testing scenarios are acceptably remote; and vulnerabilities have been assessed through the use of severe stress scenarios.

The final conclusion of the ILAA, approved by the Board of Directors, is that HSBC Bank Malta p.l.c.:

- maintains liquidity resources which are adequate in both amount and quality at all times;
- ensures that there is no significant risk that its liabilities cannot be met as they fall due; and
- ensures its liquidity resources contain an adequate amount of HQLA and maintains a prudent funding profile.

Interest rate risk in the banking book

Interest rate risk in the banking book ('IRRBB') is the risk of an adverse impact to earnings or capital due to changes in market interest rates that affect the bank's banking book positions. It is generated by our non-traded assets and liabilities, specifically loans, deposits, and financial instruments that are not held for trading intent or held in order to hedge positions held with trading intent.

All interest rate risks must be identified, measured, monitored, managed and controlled within metrics and limits. Key metrics to monitor IRRBB are projected net interest income ('NII') and economic value of equity ('EVE') sensitivities ('Δ') under varying interest rate scenarios as prescribed by the regulators.

ALCM monitors and controls interest rate risk in the banking book. This includes reviewing and challenging the lines of business prior to the release of new products and proposed behavioural assumptions used. ALCM is also responsible for maintaining and updating the transfer pricing framework, informing the ALCO of the banking book interest rate risk exposure and managing the balance sheet in conjunction with Markets Treasury. EVE and NII sensitivities are monitored against risk appetite limits and triggers. Group IRRBB as part of Group Treasury, Markets Treasury and ALCO performs oversight over the management of IRRBB. IRRBB is also subject to independent oversight and challenge from Market Risk, Internal Audit and Model governance.

A principal part of the management of non-traded interest rate risk is to monitor the sensitivity of expected net interest income ('NII') under varying interest rate scenarios (i.e. simulation modelling), where all other economic variables are held constant. Sensitivity of net interest income reflects the bank's sensitivity of earnings due to changes in market interest rates. This is assessed over one year and five years and is calculated on a quarterly basis.

A ΔEVE represents the expected movement in EVE due to pre-specified interest rate shocks, where all other economic variables are held constant. EVE represents the present value of the future banking book cash flows that is due to equity providers under a hypothetical managed run-off scenario. This equates to the current book value of equity plus the present value of future NII in this scenario. EVE can be used to assess the economic capital required to support interest rate risk in the banking book and provides a comprehensive view of the potential long-term effects of changes in interest rates. HSBC Bank Malta p.l.c. monitors EVE sensitivities as a percentage of capital resources on a quarterly basis.

Hold-to-collect-and-sell ('HTC&S') stressed value at risk ('VaR') is a quantification of the potential losses to a 99.95% confidence level of the portfolio of securities held under a held-to-collect-and-sell business model in the Markets Treasury. The portfolio is accounted for at fair value through other comprehensive income. This is quantified based on the worst historic losses with an assumed holding period of 60 days. Hold-to-collect-and-sell stressed VaR uses the same models as those used for trading book capitalisation and covers only the portfolio managed by Markets Treasury under this business model.

The results of annual regulatory stress testing and our internal stress tests are used when assessing our internal capital requirements through the ICAAP for credit, market, operational, foreign exchange risk and interest rate risk in the banking book.

The ΔNII is indicative and based on scenarios and assumptions prescribed by the EBA Guidelines on the management of interest rate risk arising from non-trading book activities (EBA/GL/2022/14). This hypothetical base case projection of our NII (excluding insurance) follows the currency specific Parallel Up and Down EBA shock scenarios (200bps for EUR).

The ΔEVE produced in the table below is based on EBA Supervisory Outlier Test (SOT) shocks:

- Parallel Up;
- Parallel Down;
- Steepener;
- Flattener;
- Short rates shock up; and
- Short rates shock down.

Interest rate risk that can be economically hedged is transferred to Markets Treasury to manage within Market Risk limits and in accordance with internal transfer pricing rules. Hedging is generally executed through structural hedging or through interest rate derivatives. Any interest rate risk that Markets Treasury cannot economically hedge remains within the business.

Key modelling and parametric assumptions used in calculating ΔEVE and ΔNII include:

– For ΔEVE commercial margins and other spread components have been excluded from the interest cash flows calculation and all balance sheet items are discounted at the risk free rate; all CET1 instruments are excluded; liability products are floored at 0%.
– For ΔNII a constant balance sheet is assumed over a one-year period; a commercial margin is used; all forecasted market rates are based on implied forward rates from the loaded spot curves at each quarter-end; assumptions applied for managed rate products are used; customer pricing include flooring where there is contractual obligations and customer optionality including prepayment and early redemption risk assumed.

The repricing maturity of non-maturing deposits is assessed using both:

– a historical analysis at product level to confirm the stable part of deposits in respect of past interest rate environment; and
– the business expectations of customer behaviour and product characteristics with respect to stressed scenarios.

Behavioural assumptions are reviewed and challenged at least on an annual basis in line with the bank's policy and procedures.

The EVE value represents the present value of future banking book cashflows that could be distributed to equity providers under a managed run off scenario. EVE is a regulatory metric and limit of sensitivity as prescribed against Total Capital and Standard outlier test.

Interest rate risk in the banking book will give rise to volatility in expected NII due to movements in interest rates. One way to measure interest rate risk in the banking book is to assess this volatility using NII sensitivity analysis.

HSBC Bank Malta p.l.c. is exposed to a change in Eurozone interest rates on banking operations and structural elements of the balance sheet. Out of the set of interest rates scenarios that are run, the two most adverse ones are a decrease of 200 basis points with respect to NII and an increase of 200 basis points with respect to EVE. HSBC Bank Malta p.l.c. would see its Net Interest Income on a 1 year horizon decrease by €38.6 million for an instantaneous decrease of 200 basis points in the reference interest rate curve. As at 31 December 2024 HSBC Bank Malta p.l.c. would see a fall of €11.8 million in the EVE in a 200 basis point up scenario.

The changes in sensitivities were driven by factors including an increase in stabilisation activities in line with the bank’s strategy and modelling improvements.

Table 30: Interest Rate Risk in the Banking Book (EU IRRBB1)

		ΔEVE		ΔNII	
		31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
	Supervisory shock scenarios[1]	**€000**	€000	**€000**	€000
1	Parallel up	**(11,789)**	(8,074)	**39,646**	52,154
2	Parallel down	**19,455**	8,074	**(38,602)**	(48,998)
3	Steepener	**5,452**	(2,387)		
4	Flattener	**(6,787)**	1,139		
5	Short rates up	**(10,599)**	(1,234)		
6	**Short rates down**	**12,103**	1,234		

1 NII comparatives for 31 December 2023 have been restated to show the impact on a comparable basis to 31 December 2024, i.e. based on the EBA's +/-2% parallel rate shock scenario.

Risk management of insurance operations

HSBC Life Assurance (Malta) Ltd is excluded from the regulatory consolidation by excluding assets, liabilities and post-acquisition reserves, leaving the investment of the insurance subsidiary to be recorded at cost and deducted from CET1 subject to thresholds (amounts below the thresholds are risk-weighted at 250%).

Further details on the management of risks arising from the insurance operations are provided on page 167 of the Annual Report and Accounts.

ESG risks

Qualitative information on environmental risk

Strategy and Business processes

This section describes how HSBC Bank Malta p.l.c:

- integrates environmental factors and risks in its business strategy, taking account of:
  - the impact of environmental factors and risks on the business environment, business model, strategy and financial planning; and
  - the evolution of these over time in the light of changing technology, policy framework, business environment, stakeholder preferences, as well as the physical environment itself;
- sets objectives and ambitions to assess and address environmental risk in short-, medium-, and long-term, and monitors performance against them. This includes explanation of the links to current international and European policy framework and benchmarks;
- incorporates environmental objectives and EU-taxonomy-aligned activities into its current and future investment activities and targets; and
- engages directly or indirectly with new and existing counterparties to review their strategies for mitigating and reducing environmental risks.

HSBC Bank Malta p.l.c. is one of the 13 founding members of the Malta ESG Alliance. The Alliance has the aim of acting as a platform for Maltese businesses to collaborate and work together in order to lead and drive national ESG goals and ultimately act as catalysts while leading by example.

Business strategy to integrate environmental factors and risks on the business environment, business model, strategy and financial planning.

HSBC Group's approach to environmental, social and governance is focused on creating long-term value for its customers and wider stakeholders. The HSBC Group focuses its efforts on three areas, which include the transition to net zero.

HSBC Group recognises that, to achieve its net zero ambition, it needs to be transparent on the opportunities, challenges, related risks and progress it makes. To deliver on this ambition, it requires enhanced processes and controls, and new sources of data. The HSBC Group continues to invest in climate resources and skills, and to develop its business management process to integrate climate impacts. Until systems, processes, controls and governance are enhanced, certain aspects of HSBC Group’s reporting will rely on manual sourcing and categorisation of data. In 2024, the HSBC Group continued to review its approach to disclosures. Reporting has evolved to keep pace with market developments.

HSBC Bank Malta p.l.c.’s approach to sustainability is aligned to the HSBC Group strategy, taking into account local regulatory requirements.

Become a net zero bank

In 2020, HSBC Group set an ambition to become a net zero bank by 2050. Since then, HSBC Group, including HSBC Bank Malta p.l.c., has made progress towards achieving this ambition - including providing and facilitating sustainable finance and investment for its customers. At the current pace of decarbonisation, a combination of different factors outside HSBC Group’s control such as technological advancements, diversification of the energy mix, market demand for climate solutions, evolving customer preferences and government leadership and effective policy has led to the transition being slower than envisaged by recent Paris-aligned net zero scenarios. Against this background, the HSBC Group has begun a review of its interim financed emissions targets and associated policies as part of the annual review of its net zero transition plan. This analysis is complex and presents considerable data and methodology challenges and it is going to take time to complete.

Thermal coal phase-out policy

The Thermal Coal Phase-Out Policy aims to support thermal coal phase-out aligned to science-based pathways. The policy seeks to achieve two primary objectives:

- phasing out the financing of thermal coal-fired power and thermal coal mining by 2030 in markets in the EU and the Organisation for Economic Co-operation and Development ('OECD'), and by 2040 in other markets; and
- supporting the HSBC Group's clients, including emerging economy clients, to meet growing energy demand whilst transitioning energy systems from coal towards a clean energy future.

Energy Policy

The Energy Policy outlines the HSBC Group’s ambition to support and finance the energy transition. This policy covers oil and gas (including conventional and unconventional oil and gas, methane emissions, and activities in environmentally and socially critical areas), hydrogen, power generation, nuclear, renewables and hydropower, biomass energy and energy from waste. The policy seeks to achieve three inter-related objectives:

- driving global greenhouse gas emissions reductions, both to achieve a net zero in the HSBC Group's portfolio and to support the transition to a net zero global energy future;
- enabling a resilient and orderly energy transition, helping to build energy security in the long term; and
- supporting a just and affordable transition, recognising the local realities in all the communities served.

Financed emissions

The HSBC Group aims to reduce its financed emissions to net zero by 2050. HSBC Bank Malta p.l.c. assesses and discloses financed emissions in its portfolio. Financed emissions link the financing provided to customers and their activities in the real economy and provide an indication of the greenhouse gas emissions associated with those activities. They form part of the HSBC Bank Malta p.l.c.’s scope 3 emissions, which include emissions associated with the use of a company’s products and services.

For more information, please refer to "GHG Financed Emissions" on page 53.

Net zero in own operations

HSBC Group has the ambition to become a net zero bank by 2050, which includes its operations. In order to contribute to HSBC Group's ambition, HSBC Bank Malta p.l.c. is focused on key objectives of reducing greenhouse gas emissions and improving energy efficiency.

Support customers on their transition to net zero

HSBC Group aims to help its customers transition to net zero and a sustainable future by providing and facilitating between USD 750 billion and USD 1 trillion of sustainable finance and investment by 2030.The HSBC Group's sustainable finance and investment ambition aims to help promote green, sustainable and socially-focused business and sustainable investment products and solutions.

HSBC Group published its Net Zero Transition Plan in January 2024. It aims to provide an overview of HSBC Group's approach to net zero.

Wholesale strategy
HSBC Bank Malta p.l.c.'s strategy for the wholesale business reflects the overarching objective to support clients in their transition to net zero by:

– Understanding the impact of climate change on customers: HSBC Bank Malta p.l.c. is working with customers to capture holistic information on their exposure to the transition to net zero emissions, and the risks and opportunities in five key areas (emissions, reduction targets, plans, transition risks and physical risks). Customers in scope are assessed through a Transition Engagement Questionnaire ('TEQ') that supports commercial decision-making and credit assessments, pricing and capital allocation.
– Building ESG capabilities – Support clients with a wide suite of products including Green and Sustainability Linked Loans, all of which meet the required standards and practices.
– Monitoring of Key Metric Indicators ('KMIs') and Key Performance Indicators ('KPIs') that are in place to monitor climate risk and the performance of the strategy.

Wealth and Personal Banking ('WPB') strategy
The overall ambition in retail banking is to be the partner for our customers' transition to a sustainable lifestyle and help clients manage lending and investment for positive long-term environmental and social impacts.

Key initiatives in lending and investment:

– In Malta, the bank focuses on supporting a sustainable lending and investment activity through its product range. The launch of new energy efficiency loans and a wider selection of sustainable investment funds resulted in an increase in take up of sustainable products. Retail banking have accelerated the roll out of PVC cards made up of 100% recycled material, issuing them to customers needing new or replacement cards. The recycled PVC plastic card action is expected to reduce CO_2 emissions and save plastic waste as part of our net zero strategy.
– In addition, investment in our digital platforms supported strong growth in digital service adoption with 95% of retail transactions executed through online banking channels. We continued to migrate more customer documentation from paper to digital with 45,000 statements migrated from paper to digital statements.
– Through our Investments and Wealth Solutions team, HSBC Bank Malta p.l.c. implemented a new financial advisory solution to ensure more granular sustainability preferences are taken into consideration during the provision of investment advice. The Strategic Financial Planning tool, which is used during the provision of financial advice has been enabled to automatically filter ESG products that meet customer sustainability preferences. HSBC Bank Malta p.l.c. is actively campaigning through letters, emails, social media etc., to encourage customers to undertake a financial planning review and provide us with their sustainability preferences. Investments into sustainable funds continued to grow, and as of 31 December 2024, Assets Under Management in Sustainable Funds have exceeded €33 million.
– HSBC Bank Malta p.l.c. also offers funds, such as the HSBC GIF Global Lower Carbon and Equity Funds, with the aim of reducing exposure to intensive carbon activities and reducing the carbon footprint. The investment process enables the assessment of a portfolio of companies and the identification and classification of the most attractive firms in the investment world.

For more information on our Asset Management and Insurance activity please refer to the Sustainability Statement in the Annual Report and Accounts 2024.

Objectives and limits to assess and address climate and environmental risk and performance assessment

In October 2020 the HSBC Group announced its ambition to become a net zero bank by 2050. In January 2024, HSBC Group published its first Net Zero Transition Plan.

In line with the HSBC Group's approach, HSBC Bank Malta p.l.c. is taking entity-level actions to contribute to the HSBC Group's net zero transition plan. HSBC Bank Malta p.l.c. has set granular quantitative climate Key Risk Indicators based on risk sensitive data in the Risk Appetite Framework and appropriate limits in place.

HSBC Bank Malta p.l.c.'s climate change stress testing and scenario analysis are also used to provide insights on the long-term effects of transition and physical risks across retail and wholesale banking portfolios.

HSBC Bank Malta p.l.c. in conjunction with HBCE has developed an approach to allocate economic capital to climate risk in the ICAAP. This considers stress testing results.

EU Taxonomy-aligned activities

HSBC Bank Malta p.l.c. is in the early stages of integrating EU Taxonomy considerations into its broader climate strategy.

HSBC Bank Malta p.l.c. aims to support customers who are at differing stages in their transition journey, focusing first on the sectors and customers with the highest emissions and transition risks, and evolving and expanding efforts over time. Consequently, not all sustainable finance provided by the Bank, and in particular transition finance, will meet the strict criteria for EU Taxonomy alignment.

The composition of the Bank's banking book is a key driver of the green asset ratio ('GAR'). With Non-Financial Reporting Directive ('NFRD') counterparties only making up a fraction of the overall book

For further details, please refer to page 78 – EU Taxonomy economic performance indicators.

Policies and procedures relating to engagement with counterparties on their strategies to mitigate and reduce environmental risks.

HSBC Group recognises that businesses can have an impact on the environment and has developed, implemented and refined its approach to working with its business customers to understand and manage these issues.

HSBC Bank Malta p.l.c. applies, where relevant, HSBC Group sustainability risk policies to mitigate adverse environmental impacts within specific sectors on people and the environment. These policies are comprised of core net zero-aligned policies (thermal coal phase-out and energy) and broader sustainability risk policies, which cover agricultural commodities, forestry, mining and metals, World Heritage Sites and Ramsar-designated wetlands. The bank also applies the Equator principles when financing relevant projects.

The HSBC Group's forestry and agricultural commodities policies focus specifically on the upstream impacts of key agricultural commodities including palm oil, timber, soy and cattle. The HSBC Group also requires palm oil customers to obtain certification under the Roundtable on Sustainable Palm Oil. The HSBC Group's sustainability risk policies also impose certain restrictions, for example through its World Heritage and Ramsar Wetlands policy, on financing activities in environmentally and socially critical areas.

Relationship managers ('RMs') are the primary point of contact for the local customers, and are responsible to monitor the customers' compliance with applicable policies. A network of Sustainability Risk Managers (based in the HSBC Group) provides expertise, support, and guidance to the Businesses and to Risk (credit approvers). In addition, a transition engagement questionnaire process enables RMs to engage with clients on their climate and environmental strategy.

Governance

The governance described below is not limited to environmental related topics but covers also social and governance topics.

Responsibilities of the management body

The Board of Directors of HSBC Bank Malta p.l.c. determines the orientation of HSBC Bank Malta p.l.c.'s business and oversees the implementation thereof, including with respect to ESG and climate-related matters. The Board of Directors oversees and monitors that HSBC Bank Malta p.l.c.'s risk strategy, with its risk appetite and risk management framework, is implemented consistently, including the ESG risks.

The Risk Committee, set up by the HSBC Bank Malta p.l.c. Board, is accountable to the Board and oversees and advises the Board on risk-related matters impacting HSBC Bank Malta p.l.c. including climate-related and environmental risks. The Audit Committee, also set up by HSBC Bank Malta p.l.c's Board, is accountable to the Board and has responsibilities that include internal controls over, inter alia, reports as required by applicable laws and regulations. This includes all ESG-related regulatory reports.

Board members routinely receive ESG-related training as part of their annual development and training. The Board of HSBC Bank Malta p.l.c., its Risk Committee and its Audit Committee regularly receive updates on ESG-related matters.

The Chief Executive Officer, supported by the Executive Committee, works on HSBC Bank Malta p.l.c.'s ESG strategy and its operational plan for sustainable finance, while receiving regular updates from the members of the Executive Committee on ESG-related matters.

Integration of environmental factors, organisational structure within business lines and internal control functions

The local group approach to climate and environmental risk management is aligned to HSBC group-wide risk management framework and the three lines of defence model, which sets out how HSBC Bank Malta p.l.c. defines, identifies, assesses, manages, and reports its risks. Climate risk in HSBC is considered as a cross cutting risk as per HSBC Group Risk Management Framework, which defines the way HSBC identifies, assesses and manages its risks.

This approach ensures the Board and senior management have visibility and oversight of the key environmental and climate risks.

Role of committees and lines of reporting

The Board and its committees receive regular updates on the climate-related and environmental risks in the overall business strategy and risk management framework.

The Climate & ESG Steering Committee

The previously called Climate and Risk Oversight Forum has expanded its scope in March 2024, to incorporate oversight of HSBC Bank Malta p.l.c.'s response to the Corporate Sustainability Reporting Directive ('CSRD'), in addition to climate and nature risk oversight responsibilities. The forum has been renamed to Climate and ESG Risk Steering Committee, which is co-chaired by Chief Risk Officer and Chief Financial Officer. The committee ensures a regular review of climate-related and environment risks across HSBC Bank Malta p.l.c. through the three lines of defence enabling an assessment of the risks involved in the HSBC Bank Malta p.l.c. perimeter and how they are controlled and monitored, giving clear, explicit and dedicated focus to current and forward-looking aspects of risks. This committee has an escalation path to the HSBC Bank Malta p.l.c. Risk Committee for climate and environmental risks and to Audit Committee for CSRD.

Climate Action Network ('CAN')

The bank also supports the Climate Action Network ('CAN'). This is a network of bank employees from across different business lines and functions that are committed to drive sustainable projects inside and outside the bank. These projects range from environmental to future skills topics. Initiatives are led ably by our people who use a central platform where they share their achievements and successes of their projects.

Risk Committee Terms of Reference

On the non-executive side, the Risk Committee's Terms of Reference was updated in 2022 to specifically mention the climate and environmental risks among risks related matters that are overseen by this committee.

Alignment of remuneration policy

A number of climate-related metrics are used in HSBC Bank Malta p.l.c. within the annual incentive scorecards of HSBC Bank Malta p.l.c. executives. The completion of these weighted climate-related goals forms part of the annual performance assessment and the associated performance rating basis of the variable remuneration. The goals are linked to the HSBC Group's climate ambitions.

Summary of the ESG Governance Structure.

The below table shows how ESG-related risk Governance is embedded within HSBC Bank Malta p.l.c.'s general corporate governance framework.

Board	The Board sets the strategic direction, including on ESG, upon management's recommendation, and oversees its execution.			
			The Risk Committee advises and supports the Board on the oversight of risk related matters and enterprise risks	The Audit Committee advises and supports the Board on matters relating to financial reporting and the effectiveness of internal financial control systems.
CEO	The Chief Executive Officer is responsible for the management of the business, as well as the setting and implementing the HBMT Strategy as part of HBCE, including on ESG.			
Executive	The Executive Committee supports the CEO in the development and implementation of the ESG Strategy.	The Risk Management Meeting supports the CRO on enterprise-wide management of all risks, including key policies and frameworks for Nature-related risk.		
Sustainability/ Climate Specific Forum		The Climate and ESG Risk Steering Committee oversees all risk activities relating to Climate and Nature risk management, including physical and transition risks as well as the implementation of CSRD.		

Risk management

Integration of short-, medium- and long-term effects of environmental factors and risks in the risk framework including definitions, methodologies, and international standards

HSBC Bank Malta p.l.c. manages climate and nature-related risks across its lines of businesses and incorporates environmental considerations within its traditional risk types in line with the HSBC Group-wide risk management framework. The climate and nature related risk approaches aim to effectively manage the material risks that could potentially impact the bank's operations, financial performance, financial stability and reputation. It is informed by the evolving expectations of the regulatory banking environment.

Climate and nature-related risks are not stand-alone risks. They may have far-reaching, complex, and nuanced impacts across the risk taxonomy. These risks are incorporated within the risk management framework through the policies and controls for existing risks, where appropriate.

The physical impacts of climate change, biodiversity loss and ecosystem services degradation, in addition to the transition to a net zero economy, can create significant financial risks for companies, investors and the financial system. HSBC Bank Malta p.l.c. may be affected by climate and nature-related risks either directly or indirectly through its relationships with customers, which could result in both financial and non-financial impacts.

Climate and nature-related risk approaches aim to effectively manage the material climate and nature-related risks that could impact the bank's operations, financial performance and stability, and reputation. It is informed by the evolving expectations of Bank's regulators.

A climate and nature risk materiality assessment helps HSBC Bank Malta p.l.c. understand how climate and nature-related risks may impact across HSBC's risk taxonomy. The assessment considers short-term (up to 2026), medium-term (2027 – 2035) and long-term (2036 – 2050) periods. These time periods align to the Climate Action 100+ disclosure framework v2.

In addition to the assessment performed across financial and non-financial risk types, climate and nature-related risks are also considered in:

– HSBC Bank Malta p.l.c.'s Double Materiality Assessment anticipated to be performed in the context of the Corporate Sustainability Reporting Directive to identify and assess environmental Impacts, Risks and Opportunities ('IROs'), which are material for the bank.
– HSBC Bank Malta p.l.c. emerging risk reporting.
– policies, processes, and controls across many areas of the bank's organisation.

HSBC Bank Malta p.l.c. 's environmental risk management is based on HSBC Group's Risk Management Framework, the HSBC climate risk approach and the HBCE's nature-related risk management approach.

Approach to Managing climate risk

Climate change poses different risks to the stability of the financial system and these risks are collectively referred to 'climate risk'.

Climate risk approach identifies two primary drivers of climate risk:

– physical risk – risk arising from increased frequency and severity of extreme weather events, such as hurricanes and floods (acute risk), or chronic gradual shifts in weather patterns or sea level rise (chronic risk).
– transition risk – risk arising from the process of moving to a net zero economy, including changes in government policy and legislation, technology, market demand, and reputational implications triggered by a change in stakeholder expectations, action or inaction.

In addition to these primary climate risk drivers, the following thematic issues related to climate risk which are most likely to materialise in the form of reputational, regulatory compliance and litigation risks have been identified:

– net zero alignment risk, which arises from the risk of HSBC failing to meet its net zero commitments or failing to meet external expectations related to net zero, because of inadequate ambition and/or plans, poor execution, or inability to adapt to changes in external environment; and
– risk of greenwashing, which arises from the act of knowingly or unknowingly making inaccurate, unclear, misleading or unsubstantiated claims regarding sustainability to HSBC and its stakeholders.

The inclusion of climate risk into HSBC Bank Malta p.l.c. Risk Appetite Statement (‘RAS’) helps to define the type and level of risk the bank is willing to take and supports the oversight and management of the financial and non-financial risks. The climate risk appetite supports the business in delivering HSBC climate and net zero ambition effectively and sustainably. This includes:

– the transition and physical risks that impact HSBC's financial position under current and future climate scenarios; and
– the risks associated with not delivering against net zero ambitions.

HSBC Bank Malta p.l.c. is taking entity level actions to contribute to HSBC Group’s ambitions. The local RAS is approved and overseen by the HSBC Bank Malta p.l.c. Board.

Approach to managing nature-related risk

HSBC Bank Malta p.l.c. may also be exposed to nature-related risks beyond climate change.

Nature-related risk is defined as a potential threat posed to HSBC Bank Malta p.l.c. linked to its organisation´s dependencies on nature and nature impact.

Similar to climate change, nature-related risk can be understood and managed through two main channels:

– physical risk is driven by dependencies on nature and arises when natural systems, and therefore their benefits to society are compromised through human activity or otherwise.
– transition risk is driven by changes introduced to halt or reverse damage to nature and arises when the changes required are costly to businesses and/or households.

Nature risk impacts have been assessed in the context of the 2024 refresh in addition to climate risk through specific scenarios when applicable.

The nature risk management approach requires that HSBC Bank Malta p.l.c. as part of HBCE, embed nature-related risk within the bank’s existing risk management governance structure. The inclusion of nature clarifies the responsibilities of relevant risk owners and stewards and ensures that nature is assessed as a risk driver across all of the bank’s activities.

In 2024, HSBC Bank Malta p.l.c. has completed a nature related risk analysis beyond climate risk. This is expected to be enhanced in 2025.

Description of the link between environmental risks with credit risk, liquidity and funding risk, market risk, operational risk and reputational risk in the risk management framework.

HSBC Bank Malta p.l.c. seeks to manage climate risk across all its businesses in line with HSBC Group-wide risk management framework and is incorporating climate considerations within its traditional risk types. In 2024, HSBC Bank Malta p.l.c. updated the qualitative assessment of how climate and nature-related risks (including net zero alignment risk and the risk of greenwashing) may impact all financial and non-financial risk types defined in HSBC taxonomy. In addition, HSBC Bank Malta p.l.c. commenced work on its first double materiality assessment to comply with the Corporate Sustainability Reporting Directive requirements, aiming at identifying material climate and nature-related impacts, risks and opportunities.

Risk management tools, such as forward-looking indicators, emerging risks, horizon scanning, and stress testing and scenario analysis can be used to inform medium to longer-term risk assessments.

In 2024, the climate and nature scores were calculated for wholesale corporate clients within the scope of TEQ (Transition Engagement Questionnaire) and a Nature heatmap was refreshed based on updated Encore Methodology to better identify and understand Nature risk drivers. In addition, the results from the Internal Climate Scenario Analysis ('ICSA') have been utilized along with the outcomes of the climate and nature scores to complete the materiality assessment of HSBC Bank Malta p.l.c. wholesale corporate portfolio with the following key outputs:

– Transition to a low carbon economy can materialize as an increased credit risk for HSBC Bank Malta p.l.c. Climate-related regulatory, policy or technological developments may impact corporate customers’ business models, resulting in financial difficulty for customers.
– Physical risk with extreme weather events may disrupt customers or cause damage to their assets. For instance, for commercial real estate, properties may be impacted by adverse weather events, potentially affecting both property values and borrowers’ ability to meet their financial commitments.
– Liquidity risk may increase because climate and nature risks drivers may impact the liquidity risk directly through our ability to raise funds or liquidate assets, or indirectly through customers’ demands for liquidity. For instance, clients who want to avoid any association with HSBC, in the event of greenwashing concerns or reputational concerns relating to the progress made towards HSBC net zero commitments, could potentially take out their deposits, which could have an impact on liquidity risk.
– Market risk may increase if the risks associated with climate and nature are not accurately reflected within HSBC trading book assets. Indeed, trading losses may result from increases in market volatility and widening spreads due to the macro and micro economic impacts of transition and physical risk.
– Operational risk coming from physical risk faced on HSBC Bank Malta p.l.c. own operations and premises may increase, owing to the more frequent and severity of weather events and chronic shifts in weather patterns, which could affect its ability to conduct day-to-day operations. For instance, if physical hazards disrupt transportation facilities and telecommunications infrastructure, the bank’s operational ability may be reduced.
– Regulatory compliance risk may result from the increasing pace, breadth and depth of climate-related regulatory expectations requiring implementation in short timeframes. For instance, greenwashing related to products offered by financial institutions is the focus of several new global regulations and can result in increased risk from product governance, mis-selling and marketing practices.
– Conduct risks could develop in association with the increasing demand for ‘green’ products where there are differing and developing standards or taxonomies.

Climate and nature related risks identification and assessment

Climate risk assessment is supported by tools that identify physical and transition risk exposures and opportunities to help customers in delivering their own net zero transition plans.

Key tools implemented in HSBC Bank Malta p.l.c. include:

– Materiality Assessment helps to identify and assess the most material climate and nature-related risk impacts at HSBC Bank Malta p.l.c. level.
– existing risk framework and risk rating methodologies in addition to the climate and nature-related risks, which set out how it identifies, assesses and manages its risks.
– horizon scanning to identify potential opportunities and threats (regulatory development and stakeholder sentiment) in the risk environment and to identify policies and controls that need development to ensure resilience to the future risk environment.
– stress testing and scenario analysis to identify and size the range of climate risks and opportunities over multiple time horizons.
– internal Capital Adequacy Assessment/Internal Liquidity Adequacy Assessment Process to identify and measure climate risk impacts on capital and liquidity.

- transition engagement questionnaire responses to understand corporate clients' climate strategies and risk.
- corporate customers' transition plan to assess the compatibility with HSBC's net zero ambition and integrate the output into HSBC client engagement strategy to support HBCE customers' transition.
- collection of Energy Performance Certificate ('EPC') for retail banking and corporate customers in efforts to reduce carbon emissions and promote sustainability.
- monitoring of exposures for retail banking of sea level rise and flash floods risks.

HSBC intends to enhance and expand these tools and further integrate them into decision-making at the portfolio and counterparty levels.

HSBC's approach to climate and nature-related risks is clearly delineated in its risk management framework and three lines of defense model, which set out how it identifies, assesses and manages its risks. HSBC's approach to climate risk management was updated early in 2024 to include net zero alignment risk and provide guidance on how to manage the non-financial components of climate risk.

HSBC Bank Malta p.l.c. with the support of HSBC Group, continues to develop a set of capabilities to execute climate stress testing and scenario analysis. These are used to improve the understanding of risk exposures for risk management and to respond to regulatory requirements.

In climate scenario analysis, jointly, both physical risks and transition risks are considered. A risk-based approach is taken when identifying transactions and clients to which the bank's energy and thermal coal phase-out policies apply, and when reporting on relevant exposures, adopting approaches proportionate to risk and materiality. The climate scenario analysis draws on a wide range of external science-based scenarios, including from the International Energy Agency ('IEA') and the Network for Greening the Financial System ('NGFS'). The analysis simulates potential impacts on customers' financials and collateral and provides insight on the range of long-term effects climate risks can have on the wholesale portfolio.

In 2024, HSBC Group has run a scenario analysis for HSBC Bank Malta p.l.c. portfolio on nature risk which supports the understanding of the financial impact resulting of nature risk impacts on its Wholesale Credit Risk ('WCR') portfolio by means of different scenarios. The scope of nature scenario analysis in 2024 is limited and covers a part of corporate customers. Early-stage modelling results has been achieved in 2024 to support the assessment of nature-related impacts and significant work in future years will be required to expand and develop on such capability, integrate our climate and nature scenario analysis tools.

The 2024 climate and nature-related risks identification and assessment has been reinforced in the context of the implementation of the Corporate Sustainability Reporting Directive and the performance of the double materiality assessment ('DMA'). HSBC Bank Malta p.l.c. commenced work on its first double materiality assessment to identify and assess the sustainability-related Impacts, Risks and Opportunities ('IROs'), which are material to the bank from an impact and financial perspective. The assessment work includes consideration of how the bank affects climate change and nature by financing and lending activities as well as how climate change and nature may represent a risk for HSBC Bank Malta p.l.c.

In line with the European Sustainability Reporting Standards ('ESRS'), HSBC Bank Malta p.l.c. intends to refresh this assessment on an annual basis. The identification of the most material risks related to ESG across the bank was performed in line with HSBC Group Risk Framework including Risk Management Framework ('RMF'), applicable to all risks across the organisation. The identification and assessment of these risks also relies on risk management tools such as climate risk appetite and Key risk Indicators, risk mapping, emerging risk, horizon scanning, stress testing and scenario analysis.

Activities, commitments and exposures contributing to mitigate environmental risks

HSBC Bank Malta's p.l.c. as part of HBCE's action plan to achieve its objectives, is embedding net zero by supporting its customers in high-emitting sectors notably through the provision of transition solutions.

In wholesale banking, HSBC Bank Malta p.l.c. seeks to engage with its clients on their climate strategies and risks. In 2024, it pursued and deepened this strategic discussion with its higher transition risk and/or largest corporate customers through the completion of a Transition Engagement Questionnaire ('TEQ') performed annually. This questionnaire contains specific, climate-focused questions to support HSBC Bank Malta p.l.c. in understanding the level of climate risk to their business and transition strategy. In the last quarter of 2024, the nature-related questions were introduced to the TEQ to cover topics including pollution, water, biodiversity, resource use and circular economy. Commercial Banking is using the data collected to further engage with their clients and identify any additional business opportunities that could support clients in their transition to net zero.

In retail banking, client engagement takes place through the collection of EPC certificates for retail portfolio book to understand building's energy performance.

In addition, HSBC Bank Malta p.l.c. applies, where relevant, the HSBC Group sustainability risks policies to its corporate clients to mitigate adverse environmental impacts within specific sectors.

Implementation of tools and processes for identification, measurement and management of climate and environmental risks.

HSBC Group has developed an approach, which incorporates specific assessment for HSBC Bank Malta p.l.c. portfolio, to allocate dedicated capital to climate risk in the Internal Capital Adequacy Assessment Process ('ICAAP'). It incorporated climate impacts on credit risk in the Economic Capital in the 2023 ICSA results with climate adjusted Credit Risk Rating notch movements. The ICAAP is reviewed on a quarterly basis. The ICSA methodology continued to be enhanced in 2024.

The potential impacts were measured by reviewing the modelled effect on HSBC's Expected Credit Losses ('ECL') for HSBC Bank Malta p.l.c. corporate customers and comparing these to a counterfactual scenario without climate change.

This climate scenario analysis exercise helps to identify and understand the materiality of a range of climate risks to different segments of HSBC Bank Malta p.l.c. loan portfolio. However, the use of these models in the industry is still in its infancy and risk capture is partial and complex due to inherent modelling and data challenges.

The intention is to continue enhancing HSBC's climate scenario analysis capabilities.

Data availability, quality and accuracy, and efforts to improve these aspects

The local group has a holistic approach to data governance encompassing all risk types as well as business lines and functions. This is set out within HSBC Group Data Management Policy and Controls which covers Environmental Risk data. The HSBC Group's data management commitments are captured within its Data Management Procedures and also align to Basel Committee on Banking Supervision "Principles for Effective Risk Data Aggregation and Risk Reporting ('BCBS 239')" requirements.

HSBC Group Data Management Procedure seeks to embed effective data management in business activities and processes by articulating the activities that must be incorporated across HSBC Group (including HSBC Bank Malta p.l.c.). The Procedure applies to all users and providers of data in the HSBC Group and assigns responsibility to all staff for managing the quality of data in the processes and systems that they own. Complementing the Data Management Procedure is the BCBS 239 Compliance Framework. This defines the minimum standards to be met when aggregating and reporting environmental risk data. The documents have been designed to reflect and implement the BCBS 239 principles, and adherence to the standards within the Framework is mandatory for all applicable local group areas.

Qualitative information on social risk

HSBC Bank Malta p.l.c., as a major banking and financial services organisation, faces social risks. Social risks, as defined by the Official Journal of the European Union (Article 1, Amendments to Implementing Regulation (EU) 2021/637, p. 16), are understood as the risk of losses arising from any negative financial impact on the institution stemming from the current or prospective impacts of social factors on the institution's counterparties or invested assets. As defined by the European Banking Authority ('EBA'), social factors include human rights violation, labour rights, income inequality, lack of human rights, customer safety and protection, privacy, poverty and non-discrimination. Furthermore, climate change and transition to a low carbon economy have social impacts that include changes to the job market. These include the decrease in the demand for certain jobs and skills, the emergence of new jobs and skills, consumers' changing preferences, and shareholders' willingness to swiftly integrate climate, environmental and social changes in their companies.

HSBC Bank Malta p.l.c.'s Board takes overall responsibility for ESG strategy, overseeing executive management in developing the approach, execution and associated reporting. Progress against ESG ambitions is reviewed through Board discussion and review of key topics such as updates on net zero, customer experiences and employee sentiment.

Human rights

Strategy and business processes

The local group, as part of the HSBC Group, encourages protection of its employees' human rights, in line with HSBC's Human Rights Statement. More broadly fostering an inclusive culture, that enables its people to thrive, is a core element of people's strategy.

The local group requires its employees to treat colleagues with dignity and respect, further embedding an inclusive environment. Employees are made aware of their employment rights and duties through a variety of channels, including employment contracts and policies, procedures in employee handbooks, employee websites and a global Code of Conduct. Employees are trained on a range of human rights related topics including but not limited to inclusion, bullying and harassment, racism and, data privacy. In addition, employees receive regular training as part of HSBC's broader financial crime control framework, covering anti-money laundering, anti-bribery and corruption and financial sanctions. Each of these areas intersects with human rights risk.

From a customer standpoint, the HSBC Group has developed sustainability risk policies which are also used at HSBC Bank Malta p.l.c. level. The policies also apply to the main financing products offered to customers. Customers are engaged, where appropriate, and supported in adopting more sustainable practices. The sustainability risk policies on forestry, agricultural commodities, metals and mining, and energy specifically refer to human right considerations. They include issues such as land rights, harmful or exploitative child labour or forced labour, rights of local communities, workers' rights and the health and safety of communities.

Regarding suppliers, HSBC Bank Malta is aligned to HSBC Group's Global Code of Conduct which sets out HSBC's commitments to the environment, inclusion and human rights, and outlines the minimum commitments expected by suppliers on these issues. Commitment to the Code is formalised with clauses in supplier contracts, which support the right to audit and act if a breach is discovered.

Policies and risk management

HSBC Bank Malta p.l.c. has defined employment practices and relations policies set in the Human Resources ('HR') procedure guideline within a Functional Instruction Manual ('FIM'). This manual aims to ensure that HSBC Bank Malta p.l.c. as an employer takes all appropriate steps to meet employment laws, regulatory commitments and obligations to the workforce. These include and are not limited to human rights violation, labour rights, income inequality, lack of human rights, privacy, poverty and non-discrimination matters.

Failure to comply with the policy could result in financial loss, legal or regulatory action, reputational damage or impacts on employees. In addition to employee impacts, failure to comply with the requirements in this policy could indirectly lead to negative impacts on the outcomes for customers.

Employee matters

Strategy and business processes

The HSBC Group promotes an inclusive organisation that values difference, takes responsibility and seeks different perspectives for the overall benefit of HSBC's stakeholders. HSBC Bank Malta p.l.c. remains committed to be a leading employer and to unlock the full potential of its people in support of its customers and strategy.

HSBC Bank Malta p.l.c. promotes a dynamic, inclusive connected culture that enables its people to thrive and be treated with dignity and respect. HSBC Bank Malta p.l.c. is also committed to foster a supportive environment focused on mental health and well-being, encouraging its employees to adopt alternative and more flexible ways of working that suit their needs.

HSBC Bank Malta p.l.c. encourages people to speak up, including if observing unlawful or unethical behaviour. A range of speak up channels are offered to listen to concerns of employees, including a whistleblowing platform, "HSBC Confidential". This platform allows employees to raise any concerns in confidence and, where preferred, anonymously. HSBC Confidential can be accessed in various ways, including by telephone lines, online portals and email.

Employee' wellbeing remains a top priority. An annual Wellbeing Allowance whereby employees may claim reimbursement of cost of a personal wellbeing initiative was increased significantly in 2024 with 82% of employees availing themselves of this benefit. Tools and training are available to support mental, physical and financial health. Helping employees to be healthy and happy is a key enabler of HSBC Bank Malta p.l.c.'s strategy. Wellbeing questions are included in the annual Snapshot survey to get feedback from employees and continue to improve the approach on this topic.

Governance

Our whistleblowing channel, HSBC Confidential is open to all colleagues to raise concerns in line with local laws. All whistleblowing reports received are investigated in a detailed and independent manner and remedial action is taken where appropriate.

HSBC Bank Malta p.l.c.'s remuneration policy, being neutral and inclusive, is designed to motivate and retain the best employees and to make sure each and every employee is treated fairly. The bank's Remuneration and Nomination Committee (the 'Committee' or 'RemNom') within its remuneration oversight remit, is responsible for overseeing the implementation and operation of the bank's remuneration framework, satisfying itself that the remuneration framework is aligned with local law, rules or regulations, as well as with the risk appetite, business strategy culture and values, and long-term interests of the bank. The Committee also seeks to satisfy itself that the remuneration framework is appropriate to attract, retain and motivate individuals of the quality required to support the success of the bank. It ensures that the remuneration policy is consistent with and promotes sound and effective risk management.

The local group is committed to managing change while maintaining a regular dialogue with bodies representing employees, supporting managers, redeploying impacted colleagues when possible, and proposing, where appropriate, adapted financial and supporting measures.

Policies and risk management

Global principles overlay all Group policies and procedures, connecting the organisation's purpose, values, strategy and approach to risk management. They guide the local group in the decisions it takes and how it operates. The Risk management framework is underpinned by HSBC group's values and governs the HSBC Group's overall approach to managing risk.

The Functional Instruction Manual, which describes the employment practices and employee relations policy set in Human Resources procedure guideline, ensures that the local group effectively manages cases where employees demonstrate poor behaviours towards each other (Personal Conduct cases). Any personal Conduct Cases are taken into account in the performance review for HSBC Bank Malta p.l.c.'s employees.

Compliance is required with all applicable anti-bribery and corruption laws in all markets and jurisdictions in which the local group operates. A global anti-bribery and corruption policy exists, which requires compliance with the spirit of laws and regulations to demonstrate commitment to ethical behaviours and conduct as part of environmental, social and corporate governance.

Customer matters

Strategy and business processes

The conduct approach helps to focus on the impact HSBC Bank Malta p.l.c. has on its customers and financial markets. It concentrates on five clear outcomes:

- understanding customers' needs;
- providing products and services that offer a fair exchange of value;
- serving customers' ongoing needs, and putting things right in case of mistake;
- acting with integrity in the local financial markets HSBC Bank Malta p.l.c. operates in; and
- operating with resilience and security to avoid harm to customers and markets.

The key factors in creating the right environment to enable the Customer and Market Outcomes to be achieved are:

- culture and behaviour;
- strategy and decision-making; and
- governance and reporting.

The conduct approach is embedded into the way the local group develops, distributes, structures and delivers products and services. The approach to product design and development – including how products are advertised – is set out in HSBC Bank Malta p.l.c. policies and provides a clear basis from which strategic product and service decisions can be made. Global businesses each take the following approach:

- carrying out relevant testing during the design and development of a product to establish whether there is an identifiable need in the market;
- considering the complexity of products and the possible financial risks to customers when determining the target market;
- offering a carefully selected range of products that are managed as product offerings, thus helping ensure that they continue to meet customers' needs and deliver a fair value for money;
- reviewing products to help ensure they remain relevant and perform in line with expectations;
- where products do not meet customers' needs or no longer meet high standards, improving them or withdrawing them from sale;
- wherever possible, acting on feedback from customers to provide better and more accessible products and services; and
- considering impact on the integrity of markets when introducing new products.

Governance

Oversight of product design and sales is provided by governance committees chaired and attended by senior executives who are accountable for ensuring that risks are managed appropriately, and within appetite, to ensure fair customer outcomes.

Policies and risk management

Customers' interests are at the heart of the local group's business, and policies and procedures are in place that set the standards required to protect them. These include:

- providing information on products and services that is clear, fair and not misleading;
- enabling customers to understand the key features, the risks, exclusions and limitations for all products and services including ESG-related products;
- enabling customers to make informed decisions before purchasing a product or service; and
- checking that customers are offered appropriate products and, where relevant, receive the right advice.

For example, in WPB, customers' financial needs and personal circumstances are considered to offer suitable product recommendations. This is achieved through measures such as:

- a globally consistent risk rating methodology for investment products, which is customised for local regulatory requirements; and
- a thorough customer risk profiling methodology to assess customers' financial objectives, attitudes towards risk, financial ability to bear investment risk, and knowledge and experience.

In addition, sales quality and mystery shopping reviews assess whether customers receive a fair outcome.

In CMB, focused sales outcome testing is operated to ensure that product features and pricing are correctly explained.

In Global Markets' ('GM') business, sample based testing on sales of products are undertaken to ensure that product features and pricing have been correctly explained and sales processes have been adhered to. Feedback is collated centrally and acted upon in a timely manner.

The net promoter score ('NPS') system is used to provide a consistent measure of the performance. NPS is measured by subtracting the percentage of Detractors from the percentage of Promoters. Customer feedback is managed when things go wrong and actions against key customer complaints are reported.

Tracking, recording and complaints management aim to be open and consistent. A consistent set of principles enables HSBC Bank Malta p.l.c. to remain customer focused throughout the complaints process.

Community and society

HSBC Group has a long-standing commitment to support the communities in which it operates through charitable partnerships and volunteering opportunities. The HSBC Group aims to provide people with the skills and knowledge needed to thrive in the post pandemic environment, and through the transition to a sustainable future.

Through the HSBC Malta Foundation, the local group seeks to work with numerous stakeholders in the community with the aim of creating a sustainable future. Every year, the HSBC Malta Foundation earmarks part of its funding for causes that are important to our community. In 2024, the HSBC Malta Foundation continued to support a number of projects including the King's (ex Prince's) Trust International Achieve Programme, the JA Malta Foundation, The Malta Chamber of Commerce with regards the Human Capital Research Project, the Malta Community Chest Fund Foundation and Fondazzjoni Patrimonju Malti amongst others.

The HSBC Malta Foundation continued to work with ĠEMMA within the Ministry for Social Justice and Solidarity and The Family and Children's Rights to deliver financial literacy sessions to various audiences including elderly people living in the community.

The sessions focus on helping the various audiences to learn how to make good financial and lifestyle choices. The HSBC Malta Foundation has a long track record of supporting financial literacy initiatives. This is part of our commitment to helping young people acquire the skills they need to live a fulfilling and successful life. Currently the HSBC Malta Foundation is sponsoring two major transformative projects in line with its strategic priorities. The first project is linked to Future Skills which is aimed at looking into the skills required in the future of work. This three-year research project aims to identify the skills needed for the future of work in Malta and to embed these skills in the national curriculum.

The second project is being carried out with The University of Malta ('UM') – and is another research initiative aimed at strengthening the sustainability and growth of the freight and logistics sector in Malta. In collaboration with the Research, Innovation & Development Trust ('RIDT') and funded by the HSBC Malta Foundation, this project marks a step forward in addressing the challenges and opportunities in this vital industry of logistics and transport. Situated strategically in the Mediterranean Sea, the Maltese islands have played a pivotal role in facilitating the expansion of local and international freight and logistics operations. Despite this, a noticeable gap exists in research and data availability, hindering further progress and optimisation within the sector. Recognising the urgency and importance of addressing these gaps, UM, RIDT, and the HSBC Malta Foundation have united to embark on a comprehensive research project. With a donation of €150,000 from the HSBC Malta Foundation, the project aims to explore the sustainability of freight transport while emphasising its critical role in the economic development of the islands.

The "Sustainable Freight Transport" multi-year initiative will delve into various facets of the sector, including Malta's potential as a regional transshipment hub for high-end goods, local freight sector mapping, and the formulation of actionable recommendations for sustainable sectoral development.

This year we also concluded another project in line with our climate ambition and net zero strategy – the project entitled 'Maximising energy efficiency through building renovation: HSBC Case Study'. Through this foundational study, HSBC paved the way for more advanced research and policymaking and is contributing in the transition towards more sustainable Maltese buildings. This project sets a precedent locally, where data on utility usage and building efficiency has been scarce compared to other European countries.

Reputational risk

HSBC Group Reputational Risk Committee oversees global executive support for identification, management and ongoing monitoring of reputational risks, including those related to ESG matters. The responsibility is held by HSBC Group Chief Risk and Compliance Officer.

At HSBC Bank Malta p.l.c. level, Reputational Risk and Client Selection Committees ('RRCSC') are regular committees, established to provide recommendations and advice on clients and non-clients (e.g. third parties) with a focus on wider reputational risks for both Commercial Banking and Retail and Wealth. Cases with significant impact are escalated to the regional/Global equivalent of these committees as required.

Within the Global Risk and Compliance function, reputational and sustainability risk specialists are responsible for reviewing, implementing and managing sustainability risk policies. Local risk managers continued to be supported by regional reputational risk managers across HSBC Group who have taken on additional oversight responsibilities for sustainability risk.

Conflict of interest

HSBC Bank Malta p.l.c. lines of business and functions have in place controls and procedures, adapted from the Conflicts of Interest Policy (including Personal Account Dealing, Personal Connection Conflicts and Outside Activities), to identify and prevent or manage Conflicts of Interest. HSBC Bank Malta p.l.c.'s management body is subject to similar rules enclosed in the Board of Directors' Internal rules.

The conflicts covered by these procedures may be potential or actual, and may arise between:

- one client and another (client versus client).
- HSBC Bank Malta p.l.c. and a client (HSBC Bank Malta p.l.c. versus client).
- an employee and a client (employee versus client)

Under the Conflict of Interest policy, businesses and functions in HSBC Bank Malta p.l.c. (including its subsidiaries), must:

- identify all types of potential conflicts that could reasonably arise in the context of their activities;
- maintain a register of all identified potential conflicts: these include both individual business conflicts as well as those arising across businesses or legal entities. The HSBC Group tool is used for this purpose;
- prevent or manage conflicts on an ongoing basis;
- disclose conflicts where appropriate; and
- evidence all occurrences of conflicts that cannot be managed.

Any material risks and issues related to conflicts of interests are escalated and managed by the risk management forums by business line and functions within their terms of reference.

Conflict of interest has been highlighted as a prioritised Regulatory Compliance Risk. Climate or ESG considerations should be documented where relevant and appropriate. In 2024, a refresh of policy has been done following the annual review to align with the core MiFID requirements. ESG topic is covered in the policy alleviating any conflicts.

In terms of HSBC Bank Malta's integration of a counterparty's management of conflicts of interest, this may be assessed for specific products and services or when specific risks are identified; but more work is required to integrate this assessment fully.

HSBC Bank Malta p.l.c. risk management of the governance performance of its counterparties

Two key components underpin HSBC's values and integrity: (i) the 'code of conduct' and (ii) the "Financial Crime Policy". The standards are applicable across all global businesses and functions across HSBC and aim to ensure adherence to applicable laws and regulations where HSBC Group operate.

The procedures that underpin these standards are intended to protect customers, shareholders, staff, and the communities in which HSBC operates, as well as the integrity of the financial system on which it relies.

Third party risk and Code of Conduct

HSBC Bank Malta p.l.c. is committed to the fair treatment of businesses that supply it with goods and services and expects them to operate responsibly in line with HSBC's values.

During the selection and tender process, third party suppliers are asked to complete a questionnaire which asks questions about their Carbon Emissions Reduction policy, whether climate goals are integrated into their strategy, and whether there is a dedicated equality and inclusion team in their workplace.

HSBC Bank Malta p.l.c.'s contracts with third-parties include clauses covering conflicts of interest, duty of care, sustainable development and responsibility. They also include clauses requiring the third party to notify the bank of any event that may affect the schedule, the level of quality expected for the services, the commitments of the parties, their financial situation, concentration risk and ability to perform the services efficiently to the agreed service levels and in accordance with applicable law and regulation. Once an event has been identified, notified and investigated, a rectification plan and all necessary measures to minimise the impact are put in place.

HSBC Bank Malta p.l.c.'s internal policy on event management require the escalation of all incidents of critical concern (including those related to ESG and third-party suppliers) to appropriate senior management stakeholders without delay. Operational incidents and near-misses are recorded in the bank's risk management tool (subject to de minimis thresholds for some incident types) and are subject to the relevant risk governance, including root cause analysis where appropriate.

HSBC is encouraging participation of diverse suppliers in procurement activities. HSBC Group's supplier code of conduct sets out HSBC Group's commitments to the environment, inclusion and human rights, and outlines the minimum commitments expected of supplier on these issues. Commitment to this code of conduct is formalised with clauses in supplier contracts, which support the right to audit and act if a breach is discovered.

Financial crime risk

The bank is committed to high financial crime risk standards and sustains its capability through ongoing training, risk management framework, oversight and governance. We believe that the enforcement of high compliance standards is a competitive advantage, and is essential to our success and that of the jurisdiction.

Anti-bribery and corruption

HSBC Malta and the wider HSBC Group remain committed to maintaining high standards of ethical behaviour and have zero tolerance towards bribery and corruption. HSBC complies with all anti-bribery and corruption laws in all markets and jurisdictions including the UK Bribery Act, US Foreign Corrupt Practices and Hong Kong Prevention of Bribery Ordnance.

HSBC Malta adheres to the HSBC Group Anti-Bribery and Corruption compliance programme and policies which are overseen by the HSBC Holdings plc Board. HSBC requires all employees, including the Board of Directors and Associated Persons, to comply with the principles in the policy in the performance of their services for or on behalf of HSBC.

All HSBC entities and individuals are required by Group Policy to apply controls in order to protect against bribery and corruption risks. All HSBC staff undergo mandatory Anti-Bribery and Corruption training annually. HSBC also maintains clear whistle blowing policies and processes, to ensure that individuals can confidentially report concerns with no fear of retribution, confident that they will be investigated and remediated appropriately.

As part of its risk management, HSBC Malta performs an annual assessment of the anti-bribery and corruption inherent and residual risk to understand if any new risks have been identified and ratings revisited accordingly. Risk evaluation takes into consideration various pillars related to anti-bribery and corruption including Employee, Third Party, Strategic and Customer Risks.

Scope of ESG reporting

The information reported in below tables relates to the principal operating entities within HSBC Bank Malta p.l.c.'s prudential scope of consolidation at 31 December 2024. The subsidiary engaged in insurance activities is excluded from the prudential consolidation. Within this scope, due to operational limitations, the bank entity has been selected on the basis of it's relative exposure to achieve overall material disclosure coverage at local group level. Consequently, the exposures of HSBC Bank Malta p.l.c.'s asset management subsidiary are not included in the tables below. These tables provide information on non-trading book exposures and assets held for trading are excluded.

Banking book – Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity

In accordance with Article 449a of CRR, HSBC Bank Malta p.l.c. has disclosed those exposures which are more exposed to risks from the transition to a low-carbon and climate resilient economy as specified in Recital 6 of the Commission Delegated Regulation (EU) 2020/1818; and a subtotal for exposures to "other sectors" not mentioned therein.

The table sets out information on the bank's exposures to non-financial corporates operating in carbon-related sectors, and the quality of those exposures, including non-performing status, stage 2 classification, and related provisions, as well as maturity buckets. Counterparty Nomenclature of Economic Activities NACE sector allocation is based on the nature of the immediate counterparty.

Identification of companies excluded from Paris aligned benchmark

HSBC Bank Malta p.l.c. is required to report the gross carrying amount of exposures to counterparties that are excluded from the EU Paris-aligned Benchmarks as specified in Article 12.1, points (d) to (g), and Article 12.2 of Commission Delegated Regulation (EU) 2020/1818.

Exposure to companies excluded from Paris-aligned Benchmarks stands at €115m compared to €120m at 31 December 2023.

Following guidance received through the EBA Q&A 2023_6940 published in April 2024, the EBA clarified that exposures to be excluded from the Paris-aligned Benchmarks ("PAB") should be the gross carrying amount of those exposures to the direct counterparties or specific obligor. On that basis, the exclusion of corporates from Paris-aligned benchmark is now identified at the obligor level, rather than at the consolidated group level as it was previously.

Prior Period comparatives have not been restated for this amendment. Counterparties are excluded based upon the criteria listed in Articles 12.1 and 12.2 of the Climate Benchmark Standards Regulation. The relevant articles and approach are set out below:

Approach to article 12.1

#12.1 Administrators of EU Paris-aligned Benchmarks shall exclude all of the following companies from those benchmarks:

(a)-(c) companies involved in any activities related to controversial weapons; companies involved in the cultivation and production of tobacco; companies that benchmark administrators find in violation of the United Nations Global Compact ('UNGC') principles or the Organisation for Economic Cooperation and Development ('OECD') "Guidelines for Multinational Enterprises";

(d) companies that derive 1 per cent or more of their revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite;

(e) companies that derive 10 per cent or more of their revenues from the exploration, extraction, distribution or refining of oil fuels;

(f) companies that derive 50 per cent or more of their revenues from the exploration, extraction, manufacturing or distribution of gaseous fuels; and

(g) companies that derive 50 per cent or more of their revenues from electricity generation with a GHG intensity of more than 100 g CO2 e/kWh.

Criteria (a) – (c) are out of scope and companies in these sectors are excluded in our disclosure.

To identify companies under criteria (d) to (f), an external data source, Urgewald, has been used. Urgewald is a non-profit environmental and human rights organisation, which tracks and reports on corporates engaging in Coal and Oil & Gas. Counterparties have been reported against the two following lists: Global Coal Exit List ('GCEL'); and Global Oil & Gas Exit List ('GOGEL'). Additionally, an internal list of companies being identified with coal exposures by the business function has been used to assist with the reporting.

A two-step approach has been used to identify companies under criterion (g): (i) a sector analysis to identify companies allocated to the electricity generation sector based on NACE code, and; (ii) companies which declare their activities as fully renewable were removed from the list (based on their website). The remaining population is reported in the relevant column of the table.

Approach to article 12.2

#12.2 Administrators of EU Paris-aligned Benchmarks shall exclude from those benchmarks any companies that are found or estimated by them or by external data providers to significantly harm one or more of the environmental objectives referred to in Article 9 of Regulation (EU) 2020/852 of the European Parliament and of the Council (8), in accordance with the rules on estimations laid down in Article 13(2) of this Regulation.

Reporting of companies under #12.2 is based on counterparty information that identifies in its voluntary disclosures under the EU Taxonomy Regulation that the Do No Significant Harm ('DNSH') criteria was not met.

Data limitation

Companies are not required to disclose the assessments about the technical screening criteria, which includes DNSH, that the taxonomy-eligible economic activities fail to meet but may do so voluntarily. The bank places reliance on the extent to which its counterparties voluntarily disclose the compliance assessment of the DNSH criteria. On this basis the disclosure includes a limited population based on the availability of counterparty information.

Identification of clients excluded from the EU Paris-Benchmark is done on a best-efforts basis either based on available third-party data or relevant sector classification. The coverage of available information on counterparty exposures is expected to improve over time and could result in further counterparties being identified as excluded.

Identification of environmentally sustainable exposures (CCM)

HSBC Bank Malta p.l.c. is required to report the taxonomy-aligned exposures that are in accordance with EU Taxonomy Regulation 2020/852 and aligned with Table 37 Mitigating actions: Assets for the calculation of GAR (Template 7) for non-financial corporations.

Greenhouse Gases ('GHG') financed emissions

Background

In October 2020, HSBC Group announced its ambition to become a net zero bank including an aim to align its financed emissions to net zero by 2050 or sooner. In Net Zero Transition Plan ('NZTP') published in January 2024, HSBC Group committed to continually calibrate its approach to the latest scientific methodologies, climate-related policy measures and developments in the real world given that the sector portfolios reflect progress in the real economy in the regions where it operates.

Its analysis of financed emissions comprises on-balance sheet 'financed emissions' which include emissions related to on-balance sheet lending, such as project finance and direct lending. The analysis covers financing from Commercial Banking.

Financed emissions link the financing provided to customers with their activities in the real economy to help provide an indication of the greenhouse gas emissions associated with those activities. They form part of the HSBC Group's scope 3 emissions, which include emissions associated with the use of a company's products and services.

In the approach to assessing the financed emissions, the key methodological decisions were shaped in line with industry practices and standards. HSBC Group recognises these are still developing.

In 2025, HSBC Group will continue to review the approach for regional regulatory reporting.

Coverage of the analysis - HSBC Group

For each sector, the analysis focuses on the parts of the value chain where HSBC believes the majority of emissions are produced to help reduce double counting of emissions. By estimating emissions and setting targets for customers that directly account for, or indirectly influence the majority of emissions in each industry, HSBC focuses its engagement and resources where the bank believes the potential for change is highest. For each sector, the reported emissions now typically include all the major greenhouse gases including carbon dioxide, methane and nitrous oxide among others. These are reported as tonnes of CO2 equivalent, in line with the Net Zero Banking Alliance ('NZBA') guidelines.

The figure below shows the scope of the HSBC Group's financed emissions analysis for the seven in-scope sectors, including upstream, midstream and downstream activities within each sector. The allocation of companies to different parts of the value chain is highly dependent on expert judgement and data availability on company revenue streams. As data quality improves, HSBC expects this will be further refined.

Sector	Scope of emissions	Value chain in scope				Coverage of GHGs
Oil and gas	1,2 and 3	Upstream (e.g. extraction)	Midstream (e.g. transport)	Downstream (e.g. fuel use)	Integrated/diversified	All GHGs
Power and utilities	1 and 2	Upstream (e.g. generation)	Midstream (e.g. transmission and distribution)		Downstream (e.g. retail)	All GHGs
Cement	1 and 2	Upstream (e.g. raw materials, extraction)	Midstream (e.g. clinker and cement manufacturing)		Downstream (e.g. construction)	All GHGs
Iron, steel and aluminium	1 and 2	Upstream (e.g. raw materials, extraction)	Midstream (e.g. ore to steel)		Downstream (e.g. construction)	All GHGs
Aviation	1 for airlines, 3 for aircraft lessors	Upstream (e.g. parts manufacturers)	Midstream (e.g. aircraft manufacturing)		Downstream (e.g. airlines and aircraft lessors)	All GHGs
Automotive	1,2 and 3	Upstream (e.g. suppliers)	Midstream (e.g. motor vehicle manufacture)		Downstream (e.g. retail)	All GHGs

1 The power and utilities value chain has been updated to show diversified power generation as a separate part of the value chain. This has always been included in-scope of the power and utilities target.

To calculate annual on-balance sheet financed emissions, HSBC Group uses drawn balances as at 31 December 2023 related to wholesale credit and lending, which include business loans and project finance. It excluded products that were short-term by design, and typically less than 12 months in duration to reduce volatility, having considered the Partnership for Carbon Accounting Financials ('PCAF') guidance and consulted with subject matter experts from the business.

HSBC Group methodology is based upon the Global GHG Accounting and Reporting Standard for Financial Emissions, developed by the PCAF; which provides detailed methodological guidance to measure and disclose financed emissions.

PCAF provides guidance on estimating emissions using different data sources. Emissions can be estimated using data on production, revenue, or outstanding loan amounts in combination with emission factors specific to that data. HSBC Group endeavours to use the best available dataset according to PCAF but at this stage, it has prioritised the use of vendor data to help ensure data consistency.

For further details on the Financed emissions approach including the data sources, recalculation policy, data and methodology limitations and sectoral approach (including an update on shipping and real estate) please refer to:

– The ESG review in the HSBC Group Annual report and Accounts available on the HSBC Group website: https://www.hsbc.com/who-we-are/esg-and-responsible-business.
– The Financed Emissions and Thermal Coal Exposures Methodology, see: https: www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.

HSBC Bank Malta p.l.c. Financed Emissions

HSBC Bank Malta p.l.c. has expanded the sectoral and on-balance sheet exposure coverage for financed emissions measurement.

To calculate annual on-balance sheet financed emissions, HSBC Bank Malta p.l.c used drawn balances as at 31 December 2024 related to wholesale loans and advances to corporate customers. HSBC Bank Malta p.l.c also now utilises NACE codes at individual obligor level aligned to the approach to the sectoral classification for balance sheet exposure. Given there is limited data availability at an individual obligor level, HSBC Bank Malta p.l.c has estimated the emissions figures based upon industry averages at NACE level aligned to PCAF data quality score 5.

Plans to enhance methods to estimate counterparties’ emission

The methodologies and data used to assess financed emissions and set targets continue to evolve alongside changes to industry guidance, market practice and regulation.

HSBC Group understands the need to provide early transparency on climate disclosures but this needs to be balanced with the recognition that the existing data and reporting processes require significant enhancements.

The majority of clients do not yet report the full scope of greenhouse gas emissions at the required granularity, in particular scope 3 emissions. In the absence of client-reported emissions, HSBC has estimated emissions using proxies. Although HSBC seeks to minimize the use of non-company-specific data, it applied industry averages in the analysis given limited coverage at individual obligor level. As data improves, estimates will be replaced with reported figures.

Due to the unpredictable evolution of climate change and its future impact and the uncertainty of future policy and market response to ESG-related issues and the effectiveness of any such response, HSBC may have to re-evaluate its progress towards its ESG ambitions, commitments and targets in the future, update the methodologies it uses or alter its approach to ESG (including climate) analysis and may be required to amend, update and recalculate its ESG disclosures and assessments in the future, as market practice and data quality and availability develop.

Data and methodology limitations

The financed emissions estimate and methodological choices are shaped by the availability of data for the sectors it analyses.

- The methodologies and data used to assess financed emissions continue to evolve alongside changes to industry guidance, market practice and regulation. The majority of clients do not yet report emissions data at the granular subsidiary level and the full scope of greenhouse gas emissions required in the analysis, in particular scope 3 emissions. In the absence of client-reported emissions at the required granularity covering all scopes of emissions, HSBC has estimated emissions using proxies based on industry averages. These industry averages may be defined at country, region or global based on the data availability to calculate emission factors and may not be country specific. Given financed emissions data is entirely reliant on the industry averages, this may fluctuate year on year as data availability and granularity improves;
- To calculate the industry averages for financed emissions, there is a reliance on external third-party vendor data set and given the multi-year lag noted for emissions availability, the bank has used emissions data from 2022 with a regional deflator to bridge to financial reporting year of 2024;
- Financed emissions have been calculated at the obligor level where NACE code granularity exists using industry averages, and where NACE code is unavailable, a weighted average portfolio emission factor has been applied. For HSBC Bank Malta p.l.c., financed emissions are calculated at the individual obligor level and this may therefore differ between the counterparty group sectors used for financed emission reporting at the HSBC Group level;
- Additionally, the financing activities are treated as general corporate purposes (i.e. unknown use of proceeds as defined by GHG Protocol) due to data availability and limitations;
- All parts of the value chain and all scopes of emissions have been taken into account for financed emissions, and this may result in double counting between sectors. Double counting occurs when GHG emissions are counted more than once in financed emissions analysis and cannot be avoided. The bank remains committed to transparency around the methodology and scope of analysis;
- The methodology and approach to the scope of the financed emission calculations for HSBC Bank Malta p.l.c. reported in template 1 is not aligned with the HSBC Group methodology and emissions figures will differ. This is to ensure alignment with financial reporting requirements to expand coverage across a wider range of sectors for disclosure purposes rather than focusing on target setting, which is currently done at HSBC Group level

Table 31: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount (€000)					Accumulated impairment/negative changes in fair value due to credit risk and provisions (€000)			GHG financed emissions (scope 1, 2 and 3 emissions of the counterpa-rty) (in tons of CO2 equivalent)							
	31 Dec 2024		of which: exposures to companies excluded from EU Paris-aligned benchmar-ks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818	of which: environmentally sustainable (CCM)	of which: stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures		of which Scope 3 financed emissions	percenta-ge of GHG emissions (column i) derived from company specific reporting (%)	<= 5 years (€000)	> 5 year <= 10 years (€000)	> 10 year <= 20 years (€000)	> 20 years (€000)	Average weighted maturity (years)
	Sector/ Subsector																
1	**Exposures towards sectors that highly contribute to climate change[1]**	**467,396**	**115,189**	**—**	**18,806**	**24,516**	**(10,895)**	**(1,493)**	**(5,382)**	**432,189**	**380,591**	**—**	**384,075**	**56,761**	**26,560**	**—**	**3.0**
2	**A – Agriculture, forestry and fishing**	**88**	**—**	**—**	**—**	**14**	**(15)**	**—**	**(14)**	**112**	**88**	**—**	**88**	**—**	**—**	**—**	**0.2**
3	**B – Mining and quarrying**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
4	B.05 – Mining of coal and lignite	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
5	B.06 – Extraction of crude petroleum and natural gas	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6	B.07 – Mining of metal ores	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7	B.08 – Other mining and quarrying	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8	B.09 – Mining support service activities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9	**C – Manufac-turing**	**55,741**	**—**	**—**	**576**	**3,712**	**(969)**	**(17)**	**(568)**	**83,390**	**73,000**	**—**	**46,724**	**1,511**	**7,506**	**—**	**2.7**
10	C.10 – Manufac-ture of food products	**10,090**	**—**	**—**	**21**	**—**	**(44)**	**(1)**	**—**	**9,364**	**8,737**	**—**	**6,890**	**890**	**2,310**	**—**	**4.0**

Table 31: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount (€000)					Accumulated impairment/negative changes in fair value due to credit risk and provisions (€000)			GHG financed emissions (scope 1, 2 and 3 emissions of the counterpa-rty) (in tons of CO2 equivalent)							
	31 Dec 2024		of which: exposures to companies excluded from EU Paris-aligned benchmar-ks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818	of which: environmentally sustainable (CCM)	of which: stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures		of which Scope 3 financed emissions	percenta-ge of GHG emissions (column i) derived from company specific reporting (%)	<= 5 years (€000)	> 5 year <= 10 years (€000)	> 10 year <= 20 years (€000)	> 20 years (€000)	Average weighted maturity (years)
	Sector/ Subsector																
11	C.11 – Manufac-ture of beverages	**3,386**	**—**	**—**	**—**	**—**	**(13)**	**—**	**—**	**963**	**874**	**—**	**3,386**	**—**	**—**	**—**	**0.4**
12	C.12 – Manufac-ture of tobacco products	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
13	C.13 – Manufac-ture of textiles	**5,012**	**—**	**—**	**—**	**—**	**(27)**	**—**	**—**	**3,682**	**2,740**	**—**	**5,012**	**—**	**—**	**—**	**2.5**
14	C.14 – Manufac-ture of wearing apparel	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
15	C.15 – Manufac-ture of leather and related products	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
16	C.16 – Manufac-ture of wood and of products of wood and cork, except furniture; manufac-ture of articles of straw and plaiting materials	**39**	**—**	**—**	**—**	**—**	**(1)**	**—**	**—**	**20**	**18**	**—**	**16**	**23**	**—**	**—**	**3.6**
17	C.17 – Manufac-ture of pulp, paper and paperboard	**22**	**—**	**—**	**—**	**22**	**(11)**	**—**	**(11)**	**14**	**13**	**—**	**22**	**—**	**—**	**—**	**—**

Table 31: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount (€000)					Accumulated impairment/negative changes in fair value due to credit risk and provisions (€000)			GHG financed emissions (scope 1, 2 and 3 emissions of the counterpa-rty) (in tons of CO2 equivalent)							
31 Dec 2024			of which: exposures to companies excluded from EU Paris-aligned benchmar-ks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818	of which: environmentally sustainable (CCM)	of which: stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures		of which Scope 3 financed emissions	percenta-ge of GHG emissions (column i) derived from company specific reporting (%)	<= 5 years (€000)	> 5 year <= 10 years (€000)	> 10 year <= 20 years (€000)	> 20 years (€000)	Average weighted maturity (years)
	Sector/ Subsector																
18	C.18 – Printing and service activities related to printing	1,448	—	—	337	579	(60)	(10)	(51)	893	821	—	1,448	—	—	—	0.4
19	C.19 – Manufac-ture of coke oven products	—	—	—	—	—	—	—	—				—	—	—	—	—
20	C.20 – Production of chemicals	156	—	—	—	—	(1)	—	—	159	155	—	156	—	—	—	2.5
21	C.21 – Manufac-ture of pharmaceu-tical prepara-tions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
22	C.22 – Manufac-ture of rubber products	2,336	—	—	—	—	(2)	—	—	3,322	2,940	—	2,336	—	—	—	0.1
23	C.23 – Manufac-ture of other non-metallic mineral products	7,786	—	—	82	38	(39)	(1)	—	11,088	5,029	—	6,648	179	959	—	2.4
24	C.24 – Manufac-ture of basic metals	4,211	—	—	—	—	(19)	(1)	—	9,473	7,609	—	3,513	419	279	—	1.9

Table 31: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount (€000)					Accumulated impairment/negative changes in fair value due to credit risk and provisions (€000)			GHG financed emissions (scope 1, 2 and 3 emissions of the counterpa-rty) (in tons of CO2 equivalent)							
31 Dec 2024			of which: exposures to companies excluded from EU Paris-aligned benchmar-ks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818	of which: environmentally sustainable (CCM)	of which: stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures		of which Scope 3 financed emissions	percenta-ge of GHG emissions (column i) derived from company specific reporting (%)	<= 5 years (€000)	> 5 year <= 10 years (€000)	> 10 year <= 20 years (€000)	> 20 years (€000)	Average weighted maturity (years)
	Sector/ Subsector																
25	C.25 – Manufac-ture of fabricated metal products, except machinery and equipment	3,503	—	—	127	3,023	(513)	(3)	(506)	1,804	1,690	—	3,503	—	—	—	0.2
26	C.26 – Manufac-ture of computer, electronic and optical products	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
27	C.27 – Manufac-ture of electrical equipment	3	—	—	—	—	—	—	—	4	4	—	3	—	—	—	—
28	C.28 – Manufac-ture of machinery and equipment n.e.c.	13,004	—	—	—	—	(219)	—	—	38,482	38,391	—	10,521	—	2,483	—	3.8
29	C.29 – Manufac-ture of motor vehicles, trailers and semi-trailers	40	—	—	—	—	(2)	(1)	—	74	73	—	40	—	—	—	—
30	C.30 – Manufac-ture of other transport equipment	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
31	C.31 – Manufac-ture of furniture	2,398	—	—	9	48	(12)	—	—	2096	2039	—	923	—	1,475	—	6.7

Table 31: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount (€000)					Accumulated impairment/negative changes in fair value due to credit risk and provisions (€000)			GHG financed emissions (scope 1, 2 and 3 emissions of the counterpa-rty) (in tons of CO2 equivalent)							
31 Dec 2024			of which: exposures to companies excluded from EU Paris-aligned benchmar-ks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818	of which: environmentally sustainable (CCM)	of which: stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures		of which Scope 3 financed emissions	percenta-ge of GHG emissions (column i) derived from company specific reporting (%)	<= 5 years (€000)	> 5 year <= 10 years (€000)	> 10 year <= 20 years (€000)	> 20 years (€000)	Average weighted maturity (years)
	Sector/ Subsector																
32	C.32 – Other manufac-turing	**46**	**—**	**—**	**—**	**—**	**(1)**	**—**	**—**	**8**	**7**	**—**	**46**	**—**	**—**	**—**	**0.3**
33	C.33 – Repair and installation of machinery and equipment	**2,261**	**—**	**—**	**—**	**2**	**(5)**	**—**	**—**	**1944**	**1860**	**—**	**2,261**	**—**	**—**	**—**	**0.6**
34	**D – Electricity, gas, steam and air conditioning supply**	**116,941**	**115,189**	**—**	**1,749**	**—**	**(482)**	**(253)**	**—**	**157,743**	**124,685**	**—**	**77,737**	**39,204**	**—**	**—**	**4.1**
35	D35.1 – Electric power generation, transmissi-on and distribution	**116,941**	**115,189**	**—**	**1,749**	**—**	**(482)**	**(253)**	**—**	**157,743**	**124,685**	**—**	**77,737**	**39,204**	**—**	**—**	**7.4**
36	D35.11 – Production of electricity	**65,386**	**63,636**	**—**	**1,749**	**—**	**(481)**	**(253)**	**—**	**87,855**	**69,444**	**—**	**26,182**	**39,204**	**—**	**—**	**7.3**
37	D35.2 – Manufac-ture of gas; distribution of gaseous fuels through mains	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
38	D35.3 – Steam and air conditioni-ng supply	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**

Table 31: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount (€000)					Accumulated impairment/negative changes in fair value due to credit risk and provisions (€000)			GHG financed emissions (scope 1, 2 and 3 emissions of the counterpa-rty) (in tons of CO2 equivalent)							
	31 Dec 2024		of which: exposures to companies excluded from EU Paris-aligned benchmar-ks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818	of which: environmentally sustainable (CCM)	of which: stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures		of which Scope 3 financed emissions	percenta-ge of GHG emissions (column i) derived from company specific reporting (%)	<= 5 years (€000)	> 5 year <= 10 years (€000)	> 10 year <= 20 years (€000)	> 20 years (€000)	Average weighted maturity (years)
	Sector/ Subsector																
39	**E – Water supply; sewerage, waste manage-ment and remediation activities**	74	—	—	—	—	(1)	—	—	29	14	—	74	—	—	—	—
40	**F – Constr-uction**	23,009	—	—	188	4,361	(1,550)	(13)	(1,424)	16,760	15,954	—	21,661	1,325	23	—	1.1
41	F.41 – Constructi-on of buildings	6,090	—	—	26	3,001	(658)	(1)	(618)	5,327	5,162	—	5,354	736	—	—	2.3
42	F.42 – Civil engineerin-g	10,891	—	—	70	39	(82)	(6)	(24)	7,977	7,439	—	10,868	—	23	—	0.3
43	F.43 – Specialised constructi-on activities	6,028	—	—	92	1,321	(810)	(6)	(782)	3,456	3,353	—	5,439	589	—	—	1.3
44	**G – Wholesale and retail trade; repair of motor vehicles and motorcycles**	142,834	—	—	12,030	5,463	(2,429)	(225)	(1,659)	162,251	156,007	—	133,877	2,599	6,358	—	1.0
45	**H – Transpor-tation and storage**	4,470	—	—	17	—	(399)	(13)	—	1,956	1,769	—	4,470	—	—	—	0.6
46	H.49 – Land transport and transport via pipelines	33	—	—	—	—	(1)	—	—	19	14	—	33	—	—	—	1.6
47	H.50 – Water transport	16	—	—	5	—	—	—	—	11	5	—	16	—	—	—	—
48	H.51 – Air transport	14	—	—	12	—	(12)	(13)	—	13	3	—	14	—	—	—	—

Table 31: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount (€000)					Accumulated impairment/negative changes in fair value due to credit risk and provisions (€000)			GHG financed emissions (scope 1, 2 and 3 emissions of the counterpa-rty) (in tons of CO2 equivalent)							
	31 Dec 2024		of which: exposures to companies excluded from EU Paris-aligned benchmar-ks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818	of which: environmentally sustainable (CCM)	of which: stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures		of which Scope 3 financed emissions	percenta-ge of GHG emissions (column i) derived from company specific reporting (%)	<= 5 years (€000)	> 5 year <= 10 years (€000)	> 10 year <= 20 years (€000)	> 20 years (€000)	Average weighted maturity (years)
	Sector/ Subsector																
49	H.52 – Warehousing and support activities for transpor-tation	**4,407**	**—**	**—**	**—**	**—**	**(386)**	**—**	**—**	**1,913**	**1,747**	**—**	**4,407**	**—**	**—**	**—**	**0.6**
50	H.53 – Postal and courier activities	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
51	**I – Accommoda -tion and food service activities**	**40,277**	**—**	**—**	**1,547**	**3,637**	**(2,838)**	**(61)**	**(1,042)**	**7,350**	**6,552**	**—**	**37,209**	**1,784**	**1,284**	**—**	**3.8**
52	**L – Real estate activities**	**83,962**	**—**	**—**	**2,699**	**7,329**	**(2,212)**	**(911)**	**(675)**	**2,598**	**2,522**	**—**	**62,235**	**10,338**	**11,389**	**—**	**5.5**
53	**Exposures towards sectors other than those that highly contribute to climate change**[1]	**215,479**	**—**	**1,725**	**3,869**	**6,343**	**(5,982)**	**(374)**	**(3,177)**				**137,581**	**67,687**	**10,211**	**—**	**4.1**
54	**K – Financial and insurance activities**	**45,109**	**—**	**—**	**—**	**511**	**(816)**	**—**	**—**				**20,359**	**23,189**	**1,561**	**—**	**4.0**
55	**Exposures to other sectors (NACE codes J, M-U)**	**170,370**	**—**	**1,725**	**3,869**	**5,832**	**(5,166)**	**(374)**	**(3,177)**				**117,222**	**44,498**	**8,650**	**—**	**4.2**
56	**TOTAL**	**682,875**	**115,189**	**1,725**	**22,675**	**30,859**	**(16,877)**	**(1,867)**	**(8,559)**	**432,189**	**380,591**	**—**	**521,656**	**124,448**	**36,771**	**—**	**3.4**

Table 31: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount (€000)					Accumulated impairment/negative changes in fair value due to credit risk and provisions (€000)			GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent)							
	31 Dec 2023		of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818	of which: environmentally sustainable (CCM)	of which: stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures		of which Scope 3 financed emissions	GHG percentage of GHG emissions (column i) derived from company specific reporting (%)	<= 5 years (€000)	> 5 year <= 10 years (€000)	> 10 year <= 20 years (€000)	> 20 years (€000)	Average weighted maturity (years)
	Sector/ Subsector																
1	Exposures towards sectors that highly contribute to climate change[1]	496,926	120,281	—	45,598	41,028	(15,900)	(3,565)	(8,426)				376,093	61,375	59,458	—	2.9
2	A – Agriculture, forestry and fishing	200	—	—	9	25	(28)	—	(25)				200	—	—	—	0.4
3	B – Mining and quarrying	—	—	—	—	—	—	—	—				—	—	—	—	—
4	B.05 – Mining of coal and lignite	—	—	—	—	—	—	—	—				—	—	—	—	—
5	B.06 – Extraction of crude petroleum and natural gas	—	—	—	—	—	—	—	—				—	—	—	—	—
6	B.07 – Mining of metal ores	—	—	—	—	—	—	—	—				—	—	—	—	—
7	B.08 – Other mining and quarrying	—	—	—	—	—	—	—	—				—	—	—	—	—
8	B.09 – Mining support service activities	—	—	—	—	—	—	—	—				—	—	—	—	—
9	C – Manufacturing	107,853	55,823	—	8,225	3,213	(1,902)	(880)	(648)				100,200	465	7,188	—	1.7
10	C.10 – Manufacture of food products	11,311	—	—	208	2	(137)	(7)	—				8,580	288	2,443	—	3.8
11	C.11 – Manufacture of beverages	3,791	—	—	1	—	(36)	—	—				3,791	—	—	—	1.5

Table 31: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount (€000)					Accumulated impairment/negative changes in fair value due to credit risk and provisions (€000)			GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent)							
	31 Dec 2023		of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818	of which: environmentally sustainable (CCM)	of which: stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures		of which Scope 3 financed emissions	GHG percentage of GHG emissions (column i) derived from company specific reporting (%)	<= 5 years (€000)	> 5 year <= 10 years (€000)	> 10 year <= 20 years (€000)	> 20 years (€000)	Average weighted maturity (years)
	Sector/ Subsector																
12	C.12 – Manufacture of tobacco products	—	—	—	—	—	—	—	—				—	—	—	—	—
13	C.13 – Manufacture of textiles	7,012	—	—	—	—	(58)	—	—				7,012	—	—	—	3.5
14	C.14 – Manufacture of wearing apparel	—	—	—	—	—	—	—	—				—	—	—	—	—
15	C.15 – Manufacture of leather and related products	—	—	—	—	—	—	—	—				—	—	—	—	—
16	C.16 – Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	18	—	—	—	—	—	—	—				18	—	—	—	—
17	C.17 – Manufacture of pulp, paper and paperboard	40	—	—	—	40	(8)	—	(8)				40	—	—	—	—
18	C.18 – Printing and service activities related to printing	2,135	—	—	1,479	—	(76)	(71)	—				2,135	—	—	—	0.9
19	C.19 – Manufacture of coke oven products	55,823	55,823	—	—	—	(1)	—	—				55,823	—	—	—	0.3
20	C.20 – Production of chemicals	663	—	—	—	—	(7)	—	—				663	—	—	—	1.6

Table 31: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount (€000)					Accumulated impairment/negative changes in fair value due to credit risk and provisions (€000)			GHG financed emissions (scope 1, 2 and 3 emissions of the counterpa-rty) (in tons of CO2 equivalent)							
	31 Dec 2023		of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818	of which: environmentally sustainable (CCM)	of which: stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures		of which Scope 3 financed emissions	GHG percenta-ge of GHG emissions (column i) derived from company specific reporting (%)	<= 5 years (€000)	> 5 year <= 10 years (€000)	> 10 year <= 20 years (€000)	> 20 years (€000)	Average weighted maturity (years)
	Sector/ Subsector																
21	C.21 – Manufacture of pharmaceutical preparations	—	—	—	—	—	—	—	—				—	—	—	—	—
22	C.22 – Manufacture of rubber products	860	—	—	—	—	(3)	—	—				860	—	—	—	0.2
23	C.23 – Manufacture of other non-metallic mineral products	8,124	—	—	119	31	(67)	(2)	—				7,302	177	645	—	2.2
24	C.24 – Manufacture of basic metals	137	—	—	—	—	(2)	—	—				137	—	—	—	—
25	C.25 – Manufacture of fabricated metal products, except machinery and equipment	3,694	—	—	244	3,068	(657)	(12)	(639)				3,694	—	—	—	0.5
26	C.26 – Manufacture of computer, electronic and optical products	1	—	—	—	—	—	—	—				1	—	—	—	—
27	C.27 – Manufacture of electrical equipment	—	—	—	—	—	—	—	—				—	—	—	—	—
28	C.28 – Manufacture of machinery and equipment n.e.c.	9,922	—	—	6,111	—	(819)	(786)	—				7,416	—	2,506	—	5.4

Table 31: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount (€000)					Accumulated impairment/negative changes in fair value due to credit risk and provisions (€000)			GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent)							
	31 Dec 2023		of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818	of which: environmentally sustainable (CCM)	of which: stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures		of which Scope 3 financed emissions	GHG percentage of GHG emissions (column i) derived from company specific reporting (%)	<= 5 years (€000)	> 5 year <= 10 years (€000)	> 10 year <= 20 years (€000)	> 20 years (€000)	Average weighted maturity (years)
	Sector/ Subsector																
29	C.29 – Manufacture of motor vehicles, trailers and semi-trailers	10	—	—	—	—	—	—	—				10	—	—	—	—
30	C.30 – Manufacture of other transport equipment	—		—	—	—	—	—	—				—	—	—	—	—
31	C.31 – Manufacture of furniture	2,703	—	—	36	70	(21)	(1)	—				1,109	—	1,594	—	6.9
32	C.32 – Other manufacturing	62	—	—	27	—	(2)	(1)	—				62	—	—	—	0.5
33	C.33 – Repair and installation of machinery and equipment	1,547	—	—	—	2	(8)	—	(1)				1,547	—	—	—	1.2
34	D – Electricity, gas, steam and air conditioning supply	66,366	64,458	—	1,883	—	(344)	(81)	—				25,874	—	40,492	—	6.5
35	D35.1 – Electric power generation, transmission and distribution	—	—	—	—	—	—	—	—				—	—	—	—	—
36	D35.11 – Production of electricity	66,366	64,458	—	1,883	—	(344)	(81)	—				25,874	—	40,492	—	6.5
37	D35.2 – Manufacture of gas; distribution of gaseous fuels through mains	—	—	—	—	—	—	—	—				—	—	—	—	—

Table 31: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount (€000)					Accumulated impairment/negative changes in fair value due to credit risk and provisions (€000)			GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent)							
	31 Dec 2023		of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818	of which: environmentally sustainable (CCM)	of which: stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures		of which Scope 3 financed emissions	GHG percentage of GHG emissions (column i) derived from company specific reporting (%)	<= 5 years (€000)	> 5 year <= 10 years (€000)	> 10 year <= 20 years (€000)	> 20 years (€000)	Average weighted maturity (years)
	Sector/ Subsector																
38	D35.3 – Steam and air conditioning supply	—	—	—	—	—	—	—	—				—	—	—	—	—
39	E – Water supply; sewerage, waste management and remediation activities	16,871	—	—	—	—	(6)	—	—				16,871	—	—	—	2.6
40	F – Construction	22,808	—	—	441	6,303	(2,171)	(34)	(1,940)				21,324	1,458	26	—	1.4
41	F.41 – Construction of buildings	9,200	—	—	358	4,728	(946)	(25)	(855)				8,389	811	—	—	1.7
42	F.42 – Civil engineering	6,584	—	—	1	274	(225)	—	(162)				6,558	—	26	—	0.9
43	F.43 – Specialised construction activities	7,024	—	—	82	1,301	(1,000)	(9)	(923)				6,377	647	—	—	1.4
44	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	143,419	—	—	21,105	5,022	(3,879)	(1,087)	(1,903)				133,104	6,998	3,317	—	1.0
45	H – Transportation and storage	5,697	—	—	77	2	(255)	(2)	(1)				5,697	—	—	—	0.9
46	H.49 – Land transport and transport via pipelines	130	—	—	30	—	(3)	(1)	—				130	—	—	—	1.2
47	H.50 – Water transport	10	—	—	—	—	—	—	—				10	—	—	—	—
48	H.51 – Air transport	8	—	—	—	—	—	—	—				8	—	—	—	—

Table 31: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount (€000)					Accumulated impairment/negative changes in fair value due to credit risk and provisions (€000)			GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent)							
	31 Dec 2023		of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818	of which: environmentally sustainable (CCM)	of which: stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures		of which Scope 3 financed emissions	GHG percentage of GHG emissions (column i) derived from company specific reporting (%)	<= 5 years (€000)	> 5 year <= 10 years (€000)	> 10 year <= 20 years (€000)	> 20 years (€000)	Average weighted maturity (years)
	Sector/ Subsector																
49	H.52 – Warehousing and support activities for transportation	5,546	—	—	47	2	(252)	(1)	(1)				5,546	—	—	—	0.9
50	H.53 – Postal and courier activities	3	—	—	—	—	—	—	—				3	—	—	—	—
51	I – Accommodation and food service activities	51,606	—	—	9,903	17,647	(4,097)	(406)	(3,039)				42,695	6,042	2,869	—	3.2
52	L – Real estate activities	82,106	—	—	3,955	8,816	(3,218)	(1,075)	(870)				30,128	46,412	5,566	—	5.2
53	Exposures towards sectors other than those that highly contribute to climate change[1]	255,543		—	8,510	13,184	(7,656)	(1,506)	(3,140)				196,467	47,734	11,342	—	3.6
54	K – Financial and insurance activities	52,495	—	—	—	8,291	(1,812)	—	(1,112)				41,454	3,730	7,311	—	3.8
55	Exposures to other sectors (NACE codes J, M - U)	203,048		—	8,510	4,893	(5,844)	(1,506)	(2,028)				155,013	44,004	4,031	—	3.5
56	TOTAL	752,469	120,281	—	54,108	54,212	(23,556)	(5,071)	(11,566)				572,560	109,109	70,800	—	3.1

1 In accordance with the Commission delegated regulation (EU) 2020/1818 supplementing regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks – Climate Benchmark Standards Regulation – Recital 6: Sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006.

2 As at 31 December 2024, the bank has refined the sector/subsector classification under "C - Manufacturing" and "D – Electricity,gas,steam and air conditioning supply" due to an improvement to a particular counterparty classification. Comparative information for the year ended 31 December 2023 has not been restated.

Banking book – climate change transition risk: loans collateralised by immovable property – energy efficiency of collateral

The Template 1: Banking book - Indicators of potential climate change transition risk: loans collateralised by immovable property - energy efficiency of the collateral presents the gross carrying amount[1] of loans collateralized with commercial and residential immovable property and of repossessed real estate collateral. The loans are presented in the template within the EU area based upon where the loan itself is booked, as a proxy for the location of the underlying collateral. The table also includes information on the level of energy efficiency of the underlying collateral measured in kWh/m² energy consumption and in terms of the label of the EPC[2]. In the absence of an EPC energy consumption data, the energy consumption is estimated. This estimation methodology is set out below.

In Malta, 88% of exposures on loans collateralised by property are related to residential property while 12% of them are related to commercial property. The share of repossessed collaterals is non-significant.

As from Q4 2022, EPCs are being requested from customers on new residential mortgages to enable reporting of the level of energy. EPCs collected as at 31 December 2024 account for less than 6.87% (31 December 2023: 3.35%) of total exposure on loans collateralised by residential property. The majority of collected EPCs in respect of loans collateralised by residential immovable property only show the level of energy and do not include a label. In order to keep a conservative approach, where estimation is required, the level of energy has been estimated using a few different methods according to the data availability. As from 2024, EPCs are being reported in respect of loans collateralised by commercial property where we have such information. As at 31 December 2024 its amounts to circa 17.29% of total exposure on loans collateralised by commercial property. The majority is based on a mapping of property types with government statistics. In this context, the information published in the paper 'Long Term Renovation Strategy 2050', issued by the Maltese Ministry for the environment-climate change and planning, has been leveraged. The average level of energy consumption has been computed for each type of commercial asset (offices, education, restaurants, etc) to map and allocate them to the appropriate bucket of level of energy consumption:

The methodology used for determining energy efficiency is primarily based on estimations and is mainly dependent on external sources (Malta Government Statistics). This approach has limitations, as the existing Maltese energy efficiency statistics are based on a reporting date of 2019 and energy levels may have changed subsequently, for example where refurbishments have been made.

Following the EBA guidance received through the EBA Q&A 2024_7013 published in September 2024, the approach has changed for year end 31 December 2024 for those exposures where the EPC certificates only reflect energy efficiency scores and no EPC label, the level of efficiency has not been treated as estimated, as clarified in the EBA guidance. Comparatives have not been restated to reflect the new EBA guidance.

HSBC Bank Malta p.l.c. aims to continue to engage with business and corporate customers for the information needed and to refine its methodology to align with the requirements.

1 As defined in Part 1 of Annex V of Commission Implementing Regulation (EU) 2021/451.

2 As defined in Article 2(12) of 2010/31/EU for EU countries, or in the relevant regulation for those exposures outside the EU. Energy Performance of Buildings Directive 2010/31/EU10 ('EPBD') and the Energy Efficiency Directive 2012/27/EU promote policies that aim to achieve a highly energy efficient and decarbonised building stock by 2050. The EPBD introduced energy performance certificates ('EPC') as instruments for improving the energy performance of buildings.

Table 32: Template 2: Banking book – Indicators of potential climate change transition risk: loans collateralised by immovable property – energy efficiency of the collateral

		a	b	c	d	e	f	g
		Total gross carrying amount						
			Level of energy efficiency (EP score in kWh/m² of collateral)					
	31 Dec 2024		0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500
	Counterparty sector	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
1	**Total EU area**	**2,157,300**	**84,482**	**1,853,388**	**15,519**	**10,867**	**409**	**192,635**
2	– of which: Loans collateralised by commercial immovable property	**263,422**	**17,406**	**39,533**	**5,843**	**10,341**	**—**	**190,299**
3	– of which: Loans collateralised by residential immovable property	**1,891,018**	**66,676**	**1,812,944**	**9,676**	**526**	**409**	**787**
4	– of which: Collateral obtained by taking possession: residential and commercial immovable properties	**2,860**	**400**	**911**	**—**	**—**	**—**	**1,549**
5	– of which: Level of energy efficiency (EP score in kWh/m² of collateral) estimated[1]	**1,981,815**	**13,309**	**1,776,985**	**—**	**9,124**	**—**	**182,397**
6	**Total non-EU area**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
7	– of which: Loans collateralised by commercial immovable property	**—**	**—**	**—**	**—**	**—**	**—**	**—**
8	– of which: Loans collateralised by residential immovable property	**—**	**—**	**—**	**—**	**—**	**—**	**—**
9	– of which: Collateral obtained by taking possession: residential and commercial immovable properties	**—**	**—**	**—**	**—**	**—**	**—**	**—**
10	– of which: Level of energy efficiency (EP score in kWh/m² of collateral) estimated	**—**	**—**	**—**	**—**	**—**	**—**	**—**

Table 32: Template 2: Banking book – Indicators of potential climate change transition risk: loans collateralised by immovable property – energy efficiency of the collateral (continued)

		h	i	j	k	l	m	n	o	p
		Total gross carrying amount								
		Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
	31 Dec 2024	A	B	C	D	E	F	G		of which: energy efficiency (EP score in kWh/m² of collateral) estimated
	Counterparty sector	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**%**
1	**Total EU area**	**901**	**37,930**	**3,785**	**945**	**—**	**591**	**—**	**2,113,148**	**94**
2	– of which: Loans collateralised by commercial immovable property	**901**	**34,514**	**3,785**	**—**	**—**	**591**	**—**	**223,631**	**97**
3	– of which: Loans collateralised by residential immovable property	**—**	**3,416**	**—**	**945**	**—**	**—**	**—**	**1,886,657**	**93**
4	– of which: Collateral obtained by taking possession: residential and commercial immovable properties	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**2,860**	**100**
5	– of which: Level of energy efficiency (EP score in kWh/m² of collateral) estimated[1]	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,981,815**	**100**
6	**Total non-EU area**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
7	– of which: Loans collateralised by commercial immovable property	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
8	– of which: Loans collateralised by residential immovable property	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
9	– of which: Collateral obtained by taking possession: residential and commercial immovable properties	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
10	– of which: Level of energy efficiency (EP score in kWh/m² of collateral) estimated	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**

1 Include the gross carrying amount of loans collateralised by residential property where an actual EPC was collected (without EPC label) which amounted to €125,582,000 (2023: €83,021,000).

Table 32: Template 2: Banking book – Indicators of potential climate change transition risk: loans collateralised by immovable property – energy efficiency of the collateral (continued)

		a	b	c	d	e	f	g
		Total gross carrying amount						
			Level of energy efficiency (EP score in kWh/m² of collateral)					
	31 Dec 2023		0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500
	Counterparty sector	€000	€000	€000	€000	€000	€000	€000
1	Total EU area	2,477,591	61,980	2,155,554	5,447	10,563	423	243,624
2	– of which: Loans collateralised by commercial immovable property	301,074	25,490	23,360	—	10,150	—	242,074
3	– of which: Loans collateralised by residential immovable property	2,173,296	36,090	2,130,923	5,447	413	423	—
4	– of which: Collateral obtained by taking possession: residential and commercial immovable properties	3,221	400	1,271	—	—	—	1,550
5	– of which: Level of energy efficiency (EP score in kWh/m² of collateral) estimated	2,477,591	61,980	2,155,554	5,447	10,563	423	243,624
6	Total non-EU area	—	—	—	—	—	—	—
7	– of which: Loans collateralised by commercial immovable property	—	—	—	—	—	—	—
8	– of which: Loans collateralised by residential immovable property	—	—	—	—	—	—	—
9	– of which: Collateral obtained by taking possession: residential and commercial immovable properties	—	—	—	—	—	—	—
10	– of which: Level of energy efficiency (EP score in kWh/m² of collateral) estimated	—	—	—	—	—	—	—

Table 32: Template 2: Banking book – Indicators of potential climate change transition risk: loans collateralised by immovable property – energy efficiency of the collateral (continued)

		h	i	j	k	l	m	n	o	p
		Total gross carrying amount								
		Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
	31 Dec 2023	A	B	C	D	E	F	G		of which: energy efficiency (EP score in kWh/m² of collateral) estimated
	Counterparty sector	€000	€000	€000	€000	€000	€000	€000	€000	%
1	Total EU area	—	—	—	—	—	—	—	2,477,591	100
2	– of which: Loans collateralised by commercial immovable property	—	—	—	—	—	—	—	301,074	100
3	– of which: Loans collateralised by residential immovable property	—	—	—	—	—	—	—	2,173,296	100
4	– of which: Collateral obtained by taking possession: residential and commercial immovable properties	—	—	—	—	—	—	—	3,221	100
5	– of which: Level of energy efficiency (EP score in kWh/m² of collateral) estimated	—	—	—	—	—	—	—	2,477,591	100
6	Total non-EU area	—	—	—	—	—	—	—	—	—
7	– of which: Loans collateralised by commercial immovable property	—	—	—	—	—	—	—	—	—
8	– of which: Loans collateralised by residential immovable property	—	—	—	—	—	—	—	—	—
9	– of which: Collateral obtained by taking possession: residential and commercial immovable properties	—	—	—	—	—	—	—	—	—
10	– of which: Level of energy efficiency (EP score in kWh/m² of collateral) estimated	—	—	—	—	—	—	—	—	—

Banking book – Climate change transition risk: Alignment metrics

Setting targets

The HSBC Group is using the Net Zero Emissions ('NZE') by 2050 scenario provided by the International Energy Agency ('IEA') as a single-scenario (IEA NZE 2021) reference benchmark to assess its financed emissions. It provides industry specific emissions projections from which HSBC constructs benchmark pathways. These benchmarks help the HSBC Group set targets that align the provision and facilitation of finance with the goals and timelines of the Paris Agreement at a portfolio level globally.

HSBC Group focused its analysis on the sectors that are most material in terms of emissions, and those where HSBC believes engagement and climate action have the greatest potential to effect change.

HSBC Group has set absolute emissions reduction targets for the oil and gas, and thermal coal mining sectors. For the power and utilities; cement; iron, steel and aluminium; aviation; and automotive sectors, HSBC Group has set emissions intensity targets that allow us to deploy capital towards decarbonisation solutions

Methodology for alignment metrics

HSBC Bank Malta p.l.c. discloses GHG financed emissions alignment metrics in line with HSBC Group's approach, which focuses on the parts of the value chain where HSBC believes the majority of emissions are produced to help reduce double counting of emissions. For each counterparty group, the bank approximates absolute financed emissions using the loans and advances recorded in HSBC Bank Malta p.l.c. as a proportion of the HSBC Group total multiplied by the financed emissions for the HSBC Group.

The alignment metric is the unit used for target tracking for the respective sector. HSBC has calculated the sector level emission intensity for HSBC Bank Malta p.l.c. using a portfolio weighted approach. The alignment metric proxy has then been used to calculate the distance to the IEA 2030 NZE2050 scenario.

The target-setting approach to date, for on-balance sheet financed emissions and facilitated emissions, has been to utilise the single net zero reference scenario to underpin both energy supply-related sectors (oil and gas and power and utilities) and HSBC group's published targets for demand-side sectors in transport and heavy industry. This scenario does not disaggregate by region and HSBC Group have adopted a global pathway as the chosen reference scenario for targets related to key sectors.

Absolute financed emissions reduction targets are set for the oil and gas sector. This absolute emissions metric helps preserve a direct link to reduce GHG emissions in the real economy and allows us to assess our alignment with the IEA NZE 2021 scenario. All other sectors have physical intensity-based target. Physical emission intensity metrics describe the attributed quantity of emissions related per unit of production and vary based on sector and specific activity data. The HSBC Group uses this target metric to help enable climate-positive investment in the real economy by directing capital towards green technologies and transition solutions.

The underlying assumption with this calculation is that the emissions intensity of financing activities is the same across regions and, as a result, that HSBC Bank Malta p.l.c.'s financed emissions are apportioned at the same ratio as HSBC Bank Malta p.l.c.'s portion of loan balances used in the HSBC Group's calculations. This may result in an overstatement of financed emissions attributable to HSBC Bank Malta p.l.c. since the bank would expect emissions intensity in this region to be lower than a global average.

Moving forwards HSBC Group intends to consult with external scientific and international bodies to inform how it embeds regional implications and to enable the financed emissions portfolio alignment and target setting approaches to better reflect the business context.

An evolving approach

HSBC believes methodologies for calculating financed emissions should be transparent and comparable and should provide science-based insights that focus engagement efforts, inform capital allocation and develop solutions that are both timely and impactful.

The bank continues to engage with regulators, standard setters and industry bodies to shape its approach to measuring financed emissions and managing portfolio alignment to net zero. It also works with data providers and its clients to help it gather data from the real economy to improve its analysis.

HSBC Group has begun a review of its interim financed emissions targets and associated policies as part of the annual review of the Net Zero Transition Plan that it referenced in the Q3 earnings release in October 2024. As HSBC Group calibrate its approach for the latest context, it will seek to balance being ambitious on net zero while recognising present near-term global challenges, and the associated impact of the transition, playing out differently across the regions and sectors it serves. In doing so HSBC Group plans to draw on the latest scientific evidence and credible industry-specific pathways while, at the same time, maintaining its commitment under its 2021 Climate Resolution.

For further details of the Financed emissions approach including the data sources, recalculation policy, data and methodology limitations and sectoral approach (including an update on shipping and real estate) please refer to:

- the ESG review in the HSBC Group Annual report and Accounts available on the HSBC Group website: https://www.hsbc.com/who-we-are/esg-and-responsible-business.
- The Financed Emissions and Thermal Coal Exposures Methodology, see: https://www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.

Data and methodology limitations:

The alignment metrics calculation and methodological choices are shaped by the availability of data for the sectors the bank analyses.

- Sector targets and progress metrics are calculated at HSBC Group level and are set for HSBC's global portfolio. They are managed at HSBC Group level with the recognition that regions and companies will decarbonize at different rates and that there are different strategies to achieve its global targets.
- HSBC Group's approach focuses on what HSBC believes to be the most material parts of the sector value chains, and it seeks to minimise double counting between the transactions within the portfolio. Double counting occurs when GHG emissions are counted more than once in financed emissions analysis and cannot be avoided. HSBC remains committed to transparency around its methodology and scope of analysis.
- Emissions intensity of financing activities is assumed to be the same across regions and HSBC Bank Malta p.l.c.'s financed emissions are apportioned at the same ratio as HSBC Bank Malta p.l.c.'s portion of loan balances used in the HSBC Group's calculations. This may result in a different estimation of financed emissions attributable to HSBC Bank Malta p.l.c. to one where methodology and available data were available to perform a more granular calculation. Additionally, intensity-based metrics can be highly volatile year-on-year when applied to smaller portfolios. At a sub-portfolio level, they therefore do not accurately represent progress to a global sector target.
- HSBC Group calculated the sector level emissions intensity metrics using a portfolio-weighted approach. Due to data limitations, HSBC is unable to obtain production data for all of its clients. It therefore calculates an emissions intensity figure using the 75th percentile to meet this data gap.

- NACE codes and internal wholesale industry classifications are assigned to help determine the nature of a customer's main activity. The scope of clients analysed is determined based on sector classifications assigned using expert judgement from global relationship managers based on their relationship and knowledge of the customer's activity, with supporting data from NACE codes assigned at the issuer level consistent with third party vendor datasets.
- NACE codes are assigned to a counterparty at the counterparty group level by calculating the NACE with the highest and second-highest approved lending limits. The calculation and methodology of financed emissions calculation are dependent upon the availability of data. For the calculation of financed emissions where the allocation of the emissions data is required at the subsidiary level – however, company reported emissions data may only be available at the consolidated level of a counterparty and not at the legal entity level of a counterparty – HSBC has used the counterparty Group level information. Sectors for balance sheet reporting are assigned at an individual obligor level and may therefore differ between the counterparty Group sectors used for financed emission reporting.
- The financed emission calculation only covers loan and advances to customers which reflect the most material part of the financing activity. Debt and equity holdings represent 1 per cent of the banking book exposure.
- Due to the time lag for emissions data from counterparties the alignment metrics are based on both balance sheet and emission figures from 2023 year-end. Third party datasets that feed into the analysis may have up to a two-year lag in reported emission figures, and HSBC is working with data providers to help reduce this. Mapping external datasets to the internal client entities is challenging due to complex company ownership structures.
- Most clients do not yet report the full scope of greenhouse gas emissions included in the analysis, in particular scope 3 emissions. In the absence of client-reported emissions, HSBC Group estimated emissions using proxies based on company production and revenue figures. As data improves and coverage expands, estimates can be replaced with reported figures.
- The operating environment for climate analysis and portfolio alignment is maturing. HSBC continues to work to improve the data management processes, and is implementing steering mechanisms to align its provision of finance with the goals and timelines of the Paris Agreement.

Table 33: Template 3: Banking book – Indicators of potential climate change transition risk: alignment metrics.

	a	b	c	d	e	f	g
	Sector	NACE Sectors	Gross carrying amount (€000)[1]	Alignment metric[2]	Reference year	Distance to IEA NZE2050 as %[3]	Target (year of reference + 3 years)[7]
1	Power	3511	64,633	tCO2e/Gwh	2023	402	Not available
2	Fossil fuel combustion	0610; 0620	—	MtCO2e	2023	—	Not available
3	Automotive	2910; 3091	1,988	tCO2e/million vkm	2023	195	Not available
4	Aviation	5110; 7735	—	tCO2e/million rpk	2023	—	Not available
5	Maritime transport[5]	Not available	Not available	Not available	Not available	Not available	Not available
6	Cement, clinker and lime production	2351	—	tCO2e/t cement	2022	—	Not available
7	Iron and steel, coke, and metal ore production	2410; 2442	—	tCO2e/t metal	2023	100	Not available
8	Chemicals[6]	Not available	Not available	Not available	Not available	Not available	Not available

1 The gross carrying amount is reported as at December 2023.
2 For the oil and gas sector, absolute emissions are measured in million tonnes of carbon dioxide equivalent ('Mt CO2e'); for the power and utilities sector, intensity is measured in tonnes of carbon dioxide equivalent per gigawatt hour ('tCO2e/GWh'); for the cement sector, intensity is measured in tonnes of carbon dioxide equivalent per tonne of cement ('tCO2e/t cement'); for the iron, steel and aluminium sector, intensity is measured in tonnes of carbon dioxide equivalent per tonne of metal ('tCO2e/t metal'); for the aviation sector, intensity is measured in tonnes of carbon dioxide equivalent per million revenue passenger kilometres ('tCO2e/million rpk'); and for the automotive sector, intensity is measured in tonnes of carbon dioxide equivalent per million vehicle kilometres ('tCO2e/million vkm').
3 PiT distance to 2030 NZE2050 scenario in % (for each metric).
4 The reason for not reporting the distance to IEA NZE 2050 for HSBC Bank Malta p.l.c. is because HSBC Group's targets are expressed in percentage reduction from 2019 and there is no 2019 HSBC Bank Malta p.l.c. baseline (i.e. where to measure the reduction from) for fossil fuel combustion due to no target setting and baseline for regional reporting.
5 Following a reduction in HSBC Group's exposure to the shipping sector after the strategic sale of part of the European shipping portfolio in 2023, and work undertaken to assess the materiality of the remaining portfolio from a financed emissions perspective,HSBC Group has concluded that the remaining exposure as of year-end 2023 is not material enough to warrant setting a stand-alone target. This aligns with NZBA guidelines on sector inclusion for target setting.
6 Chemicals is not currently aligned to the in-scope sectors for HSBC Group disclosures. Therefore, it is not disclosed.
7 For financed emissions HSBC Group do not plan to set 2025 targets. It sets targets in line with the NZBA guidelines by setting 2030 targets.

Banking book – Climate change transition risk: Exposures to top 20 carbon-intensive firms

The Template 4: Banking book - provides information on exposures to the top 20 most carbon-intensive firms in the world by comparing the corporate counterparties of the operating entities in the loan book against a list of top 20 carbon-intensive firms, compiled using data from reports of the Climate Accountability Institute ('CAI'). The Disclosure seeks to include exposure to any company that belongs to HSBC group of any of the top 20 emitters. The top 20 Carbon emitters have been identified using the CAI's Carbon Majors 2018 data set, specifically the 'Top Twenty CO_2e 2018'

The gross carrying amount of exposure to the top 20 carbon-emitting companies is given as a proportion of the total gross carrying amount of exposures in the banking book. The gross carrying amount includes loans and advances, debt securities and equity instruments, excluding financial assets held for trading and held for sale assets.

The methodology for determining exposures to the top 20 carbon emitting companies is expected to evolve as data availability, industry guidance and market practice change over time. We will seek to be transparent in our disclosures about the methodologies applied, but results may not be comparable year on year.

HSBC Bank Malta p.l.c. is required to report the taxonomy-aligned exposures ('CCM') that are in accordance with the EU Taxonomy

Regulation 2020/852 and aligned with Mitigating actions: Assets for the calculation of GAR (Template 7) for non-financial corporations.

Table 34: Template 4: Banking book – indicators of potential climate change transition risk exposures to top 20 carbon-intensive firms

	a	b	c	d	e
	Gross carrying amount €000 (aggregate)	Gross carrying amount to the Top 20 counterparties compared to total gross carrying amount as % (aggregate)[1]	of which: environmentally sustainable (CCM)	Weighted average maturity (years)	Number of top 20 polluting firms included
1 31 Dec 2024					
	51,555	**0.91**	**—**	**0.12**	**1**
1 31 Dec 2023					
	55,823	1.10	—	0.25	1

1 For counterparties among the top 20 carbon emitting companies in the world.

Banking book – Climate change physical risk: Exposures subject to physical risk

Scope

This table provides information on exposures subject to climate change physical risk (chronic and acute risks) and includes a sectoral breakdown of gross exposures to non-financial corporations and by geography of location of the activity of the counterparty or of the collateral. The loans are presented in the template by the geographical location based upon where the loan itself is booked, as a proxy for the location of the underlying collateral.

The exposures include loans and advances. In addition, loans secured by residential and commercial property and repossessed real estate, including exposures to both financial and non-financial counterparties, have been separately disclosed. Collateralised loans to non-financial counterparties are also included in the sectoral breakdown.

For those exposures identified as subject to climate change physical risk, the template provides further details on the type of physical risk (acute, chronic or both), the quality of those exposures, including non-performing status, stage 2 classification, related provisions and relevant maturity buckets. Those exposures identified as being subject to both acute and chronic physical risk are required to be reported only in column (j) of the table.

The table rows 10-12 represent loans that are granted for house purchases and collateralised by residential and commercial real estate which are included in the total collateralised loans as at 31 December 2024.

The counterparty sector classification disclosed in the template is aligned to the HSBC Bank Malta p.l.c. FINREP reporting. Repossessed collateral is classified as held for sale under IFRS 5, Non-current Assets Held for Sale and Discontinued Operations and as such is reported in the <=5 years maturity bucket with an average weighted maturity of one year since we expect it to be sold within 12 months.

Methodology

The data source to assess whether exposures are subject to climate change physical risk was based on an internal risk assessment of the geographical locations which are considered as having a higher climate-related risk. The climate-related risk assessment is primarily driven by an increase in sea level in Malta and the inclusion of high flood risk areas for the period ended 31 December 2024.

Data limitations

For Corporate loans, the disclosure is dependent on the availability of location information for one of the following three things: the collateral securing the loans (where relevant), the counterparties activities, or the head office. Where the location of collateral is not available or where loans are not secured by property, the location of both counterparty operations, as well as, head office was taken into consideration for assessment of physical risk. In addition, for retail loans, residential addresses were also considered.

Based on the available data, the geographical location of the collateral or activity of the counterparty or head office location was mapped at the most granular level where possible. For exposures in Malta, the physical risk impact data from the Think Hazard! database was overlaid with local risk assessment based on the location of buildings in these localities.

Availability and quality of data will evolve over time and may lead to differences in the data reported in future years.

Assumptions

In the absence of further guidance, the methodology adopted relies on a number of assumptions which may not be consistent with the approach adopted by other financial institutions and therefore lead to non-comparable results. These concern, for example, the following:

- The selection of acute and chronic risks;
- The inclusion of both climate and geophysical risks; and
- The threshold for determining a location is subject to high physical risk.

In Article 18a of Commission Implementing Regulation (EU) 2021/637 on prudential disclosure of ESG risks in accordance with Article 449a CRR, physical risk is defined : 'As part of the overall environmental risk, the risk of losses arising from any negative financial impact on the institution stemming from the current or prospective impacts of the physical effects of environmental factors on the institution's counterparties or invested assets'.

Based on this, HSBC considers both climate and geophysical hazards as meeting the definition of physical risk. Climate hazards are weather-related, hydro-meteorological events including floods, wildfire, cyclone, landslide, water scarcity and extreme heat. The geophysical hazards considered are earthquakes, tsunamis and volcanoes that originate from within the Earth and are not much influenced by climate variables or human actions.

Acute and chronic risks have been defined in accordance with European Bank for Reconstruction and Development ('EBRD') guidance produced for the Task Force on Climate-Related Financial Disclosures ('TCFD') in 2018, resulting in the following categorisation:

(a) Acute risks (event-driven risks that last for a few days) – extreme weather events such as storms and cyclones, extreme rainfall and heatwaves; and

(b) Chronic risks (those due to longer-term shifts in climate patterns) –variability in precipitation, temperature, water stress and sea-level rise.

Acute risks refer to events or specific episodes that have the potential to inflict significant physical damage. The following climate and geophysical hazards are assumed to be acute: floods, wildfire, cyclone, landslide, earthquake, tsunami and volcanoes.

Chronic risks are those that carry a range of physical impacts of considerably longer duration than those posed by acute risks. They are best understood as processes, not events. The following climate hazards are assumed to be chronic: water scarcity (dry ground) and extreme heat from sustained long-term increase in air temperature.

An assessment to identify exposures which are sensitive to impact from climate change physical events was carried out on the following basis:

- An immediate 1m rise in sea level (Climate Change Post states a 1m rise in sea level for Malta by year 2100).
- Taking into consideration the locations (towns/villages) in proximity and touching the island's low shoreline.
- Exposure to any location which has the higher % risk from the rise of sea level that is sufficient to expose all assets in that location to High physical risk. This is a conservative but rational approach as, in most cases, any location which higher risk would be expected to impact fully the value of a physical asset.

During 2023 we have taken additional factors namely Flood Risk in respect of high risk localities. Flooding in Malta occurs due to the surface water run-off flows along the roads constructed along the valley bed. There are areas that experience some problems as a result of the uncontrolled street surface water run-off.

Most areas are considered to be subject to 'normal risk', whilst some areas are considered to be subject to 'high risk' and are more prone to the probability of being submerged under water due to flash floods.

It is anticipated that HSBC's methodology will evolve over time to align with changes in market practice and regulation.

Table 35: Template 5: Banking book – indicators of potential climate change physical risk: exposures subject to physical risk

		a	b	c	d	f	g
		Gross carrying amount					
			of which: exposures sensitive to impact from climate change physical events				
			Breakdown by maturity bucket				
	Variable: Geographical area subject to climate change physical risk – acute and chronic events		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average Weighted maturity
	31 Dec 2024	**€000**	**€000**	**€000**	**€000**	**€000**	**years**
1	A – Agriculture, forestry and fishing	**88**	—	—	—	—	—
2	B – Mining and quarrying	—	—	—	—	—	—
3	C – Manufacturing	**55,741**	**16,593**	**501**	**5,820**	—	**4.6**
4	D – Electricity, gas, steam and air conditioning supply	**116,941**	**77,735**	—	—	—	**1.6**
5	E – Water supply; sewerage, waste management and remediation activities	**74**	**70**	—	—	—	—
6	F – Construction	**23,009**	**11,386**	—	—	—	**0.5**
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	**142,834**	**62,122**	**281**	**110**	—	**0.2**
8	H – Transportation and storage	**4,470**	**2,626**	—	—	—	**0.9**
9	L – Real estate activities	**83,962**	**5,578**	—	**459**	—	**2.8**
10	Loans collateralised by residential immovable property	**1,891,018**	**6,350**	**11,223**	**79,347**	**183,988**	**22.9**
11	Loans collateralised by commercial immovable property	**263,422**	**56,644**	**2,196**	**6,279**	—	**2.5**
12	Repossessed collaterals	**2,860**	**2,087**	—	—	—	**1.0**
13	**Other relevant sectors (breakdown below where relevant)**	**255,756**	**77,310**	**36,876**	—	—	**3.1**
14	I – Accommodation and food service activities	**40,277**	**7,152**	**1,419**	—	—	**4.3**
15	J – Information and communication	**3,666**	—	—	—	—	—
16	K – Financial and insurance activities	**45,109**	**3,205**	—	—	—	—
17	M – Professional scientific and technical activities	**118,138**	**54,337**	**35,456**	—	—	**3.2**
18	N – Administrative and support service activities	**26,553**	**12,051**	—	—	—	**2.5**
19	O – Public administration and defense, compulsory social security	—	—	—	—	—	—
20	P – Education	**5,872**	**351**	—	—	—	—
21	Q – Human health and social work activities	**14,483**	**351**	—	—	—	—
22	R – Arts entertainment and recreation	**70**	—	—	—	—	—
23	S – Other services activities	**1,588**	**214**	—	—	—	—

Table 35: Template 5: Banking book – indicators of potential climate change physical risk: exposures subject to physical risk (continued)

		h	i	j	k	l	m	n	o
		Gross carrying amount							
		of which: exposures sensitive to impact from climate change physical events							
							Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
	Variable: Geographical area subject to climate change physical risk - acute and chronic events	of which: exposures sensitive to impact from chronic climate change events	of which: exposures sensitive to impact from acute climate change events	of which: exposures sensitive to impact both from chronic and acute climate change events	of which: Stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures
	31 Dec 2024	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
1	A – Agriculture, forestry and fishing	—	6	—	—	—	—	—	—
2	B – Mining and quarrying	—	—	—	—	—	—	—	—
3	C – Manufacturing	—	22,740	—	7,263	258	(1,015)	(762)	(67)
4	D – Electricity, gas, steam and air conditioning supply	—	56,316	—	—	—	(4)	—	—
5	E – Water supply; sewerage, waste management and remediation activities	—	29	—	—	—	—	—	—
6	F – Construction	—	9,476	—	4	350	(381)	(1)	(296)
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	—	75,588	—	16,215	1,567	(1,267)	(241)	(754)
8	H – Transportation and storage	—	3,583	—	5	—	(93)	(2)	—
9	L – Real estate activities	—	6,860	—	4,778	222	(150)	(83)	(42)
10	Loans collateralised by residential immovable property	—	344,665	—	20,533	10,250	(3,956)	(1,162)	(2,093)
11	Loans collateralised by commercial immovable property	—	63,338	—	12,714	3,162	(2,121)	(734)	(1,047)
12	Repossessed collaterals	—	2,221	—	—	—	(472)	—	
13	**Other relevant sectors (breakdown below where relevant)**	—	128,254	—	7,666	2,626	(2,639)	(143)	(1,324)
14	I – Accommodation and food service activities	—	6,084	—	61	1,771	(1,202)	—	(1,001)
15	J – Information and communication	—	147	—	126	—	(2)	(2)	—
16	K – Financial and insurance activities	—	3,194	—	—	511	(32)	—	—
17	M – Professional scientific and technical activities	—	106,795	—	294	5	(855)	(11)	(5)
18	N – Administrative and support service activities	—	11,483	—	6,965	9	(211)	(111)	—
19	O – Public administration and defense, compulsory social security	—	—	—	—	—	—	—	—
20	P – Education	—	—	—	—	—	—	—	—
21	Q – Human health and social work activities	—	340	—	10	330	(318)	—	(318)
22	R – Arts entertainment and recreation	—	1	—	—	—	—	—	—
23	S – Other services activities	—	211	—	209	—	(19)	(19)	—

Table 35: Template 5: Banking book – indicators of potential climate change physical risk: exposures subject to physical risk (continued)

		a	b	c	d	f	g
			Gross carrying amount				
			of which: exposures sensitive to impact from climate change physical events				
			Breakdown by maturity bucket				
	Variable: Geographical area subject to climate change physical risk – acute and chronic events		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
	31 Dec 2023	€000	€000	€000	€000	€000	years
1	A – Agriculture, forestry and fishing	200	9	—	—	—	1.5
2	B – Mining and quarrying	—	—	—	—	—	—
3	C – Manufacturing	107,853	72,450	60	6,067	—	1.8
4	D – Electricity, gas, steam and air conditioning supply	66,366	20,065	—	—	—	0.8
5	E – Water supply; sewerage, waste management and remediation activities	16,871	—	—	—	—	—
6	F – Construction	22,808	8,746	—	—	—	1.2
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	143,419	75,612	409	117	—	0.3
8	H – Transportation and storage	5,697	3,810	—	—	—	1.2
9	L – Real estate activities	82,106	6,192	—	493	—	3.4
10	Loans collateralised by residential immovable property	2,173,296	11,476	14,116	90,644	231,342	23.0
11	Loans collateralised by commercial immovable property	301,074	62,511	367	7,892	—	2.5
12	Repossessed collaterals	3,221	2,841	—	—	—	1.0
13	Other relevant sectors (breakdown below where relevant)	307,149	90,105	35,514	1,332	—	4.0
14	I – Accommodation and food service activities	51,606	4,550	—	1,332	—	5.4
15	J – Information and communication	23,950	22	—	—	—	—
16	K – Financial and insurance activities	52,495	2,831	—	—	—	2.9
17	M – Professional scientific and technical activities	136,563	71,763	35,514	—	—	4.2
18	N – Administrative and support service activities	21,224	10,271	—	—	—	2.6
19	O – Public administration and defense, compulsory social security	—	—	—	—	—	—
20	P – Education	1,353	—	—	—	—	—
21	Q – Human health and social work activities	17,615	344	—	—	—	—
22	R – Arts entertainment and recreation	295	72	—	—	—	—
23	S – Other services activities	2,048	252	—	—	—	—

Table 35: Template 5: Banking book – indicators of potential climate change physical risk: exposures subject to physical risk (continued)

		h	i	j	k	l	m	n	o
		Gross carrying amount							
		of which: exposures sensitive to impact from climate change physical events							
							Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
	Variable: Geographical area subject to climate change physical risk - acute and chronic events	of which: exposures sensitive to impact from chronic climate change events	of which: exposures sensitive to impact from acute climate change events	of which: exposures sensitive to impact both from chronic and acute climate change events	of which: Stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures
	31 Dec 2023	€000	€000	€000	€000	€000	€000	€000	€000
1	A – Agriculture, forestry and fishing	—	9	—	9	—	—	—	—
2	B – Mining and quarrying	—	—	—	—	—	—	—	—
3	C – Manufacturing	—	78,577	—	7,026	96	(997)	(807)	(20)
4	D – Electricity, gas, steam and air conditioning supply	—	20,065	—	—	—	(7)	—	—
5	E – Water supply; sewerage, waste management and remediation activities	—	—	—	—	—	—	—	—
6	F – Construction	—	8,746	—	6	340	(328)	—	(238)
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	—	76,138	—	15,836	1,693	(1,401)	(627)	(461)
8	H – Transportation and storage	—	3,810	—	—	—	(58)	—	—
9	L – Real estate activities	—	6,685	—	4	220	(368)	(3)	(42)
10	Loans collateralised by residential immovable property	—	347,578	—	18,642	8,348	(4,244)	(1,445)	(1,603)
11	Loans collateralised by commercial immovable property	—	70,770	—	18,712	3,329	(2,896)	(1,115)	(1,028)
12	Repossessed collaterals	—	2,841	—	—	—	(472)	—	—
13	Other relevant sectors (breakdown below where relevant)	—	126,951	—	55	2,634	(2,374)	(17)	(1,056)
14	I – Accommodation and food service activities	—	5,882	—	50	1,715	(931)	(2)	(852)
15	J – Information and communication	—	22	—	—	—	—	—	—
16	K – Financial and insurance activities	—	2,831	—	—	505	(18)	—	—
17	M – Professional scientific and technical activities	—	107,277	—	—	7	(800)	(10)	(7)
18	N – Administrative and support service activities	—	10,271	—	1	9	(424)	(5)	—
19	O – Public administration and defense, compulsory social security	—	—	—	—	—	—	—	—
20	P – Education	—	—	—	—	—	—	—	—
21	Q – Human health and social work activities	—	344	—	—	318	(197)	—	(197)
22	R – Arts entertainment and recreation	—	72	—	—	70	—	—	—
23	S – Other services activities	—	252	—	4	10	(4)	—	—

EU Taxonomy economic performance indicators[1]

Climate change mitigation and climate change adaptation objectives and non-climate environmental objectives

In order to meet the European Union's ('EU') climate and energy targets for 2030, the European Commission ('EC') has created the EU Taxonomy classification system for environmentally sustainable economic activities. The EU Taxonomy provides companies, investors and policymakers with appropriate definitions for which economic activities can be considered environmentally sustainable. In 2021, the EC adopted the Delegated Act Supplementing Article 8 of the Taxonomy Regulation ('the Disclosures Delegated Act')[2,3] followed by an amendment to the Delegated Act in 2022 to include certain energy sectors and in 2023 the EC amended the Disclosures Delegated Act to align the disclosure requirements with the Environmental Delegated Act. Under these regulations, HSBC Bank Malta p.l.c. is therefore required to provide information to investors about the environmental performance of its assets and economic activities.

In this disclosures, as required from 1 January 2024, i.e. the prior reporting period, information is presented on Taxonomy-alignment of economic activities (i.e. disclosure of the key performance indicators) where Taxonomy 'eligible' economic activities are assessed to determine whether they are environmentally sustainable (i.e. Taxonomy 'aligned') against technical screening criteria. Comparative information is also published, where required, given the second year of reporting in line with Annex VI of the Disclosures Delegated Act. Whilst the Disclosures Delegated Act indicates comparative templates to be disclosed, the local group reports comparatives wherever Taxonomy KPIs are disclosed as part of its Taxonomy information.

Scope of consolidation

The Taxonomy KPIs in the templates presented are calculated based on exposures and balances within the local group's prudential scope of consolidation as at 31 December 2024. Therefore, the bank's EU Taxonomy KPIs comprises assets and activities relating to HSBC Bank Malta p.l.c. and HSBC Global Asset Management (Malta) Ltd.

HSBC Life Assurance (Malta) Ltd is excluded from the scope of prudential consolidation.

KPI: Green Asset Ratio ('GAR')

The GAR is a ratio calculated as the percentage of EU Taxonomy aligned assets as a proportion of total covered assets.

The numerator of the GAR includes loans and advances, debt securities, equities and repossessed collateral financing taxonomy aligned economic activities based on turnover KPI of underlying assets.

The denominator of the GAR includes total loans and advances, total debt securities, total equities and total repossessed collaterals and all other covered on-balance sheet assets.

Total covered assets

The calculation of the Taxonomy on-balance sheet KPIs include on-balance exposures covering loans and advances, debt securities and equity instruments not held for trading and repossessed collateral. This includes exposures to undertakings such as large EU banks, asset managers, insurance companies and issuers that are in scope of Articles 19a or 29a of Directive 2013/34/EU[4] ('NFRD/CSRD').

Retail exposures except for the mortgage lending portfolios, credit consumption loans for cars and building renovations loans are excluded from the Taxonomy framework and not assessed for Taxonomy eligibility. On this basis, these exposures are included within the category of "Other assets''.

Taxonomy-eligible and aligned economic activities

Taxonomy-eligible economic activities are those activities which can be assessed as environmentally sustainable. Taxonomy-aligned economic activities are those activities which have been assessed as environmentally sustainable.

Eligibility and alignment of general purpose lending where the use of proceeds is unknown, have been assessed using the eligibility and alignment ratios published in the most recently available annual reports by the bank's counterparties in scope of NFRD/CSRD.

Eligibility and alignment of specific purpose lending, where the use of proceeds is known, such as retail loans collateralised by residential immovable property, building renovation loans, and motor vehicle loans, have been assessed in line with the technical screening criteria established in the EU Taxonomy, comprising 'substantial contribution' and 'do no significant harm' criteria, along with compliance with minimum safeguards, the latter not applicable to households and public authorities.

In all templates, 'Environmentally sustainable assets' refers to Taxonomy aligned assets.

Taxonomy non-eligible economic activities

Taxonomy non-eligible economic activities are those activities which cannot be assessed as environmentally sustainable. This This relates to exposures towards activities which are not covered by the EU Taxonomy framework.

Assets excluded from the numerator for GAR calculation (covered in the denominator)

Exposures to undertakings in scope of NFRD/CSRD[4]

Exposures to undertakings that are not obliged to publish Non-Financial Reporting or sustainability information, under NFRD/CSRD respectively, have been excluded from the assessment of Taxonomy-eligible economic activities. These exposures are excluded from the numerator of the GAR but included in the denominator.

Derivatives

Derivatives in the banking book are excluded from the numerator but included in the denominator of the total GAR.

On demand interbank loans

On demand interbank loans are on-demand loan exposures with other credit institutions. These are excluded from the numerator but included in the denominator of the total GAR.

Cash and cash-related assets

Cash and cash-related assets are excluded from the numerator but included in the denominator except for cash with central banks which is not covered by the GAR calculation.

Other assets

Other assets include other retail exposures not covered by the Taxonomy framework, cash, tangible and intangible assets, all of which are excluded from the Taxonomy framework and therefore cannot be assessed for Taxonomy eligibility. Exposures towards local governments where the use of proceeds is unknown (i.e. general purpose lending) is also excluded from the numerator and the denominator of the GAR and these exposures have been included as part of other assets in this reporting period. Other assets are included in the total assets used in the denominator for the calculation of the ratios.

Assets not covered for GAR calculation

Assets not covered in the GAR calculation are excluded from both the numerator and denominator.

Central governments and Supranational issuers

Exposures to central governments and supranational issuers are out of scope for the GAR calculation.

Central banks

Exposures to Central banks includes cash held and all other banking exposures with central banks. These are out of scope for the GAR calculation.

Trading book

Trading derivatives are included in the Trading book, as are trading exposures to central governments, central banks and supranational issuers. These are out of scope for the GAR calculation.

Data limitations

HSBC Bank Malta p.l.c. is dependent on several data sources to determine exposures towards counterparties subject to NFRD/CSRD and subsequently determine Taxonomy information to be reported. Availability of data and improvements in data quality over time, as entities adopt the Taxonomy requirements for their own disclosures, could lead to differences in the data reported in future periods as compared to the current period.

The bank will continue to engage with customers, market data providers and standard setters to improve the quality and completeness of its Taxonomy data as it develops its capabilities to assess the Taxonomy alignment of its portfolios.

Eligibility and alignment by environmental objective

The Taxonomy eligibility split by Climate Change Mitigation ('CCM') and climate Change Adaptation ('CCA') was reported for the first time by non-financial counterparties from 1 January 2024 making information available for HSBC Bank Malta p.l.c to use in its assessment and reporting for 31 December 2024

For the bank's financial counterparties, the eligibility split by environmental objective is based on counterparty reported data where relevant counterparty information is available.

Where the split by environmental objective is not available, eligibility and alignment reported by the counterparty is defaulted to CCM, except in the case of insurers where it is defaulted to CCA.

Counterparty eligibility and alignment data

HSBC Bank Malta p.l.c. is highly reliant on published counterparty eligibility and alignment ratios to assess eligibility and alignment of exposures. The bank places reliance on third party data vendors to collect the majority of the eligibility and alignment data used in KPI calculations. A number of checks and controls are operated to validate any data used and this has identified that counterparty data quality and consistency is variable. Controls in place include checking for template mathematical accuracy, checking enabling and transitional activities reported are consistent with the EU Taxonomy framework, checking for incomplete data, and checking for consistency of calculations across counterparties.

For issues identified with incomplete data, where sufficient data is available, reasonable assumptions are made. Otherwise reporting is simplified where required or, as a last resort, the data is not used. Where there is sufficient information to identify the cause of a mathematical error, or a reasonable assumption can be taken, mathematical errors are corrected. Some counterparties calculate ratios using a different calculation methodology and, in these cases, where sufficient information is available to do so, the data is normalised so that data between counterparties is comparable and can be used consistently across calculations.

KPIs of financial counterparties

In accordance with the requirements under the EU Taxonomy, insurance undertakings, investment firms and financial conglomerates are required to disclose weighted average KPIs which should be used by the bank in assessing the eligibility and alignment of exposures to relevant counterparties.

Where the disclosure of weighted average KPIs by financial counterparties was not available or where more than one set of KPIs has been reported, the approach towards which data was considered is set out below. In addition, the sector classification of counterparties is reported in accordance with the local group's FINREP reporting.In the case of financial conglomerates, the local group considers the Green Asset Ratio; if not available, non-life underwriting KPIs; if not available, the Green Investment Ratio is considered.

In the case of credit institutions, the Green Asset Ratio.

In the case of insurance undertakings, the local group considers non-life underwriting KPIs; if not available, it considers Green Investment Ratios.

In the case of investment companies, the local group considers the Green Asset Ratio related to investment services dealt on own account.

In the case of asset managers, the local group considers the Green Investment Ratio.

Where weighted average KPIs were disclosed by counterparties, they were not sufficiently granular for the local group to satisfy its disclosure requirements. For example, in the case that only total Taxonomy alignment may be reported with no split by objective. In these cases, the weighted average KPIs are used but the same assumptions are applied as for other cases of missing counterparty data, as described above.

Exposures subject to the Non Financial Reporting Directive/Corporate Sustainability Reporting Directive

The CSRD entered into force in January 2023, strengthening the existing rules on non-financial or sustainability reporting introduced in the Accounting Directive by the NFRD/CSRD. It also broadened the scope from EU entities to include non-EU entities, subject to meeting certain criteria. Under the CSRD, entities that satisfy the criteria for the first year of reporting, i.e. entities subject to NFRD/CSRD, such as the local group, were expected to report in the 2024 financial year end.

Due to data limitations, in the case of certain counterparties, it has not been possible to assess all the criteria required to determine their NFRD/CSRD stat1us. Instead, reliance has been placed upon a simplification using the available internal data, as well as data provided by third party vendors. Where counterparties have been identified as reporting voluntary Taxonomy information only, or where the data vendor can only provide estimated data, the counterparty is treated as non-NFRD/CSRD.

In the case of NFRD/CSRD counterparties which avail of the exemption to report Taxonomy information at subsidiary level because they are included in the consolidated reporting of their parent, the parent's Taxonomy information has not been relied upon unless the parent undertaking has clearly stated that the relevant subsidiary has availed of the exemption option to report Taxonomy information.

Household exposures

Loans to households collateralised by residential property and loans to households for building renovations have been assessed as eligible under the Climate Change Mitigation objective in accordance with the definition of activities 7.1 to 7.7 in the Climate Delegated Act. Loans to households for the purchase of motor vehicles, where granted after 1 January 2022, have been assessed as eligible under the Climate Change Mitigation objective in accordance with the definition of activity 6.5 of the Climate Delegated Act. However, there is insufficient data available to fully assess any of these exposures for alignment against the technical screening criteria and in particular, the do no significant harm criteria.

1 Taxonomy Regulation (EU) 2020/852.
2 Commission Delegated Regulation(EU) 2021/2178 supplementing Taxonomy Regulation.
3 Commission Delegated Regulation (EU) 2023/2486 supplementing Taxonomy Regulation and amending Disclosures Delegated Act.
4 The CSRD amends the Non-Financial Reporting Directive ('NFRD') – Directive 2013/24/EU.

Summary of key performance indicators (KPIs) on the Taxonomy-aligned exposures (Template 6)

The table summarises stock and flow KPIs required to be disclosed by HSBC Malta Bank p.l.c. KPIs in this table are calculated using counterparty Turnover ratios.

Table 36: Template 6: Summary of key performance indicators ('KPIs') on the Taxonomy – aligned exposures

	KPI			
	Climate change mitigation	Climate change adaptation	Total (Climate change mitigation + Climate change adaptation)	Coverage (over total assets)[1]
31 Dec 2024	%	%	%	%
GAR stock	**0.05**	**—**	**0.05**	**57.48**
GAR flow	**0.21**	**—**	**0.21**	**0.07**
31 Dec 2023				
GAR stock	—	—	—	61.57
GAR flow	—	—	—	

1 % of assets covered by the KPI over banks´ total assets.

Mitigating actions: Assets for the calculation of GAR - Based on Counterparty Turnover (Template 7)

The Template 7 - Mitigating actions; assets for the calculation of Green Assets Ratio ('GAR') presents assets used in the calculation of the GAR analysed by counterparty type and asset class. Total assets are further categorised between GAR assets in the numerator, GAR assets in the denominator, and assets excluded from the GAR calculation, with eligible and aligned GAR assets presented by climate objective. Minor amendments have been made to row labels 32 and 45 to clarify where GAR assets form part of the numerator or denominator of the KPI.

Exposures to non-EU financial corporations and EU financial corporations that are not subject to NFRD disclosure obligations are included in Other assets.

This table is based on turnover KPIs reported by HSBC Bank Malta p.l.c.'s counterparties.

The gross carrying amount reported excludes impairment allowances for all banking exposures. As a result, the total reported in this table is not comparable to Total Assets reported in HSBC Bank Malta p.l.c.'s balance sheet.

Table 37: Template 7: Mitigating actions: assets for the calculation of Green Assets Ratio (`GAR`)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
			of which: to taxonomy relevant sectors (Taxonomy-eligible)					of which: to taxonomy relevant sectors (Taxonomy-eligible)					of which: to taxonomy relevant sectors (Taxonomy-eligible)				
				of which: environmentally sustainable (Taxonomy-aligned)					of which: environmentally sustainable (Taxonomy-aligned)					of which: environmentally sustainable (Taxonomy-aligned)			
		Total gross carrying amount			of which: speci-alised lend-ing	of which: trans-itional	of which: enab-ling			of which: speci-alised lend-ing	of which: adap-tation	of which: enab-ling			of which: speci-alised lend-ing	of which: trans-itional / adap-tation	of which: enab-ling
	31 Dec 2024	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
	GAR - Covered assets in both numerator and denominator																
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	2,199,687	2,015,891	1,920	—	1,727	—	136	—	—	—	—	2,016,027	1,920	—	1,727	—
2	**Financial corporations**	171,426	20,753	193	—	—	—	6	—	—	—	—	20,759	193	—	—	—
3	Credit institutions	171,426	20,753	193	—	—	—	6	—	—	—	—	20,759	193	—	—	—
4	Loans and advances	152,233	1,560	193	—	—	—	6	—	—	—	—	1,566	193	—	—	—
5	Debt securities, including UoP	19,193	19,193	—	—	—	—	—	—	—	—	—	19,193	—	—	—	—
6	Equity instruments	—	—	—		—	—	—	—		—	—				—	
7	Other financial corporations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8	– of which: investment firms	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9	Loans and advances	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10	Debt securities, including UoP	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
11	Equity instruments	—	—	—		—	—	—	—		—	—				—	
12	– of which: manageme-nt compani-es	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
13	Loans and advances	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
14	Debt securities, including UoP	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
15	Equity instruments	—	—	—		—	—	—	—		—	—	—	—	—	—	—
16	– of which: insurance undertakings	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
17	Loans and advances	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
18	Debt securities, including UoP	—	—	—	—	—	—	—	—		—	—	—	—	—	—	—

Table 37: Template 7: Mitigating actions: assets for the calculation of Green Assets Ratio (`GAR`) (continued)

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
		of which: to taxonomy relevant sectors (Taxonomy-eligible)					of which: to taxonomy relevant sectors (Taxonomy-eligible)					of which: to taxonomy relevant sectors (Taxonomy-eligible)				
			of which: environmentally sustainable (Taxonomy-aligned)					of which: environmentally sustainable (Taxonomy-aligned)					of which: environmentally sustainable (Taxonomy-aligned)			
	Total gross carrying amount			of which: speci-alised lend-ing	of which: trans-itional	of which: enab-ling			of which: speci-alised lend-ing	of which: adap-tation	of which: enab-ling			of which: speci-alised lend-ing	of which: trans-itional / adap-tation	of which: enab-ling
31 Dec 2024	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
19 Equity instruments	—	—	—		—	—	—	—		—	—				—	
20 **Non-financial corporations (subject to NFRD disclosure obligations)**	29,665	2,230	1,727	—	1,727	—	130	—	—	—	—	2,360	1,727	—	1,727	—
21 Loans and advances	29,665	2,230	1,727	—	1,727	—	130	—	—	—	—	2,360	1,727	—	1,727	—
22 Debt securities, including UoP	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
23 Equity instruments	—	—	—		—	—	—	—		—	—				—	
24 **Households**	1,877,857	1,872,569	—	—	—	—						1,872,569	—	—	—	—
25 – of which: loans collateralised by residential immovable property	1,855,396	1,855,396	—	—	—	—						1,855,396	—	—	—	—
26 – of which: building renovation loans	2,546	2,546	—	—	—	—						2,546	—	—	—	—
27 – of which: motor vehicle loans	19,915	14,627	—	—	—	—						14,627	—	—	—	—
28 **Local governments financing**	117,879	117,879	—	—	—	—	—	—	—	—	—	117,879	—	—	—	—
29 Housing financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
30 Other local governments financing	117,879	117,879	—	—	—	—	—	—	—	—	—	117,879	—	—	—	—
31 Collateral obtained by taking possession: residential and commercial immovable properties	2,860	2,460	—	—	—	—	—	—	—	—	—	2,460	—	—	—	—
32 **Total GAR Assets (in the numerator)**	2,199,687	2,015,891	1,920	—	1,727	—	136	—	—	—	—	2,016,027	1,920	—	1,727	—
Assets excluded from the numerator for GAR calculation (covered in the denominator)																

Table 37: Template 7: Mitigating actions: assets for the calculation of Green Assets Ratio (`GAR`) (continued)

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
		of which: to taxonomy relevant sectors (Taxonomy-eligible)					of which: to taxonomy relevant sectors (Taxonomy-eligible)					of which: to taxonomy relevant sectors (Taxonomy-eligible)				
			of which: environmentally sustainable (Taxonomy-aligned)					of which: environmentally sustainable (Taxonomy-aligned)					of which: environmentally sustainable (Taxonomy-aligned)			
	Total gross carrying amount			of which: specialised lending	of which: transitional	of which: enabling			of which: specialised lending	of which: adaptation	of which: enabling			of which: specialised lending	of which: transitional / adaptation	of which: enabling
31 Dec 2024	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
33 **EU Non-financial corporations (not subject to NFRD disclosure obligations)**	**642,125**															
34 Loans and advances	**642,125**															
35 Debt securities	—															
36 Equity instruments	—															
37 **Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)**	**1,088**															
38 Loans and advances	**1,088**															
39 Debt securities	—															
40 Equity instruments	—															
41 Derivatives	**3,153**															
42 On demand interbank loans	**453,120**															
43 Cash and cash-related assets	**30,158**															
44 Other assets (e.g. Goodwill, commodities etc.)	**735,584**															
45 **Total Assets (in the denominator) (GAR)**	**4,064,915**															
Other assets excluded from both the numerator and denominator for GAR calculation	—															
46 Sovereigns	**2,183,166**															
47 Central banks exposure	**809,144**															
48 Trading book	**14,089**															
49 **Total Assets excluded from numerator and denominator**	**3,006,399**															
50 **Total Assets**	**7,071,314**															

Table 37: Template 7: Mitigating actions: assets for the calculation of Green Assets Ratio (`GAR`) (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
			of which: to taxonomy relevant sectors (Taxonomy-eligible)					of which: to taxonomy relevant sectors (Taxonomy-eligible)					of which: to taxonomy relevant sectors (Taxonomy-eligible)				
				of which: environmentally sustainable (Taxonomy-aligned)					of which: environmentally sustainable (Taxonomy-aligned)					of which: environmentally sustainable (Taxonomy-aligned)			
		Total gross carrying amount			of which: speci-alised lend-ing	of which: trans-itional	of which: enab-ling			of which: speci-alised lend-ing	of which: adap-tation	of which: enab-ling			of which: speci-alised lend-ing	of which: trans-itional/ adap-tation	of which: enab-ling
	31 Dec 2023	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
	GAR - Covered assets in both numerator and denominator																
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	2,544,575		—	—	—	—		—	—	—	—	2,294,676	—	—	—	—
2	Financial corporations	229,300		—	—	—	—		—	—	—	—	22,257	—	—	—	—
3	Credit institutions	229,300		—	—	—	—		—	—	—	—	22,257	—	—	—	—
4	Loans and advances	207,043		—	—	—	—		—	—	—	—	—	—	—	—	—
5	Debt securities, including UoP	22,257		—	—	—	—		—	—	—	—	22,257	—	—	—	—
6	Equity instruments	—		—		—	—		—		—	—	—	—		—	—
7	Other financial corporations	—		—	—	—	—		—	—	—	—	—	—	—	—	—
8	– of which: investment firms	—		—	—	—	—		—	—	—	—	—	—	—	—	—
9	Loans and advances	—		—	—	—	—		—	—	—	—	—	—	—	—	—
10	Debt securities, including UoP	—		—	—	—	—		—	—	—	—	—	—	—	—	—
11	Equity instruments	—		—		—	—		—		—	—	—	—		—	—
12	– of which: manageme-nt compani-es	—		—	—	—	—		—	—	—	—	—	—	—	—	—
13	Loans and advances	—		—	—	—	—		—	—	—	—	—	—	—	—	—
14	Debt securities, including UoP	—		—	—	—	—		—	—	—	—	—	—	—	—	—
15	Equity instruments	—		—		—	—		—		—	—	—	—		—	—
16	– of which: insurance undertakings	—		—	—	—	—		—	—	—	—	—	—	—	—	—
17	Loans and advances	—		—	—	—	—		—	—	—	—	—	—	—	—	—
18	Debt securities, including UoP	—		—	—	—	—		—	—	—	—	—	—	—	—	—
19	Equity instruments	—		—		—	—		—		—	—	—	—		—	—

Table 37: Template 7: Mitigating actions: assets for the calculation of Green Assets Ratio (`GAR`) (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
				of which: to taxonomy relevant sectors (Taxonomy-eligible)					of which: to taxonomy relevant sectors (Taxonomy-eligible)					of which: to taxonomy relevant sectors (Taxonomy-eligible)			
					of which: environmentally sustainable (Taxonomy-aligned)					of which: environmentally sustainable (Taxonomy-aligned)					of which: environmentally sustainable (Taxonomy-aligned)		
		Total gross carrying amount			of which: speci-alised lend-ing	of which: trans-itional	of which: enab-ling			of which: speci-alised lend-ing	of which: adap-tation	of which: enab-ling			of which: speci-alised lend-ing	of which: trans-itional/ adap-tation	of which: enab-ling
	31 Dec 2023	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
	GAR - Covered assets in both numerator and denominator																
20	Non-financial corporations (subject to NFRD disclosure obligations)	33,928		—	—	—	—		—	—	—	—	1,444	—	—	—	—
21	Loans and advances	33,928		—	—	—	—		—	—	—	—	1,444	—	—	—	—
22	Debt securities, including UoP	—		—	—	—	—		—	—	—	—	—	—	—	—	—
23	Equity instruments	—		—		—	—		—		—	—	—	—		—	—
24	Households	2,160,409		—	—	—	—		—	—	—	—	2,150,436	—	—	—	—
25	– of which: loans collateralised by residential immovable property	2,137,020		—	—	—	—						2,137,020	—	—	—	—
26	– of which: building renovation loans	2,291		—	—	—	—						2,291	—	—	—	—
27	– of which: motor vehicle loans	21,098		—	—	—	—						11,125	—	—	—	—
28	Local governments financing	117,717		—	—	—	—		—	—	—	—	117,717	—	—	—	—
29	Housing financing	—		—	—	—	—		—	—	—	—	—	—	—	—	—
30	Other local governments financing	117,717		—	—	—	—		—	—	—	—	117,717	—	—	—	—
31	Collateral obtained by taking possession: residential and commercial immovable properties	3,221		—	—	—	—		—	—	—	—	2,822	—	—	—	—
32	Total GAR Assets (in the numerator)	2,544,575		—	—	—	—		—	—	—	—	2,294,676	—	—	—	—
	Assets excluded from the numerator for GAR calculation (covered in the denominator)																

Table 37: Template 7: Mitigating actions: assets for the calculation of Green Assets Ratio (`GAR`) (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
				of which: to taxonomy relevant sectors (Taxonomy-eligible)					of which: to taxonomy relevant sectors (Taxonomy-eligible)					of which: to taxonomy relevant sectors (Taxonomy-eligible)			
					of which: environmentally sustainable (Taxonomy-aligned)					of which: environmentally sustainable (Taxonomy-aligned)					of which: environmentally sustainable (Taxonomy-aligned)		
		Total gross carrying amount			of which: speci-alised lend-ing	of which: trans-itional	of which: enab-ling			of which: speci-alised lend-ing	of which: adap-tation	of which: enab-ling			of which: speci-alised lend-ing	of which: trans-itional/ adap-tation	of which: enab-ling
	31 Dec 2023	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
	GAR - Covered assets in both numerator and denominator																
33	EU Non-financial corporations (not subject to NFRD disclosure obligations)	717,912															
34	Loans and advances	717,912															
35	Debt securities	—															
36	Equity instruments	—															
37	Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)	629															
38	Loans and advances	629															
39	Debt securities	—															
40	Equity instruments	—															
41	Derivatives	7,483															
42	On demand interbank loans	518,531															
43	Cash and cash-related assets	33,582															
44	Other assets (e.g. Goodwill, commodities etc.)	508,723															
45	Total Assets (in the denominator) (GAR)	4,331,435															
	Other assets excluded from both the numerator and denominator for GAR calculation																
46	Sovereigns	1,439,811															
47	Central banks exposure	1,257,899															
48	Trading book	6,094															
49	Total Assets excluded from numerator and denominator	2,703,804															
50	Total Assets	7,035,239															

GAR % (Template 8)

The Template 8 – GAR (%) This table presents stock of eligible and aligned exposures as a proportion of total covered assets, and flow of eligible and aligned exposures as a proportion of total new covered assets.

In the absence of prior year data to calculate the total flow of new covered assets, the prior year table reported for the year ended 31 December 2023 presented the flow of eligible and aligned exposures as a proportion of total covered assets.

The flow template reported as at 31 December 2024 represents the proportion of new eligible and aligned assets funding taxonomy relevant sectors for six months beginning from 1 July 2024 in comparison to the flow for twelve months as reported for the year ended 31 December 2023.

In addition, following guidance received through the EBA Q&A 2024_7082 published in November 2024, the EBA clarified that the flow template is to be calculated as the gross carrying amount of newly incurred exposures during the year without deducting the amounts of loan repayments or disposals of debt securities/equity instruments that have occurred during the year prior to the disclosure reference date. This guidance has also been applied to the calculation of proportion of new total assets covered reported in column 'af'. The flow table reported for the year ended 31 December 2023 was prepared under the template guidance prior to the clarification received through the EBA Q&A 2024_7082. On that basis, column "af" was not reported for the year ended 31 December 2023.

Due to data challenges for certain asset classes, the approach set out below was followed. Firstly, where loan signature dates and origination amounts are available, the gross carrying amount of newly incurred exposures by transaction or customer is calculated without deducting repayments or disposals. As the starting point to identify new loans granted during the year is the stock of loans at 31 December 2024, it is possible that some loans both granted and repaid during 2024 have not been accounted for in the flow. To identify the date that loans have been granted, the signature date currently available is used. Some renegotiated loans may have a different signature date than the original loan.

Where signature dates and origination amounts are not available, flow is calculated as the exposure at date (T) minus the exposure at date (T-1) by individual transaction or customer or internal sub-classification level, defaulting to zero where the result is negative. This approach is also used for overdrafts and other revolving credit facilities, as multiple drawings and repayments in the period could result in a disproportionately high gross flow which is a multiple of that of the stock, and in any case, it is not practicable or possible to identify every individual drawing through the year.

To calculate total new covered assets and total new assets, it is necessary to calculate the flow for items that are not explicit line items in the flow template such as derivatives. For such items, the flow is calculated based on the exposure at date (T) minus exposure at date (T-1) at a total asset class level, defaulting to zero where the result is negative.

For the current period flow reported for the six months ending 31 December 2024, the scope of products covered has been expanded as the methodology to calculate flow has been enhanced.

In the flow reported for the year ending 31 December 2023, the scope of products covered medium and long term eligible loan exposures. Revolving and / or short term products – such as overdrafts, trade loans and contracts, factoring and credit facilities were only included at point in time in the stock and not repeated in the flow. Debt securities and equity securities were also included at point in time in the stock and not repeated in the flow.

This table is based on Turnover KPIs reported by HSBC Bank Malta p.l.c.'s counterparties.

Table 38: Template 8: GAR (%)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		KPIs on stock															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
		Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					
			of which: environmentally sustainable					of which: environmentally sustainable					of which: environmentally sustainable				
	% (compared to total covered assets in the denominator)			of which: speci-alised lend-ing	of which: trans-itional	of which: enab-ling			of which: speci-alised lend-ing	of which: adapt-ation	of whic h: enab-ling			of which: specia lised lend-ing	of which: trans-itional / adapt-ation	of which: enab-ling	Propo-rtion of total assets cove-red
	At 31 Dec 2024	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
1	**GAR**		0.05					0.00					0.05				57.48
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	49.60	0.05	—	0.04	—	—	—	—	—	—	49.60	0.05	—	0.04	—	31.11
3	Financial corporations	0.51	—	—	—	—	—	—	—	—	—	0.51	—	—	—	—	2.42
4	Credit institutions	0.51	—	—	—	—	—	—	—	—	—	0.51	—	—	—	—	2.42
5	Other financial corporations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
6	– of which: investment firms	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
7	– of which: management companies	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
8	– of which: insurance undertakings	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9	Non-financial corporations subject to NFRD disclosure obligations	0.05	0.05	—	0.04	—	—	—	—	—	—	0.05	0.05	—	0.04	—	0.42
10	Households	46.08	—	—	—	—				—		46.08	—	—	—	—	26.56
11	– of which: loans collateralised by residential immovable property	45.66	—	—	—	—						45.66	—	—	—	—	26.24
12	– of which: building renovation loans	0.06	—	—	—	—						0.06	—	—	—	—	0.04
13	– of which: motor vehicle loans	0.36	—	—	—	—						0.36	—	—	—	—	0.28
14	Local government financing	2.90	—	—	—	—						2.90	—	—	—	—	1.67
15	Housing financing	—	—	—	—	—				—		—	—	—	—	—	
16	Other local governments financing	2.90	—	—	—	—	—	—	—	—	—	2.90	—	—	—	—	1.67
17	Collateral obtained by taking possession: residential and commercial immovable properties	0.06	—	—	—	—						0.06	—	—	—	—	0.04

Table 35: Template 8 - GAR (%) (continued)

		q	r	s	t	u	v	w	x	y	z	aa	ab	ac	ad	ae	af
		KPIs on flows															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
		Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					
			of which: environmentally sustainable					of which: environmentally sustainable					of which: environmentally sustainable				
	% (compared to total covered assets in the denominator)			of which: specialised lending	of which: transitional	of which: enabling			of which: specialised lending	of which: adaptation	of which: enabling			of which: specialised lending	of which: transitional / adaptation	of which: enabling	Proportion of total assets covered
	At 31 Dec 2024	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
1	**GAR**		0.21					—					0.21				0.07
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	3.61	0.21	—	0.20	—	0.01	—	—	—	—	3.62	0.21	—	0.20	—	0.07
3	Financial corporations	0.16	0.01	—	—	—	—	—	—	—	—	0.16	0.01	—	—	—	0.04
4	Credit institutions	0.16	0.01	—	—	—	—	—	—	—	—	0.16	0.01	—	—	—	0.04
5	Other financial corporations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6	– of which: investment firms	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7	– of which: management companies	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8	– of which: insurance undertakings	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9	Non-financial corporations subject to NFRD disclosure obligations	0.22	0.20	—	0.20	—	0.01	—	—	—	—	0.23	0.20	—	0.20	—	0.01
10	Households	3.22	—	—	—	—				—		3.22	—	—	—	—	0.02
11	– of which: loans collateralised by residential immovable property	2.84	—	—	—	—				—		2.84	—	—	—	—	0.02
12	– of which: building renovation loans	0.01	—	—	—	—				—		0.01	—	—	—	—	—
13	– of which: motor vehicle loans	0.37	—	—	—	—				—		0.37	—	—	—	—	—
14	Local government financing	0.01	—	—	—	—				—		0.01	—	—	—	—	—
15	Housing financing	—	—	—	—	—				—		—	—	—	—	—	—
16	Other local governments financing	0.01	—	—	—	—	—	—	—	—	—	0.01	—	—	—	—	—
17	Collateral obtained by taking possession: residential and commercial immovable properties	—	—	—	—	—				—		—	—	—	—	—	—

Table 38: Template 8: GAR (%) (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		KPIs on stock															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
		Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					
			of which: environmentally sustainable					of which: environmentally sustainable					of which: environmentally sustainable				
	% (compared to total covered assets in the denominator)			of which: specialised lending	of which: transitional	of which: enabling			of which: specialised lending	of which: adaptation	of which: enabling			of which: specialised lending	of which: transitional/ adaptation	of which: enabling	Proportion of total assets covered
	At 31 Dec 2023	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
1	GAR		—					—					—				61.57
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	—	—	—	—	—	—	—	—	—	—	52.98	—	—	—	—	36.17
3	Financial corporations	—	—	—	—	—	—	—	—	—	—	0.51	—	—	—	—	3.26
4	Credit institutions	—	—	—	—	—	—	—	—	—	—	0.51	—	—	—	—	3.26
5	Other financial corporations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6	– of which: investment firms	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7	– of which: management companies	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8	– of which: insurance undertakings	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9	Non-financial corporations subject to NFRD disclosure obligations	—	—	—	—	—	—	—	—	—	—	0.03	—	—	—	—	0.48
10	Households	—	—	—	—	—				—		49.65	—	—	—	—	30.71
11	– of which: loans collateralised by residential immovable property	—	—	—	—	—						49.34	—	—	—	—	30.38
12	– of which: building renovation loans	—	—	—	—	—						0.05	—	—	—	—	0.03
13	– of which: motor vehicle loans	—	—	—	—	—						0.26	—	—	—	—	0.30
14	Local government financing	—	—	—	—	—						2.72	—	—	—	—	1.67
15	Housing financing	—	—	—	—	—				—		—	—	—	—	—	—
16	Other local governments financing	—	—	—	—	—	—	—	—	—	—	2.72	—	—	—	—	1.67
17	Collateral obtained by taking possession: residential and commercial immovable properties	—	—	—	—	—						0.07	—	—	—	—	0.05

Table 38: Template 8: GAR (%) (continued)

		q	r	s	t	u	v	w	x	y	z	aa	ab	ac	ad	ae	af
		KPIs on flows															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
		Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					
			of which: environmentally sustainable					of which: environmentally sustainable					of which: environmentally sustainable				
	% (compared to total covered assets in the denominator)			of which: specialised lending	of which: transitional	of which: enabling			of which: specialised lending	of which: adaptation	of which: enabling			of which: specialised lending	of which: transitional/ adaptation	of which: enabling	Proportion of total assets covered
	At 31 Dec 2023	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
1	GAR		—					—					—				
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	—	—	—	—	—	—	—	—	—	—	1.38	—	—	—	—	
3	Financial corporations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
4	Credit institutions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
5	Other financial corporations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
6	– of which: investment firms	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
7	– of which: management companies	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
8	– of which: insurance undertakings	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
9	Non-financial corporations subject to NFRD disclosure obligations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
10	Households	—	—	—	—	—				—		1.38	—	—	—	—	
11	– of which: loans collateralised by residential immovable property	—	—	—	—	—						1.23	—	—	—	—	
12	– of which: building renovation loans	—	—	—	—	—						0.01	—	—	—	—	
13	– of which: motor vehicle loans	—	—	—	—	—						0.14	—	—	—	—	
14	Local government financing	—	—	—	—	—						—	—	—	—	—	
15	Housing financing	—	—	—	—	—				—		—	—	—	—	—	
16	Other local governments financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
17	Collateral obtained by taking possession: residential and commercial immovable properties	—	—	—	—	—						—	—	—	—	—	

Mitigating Actions – BTAR (Template 9)

The EBA Pillar 3 disclosures for ESG Risks includes the reporting of the Banking book Taxonomy Alignment Ratio ('BTAR'). This builds on the reported GAR ratio by including in the numerator those exposures to EU and non-EU non-financial corporates that are not subject to the NFRD and the EU taxonomy disclosure obligations.

Disclosure of the BTAR is considered to be voluntary in nature from 1 January 2025 and any reporting is on a "reasonable efforts" basis as the computation is dependent on information from counterparties which is currently not available. Given the limited coverage under the current disclosure rules, the BTAR cannot currently fully reflect the financing of all taxonomy-aligned economic activities. Nevertheless, in the absence of sufficient data, the bank has considered options available for both the collection of information from counterparties and the use of estimates, based on proportionality, management of risks and availability of relevant sustainability information. This information can only be collected from counterparties on a bilateral basis: counterparties are not required to provide data to the bank but may do so on a voluntary basis.

The bank has analysed available estimates from third party data vendors. These use two approaches depending on data availability. Where possible, counterparty level information is used to produce client level estimates: this could include the use of parent ratios as a proxy. Otherwise, they rely on using the counterparty's NACE code to derive sector industry averages as a proxy. Both approaches depend on the availability of reported information, which was limited. Therefore, since the degree of confidence that can be placed in these proxies was assessed as low, HSBC Bank Malta p.l.c has chosen not to publish a BTAR.

On 26 February 2025, the European Commission published the first of a series of simplification Omnibus packages which include proposed amendments that cover sustainable finance reporting, sustainability due diligence and this was accompanied by proposed changes to the EU Taxonomy Regulation. HSBC Bank Malta p.l.c will continue to monitor progress and review the scope of its reporting.

Other climate change mitigating actions that are not covered in the EU Taxonomy

The Template 10 - reports other climate change mitigating actions that support counterparties in the transition and adaptation process for the objectives of climate change mitigation and adaptation. These mitigating actions include green bonds,sustainable bonds, sustainability-linked bonds, green loans and sustainability-linked loans, that are linked to aspects of climate change. The exposures reported in this table are eligible but do not need to be aligned with the criteria laid out in the EU Taxonomy Regulation 2020/852 and would not be considered under the Green Asset Ratio. These exposures also include green loans to counterparties which are not subject to the non-financial reporting directive and are therefore not required to publish EU Taxonomy KPIs.

HSBC Bank Malta p.l.c. has set out below our assessment of the actions to mitigate climate-related risks and reported these on-balance sheet exposures in the table. These include loans invested in energy efficiency, green buildings, clean transportation and renewable energy. Related exposures have been included where the use of proceeds is determined to be investments in projects that aim to mitigate climate transition or physical risk. Where it was not possible to fully determine whether sustainability-linked products are linked to aspects of climate change, these exposures have been excluded.

Green and sustainable bonds are part of the high quality liquid asset buffer, therefore carry a zero to very low risk weighting for capital requirement purposes. Certain aspects of this reporting rely on manual data sourcing. HSBC Bank Malta p.l.c. is taking steps to establish an ESG data utility tool to help streamline and support data needs across the organisation. This will involve enhancing the processes, systems, controls and governance to help achieve the required scale to meet the demands of future ESG reporting.

The exposures in the table have not been fully assessed for alignment against the criteria set out in the EU Taxonomy Regulation due to lack of sufficient information. Although they are not assessed as aligned, they still contribute towards mitigating climate change physical risk and transition risk. The methodology for determining the aligned exposure is expected to evolve as data availability, industry guidance and market practice changes over time.

The bank aims to continue to engage with business customers to increase contribution in projects which help to support the transition to a lower-carbon economy.

Table 39: Template 10: Other climate change mitigating actions that are not covered in Regulation (EU) 2020/852

a	b	c	d	e	f
Type of financial instrument	**Type of counterparty**	**Gross carrying amount €000**	**Type of risk mitigated (Climate change transition risk)**	**Type of risk mitigated (Climate change physical risk)**	**Qualitative information on the nature of the mitigating actions**
At 31 Dec 2024					
Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	**19,193**	**Y**	**Y**	The proceeds from these bonds are used for climate change transition risk purposes, and are deployed to sustainable investments such as green buildings, clean transportation, renewable energy, deployment of innovative low-carbon technologies and other decarbonisation and carbon reduction projects. Some bonds support projects which contribute to mitigate climate physical risk, such as the conservation and restoration of ecosystems, which helps to create natural barriers against climate related physical events.
	Non-financial corporations	—	—	—	
	– of which: Loans collateralised by commercial immovable property	—	—	—	
	Other counterparties	**62,850**	**Y**	**Y**	The proceeds from these bonds are invested in projects with a climate change transition risk and/or physical risk mitigation objective. Financings are intended to be deployed to transition projects such as energy efficient buildings, clean transportation and renewable energy. Some bonds support projects which contribute to mitigate climate physical risk, such as measures for reducing flood risk, e.g. rainwater drainage systems, and coastal protection e.g. drains, paving and elevated quaysides.
Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	—	—	—	
	Non-financial corporations	**16,930**	**Y**	**N**	These loans are assessed as green either; to support green issuances, part of the original $100bn investing/ financing commitment, or are part of the current ambition of investing/ financing $750bn to $1tn in sustainable projects by 2030 for HSBC Group.They finance green building projects, renewable energy, clean transportation, energy efficiency infrastructure and pollution prevention and control projects, which all support the transition to a lower carbon economy.
	– of which: Loans collateralised by commercial immovable property	—	—	—	
	Households	**4,136**	**Y**	**N**	These loans finance housing refurbishment and green car loans in order to improve energy efficiency and contribute to mitigating transition risk.
	– of which: Loans collateralised by residential immovable property	—	—	—	
	– of which: building renovation loans	**484**	**Y**	**N**	
	Other counterparties	—	—	—	

Table 39: Template 10: Other climate change mitigating actions that are not covered in Regulation (EU) 2020/852 (continued)

a	b	c	d	e	f
Type of financial instrument	Type of counterparty	Gross carrying amount €000	Type of risk mitigated (Climate change transition risk)	Type of risk mitigated (Climate change physical risk)	Qualitative information on the nature of the mitigating actions
At 31 Dec 2023					
Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)[1]	Financial corporations	22,257	Y	Y	These bonds are invested in acquisition, construction or refurbishment of green buildings, renewable energy and low carbon transportation, thereby mitigating transition risk that might arise from changing governmental, technological and social demands placed upon the more environmentally destructive practices. This financing is intended to help encourage a shift towards alternatives.
	Non-financial corporations	—	—	—	
	– of which: Loans collateralised by commercial immovable property	—	—	—	
	Other counterparties	34,511	Y	Y	The proceeds from these bonds are invested in projects with a climate change transition risk and/or physical risk mitigation objective. Financings are intended to be deployed to transition projects such as energy efficient buildings, clean transportation and renewable energy. Some bonds support projects which contribute to mitigate climate physical risk, including water management and soil erosion prevention.
Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	—	—	—	
	Non-financial corporations	—	—	—	
	– of which: Loans collateralised by commercial immovable property	—	—	—	
	Households	3,774	Y	N	These loans finance housing refurbishment and green car loan in order to improve energy efficiency and contribute to mitigating transition risk.
	– of which: Loans collateralised by residential immovable property	—	—	—	
	– of which: building renovation loans	376	Y	N	
	Other counterparties	—	—	—	

1 Comparative information for year ended 31 December 2023 has been restated with current period ended 31 December 2024 presentation in respect the type of counterparty analysis for financial instruments bonds.

Remuneration policy

Information on the bank's Remuneration Policy and practices is disclosed in the Remuneration Report section within the Annual Report and Accounts and are presented in accordance with Article 450 of the CRR.

Appendix I - Summary of disclosures withheld

EU CCR3: Standardised approach – CCR exposures by regulatory exposure class and risk weights	As a subsidiary of HSBC Holdings plc, the bank is subject to light disclosures and therefore exempted from publishing this table.
EU CCR4: IRB approach – CCR exposures by exposure class and PD scale	The bank does not apply the IRB approach. In addition, being a subsidiary of HSBC Holdings plc, the bank is subject to light disclosures and therefore exempted from publishing this table.
EU CCR5: Composition of collateral for CCR exposures	The bank does not have collateral on CCR exposures. As a subsidiary of HSBC Holdings plc, the bank is subject to light disclosures and therefore exempted from publishing this table.
EU CCR6: Credit derivatives exposures	The bank does not have credit derivatives. As a subsidiary of HSBC Holdings plc, the bank is subject to light disclosures and therefore exempted from publishing this table.
EU CCR7: RWEA flow statements of CCR exposures under the IMM	The bank does not apply the IMM approach.
EU CCR8: Exposures to CCPs	The bank does not engage in exposures to CCPs. As a subsidiary of HSBC Holdings plc, the bank is subject to light disclosures and therefore exempted from publishing this table.
EU CR5 – standardised approach	As a subsidiary of HSBC Holdings plc, the bank is subject to light disclosures and therefore exempted from publishing this table.
EU CR6: IRB approach – Credit risk exposures by exposure class and PD range	The bank does not apply the IRB approach.
EU CR6-A: Scope of the use of IRB and SA approaches	The bank does not apply the IRB approach.
EU CR7: IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques	The bank does not apply the IRB approach.
EU CR7-A: IRB approach – Disclosure of the extent of the use of CRM techniques	The bank does not apply the IRB approach.
EU CR8: RWEA flow statements of credit risk exposures under the IRB approach	The bank does not apply the IRB approach.
EU CR9: IRB approach – Back-testing of PD per exposure class (fixed PD scale)	The bank does not apply the IRB approach.
EU CR9.1: IRB approach – Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR)	The bank does not apply the IRB approach.
EU CR10: Specialized lending and equity exposures under the simple risk weighted approach	The bank does not apply the IRB approach.
EU-SEC1 – Securitisation exposures in the non-trading book	HSBC Bank Malta p.l.c. is not engaged in securitisation activities.
EU-SEC2: Securitisation exposures in the trading book	HSBC Bank Malta p.l.c. is not engaged in securitisation activities.
EU-SEC3 – Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as originator or as sponsor	HSBC Bank Malta p.l.c. is not engaged in securitisation activities.
EU-SEC4 – Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as investor	HSBC Bank Malta p.l.c. is not engaged in securitisation activities.
EU-SEC5 – Exposures securitised by the institution – Exposures in default and specific credit risk adjustments	HSBC Bank Malta p.l.c. is not engaged in securitisation activities.
EU CQ2: Quality of forbearance	The bank's NPE ratio is less than the 5% threshold.
EU CQ6: Collateral valuation – loans and advances	The bank's NPE ratio is less than the 5% threshold.
EU CQ8: Collateral obtained by taking possession and execution processes – vintage breakdown	The bank's NPE ratio is less than the 5% threshold.
EU CR2a: Changes in the stock of non-performing loans and advances and related net accumulated recoveries	The bank's NPE ratio is less than the 5% threshold.
EU MR2-A: Market risk under the internal Model Approach ('IMA')	The bank does not apply the IMA approach.
EU MR2-B: RWA flow statements of market risk exposures under the IMA	The bank does not apply the IMA approach.
EU MR3: IMA values for trading portfolios	The bank does not apply the IMA approach.
EU PV1: Prudent valuation adjustments ('PVA')	The bank's absolute fair value of asset and liabilities is less than the €15 billion threshold.
EU AE1: Encumbered and unencumbered assets	As a subsidiary of HSBC Holdings plc, the bank is subject to light disclosures and therefore exempted from publishing this table.
EU AE2: Collateral received and own debt securities issued	As a subsidiary of HSBC Holdings plc, the bank is subject to light disclosures and therefore exempted from publishing this table.
EU AE3: Sources of encumbrance	As a subsidiary of HSBC Holdings plc, the bank is subject to light disclosures and therefore exempted from publishing this table.

Appendix II – Abbreviations

The following abbreviated terms are used throughout this document.

A	
ALCM	Asset, Liability and Capital Management
ALCO	Asset and Liability Management Committee
AT1	Additional tier 1 capital
B	
BCBS	Basel Committee on Banking Supervision
bps	basis points
BTAR	Banking book Taxonomy Alignment Ratio
C	
CAI	Climate Accountability Institute
CAN	Climate Action Network
CCb	Capital Conservation Buffer
CCM	Environmentally sustainable
CCP	Central counterparty
CCR	Counterparty credit risk
CCyB	Countercyclical Buffer
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
CMB	Commercial Banking
CRD	Capital Requirements Directive
CRM	Credit risk mitigation/mitigant
CRO	Chief Risk Officer
CSRD	Corporate Sustainability Reporting Directive
CVA	Credit valuation adjustment
D	
Dec	December
E	
EAD	Exposure at default
EBA	European Banking Authority
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECB	European Central Bank
ECL	Expected Credit Loss
EPBD	Energy Performance of Building Directive
EPC	Energy Performance Certificate
ESG	Environmental, Social and Governance
EU	European Union
EVE	Economic value of equity
F	
FIM	Functional Instruction Manual
G	
GAR	Green Asset Ratio
GCEL	Global Coal Exit List
GHG	Greenhouse gas
GM	Global Markets
GOGEL	Global Oil & Gas Exit List
G-SII	Globally Systematically Important Institutions
H	
HBCE	HSBC Continental Europe
HBMT	HSBC Bank Malta p.l.c.
HQLA	High-quality liquid assets
HR	Human Resources
HSBC	HSBC Holdings together with its subsidiary undertakings
HTC&S	Hold-to-collect-and-sell
SVaR	Stressed value at risk
I	
IAA	Internal Assessment Approach
ICAAP	Internal Capital Adequacy Assessment Process
IEA	International Energy Agency
IFRS	International Financial Reporting Standards
ILAA	Individual Liquidity Adequacy Assessment
ILAAP	Individual Liquidity Adequacy Assessment Process
IMA	Internal Models Approach
IMM	Internal Model Method
IRB	Internal ratings based approach
IRRBB	Interest Rate Risk in the Banking Book
J	
Jan	January
Jun	June
K	
KMIs	Key Metric Indicators
KPIs	Key Performance Indicators
L	
LCR	Liquidity Coverage Ratio
LFRF	Liquidity and Funding Risk Management Framework
LOD	Lines of Defence
M	
Mar	March
MDA	Maximum Distributable Amount
Mt CO2e	Million tonnes of carbon dioxide equivalent
N	
NACE	The Statistical Classification of Economic Activities in the European Community
NFR	Non-Financial Risk
NGFS	Network for Greening the Financial System
NII	Net interest income
NPS	Net promoter score
NSFR	Net Stable Funding Ratio
NZE	Net-Zero Emission
O	
OECD	Organisation for Economic Cooperation and Development
ORR	Operational and Resilience Risk
O-SII	Other Systematically Important Institutions
OTC	Over-the-counter
P	
P2G	Pillar 2 guidance
PCAF	Partnership for Carbon Accounting Financials
PD	Probability of default
PFE	Potential future exposure
POCI	Purchased or originated credit-impaired
PP&E	Property plant and equipment
PSL	Payment systems
R	
RAS	Risk appetite statement
RC	Replacement Cost
RM	Relationship Manager
RMM	Risk Management Meeting
RRCSC	Reputational Risk and Client Selection Committees
RWA	Risk-weighted asset
RWEA	Risk-weighted exposure amounts
S	
SOT	Standard Outlier Test
SA-CCR	Standardised approach for counterparty credit risk
Sep	September
SFT	Securities Financing Transactions
SREP	Supervisory Review and Evaluation Process
sSyRB	Sectoral Systemic Risk Buffer
T	
TCFD	Task Force on Climate-related Financial Disclosure

tCO2e/GWh	Tonnes of carbon dioxide equivalent per gigawatt hour
tCO2e/t cement	tonnes of carbon dioxide equivalent per tonne of cement
tCO2e/t metal	tonnes of carbon dioxide equivalent per tonne of metal
tCO2e/million rpk	tonnes of carbon dioxide equivalent per million revenue passenger kilometers
tCO2e/million vkm	tonnes of carbon dioxide equivalent per million vehicle kilometers
The Board	Board of Directors of HSBC Bank Malta p.l.c.
TSL	Treasury and securities transactions
T2	Capital Tier 2 capital
U	
UNGC	United Nations Global Compact
UTP	Unlikely to Pay
W	
WCR	Wholesale Credit Risk
WPB	Wealth and Personal Banking

HSBC Bank Malta p.l.c.

116 Archbishop Street
Valletta VLT 1444
Malta
Telephone: 356 2380 2380
www.hsbc.com.mt