HSBC Continental Europe

Universal Registration Document and Annual Financial Report 2024

HSBC

Contents

Presentation of information

This Universal Registration Document was filed on 19 February 2025 with the Autorité des Marchés Financiers ('AMF'), as the competent authority under Regulation (EU) n°2017/1129, without prior approval in accordance with Article 9 of that Regulation.

The Universal Registration Document may be used for the purposes of an offer to the public of securities or the admission of securities to trading on a regulated market if supplemented by a securities prospectus and if necessary, a summary of and any amendments to the Universal Registration Document. These documents are subject to approval by the AMF according to Regulation (UE) n°2017/1129.

AUTORITÉ
DES MARCHÉS FINANCIERS
AMF

Declaration (Annex II – 1.2)

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Reference to the Registration Document

This document, named Universal Registration Document, refers to the Universal Registration Document (Annual Report and Accounts) filed with the AMF on 1 March 2024 under reference number D.24-0076.

Cautionary statement regarding forward-looking statements

The Universal Registration Document 2024 contains a number of forward-looking statements with respect to HSBC Continental Europe's contribution to the HSBC Group's ESG ambitions, targets, commitments, and HSBC Continental Europe's climate-related pathways, processes and plans, and the methodologies and scenarios it uses, or intend to use, to assess its progress in relation to these ('ESG-related forward-looking statements').

Statements that are not historical facts, including statements about the HSBC Group's beliefs and expectations, are forward-looking statements. Words such as 'expects', 'anticipates', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'potential' and 'reasonably possible', variations of these words and similar expressions are intended to identify forward looking statements. These statements are based on current plans, estimates and projections, and therefore no undue reliance should be placed on them. Forward-looking statements apply only as of the date they are made. HSBC Continental Europe makes no commitment to revise or update any forward-looking statements to reflect events or circumstances occurring or existing after the date of any forward-looking statement. Forward-looking statements involve inherent risks and uncertainties. Readers are cautioned that a number of factors, including ESG-related factors, could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement.

In preparing the ESG-related information contained in the Universal Registration Document 2024, HSBC Continental Europe has made a number of judgements, estimations and assumptions, and the processes and issues involved are complex. HSBC Continental Europe has used ESG (including climate) data, models and methodologies that HSBC Continental Europe considers, as of the date on which they were used, to be appropriate and suitable to understand and assess climate change risk and its impact, to analyse financed emissions and operational and supply chain emissions, to set ESG-related targets and to evaluate the classification of sustainable finance and investments. However, these data, models and methodologies are often new, are rapidly evolving and are not of the same standard as those available in the context of other financial information, nor are they subject to the same or equivalent disclosure standards, historical reference points, benchmarks or globally accepted accounting principles. In particular, it is not possible to rely on historical data as a strong indicator of future trajectories in the case of climate change and its evolution. Outputs of models, processed data and methodologies are also likely to be affected by underlying data quality, which can be hard to assess and HSBC Continental Europe expects industry guidance, market practice, and regulations in this field to continue to change. HSBC Continental Europe also faces challenges in relation to its ability to access data on a timely basis, lack of consistency and comparability between data that is available and its ability to collect and process relevant data. Consequently, the ESG-related forward-looking statements and ESG metrics disclosed in the Universal Registration Document 2024 carry an additional degree of inherent risk and uncertainty.

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 Continental Europe may have to re-evaluate its progress towards the HSBC Group's ESG ambitions, targets and commitments 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.

No assurance can be given by or on behalf of HSBC Continental Europe as to the likelihood of the achievement or reasonableness of any projections, estimates, forecasts, ambitions, targets, commitments, prospects or returns contained herein. Readers are cautioned that a number of factors, both external and those specific to HSBC Continental Europe, could cause actual achievements, results, performance or other future events or conditions to differ, in some cases materially, from those stated, implied and/or reflected in any ESG-related forward-looking statement or metric due to a variety of risks, uncertainties and other factors (including without limitation those referred to below):

- Climate change projection risk: this includes, for example, the evolution of climate change and its impacts, changes in the scientific assessment of climate change impacts, transition pathways and future risk exposure and limitations of climate scenario forecasts;
- ESG projection risk: ESG metrics are complex and are still subject to development. In addition, the scenarios employed in relation to them, and the models that analyse them have limitations that are sensitive to key assumptions and parameters, which are themselves subject to some uncertainty, and cannot fully capture all of the potential effects of climate, policy and technology-driven outcomes;
- Data availability, accuracy, verifiability and data gaps: HSBC Continental Europe's disclosures are limited by the availability of high quality data in some areas and its own ability to timely collect and process such data as required. Where data is not available for all sectors or consistently year on year, there may be an impact to its data quality scores. While HSBC Continental Europe expects its data quality scores to improve over time, as companies continue to expand their disclosures to meet growing regulatory and stakeholder expectations, there may be unexpected fluctuations within sectors year on year, and/or differences between the data quality scores between sectors. Any such changes in the availability and quality of data over time, or HSBC Continental Europe's ability to collect and process such data, could result in revisions to reported data going forward, including on financed emissions, meaning that such data may not be reconcilable or comparable year-on year;
- Developing methodologies and scenarios: the methodologies and scenarios HSBC Continental Europe uses to assess financed emissions and set ESG-related targets may develop over time in line with market practice, regulation and/or developments in science, where applicable. Such developments could result in revisions to reported data, including on financed emissions or the classification of sustainable finance and investments, meaning that data outputs may not be reconcilable or comparable year-on year; and
- Risk management capabilities: global actions, including HSBC Continental Europe's own actions, may not be effective in transitioning to net zero and in managing relevant ESG risks, including in particular climate, nature-related and human rights risks, each of which can impact HSBC Continental Europe both directly and indirectly through its customers, and which may result in potential financial and non-financial impacts to HSBC Continental Europe. In particular:
  - HSBC Group may not be able to achieve its ESG ambitions, targets and commitments (including with respect to the positions set forth in its thermal coal phase-out policy and its energy policy, and its targets to reduce its on-balance sheet financed emissions and, where applicable, facilitated emissions in its portfolio of selected high-emitting sectors), which may result in its failure to achieve some or all of the expected outcomes of its strategic priorities; and
  - HSBC Continental Europe may not be able to develop sustainable finance and ESG-related products consistent with the evolving expectations of its regulators, and its capacity to measure the environmental and social impacts from its financing activity may diminish (including as a result of data and model limitations and changes in methodologies), which may affect HSBC Continental Europe contributing to the HSBC Group's ability to achieve its ESG ambitions, targets and commitments, including its net zero ambition, its targets to reduce its on-balance sheet financed emissions and, where applicable, facilitated emissions in its portfolio of selected high-emitting sectors and the positions set forth in its thermal coal phase-out policy and energy policy, and increase the risk of greenwashing.

Any forward-looking statements made by or on behalf of HSBC Continental Europe speak only as of the date they are made. HSBC Continental Europe expressly disclaims any obligation to revise or update these ESG forward-looking statements, other than as expressly required by applicable law.

The HSBC Group's data dictionaries and methodologies for preparing the above ESG-related metrics and third-party limited assurance reports can be found on: www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.

Highlights

For the year (€m)	31 Dec 2024	31 Dec 2023[1]
Net operating income before change in expected credit losses and other credit risk provisions in respect of continuing operations[2]	**3,349**	3,720
Profit/(loss) before tax in respect of continuing operations	**930**	1,325
Profit/(loss) for the year[3]	**603**	908
Profit/(loss) attributable to shareholders of the parent company[3]	**568**	883
At year end (€m)		
Total equity attributable to shareholders of the parent company	**14,642**	12,342
Total assets	**265,008**	282,977
Risk-weighted assets[4]	**63,297**	59,515
Loans and advances to customers (net of impairment allowances)	**51,288**	50,127
Customer accounts[5]	**97,065**	93,890
Capital ratios %[4]		
Common equity tier 1	**18.8**	15.7
Total Tier 1	**21.1**	18.2
Total capital	**23.5**	20.7
Leverage Ratio	**5.4**	4.2
Liquidity Ratios %		
Liquidity Coverage Ratio ('LCR')[6]	**150**	158
Net stable Funding Ratio ('NSFR')[6]	**137**	141
Performance, efficiency and other ratios %		
Return on average ordinary shareholders' equity[3,7]	**4.3**	7.2
Pre-tax return on average risk-weighted assets[3,7]	**1.7**	2.1
Cost efficiency ratio in respect of continuing operations[8]	**69.3**	60.5
Ratio of customer advances to customer accounts	**52.8**	53.4

1 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the planned sale of the life insurance business in France. This also includes discontinued operations related to the sale of the retail banking operations in France.
2 Net operating income before change in expected credit losses and other credit risk provisions is also referred to as revenue.
3 Balances are disclosed in respect of continuing and discontinued operations. Refer to Note 2 of the consolidated financial statements.
4 CET1 capital and RWAs (material holding) for Dec 23 has been restated to reflect the payment of AT1 dividends.
5 Following a customer classification error, the comparatives as at 31 December 2023 have been represented by EUR 1.4 billion between 'Deposits by banks' and 'Customer accounts'.
6 In accordance with Capital Requirements Regulation ('CRR II') guidelines, the LCR is computed as a 12-month average and the NSFR as at period-end. Additionally, the components of the LCR calculation have been represented to comply with EBA reporting requirements.
7 Definitions and calculations of other alternative performance measures are included in our 'Reconciliation of alternative performance measures' on page 20.
8 Cost efficiency is defined as total operating expenses divided by net operating income before change in expected credit losses and other credit risk provisions.

Performance highlights

At HSBC our ambition is to be the preferred and most trusted international financial partner for our clients. In Continental Europe, we are focused on serving corporate and institutional clients with a particular focus on connecting them to international markets, financing and facilitating trade within Europe and between Europe and the rest of the world. We also serve international high and ultra-high net worth clients of the HSBC Group through our private banking business in Luxembourg.

In the second half of 2024, we accelerated our strategy by signing an agreement to sell our private banking business in Germany and a Memorandum of Understanding for the planned sale of our life insurance business in France.

Our results in 2024 reflected growth in wholesale transaction banking and financing, offset by the impact of lower interest rates and our ongoing business transformation.

Profit before tax was EUR 930 million in 2024.

Net operating income before change in expected credit losses and other credit impairment charges was EUR 3,349 million, down from EUR 3,720 million in 2023, driven by lower net interest income following the sale of the retail banking operations in France.

Commercial Banking revenues were down compared to last year, driven by lower margins on customer deposits in Global Payment Solutions, while Global Banking revenues were higher due to growth in Investment Banking. Revenues in Markets and Securities Services were stable, with growth in Equities and Securities Financing offset by lower client activity in Global Debt Markets.

Change in expected credit losses and other credit impairment charges was a charge of EUR 97 million, compared with a charge of EUR 145 million in 2023. The cost of risk fell to 19 basis points, with the decrease compared to last year driven by lower stage 3 provisions, particularly in Global Banking.

Operating expenses were EUR 2,322 million, up from EUR 2,250 million in 2023, driven by the full-year consolidation of the financial results of HSBC Private Bank (Luxembourg) S.A. and higher infrastructure and technology costs. The increase was partly offset by the end of the build-up of the Single Resolution Fund.

Profit after tax for the period was EUR 603 million in 2024, down from EUR 908 million in 2023, and included the write-down of French deferred tax assets for EUR 150 million.

Presentation of activities and strategy

About HSBC Group

With assets of USD 3.0 trillion and operations in 58 countries and territories at 31 December 2024, HSBC is one of the largest banking and financial services organisations in the world. Approximately 41 million customers bank with the HSBC Group and the HSBC Group employs around 211,000 full-time equivalent staff.

HSBC's purpose and ambition

Guided by its purpose of opening up a world of opportunity', HSBC's ambition is to be the preferred and most trusted international financial partner and create shareholder value.

HSBC's business focus and strategic priorities

During 2024, HSBC continued to implement its strategy, aligned to its purpose, values and ambition.

In 2024, the HSBC Group served its customers through three global businesses (Wealth and Personal Banking, Commercial Banking and Global Banking and Markets) which focused on delivering growth in areas where the HSBC Group has distinctive capabilities and significant opportunities. Our 2024 operating segment results are presented on this basis.

On 22 October 2024, HSBC Holdings plc announced that the HSBC Group would simplify its organisational structure to help accelerate delivery against its strategic priorities.
Effective 1 January 2025, the HSBC Group will operate through four new businesses:

- Hong Kong
- UK
- Corporate and Institutional Banking ('CIB')
- International Wealth and Premier Banking ('IWPB')

HSBC's priorities

- Focus on our customers, delivering high satisfaction;
- Drive long-term growth by focusing on our strengths, increasing our leadership and market share in the areas where we can generate attractive returns; and
- Simplify our structure and operating model. Reshape and rationalise our portfolio, to meet the needs of a fast-changing world.

HSBC's values

HSBC's values define it as an organisation and are key to its long-term success.

- We value difference
- We succeed together
- We take responsibility
- We get it done

HSBC in Europe

Europe is an important part of the global economy, accounting for roughly 40 per cent of global trade and one-quarter of global Gross Domestic Product ('GDP'). Europe is the largest trading region in the world and Asia is Europe's biggest and fastest growing external trading partner (UNCTAD, IMF 2024).

HSBC Bank plc facilitates trade within Europe and between Europe and other jurisdictions where the HSBC Group has a presence. HSBC Bank plc exists to open up a world of opportunity for its customers by connecting them to international markets. HSBC Bank plc is well positioned to capitalise on this opportunity and play a pivotal role for the HSBC Group.

HSBC Bank plc is the parent company of HSBC Continental Europe and is one of Europe's largest banking and financial services organisations. HSBC Bank plc has assets of £727 billion at 31 December 2024, and employs around 10,700 people. HSBC Bank plc is responsible for HSBC's European business, apart from UK retail and most UK commercial banking activity which, post ring-fencing, is managed by HSBC UK Bank plc. HSBC Bank plc is present in 18 markets in Europe and operates as one integrated business with two main hubs in London and Paris.

The London hub consists of the UK non-ring fenced bank, which provides overall governance and management for the Europe region as a whole and is a global centre of excellence for wholesale banking for the HSBC Group.

HSBC Continental Europe is the dedicated Intermediate Parent Undertaking ('IPU')) and principal HSBC bank entity for the European Union and comprises the Paris hub and its European Union ('EU') branches (Belgium, Czech Republic, Germany, Ireland, Italy, Luxembourg, Netherlands, Poland, Spain, Sweden) as well as bank subsidiaries in Malta (HSBC Bank Malta p.l.c.) and Luxembourg (HSBC Private Bank (Luxembourg) S.A.).

HSBC Bank Plc's strategy

HSBC Bank plc's ambition is to be the leading international transaction and financing bank for corporates and institutions supporting our clients' cross-border needs, complemented by a targeted wealth business, with an efficient operating model and a robust control framework (see global businesses on page 7).

About HSBC Continental Europe

HSBC in Continental Europe

The European Union is home to some of the best performing, forward thinking companies, ranging from entrepreneurial start-ups to multinational corporates. The EU is also one of the world's largest trading blocs set in a dynamic market of approximately 450 million consumers. Europe's largest goods trade corridor is with Asia (Eurostat, 2024); and Europe–United States is the largest bilateral trade and investment relationship in the world (European Commission, 2024).

HSBC Continental Europe (also referred to as the Bank) has a clear and focused strategy that is consistent with the HSBC's strategy: building the leading international wholesale bank in Continental Europe complemented by a targeted wealth and private banking offering.

HSBC strategy implemented in Continental Europe

Within this framework, HSBC Continental Europe's ambition is based on the following key principles.

Reshaping and focusing

HSBC Continental Europe is building a leaner, simpler bank with a sharper strategic focus and an ambition to grow. HSBC Continental Europe's franchise has been redesigned to support the needs of international clients, streamlining its participation model and refining product and service capabilities in support of our ambition to be a leader in Corporate and Institutional Banking. In delivering against its strategy, HSBC Continental Europe focuses on its strengths, and this has been recognised by the market.

Euromoney, has named HSBC as Best Bank for Transaction Services in Western Europe, in recognition of our commitment to drive better outcomes for our customers as a leading international cash management and payments provider.

On 1 January 2024, HSBC Continental Europe completed the sale of its retail banking operations in France to CCF, a subsidiary of Promontoria MMB SAS ('My Money Group'). The sale also included HSBC Continental Europe's 100% ownership interest in HSBC SFH (France) and its 3% ownership interest in Crédit Logement. Additionally, HSBC Continental Europe's subsidiaries, HSBC Assurances Vie (France) and HSBC Global Asset Management (France), have entered into distribution agreements with the buyer.

In accordance with the terms of the sale, HSBC Continental Europe retained a portfolio of EUR 7.1 billion of home and other loans at the time of the sale. During the fourth quarter of 2024 HSBC Continental Europe began to actively market this retained loan portfolio for sale.

The customer lending balances, and associated income statement impacts of the portfolio of retained loans, together with the profit participation interest and the licence agreement of the CCF brand, were reclassified from Wealth and Personal Banking ('WPB') to Corporate Centre, with effect from 1 January 2024.

On 11 September 2024, HSBC Bank Malta p.l.c. ('HSBC Malta') informed its Shareholders that HSBC Holdings plc had informed the Board of Directors of HSBC Malta that it will undertake a strategic review of its indirect 70.03 per cent shareholding in HSBC Malta. The review is at an early stage and no decisions have been made.

On 23 September 2024, following a strategic review, HSBC Continental Europe announced that it had signed an agreement to sell its private banking business in Germany to BNP Paribas. This sale, which remains subject to governmental approvals and works council consultation, is expected to be completed in the second half of 2025.

On 29 November 2024, HSBC Continental Europe completed the sale of its shares in HSBC Epargne Entreprise to Natixis Interépargne. A commercial agreement is now in place between Natixis Interépargne and HSBC Global Asset Management (France).

On 20 December 2024, following a strategic review of its French Insurance business, HSBC Continental Europe signed a Memorandum of Understanding with Matmut Société d'Assurance Mutuelle for the planned sale of life insurance business in France for EUR 925 million. The planned sale is subject to the finalisation of information and consultation processes with the parties' respective employees' works councils. Completion of the planned sale would also be subject to obtaining relevant regulatory and competition approvals and is expected to occur in the second half of 2025.

For further details on disposals please see note 1.3 in the 'Notes on the consolidated financial statements'.

Improving operational excellence

HSBC Continental Europe continues to transform it operations, focusing on customer experience whilst driving long-term growth.

The Bank remains focused on its core strengths in transaction banking. Within Global Trade Solutions ('GTS') Europe, we aim to help make trade easier, faster and safer while seeking to deliver sustainable and profitable growth. The focus is on future-proofing solutions and digitising client services and modernising technology which reduces system issues that impact the client experience. During 2024, HSBC Continental Europe deployed enhancements to HSBCnet, the Bank's digital channel and its Application Programming Interface (API) driving automation and embedded finance solutions. HSBC Continental Europe continues to support our clients opting to use bank agnostic platforms that provide trade finance solutions. At the end of 2024, 70% of trade transactions across all channels within HSBC Continental Europe were conducted digitally and we continue to see an increase in clients adopting digital solutions.

Within Global Payments Solutions ('GPS'), in the first half of 2024 improvements have been made to self service functionality in HSBCnet such as SEPA ('Single Euro Payments Area') payments in France, Germany, Belgium and Italy and central bank account validation ('C-BAV') across the region, allowing clients to more easily identify the recipient of a payment. Enhancements have also been deployed in several EU markets to aid staff in processing and resolving client queries more efficiently.

Within Global Banking and Markets ('GBM'), HSBC Continental Europe continues to invest in building capabilities in digital assets and currencies via HSBC's digital asset platform, HSBC Orion. Following the launch of the platform in Luxembourg in 2023, Deloitte awarded HSBC Orion 'Platform Enabler of the Year' in March 2024. In November 2024 HSBC Orion was connected to the Banque de France's DL3S platform, enabling settlement of digital bonds using wholesale central bank digital currency.

Private Banking remains committed to enhancing its digital offering, with improved internal platforms and client facing digital capabilities to support the delivery of excellent client service.

In the second quarter of 2024 the Dynamic Risk Assessment ('DRA') tool was implemented in Malta and France. The DRA tool is a key part of HSBC's Financial Crime control framework, enabling more precise detection of financial crime through the use of AI and machine learning. In the fourth quarter of 2024 HSBC Continental Europe deployed the Global Social Network Analysis tool ('GSNA') in Ireland, Malta, Poland and Spain. GSNA is replacing HSBC's former correspondent banking transaction monitoring detection system. Further GSNA deployments are scheduled for 2025.

HSBC Continental Europe's approach to technology and operations is aligned to the HSBC Group which is also transforming its operations to elevate the customer experience using AI, machine learning and automation to deliver faster, more personalised and seamless service.

Our Global Businesses in 2024

During 2024, HSBC Continental Europe managed its products and services through its three global businesses: Global Banking and Markets, which comprises three reportable segments Markets & Securities Services, Global Banking, and GBM Other, Commercial Banking, and Wealth and Personal Banking; and the Corporate Centre (comprising certain legacy assets, central stewardship costs, and interests in its associates and joint ventures). These segments are supported by Digital Business Services, and 11 global functions, including Risk, Finance, Compliance, Legal, and Human Resources.

Global Banking and Markets ('GBM')

Markets & Securities Services ('MSS')

MSS is a product group, operating from 10 European countries with the hub in Paris, that supports all HSBC's clients, from Global Banking to Commercial Banking, Wealth and Private Banking.

The business offers clients a range of products and services across asset classes and geographies, through dedicated sales, trading, research and digital and data (Quants) teams. We provide corporate and institutional clients with access to products and services in Foreign Exchange (Cash and Derivatives), Global Debt Markets (Primary Fixed Income, Market Making and Structured products), Equities (Cash and Derivatives including Warrants) and Securities Financing (Fixed Income Repo, Equity Finance and Client Clearing).

Additionally, our Securities Services business provides our clients with global solutions in the areas of securities safekeeping, clearing and depository services and is one of the leader in the German domestic market.

The MSS Continental European business plays a key role in providing cross-asset services, bridging emerging and developed markets, and collaborating with other global businesses to provide clients across the Group with bespoke products and solutions that support their growth and net zero ambitions. MSS in HSBC Continental Europe is the Group's strategic platform for euro-denominated rates products, with its Treasury Securities expertise and primary dealer position in the debt markets. It has also built extensive risk management capacities, in particular for Equities products in European stocks.

MSS continues to invest in technology and digital transformation with dedicated Quants teams in Equities and Rates to enhance our clients' experience and improve our operational efficiency.

Global Banking ('GB')

GB delivers tailored financial solutions to major government, corporate, financial institution and institutional clients worldwide, opening up opportunities through the strength of its global network and product expertise.

GB provides a comprehensive suite of services including leverage and acquisition financing, advisory, capital markets, issuer services, trade services and global payment services.

Operating across HSBC Continental Europe's markets, Global Banking teams take a client-centric approach bringing together relationship and product expertise to deliver financial solutions customised to suit clients' growth ambitions and financial objectives. GB works closely with its business partners in all business lines, to provide a range of products and seamless services to meet the needs of wholesale clients. GB in HSBC Continental Europe operates as an integral part of the global business and contributes significant revenues to other regions through its client base in Continental Europe, and in turn receives business from HSBC's clients in other regions. In Continental Europe, GB's objective is to be a leading bank in transaction banking and a key partner to our clients for advisory, financing and capital markets transactions.

GBM Other

GBM Other comprises activities that are outside of the perimeter of MSS and GB, primarily Principal Investments ('PI') and GBM's share of the Bank's Treasury function.

HSBC Continental Europe's PI portfolio comprises two elements; (i) investments in third party private equity funds; and (ii) legacy direct investments. PI in HSBC Continental Europe is focused on reducing the portfolio size in line with HSBC Group's risk appetite and strategy.

Commercial Banking ('CMB')

CMB has a clear strategy to be the leading international corporate bank in Europe. We connect our Continental European customers to our global network of relationship managers and product specialists to support their growth ambitions internationally, and we support global multinationals with growing their European subsidiaries through our Continental Europe based team of relationship managers and product specialists. Commercial Banking Continental Europe contributes significant revenues to other regions through our European client base and draws benefit from the client network managed outside Europe.

Our product range facilitates tailoring solutions to meet clients' requirements across lending and transactional banking, supported by strong collaboration with Global Banking and Markets to deliver expertise in markets and investment banking products. Our Global Payments Solutions and Global Trade Solutions teams also provide treasury and trade finance solutions to Global Banking clients.

Wealth and Personal Banking ('WPB')

WPB supports customers across HSBC Continental Europe with their financial needs through Wealth Management, Insurance, Asset Management, and Private Banking. In addition, HSBC Continental Europe provides Retail Banking services in Malta through its subsidiary HSBC Malta p.l.c. Following the sale on 1 January 2024 of its retail banking operations in France, HSBC Continental Europe continues to support clients in France with their financial needs through a focused proposition in Insurance, Asset Management and Private Banking.

In Malta, in addition to asset management and insurance products, HSBC Continental Europe continues to offer its core retail proposition, with a full suite of products including personal banking products, such as current and savings accounts, wealth management, insurance, mortgages and unsecured loans, credit cards, debit cards and local and international payment services.

HSBC Continental Europe's Private Banking business serves high net worth and ultra-high net worth international clients of the Group with investment management, private wealth solutions, and bespoke lending for customers with more sophisticated and international requirements. HSBC's primary booking centre in Europe is HSBC Private Bank (Luxembourg) S.A.

HSBC Continental Europe offers a range of insurance products through its subsidiaries in France and Malta. The Insurance business in France, HSBC Assurances Vie (France), offers a wide range of insurance solutions and services designed to meet the needs of individuals, professionals, and businesses in terms of life insurance, retirement savings, credit protection insurance and personal protection. Following the sale of the French retail banking activity to CCF on 1 January 2024, CCF is now the main distributor of HSBC Assurances Vie (France)'s products in France.

HSBC Continental Europe has Asset Management businesses in France, Germany and Malta which work to unlock sustainable investment opportunities for investors. The Asset Management business serves clients in France, Germany, Malta, Belgium Spain, Greece, Italy, Luxembourg, Netherlands, Portugal, Switzerland, Austria and Nordics, through its subsidiaries in France, Germany, Malta and manages assets for a range of clients, from large institutional investors to commercial and corporate clients, financial intermediaries, retail and private banking clients.

Please see page 263 for detail of the planned sale of the private banking business in Germany signed on 20 September 2024 and the Memorandum of Understanding signed on the 20 December 2024 for planned sale of life insurance business in France.

Opening up a world of opportunities

Our history

1894

Creation of Banque Suisse et Francaise
- Founded by Ernest Meja and Benjamin Rossier
- Developed as a commercial bank in France
- Adopted the name Credit Commercial de France in 1917 following the merger 'Mith Maison Aynard et Fils and Caisse de Credit de Nice

1900-2000

Development of CCF
- Grew externally through the acquisition of other banks in the first half of the century
- Expanded the number of branches (200+) during the sixties

2000-10

Building a strong universal French bank
- HSBC Group acquired CCF in 2000 and listed on the Paris Stock Exchange
- Established a strong platform in one of the main European markets in the Eurozone
- CCF SA became HSBC France in November 2005

2018-21

Fulfilling our European mission
- From HSBC France to HSBC Continental Europe following the UK departure from the European Union (client migration, product setup, and legal entity restructuring)
- Ambition to be the leading international wholesale bank in Europe, focused on clients that value our network

2022-23

Repositioning our activities
- Focused wholesale activities on strategic international clients and relevant product proposition
- Prepared for the disposal of French retail operations in France
- Acquired HSBC Malta, HSBC Germany and HSBC Private Bank (Luxembourg) S.A. to become the Group's European Intermediate Undertaking ('IPU')
- Disposal of HSBC Continental Europe's branch operations in Greece

2024-26

Towards growth...
- Disposal of HSBC Continental Europe's retail operations in France on 1 January 2024
- Signed agreement with BNP Paribas for the planned sale of the private banking business in Germany
- MoU signed with Matmut SAM for the planned sale of life insurance business in France
- Continuing to support the growth of the international corporate and institutional bank

Our resources

Our ambition

Be the **preferred international financial partner for our clients**, supporting them and the sustained success of our communities

Our Values

- We value differences
- We succeed together
- We take responsibility
- We get it done

- **c. 519,000 clients**[1] from personal banking customers, small and medium companies to corporate clients
- **c. 7,544 employees**[2] supporting our customers through our expertise and know-how
- **Future Skills** and **Resilience** programmes

- **AA- / A1 / A+ top ratings** from the three main rating agencies
- **130 years** of expertise in France*
- **Presence in 12 countries** supporting clients across borders

- **Sustainable multi-partnerships** in ESG
- Dedicated **Sustainable Finance origination** and **structuring** team

- **2,049 IT applications**[3] of which 69 per cent are Group applications
- **Eco-responsible headquarters**
- Effective and compliant **Business Continuity Lifecycle Controls**

- **€3,349m** Net Operating Income[4]
- **18.8 per cent CET1 ratio** with a solid financial structure
- **€265bn** total assets

Our commitments

Sustainability

Supporting the transition to net zero is a key priority for HSBC.

We believe the transition to net zero will help make the global economy stronger and more resilient against mounting climate impacts. We believe supporting our customers' transition both benefits their business and helps generate long-term financial returns for our shareholders.

Acting Responsibly

Focused on operating a strong and sustainable business, putting the customer first, valuing good governance, and giving our stakeholders confidence in how we do what we do.

Our conduct approach guides us to do the right thing and to focus on the impact we have on our customers and the financial markets in which we operate. Customer experience is at the heart of how we operate. We aim to act responsibly and with integrity across the value chain.

Financial Crime

Help protect the integrity of the global financial system.

We have made, and continue to make, significant investments in our ability to detect, deter, and prevent financial crime.

1 c. 482,363 active customers in WPB and c. 37,082 Wholesale clients.
2 Aligned to Table of Average number of persons employed by HSBC Continental Europe during the year, page 280.
3 1,410 apps consumed from the Group, 639 apps owned in the country in 2024.
4 Net operating income before change in expected credit losses and other credit impairment charges, in respect of continuing operations in accordance with IFRS 5.

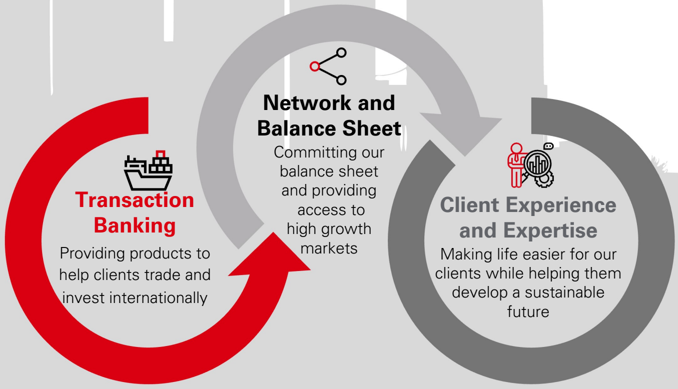
HSBC | HSBC Continental Europe

Opening up a world of opportunities

Our added value for clients

We want our clients to achieve their goals, building together a better and sustainable future through responsible and innovative financial solutions:

- Grow their activities in the **European single market**
- Access **international markets**



Our clients and products[1]

WPB

In Continental Europe, WPB serves customers – **from individuals** to **high-net-worth families** – with their financial needs through

- Private Banking
- Retail Banking
- Wealth Management
- Insurance
- Asset Management

CMB

CMB has a clear strategy to be the leading international corporate bank in Europe. CMB helps connect European customers to HSBC's international network and product specialists, supporting their growth ambitions and targets:

- Working capital, term loans
- Treasury and Trade solutions
- Expertise in Financing in collaboration with our GB and MSS colleagues

GB

GB delivers tailored financial solutions to major government, corporate and institutional clients worldwide. GB provides a comprehensive suite of services, including:

- Corporate Banking
- Advisory, Capital Markets & Issuer Services
- Trade and Payment solutions in collaboration with the GTS and GPS teams

MSS

MSS is a product group that services all of the Bank's clients. MSS offers clients a range of services across asset classes and geographies supported by dedicated sales, traders and research teams:

- Global Debt Markets
- Equities
- FX
- Emerging Markets Rates and Commodities

Our impact

*Only applies to France geographical perimeter

1 Sustainable Finance

$124.9bn contribution to Group's sustainable finance 2030 ambition[2]

2 Act Responsibly

96.8 per cent of internal staff completed training on Conduct and Financial Crime risk

98 per cent of suppliers signed the code of Conduct in the renewal process

3 Governance and Security

98.3 per cent controls assessed effective and compliant

0 cybersecurity incident over the last 12 months

4 Client Satisfaction

Market Leader and Best in Service for Trade Finance in four European markets award

Western Europe's Best bank for transaction services by Euromoney

5 Employability and Inclusion

Obtained a certification of **Top Employer** by the Top Employers Institute for its commitment to **promoting an inclusive and supportive company culture**

2.4 per cent attrition rate[3] in our talent pool

28.8 per cent representation of women in senior executive positions

1 GBM Other: activities outside of the MSS and GB perimeter, primarily Principal Investments and GBM's share of the Bank's Markets Treasury function.

2 Cumulative contribution to Group target since 2020 of USD 124.9bn representing 32 per cent of total Group progress (in its ambition to provide between USD 750 billion and USD 1,000 billion in financing and investment).

HSBC | HSBC Continental Europe

Geopolitical, economic and regulatory background and outlook

Economic background

Global

Global economic activity was resilient in 2024, led by the services sector while manufacturing activity was by contrast, comparatively weak.

Regionally, the US economy outperformed, on the back of robust consumer demand. Concerns about recession risks and the strength of the labour market emerged in the first half of the year, with the unemployment rate rising from 3.7 per cent in January to 4.2 per cent in July. However, this rate stabilised in the second half of the year, ending up at 4.1 per cent in December 2024. In mainland China, activity data was more sluggish, with the property sector remaining a key drag on domestic demand. However, Chinese exports remained relatively dynamic and provided a key support to Gross Domestic Product 'GDP' growth. In Europe, economic activity was relatively subdued, but the picture was quite diverse across the different countries.

Global inflation has generally continued to recede in 2024 but at a slower pace and in a less linear way than in the previous year. The factors that drove disinflation in 2023 (easing supply constraints, fading energy shock and favourable base effects) have become less prominent and services inflation remained relatively sticky in many countries, reflecting the persistent tightness in labour markets. Against that backdrop, the progress on disinflation has been much more mixed between countries.

That said, progress on disinflation still led most major central banks to start their easing cycles in 2024, even if they largely continued to act with caution. Among developed economies, the Swiss National Bank delivered a first rate cut of 25 basis points in March. It was followed by the European Central Bank in June, the Bank of England in August and the Federal Reserve in September. The ECB and the Federal Reserve have lowered their policy rates by a total of 100 basis points in 2024. The Bank of England was more prudent and cut its policy rate by 50 basis points. Greater confidence on the sustainability of the rise in inflation and wages led the Bank of Japan to exit its negative rates policy, by raising its policy rate by 35 basis points in 2024, from -0.10 per cent to 0.25 per cent.

Eurozone

Eurozone GDP grew albeit at a very low level in the three first quarters of 2024 (0.3 per cent on average per quarter). However, this evolution masked very mixed trends for the largest countries.

The German economy has remained behind others, as its industrial sector has continued to be hurt by cyclical factors (weak external demand, especially from China) but also more structural developments (relative increase in energy costs, difficult transition towards electric vehicles for the automotive sector). Moreover, there have been some signs that the weakness in the manufacturing sector may start to affect services amid a softening labour market.

In contrast, Spain has been a strong performer, with GDP growth exceeding 0.8 per cent per quarter in each of the three first quarters of the year. The Spanish economy benefited from a buoyant services sector on the back of robust tourism activity and strong job creation. Besides, the manufacturing sector also performed well, helped by lower energy costs relative to several other European countries thanks higher reliance on renewable energy.

France has been in an intermediary position. Economic growth was resilient in the three first quarters of the year, helped by a recovery in net trade (led in particular by the aeronautic sector).

The Olympic Games in Paris also provided a temporary boost to economic activity during the summer. At this stage, there have been little signs of economic slowdown caused by the rise in uncertainty on the political and fiscal situation, following the dissolution of the National Assembly and the lack of clear majority emerging after the snap legislative elections held in June and July. However, towards the end of the year, some leading indicators pointed to a marked drop in economic confidence, both for businesses and households.

Eurozone annual inflation fell from 5.5 per cent in 2023 to 2.4 per cent in 2024. The core measure (excluding food, alcohol, tobacco and energy) dropped from 5.0 per cent to 2.9 per cent. However, the path of disinflation was non-linear. Inflation decreased to 2.4 per cent year-on-year in December 2024, from 2.9 per cent one year ago. But it reached a trough of 1.7 per cent in September, before picking up due to energy prices. At the same time, core inflation fell to 2.7per cent in December 2024 from 3.4 per cent one year ago.

Progress on disinflation allowed the ECB to start its easing cycle in June, in cutting all its key policy rates by 25 basis points (from 4.00 per cent to 3.75 per cent for the key deposit rate). Thereafter, the ECB lowered again its policy rates by 25 basis points in September, October and December, leading to a deposit rate of 3.00 per cent at the end of the year.

Economic outlook

Policy uncertainty for 2025

The numerous national elections held in 2024 led to a very uncertain global economic backdrop for 2025. The US economic policy remains the main source of uncertainty, given the victory of Donald Trump and the clean sweep of the Republican party at the November elections. Donald Trump pledged for significant economic changes, including tax cuts, higher trade tariffs and restrictions on immigration flows. Some measures have been announced by decree soon after the US presidential inauguration on 20 January. However, a fiscal reform is not expected to be passed before the second quarter of 2025.

Sweeping increases in US tariffs could have a significant negative impact on trade in the rest of the world, especially in China. However, Chinese authorities have opened the door to new stimulus measures to support domestic demand, via looser monetary and fiscal policy. Support to the housing market should also continue to be increased.

In Europe, the return of EU fiscal rules means that countries should start consolidating their public finances in 2025, after several years of fiscal expansion through the pandemic and energy crisis. However, risks of fiscal slippage remain significant, particularly in the countries facing larger adjustment. The fiscal outlook in France is especially difficult to predict, given the uncertain political environment. The public deficit target for this year has already been revised to 5.4 per cent of GDP, instead of 5 per cent targeted by the previous government. Conversely, fiscal policy could become more expansionary in Germany, after the federal elections planned on 23 February.

Outside of the EU, a new fiscal framework allowed the UK government to announce a large package of spending, investment and taxes in October 2024. However, any disappointment on growth or any increase in rates could force further fiscal restraint for the government.

Growth risks
The central scenario of HSBC's economists assumes global GDP growth will remain steady at 2.7 per cent in 2025. However, prospects of higher tariffs led them to cut their growth forecast for world export volume from 3.5 per cent to 1.9 per cent. Regionally, the US economy could continue to outperform, with US GDP growth decelerating to 2.2per cent (from 2.8 per cent in 2024), still remaining above potential growth expectations. However, growth could be even stronger if the planned fiscal stimulus proved to be more significant than expected. In mainland China, stronger support measures should not prevent GDP growth from slowing to 4.5per cent in 2025 (from 4.9 per cent in 2024). However, an escalation in trade tensions with the US (and possibly elsewhere in case of trade diversion) represents a significant downside risk for Chinese economic activity.

In the eurozone, GDP growth is expected to improve moderately to 0.9 per cent in 2025, from 0.7 per cent in 2024 reflecting a pickup in consumer demand, led by the improvement in real wages. That said, political uncertainty in some countries like France and Germany could lead consumers to remain cautious. GDP growth is expected to decelerate to 0.7 per cent in France and to remain subdued in Germany (at 0.3 per cent). In contrast, Spanish growth is expected to remain quite strong, at 2.6 per cent in 2025 (from 3.1 per cent in 2024).

Central banks' actions
The lack of visibility on economic policies is also leading to a very uncertain backdrop for major central banks. In the US, the Fed already signalled in December 2024 a more cautious stance on rate cuts expected in 2025, due to latest data on inflation and the labour market. Some policies enacted by the Trump administration, such as trade tariffs, immigration restrictions or fiscal stimulus, could lead to higher inflation risks. If such risks materialise, the Federal Reserve could adopt an even more cautious stance. HSBC economists expect the Federal Reserve to cut further its policy rate by 75 basis points in 2025 but risks are biased toward smaller cuts given the inflation risks posed by the measures pledged by Donald Trump.

In the eurozone, rate cuts from the ECB look more certain, given the more fragile growth outlook. However, the absence of widespread recession and the stickiness of services inflation should still lead the ECB to remain cautious. HSBC economists expect the ECB to maintain the pace of 25 basis points cuts at every meeting until April, when the key deposit rate would reach 2.25 per cent, a level that would be close to estimates of the neutral rate. There is a risk that if downside risks on growth materialise, further rate cuts from the ECB could be required.

Regulatory environment

Basel III Reforms
The revised Capital Requirements Regulation (‘CRR3’) implementing the Basel 3 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. They 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, guidelines, and reports for the sector.

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

HSBC Continental Europe will also be affected by the implementation of the Basel 3 reforms in the UK to the extent it contributes to the HSBC Group’s consolidated capital requirements. In the UK, the Prudential Regulation Authority has postponed the implementation timeline of the Basel 3 Reforms to 1 January 2027.

Capital Requirements Directive
In June 2024, the European Commission enacted a series of amendments to the Capital Requirements Directive (‘CRD VI’). The amending 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 CRD VI rules into national law, and an additional one-year transition period for provisions relating to cross-border services and third-country branches.

Capital buffers
In December 2024, the Haut Conseil de Stabilité Financière maintained the countercyclical capital buffer rate at 1 per cent. HSBC Continental Europe retained its designation as an Other Systemically Important Institution with an applicable capital buffer rate of 0.25 per cent.

Environmental, social and governance (‘ESG’) risks
Guidelines on the management of ESG risks
The EU’s Basel 3 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 CRD VI. 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, 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.

Consolidated Results

Use of alternative performance measures

HSBC Continental Europe's reported results are prepared in accordance with International Financial Reporting Standards ('IFRS Accounting Standards') as detailed in the Financial Statements starting on page 240.

In measuring our performance, the financial measures that we use include those derived from our reported results in order to eliminate factors that distort period-on-period comparisons.

These are considered alternative performance measures. All alternative performance measures are described and reconciled to the closest reported financial measure when used.

The global business segmental results are presented in accordance with IFRS 8 'Operating Segments'.

Consolidated income statement

	31 Dec 2024	31 Dec 2023[1]
	€m	€m
Continuing operations		
Net interest income	**1,498**	2,191
Net fee income	**1,214**	1,194
Net income from financial instruments held for trading or managed on a fair value basis	**484**	259
Net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit and loss	**40**	36
Changes in fair value of long-term debt and related derivatives	**3**	16
Changes in fair value of other financial instruments mandatorily measured at fair value through profit and loss	**63**	14
Gains less losses from financial investments	**(2)**	1
Insurance finance income/(expense)	**(38)**	(31)
Insurance service result	**18**	11
Gains/(losses) recognised on assets held for sale	**(11)**	—
Other operating income/(expense)	**80**	29
Net operating income before change in expected credit losses and other credit impairment charges[2]	**3,349**	3,720
Change in expected credit losses and other credit impairment charges	**(97)**	(145)
Net operating income	**3,252**	3,575
Total operating expenses	**(2,322)**	(2,250)
Profit/(loss) before tax	**930**	1,325
Tax expense	**(406)**	(346)
Profit/(loss) after tax in respect of continuing operations	**524**	979
Profit/(loss) after tax in respect of discontinued operations	**79**	(71)
Profit/(loss) for the period	**603**	908
– shareholders of the parent company	**568**	883
– non-controlling interests in respect of continuing operations	**35**	25
– non-controlling interests in respect of discontinued operations	**—**	—

1 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the planned sale of the life insurance business in France. This also includes discontinued operations related to the sale of the retail banking operations in France.
2 Net operating income before change in expected credit losses and other credit impairment charges is also referred to as revenue.

Continuing Operations

Net interest income was EUR 1,498 million in 2024, down from EUR 2,191 million in the previous year driven by the impact of the sale of retail banking operations in France, coupled with increasing interest expense on customer deposits in Global Payment Solutions.

Net fee income was EUR 1,214 million in 2024, increasing from EUR 1,194 million in 2023, due to the acquisition of HSBC Private Bank (Luxembourg) S.A. and higher Investment Banking fees.

Net income from financial instruments held for trading or managed on a fair value basis was EUR 484 million in 2024, up from EUR 259 million in 2023. The increase reflected market volatility and changes in interest rates impacting derivatives.

Net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit and loss was a EUR 40 million gain, up from a gain of EUR 36 million in 2023.

Changes in fair value of long-term debt and related derivatives were EUR 3 million in 2024, down from EUR 16 million in 2023 due to the impact of interest rates movements.

Changes in fair value of other financial instruments mandatorily measured at fair value through profit and loss totaled EUR 63 million in 2024 compared to EUR 14 million in 2023, due to fair value gains on equity holdings, and the transaction in Commercial Banking of a participation note in the second half of 2024.

Gains less losses from financial investments were a loss of EUR 2 million, compared to a EUR 1 million gain in 2023.

Insurance finance expense was EUR 38 million in 2024, up from an expense of EUR 31 million in 2023.

Insurance Service result was EUR 18 million in 2024, up from EUR 11 million in 2023.

Losses recognised on assets held for sale were EUR 11 million in 2024, compared to nil in 2023 reflecting the sale of employee savings account keeping and custody activities.

Other operating income was EUR 80 million, up from EUR 29 million in the prior year coming from the release of unused provisions following the completion of the sale of the retail banking operations in France in Q1 2024 and the sale of the branch operations in Greece.

Net operating income before change in expected credit losses and other credit impairment charges was EUR 3,349 million, down from EUR 3,720 million in 2023.

Change in expected credit losses and other credit impairment charges was a net charge of EUR 97 million compared to a net charge of EUR 145 million in 2023, primarily driven by lower stage 3 provisions.

Operating expenses amounted to EUR 2,322 million in 2024, up from EUR 2,250 million in 2023, mainly driven by the full-year consolidation of the financial results of HSBC Private Bank (Luxembourg) S.A. partly offset by the end of the build-up of the Single Resolution Fund.

Profit before tax for continuing operations was EUR 930 million in 2024, compared to EUR 1,325 million in the prior year.

Profit after tax for the period in respect of continuing operations decreased from EUR 979 million in 2023 to EUR 524 million in 2024, including the impact of the write-down of deferred tax assets in France.

Profit attributable to shareholders of the parent company in 2024 was EUR 568 million.

Discontinued Operations

Net operating income in discontinued operations was a gain of EUR 124 million compared to EUR 315 million in 2023.

Operating expenses were EUR 24 million compared to EUR 382 million in 2023.

Profit before tax was EUR 100 million compared to a EUR 67 million loss in the prior year.

Income statement by global business (continuing operations)

	At 31 Dec 2024						
	Wealth and Personal Banking	Commercial Banking	Markets and Securities Services	Global Banking	GBM Other	Corporate Centre	Total
	€m	€m	€m	€m	€m	€m	€m
Net operating income before change in expected credit losses and other credit impairment charges	445	1,363	801	774	31	(65)	3,349
– of which: net interest income/(expense)	175	946	225	412	(12)	(248)	1,498
Change in expected credit losses and other credit impairment charges	7	(113)	—	14	—	(5)	(97)
Net operating income	452	1,250	801	788	31	(70)	3,252
Total operating expenses	(389)	(665)	(714)	(428)	(61)	(65)	(2,322)
Profit/(loss) before tax	63	585	87	360	(30)	(135)	930

Income statement by global business (continuing operations) (continued)

	At 31 Dec 2023[1]						
	Wealth and Personal Banking	Commercial Banking	Markets and Securities Services	Global Banking	GBM Other	Corporate Centre	Total
	€m	€m	€m	€m	€m	€m	€m
Net operating income before change in expected credit losses and other credit impairment charges	615	1,444	803	764	33	61	3,720
– of which: net interest income/(expense)	383	1,049	183	453	19	104	2,191
Change in expected credit losses and other credit impairment charges	5	(88)	1	(63)	(1)	1	(145)
Net operating income	620	1,356	804	701	32	62	3,575
Total operating expenses	(435)	(594)	(730)	(380)	(23)	(88)	(2,250)
Profit/(loss) before tax	185	762	74	321	9	(26)	1,325

1 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the planned sale of the life insurance business in France. This also includes discontinued operations related to the sale of the retail banking operations in France.

Profit before tax for continuing operations was EUR 930 million in 2024, compared with EUR 1,325 million in 2023.

Revenue for continuing operations was EUR 3,349 million in 2024, down from EUR 3,720 million in 2023, driven by lower net interest income following the sale of the retail banking operations in France. Commercial Banking revenues were down compared to last year, driven by lower margins on customer deposits in Global Payment Solutions, while Global Banking revenues were higher due to growth in Investment Banking. Revenues in Markets and Securities Services were stable, with growth in Equities and Securities Financing offset by lower client activity in Global Debt Markets.

Change in expected credit losses and other credit impairment charges was a net charge EUR 97 million in 2024, compared with a net charge of EUR 145 million in 2023. The cost of risk fell to 19 bps, with the decrease compared to last year driven by lower stage 3 provisions, particularly in Global Banking.

Operating expenses were EUR 2,322 million in 2024, up from EUR 2,250 million in 2023, driven by the full-year consolidation of the financial results of HSBC Private Bank (Luxembourg) S.A. and higher infrastructure and technology costs. The increase was partly offset by the end of the build-up of the Single Resolution Fund.

Wealth and Personal Banking

Profit before tax was EUR 63 million in 2024, down from EUR 185 million in 2023.

Revenue was EUR 445 million in 2024, down from EUR 615 million in prior year. This included the loss on sale related to the employee savings account keeping and custody activities. The remaining variance was driven by lower net interest income following the sale of retail banking operations in France, the impact of the sale of the branch operations in Greece, partly offset by the acquisition of HSBC Private Bank (Luxembourg) S.A.

Change in expected credit losses and other credit impairment charges were a net release of EUR 7 million in 2024, compared to a net release of EUR 5 million in 2023.

Operating expenses were EUR 389 million in 2024, down from EUR 435 million in 2023 driven by the impact of the sale of the Retail Bank in France and the Branch operations in Greece, partly offset by the full-year consolidation of the financial results of HSBC Private Bank (Luxembourg) S.A.

Loans and advances to customers were EUR 4.3 billion at the end of December 2024 compared to EUR 11.6 billion as of December 2023 due to the reclassification of the retained mortgages portfolio from Wealth and Personal Banking to Corporate Centre in 2024.

Customer accounts were EUR 7.1 billion in 2024, compared to EUR 9.5 billion as of December 2023 driven by the classification of the private banking business in Germany as held for sale.

Commercial Banking

Profit before tax was EUR 585 million in 2024, compared to EUR 762 million in the prior year.

Revenue was EUR 1,363 million in 2024, down from EUR 1,444 million in 2023, mainly due to reductions in net interest income on deposits.

Change in expected credit losses and other credit impairment charges was a net charge of EUR 113 million in 2024, compared with a net charge of EUR 88 million in 2023. The change was driven by higher stage 3 provisions.

Operating expenses were EUR 665 million, up from EUR 594 million in 2023, due to increases in technology and support function costs.

Loans and advances to customers were EUR 24.9 billion at December 2024 compared to EUR 24.8 billion at December 2023.

Deposits were EUR 45.7 billion at December 2024, increasing from EUR 39.4 billion in December 2023.

Markets and Securities Services

Profit before tax was EUR 87 million in 2024 compared to EUR 74 million in 2023.

Revenue was EUR 801 million in 2024 compared to EUR 803 million in prior year. Lower revenues in Global Debt Markets were offset by higher revenues in Securities Financing and Equity derivatives.

Operating expenses were EUR 714 million in 2024, down compared to EUR 730 million in the prior year, driven by the end of the build-up of the Single Resolution Fund, partly offset by technology and support function costs.

Customer deposits were EUR 16.2 billion at December 2024 compared to EUR 17.4 billion at December 2023 driven by a decrease in Securities Services customer deposits.

Global Banking

Profit before tax was EUR 360 million in 2024, compared to EUR 321 million in prior year.

Revenue was EUR 774 million in 2024, increasing from EUR 764 million in 2023. Higher Investment Banking revenues were partly offset by a reduction in net interest income.

Change in expected credit losses and other credit impairment charges was a net release of EUR 14 million in 2024, compared with a net charge of EUR 63 million in 2023 driven by release of provisions.

Operating expenses were EUR 428 million in 2024 compared to EUR 380 million in prior year due to the non-recurrence of impairment releases booked in 2023 and higher infrastructure costs.

Loans and advances to customers were EUR 13.6 billion at December 2024 compared to EUR 13.0 billion at December 2023.

Customer deposits were EUR 23.2 billion at December 2024 compared to EUR 24.5 billion at December 2023.

GBM Other

Loss before tax was EUR 30 million, compared to a gain of EUR 9 million in 2023.

Revenue was EUR 31 million in 2024 compared to EUR 33 million in 2023.

Operating expenses were EUR 61 million in 2024, up from EUR 23 million in 2023 coming from project related technology costs.

Corporate Centre

Loss before tax was EUR 135 million in 2024 compared to a EUR 26 million loss in 2023.

Revenue was a loss of EUR 65 million in 2024 compared to a gain of EUR 61 million in 2023, driven by interest expense offset by fair value impacts on hedging of the retained mortgages following the sale of the retail banking operations in France.

Operating expenses were EUR 65 million in 2024 compared with EUR 88 million in 2023 due to a reduction in project costs.

Consolidated balance sheet

	At	
	31 Dec 2024	31 Dec 2023
	€m	€m
Total assets	**265,008**	282,977
Cash and balances at central banks	**48,907**	56,894
Trading assets	**22,853**	17,249
Financial assets designated and otherwise mandatorily measured at fair value through profit and loss	**1,563**	13,590
Derivatives	**43,251**	45,522
Loans and advances to banks	**5,703**	5,816
Loans and advances to customers	**51,288**	50,127
Reverse repurchase agreements – non-trading	**25,764**	24,490
Financial investments	**20,740**	22,608
Other assets	**19,462**	23,470
Assets held for sale	**25,477**	23,211
Total liabilities	**250,177**	270,469
Deposits by banks[1]	**11,820**	10,261
Customer accounts[1]	**97,065**	93,890
Repurchase agreements – non-trading	**12,344**	11,153
Trading liabilities	**16,480**	19,877
Financial liabilities designated at fair value	**9,906**	9,696
Derivatives	**41,857**	43,630
Debt securities in issue	**15,257**	12,909
Liabilities under insurance contracts	**518**	21,035
Other liabilities	**20,212**	24,201
Liabilities of disposal groups held for sale	**24,718**	23,817
Total equity	**14,831**	12,508
Total shareholders' equity	**14,642**	12,342
Non-controlling interests	**189**	166

1 Following a customer classification error, the comparatives as at 31 December 2023 have been represented by EUR 1.4 billion between 'Deposits by banks' and 'Customer accounts'.

Assets

Total assets were EUR 265.0 billion at December 2024, down from EUR 283.0 billion at December 2023.

Trading assets increased from EUR 17.2 billion at December 2023 to EUR 22.9 billion at December 2024 reflecting increased client activity in bonds and equities.

Financial assets measured at fair value through profit and loss were EUR 1.6 billion at December 2024, down compared to EUR 13.6 billion in the prior year, primarily driven by the classification of the French life insurance business as held for sale.

Derivatives were EUR 43.3 billion in 2024, down from EUR 45.5 billion in 2023 as a result of mark-to-market movements notably on foreign exchange contracts and interest rate swaps.

Loans and advances to customers were EUR 51.3 billion in 2024 compared to EUR 50.1 billion in 2023 driven by money market placements and overdrafts, partly offset by the amortisation of the retained mortgages portfolio and the classification as held for sale of the private banking business in Germany.

Reverse repurchase agreements – non-trading – of EUR 25.8 billion in 2024 increased from EUR 24.5 billion in 2023 reflecting increased lending to clients.

Financial investments were EUR 20.7 billion at December 2024 compared to EUR 22.6 billion in 2023 as a result of the held for sale classification of the French life insurance business partly offset by bonds purchased, notably in France.

Assets held for sale were EUR 25.5 billion at December 2024 compared to EUR 23.2 billion in 2023. 2024 balances relate to the French life insurance business and the private banking business in Germany. 2023 balances relate to the sale of the retail banking operations in France, completed in January 2024.

Liabilities

Total liabilities were EUR 250.2 billion at December 2024, down from EUR 270.5 billion at December 2023.

Customer accounts were EUR 97.1 billion at December 2024, up compared to EUR 93.9 billion at December 2023 driven by higher deposits, partly offset by the classification of the private banking business in Germany as held for sale.

Repurchase agreements – non trading – increased from EUR 11.2 billion in 2023 to EUR 12.3 billion in 2024 reflecting increased positions with banks.

Trading liabilities were EUR 16.5 billion in 2024, down from EUR 19.9 billion in 2023 driven by bond trading volumes.

Derivatives were EUR 41.9 billion in 2024, decreased from EUR 43.6 billion in prior year as a result of mark-to-market movements on interest rate swaps.

Debt securities in issue were EUR 15.3 billion in 2024, up from EUR 12.9 billion in prior year due to the issuance of deposit certificates and senior non-preferred debt during the year.

Liabilities under insurance contracts were EUR 0.5 billion in 2024, down from EUR 21.0 billion in 2023 largely driven by the held for sale classification of the French life insurance business.

Liabilities of disposal groups held for sale increased from EUR 23.8 billion to EUR 24.7 billion at December 2024. 2024 balances relate to the French life insurance business and the private banking business in Germany. 2023 balances relate to the sale of the retail banking operations in France, completed in January 2024.

Equity

Shareholders' equity stood at EUR 14.6 billion, up from EUR 12.3 billion in 2023, mainly driven by the profit generated and capital securities issued in 2024.

The CET1 (Common Equity Tier 1) ratio was 18.8 per cent at December 2024 and the total capital ratio was 23.5 per cent.

Liquidity and funding

Outstanding medium and long-term funding and the bank's main financing transactions in 2024 are presented in the liquidity and financing management section on pages 215 to 216.

The average short-term ratio (liquidity coverage ratio or 'LCR') was 150 per cent and the average long-term ratio (net stable funding ratio or 'NSFR') was 137 per cent[1].

Balance Sheet Information

	Wealth and Personal Banking	Commercial Banking	Markets and Securities Services	Global Banking	GBM Other	Corporate Centre	Total
	€m	€m	€m	€m	€m	€m	€m
At 31 Dec 2024							
Loans and advances to customers	4,267	24,930	1,823	13,560	24	6,684	51,288
Loans and advances to customers classified as held for sale[1]	298	—	—	—	—	—	298
Customers accounts	7,055	45,686	16,243	23,218	5,284	(421)	97,065
Customers accounts classified as held for sale[1]	2,010	—	—	—	—	—	2,010

1 This includes the impact of the sale of our retail banking operations in France.

Balance Sheet Information (continued)

	Wealth and Personal Banking €m	Commercial Banking €m	Markets and Securities Services €m	Global Banking €m	GBM Other €m	Corporate Centre €m	Total €m
At 31 Dec 2023							
Loans and advances to customers	11,556	24,789	656	13,018	84	24	50,127
Loans and advances to customers classified as held for sale	12,691	—	—	—	—	—	12,691
Customers accounts[2]	9,463	39,438	17,350	24,504	3,379	(244)	93,890
Customers accounts classified as held for sale	20,058	—	109	—	—	—	20,167

1 Includes loans and advances and customers accounts related to the planned sale of the private banking business in Germany.
2 Following a customer classification error, the comparatives as at 31 December 2023 have been represented by EUR 1.4 billion between 'Deposits by banks' and 'Customer accounts'.

Revenue by country (continuing operations)

	At 31 Dec 2024						
	Wealth and Personal Banking €m	**Commercial Banking €m**	**Markets and Securities Services €m**	**Global Banking €m**	**GBM Other €m**	**Corporate Centre €m**	**Total €m**
France	**91**	**565**	**171**	**523**	**1**	**(71)**	**1,280**
Germany	**124**	**302**	**443**	**94**	**22**	**1**	**986**
EEA Branches	**1**	**419**	**187**	**133**	**21**	**4**	**765**
Malta and Other Countries	**229**	**77**	**—**	**24**	**(13)**	**1**	**318**
Revenue[1]	**445**	**1,363**	**801**	**774**	**31**	**(65)**	**3,349**
	At 31 Dec 2023[3]						
France	287	593	231	495	(8)	62	1,660
Germany	129	296	400	114	21	2	962
EEA Branches	20	491	169	155	19	(3)	851
Malta and Other Countries[2]	179	64	3	—	1	—	247
Revenue[1]	615	1,444	803	764	33	61	3,720

1 Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.
2 'Other countries' include net operating income of HSBC Private Bank (Luxembourg) S.A. post its acquisition on 2 November 2023.
3 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the planned sale of the life insurance business in France. This also includes discontinued operations related to the sale of the retail banking operations in France.

Net Interest Margin

Net interest margin is calculated by dividing net interest income as reported in the income statement by the average balance of interest-earning assets.

Average balances are based on daily averages for the principal areas of our banking activities with monthly or less frequent averages are used elsewhere.

Net Interest Income

	2024 €m	2023[1] €m
Interest income	**8,288**	7,307
Interest expense	**(6,790)**	(5,116)
Net interest income from continuing operations	**1,498**	2,191
Net interest income from discontinued operations	**225**	200
Net interest income	**1,723**	2,391
Average interest-earning Assets	**178,548**	190,847
	%	%
Net interest margin[2]	**0.97**	1.25

1 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the planned sale of the life insurance business in France. This also includes discontinued operations related to the sale of the retail banking operations in France.
2 Net interest margin is net interest income expressed as an annualised percentage of average interest-earning assets.

Summary of interest income by asset type

	2024			2023		
	Average balance	Interest income[1]	Yield[2]	Average balance	Interest income[1]	Yield[2]
	€m	€m	%	€m	€m	%
Short term funds and loans and advances to banks	**54,314**	**1,862**	**3.43**	69,254	2,536	3.66
Loans and advances to customers	**51,580**	**2,413**	**4.68**	57,168	2,106	3.68
Reverse repurchase agreements – non- trading[3]	**30,753**	**2,499**	**8.13**	23,251	1,565	6.73
Financial investments	**25,874**	**953**	**3.68**	19,918	645	3.24
Other interest-earning assets	**16,027**	**785**	**4.90**	21,256	956	4.50
Total interest-earning assets	**178,548**	**8,512**	**4.77**	190,847	7,808	4.09
Trading assets and financial assets designated or mandatorily measured at fair value[4]	**22,718**	**510**	**2.24**	16,754	351	2.10
Expected credit losses provision	**(607)**			(814)		
Non-interest-earning assets	**80,359**			88,893		
Total	**281,018**	**9,022**	**3.21**	295,680	8,159	2.76

1 Balances are disclosed in respect of continuing and discontinued operations.
2 Yield has been calculated taking into account negative interest on assets recognised as interest expense in the income statement.
3 The average balances for repurchase and reverse repurchase agreements include net amounts where the criteria for offsetting are met, resulting in a lower net balance reported with a higher yield and cost of funds.
4 Interest income arising from trading assets is included within net trading activities in the income statement.

Summary of interest expense by type of liability and equity

	2024			2023		
	Average balance	Interest expense[1]	Cost[2]	Average balances	Interest expense[1]	Cost[2]
	€m	€m	%	€m	€m	%
Deposits by banks	**13,623**	**503**	**3.69**	12,385	460	3.71
Customer accounts	**61,566**	**2,579**	**4.19**	62,040	2,156	3.48
Repurchase agreements – non- trading[3]	**17,521**	**1,953**	**11.15**	12,201	1,140	9.34
Debt Securities in issue – non- trading	**20,126**	**995**	**4.94**	17,465	714	4.09
Other interest-bearing liabilities	**16,903**	**759**	**4.49**	23,697	947	4.00
Total interest-bearing liabilities	**129,739**	**6,789**	**5.23**	127,788	5,417	4.24
Trading liabilities and financial liabilities designated at fair value (excluding own debt issued)[3]	**28,153**	**694**	**2.47**	25,548	587	2.30
Non-interest-bearing current accounts	**30,669**			37,625		
Total equity and other non-interest bearing liabilities	**92,457**			104,719		
Total	**281,018**	**7,483**	**2.66**	295,680	6,004	2.03

1 Balances are disclosed in respect of continuing and discontinued operations.
2 Cost has been calculated taking into account negative interest on liabilities recognised as interest income in the income statement.
3 The average balances for repurchase and reverse repurchase agreements include net amounts where the criteria for offsetting are met, resulting in a lower net balance reported with a higher yield and cost of funds.
4 Interest expense arising from trading liabilities is included within net trading activities in the income statement.

Post-balance sheet events

There has been no significant event between 31 December 2024 and the date of approval of these financial statements by the Board of Directors which would require an adjustment or additional disclosure in the financial statements.

Historical data (unaudited)

	2024 €m	2023 €m	2022 €m	2021 €m	2020 €m
HSBC Continental Europe					
Profit before tax[1]	**1,030**	1,258	(1,689)	285	(945)
Profit attributable to shareholders[1]	**568**	883	(1,092)	269	(1,022)
At 31 Dec					
Shareholders' equity	**14,642**	12,342	11,358	7,667	7,434
Loans and advances to customers and banks[2]	**56,991**	55,943	49,573	66,444	63,006
Customer accounts and deposits by banks[3]	**108,885**	104,151	94,874	88,692	78,597
Total Balance Sheet	**265,008**	282,977	279,081	222,664	237,099
Number of employees (full-time equivalents)[4,5,6]	**6,739**	9,969	10,408	7,451	8,517
Ratios[7]					
– Total capital ratio (%)	**23.5**	20.7	20.2	16.5	17.3
– Common Equity Tier One Ratio (%)	**18.8**	15.7	15.3	12.0	12.6
– Cost efficiency ratio (reported basis) (%)	**69.3**	60.5	82.9	86.6	130.9

1 Balances are disclosed in respect of continuing and discontinued operations.
2 Loans and advances to customers and banks classified as held for sale are not included. Refer to Note 2 of the consolidated financial statements.
3 Customer accounts and deposits by banks classified as held for sale are not included. Refer to Note 2 of the consolidated financial statements.
4 Includes employees of HSBC Private Bank (Luxembourg) S.A. with effect from 2 November 2023 and excludes employees of Greece operations with effect from 28 July 2023.
5 The increase in 2022 is due to acquisition of HSBC Germany and HSBC Malta with effect from 30 November 2022.
6 2023 number of employees includes employees of retail banking operations in France which has been classified as discontinued operations.
7 CET1 capital and RWAs (material holding) for Dec 2023 has been restated to reflect the payment of AT1 dividends.

Reconciliation of alternative performance measures

Return on average ordinary shareholders' equity and pre-tax return on average risk-weighted assets

Return on average ordinary shareholders' equity is calculated by dividing profit attributable to the ordinary shareholders of the parent company ('reported results') by average ordinary shareholders' equity ('reported equity') for the period. The adjustment to reported results and reported equity excludes amounts attributable to non-controlling interests and holders of other equity instruments (additional tier 1 capital).

Pre-tax return on average risk-weighted assets is calculated by dividing profit before tax by average risk-weighted assets for the period.

Return on average shareholders' equity and pre-tax return on average risk-weighted assets

	At	
	31 Dec 2024 €m	31 Dec 2023[1] €m
Profit		
Profit/(loss) before tax in respect of continuing operations	**930**	1,325
Profit/(loss) before tax in respect of discontinued operation	**100**	(67)
Profit/(loss) before tax	**1,030**	1,258
Profit/(loss) attributable to the ordinary shareholders of the parent company[2]	**485**	805
Equity		
Average ordinary shareholders' equity	**11,314**	11,221
Risk-weighted assets		
Average risk-weighted assets[3]	**61,600**	59,307
Ratio %		
Return on average ordinary shareholders' equity	**4.3**	7.2
Pre-tax return on average risk-weighted assets	**1.7**	2.1

1 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the planned sale of the life insurance business in France. This also includes discontinued operations related to the sale of the retail banking operations in France.
2 This excludes amounts attributable to non-controlling interests and holders of other equity instruments (additional tier 1 capital).
3 CET1 capital and RWAs (material holding) for Dec 2023 has been restated to reflect the payment of AT1 dividends.

Credit ratings

HSBC Continental Europe is rated by three major agencies: Standard & Poor's, Moody's and FitchRatings.

As at 31 December 2024	Standard & Poor's	Moody's	FitchRatings
Long-term Senior preferred	**A+**	**A1**	**AA-**
Outlook	**Stable**	**Stable**	**Stable**
Short term	**A-1**	**P-1**	**F1+**

There were no changes to HSBC Continental Europe's ratings during the year 2024. Annual review meetings with rating agencies were held in April and May 2024.

Other information

Information on supplier payable amounts schedule

(Articles L. 441-14 and D. 441-6 of the French Commercial code)

Article D.441–6–I: Received invoices by HSBC Continental Europe subject to late payment delays at year-end

	0 day (for information)	1 to 30 days	31 to 60 days	61 to 90 days	over 91 days	Total (1 day and more)
(A) Late payment buckets						
Number of invoices, of which:	7,328					2,180
– payable to third-party	5,782					1,055
– payable to HSBC Group entities[1]	1,546					1,125
Amount of invoices including VAT (in €k), of which:	181,701	67,850	17,919	9,897	57,703	153,369
– payable to third-party	73,796	41,337	2,385	1,264	761	45,747
– payable to HSBC Group entities[1]	107,905	26,513	15,534	8,633	56,942	107,622
Percentage of total purchasing in the year	12%	5%	1%	1%	4%	11%
(B) Invoices excluded from (A) in respect of litigations or not accounted						
Number of invoices excluded, of which:	919					
– payable to third-party	815					
– payable to HSBC Group entities[1]	104					
Amount of excluded invoices including VAT (in €k), of which:	29,125					
– payable to third-party	12,242					
– payable to HSBC Group entities[1]	16,883					
(C) Suppliers' payment terms (contractual or legal terms)						
Payment terms used to assess the late payments	Contractual terms: from immediate payment to 261 days					

1 Excluding transactions between HSBC Continental Europe and its branches.

Information on client receivable amounts schedule

(Articles L. 441-14 and D. 441-6 of the French Commercial code)

Article D.441–6–I: Issued invoices by HSBC Continental Europe subject to late payment delays at year-end

	0 day (for information)	1 to 30 days	31 to 60 days	61 to 90 days	over 91 days	Total (1 day and more)
(A) Late payment buckets						
Number of invoices, of which:	223					1,996
– receivable from third-party	53					1,492
– receivable from HSBC Group entities[1]	170					504
Amount of invoices excluding VAT (in €k), of which:	11,397	18,675	7,893	4,060	16,755	47,384
– receivable from third-party	1,398	11,510	3,407	2,255	10,479	27,651
– receivable from HSBC Group entities[1]	9,999	7,165	4,486	1,805	6,276	19,733
Percentage of total revenue of the year (%)	0.42%	0.68%	0.29%	0.15%	0.61%	1.74%
(B) Invoices excluded from (A) in respect of litigations or not accounted						
Number of invoices excluded, of which:	—					
– receivable from third-party	—					
– receivable from HSBC Group entities[1]	—					
Amount of excluded invoices excluding VAT (in €k), of which:	—					
– receivable from third-party	—					
– receivable from HSBC Group entities[1]	—					
(C) Clients' payment terms (contractual or legal terms)						
Payment terms used to assess the late payments	Contractual terms: 30 days					

1 Excluding transactions between HSBC Continental Europe and its branches.

This information does not include banking transactions and certain related transactions as HSBC Continental Europe considers that they do not fall within the scope of the information to be produced.

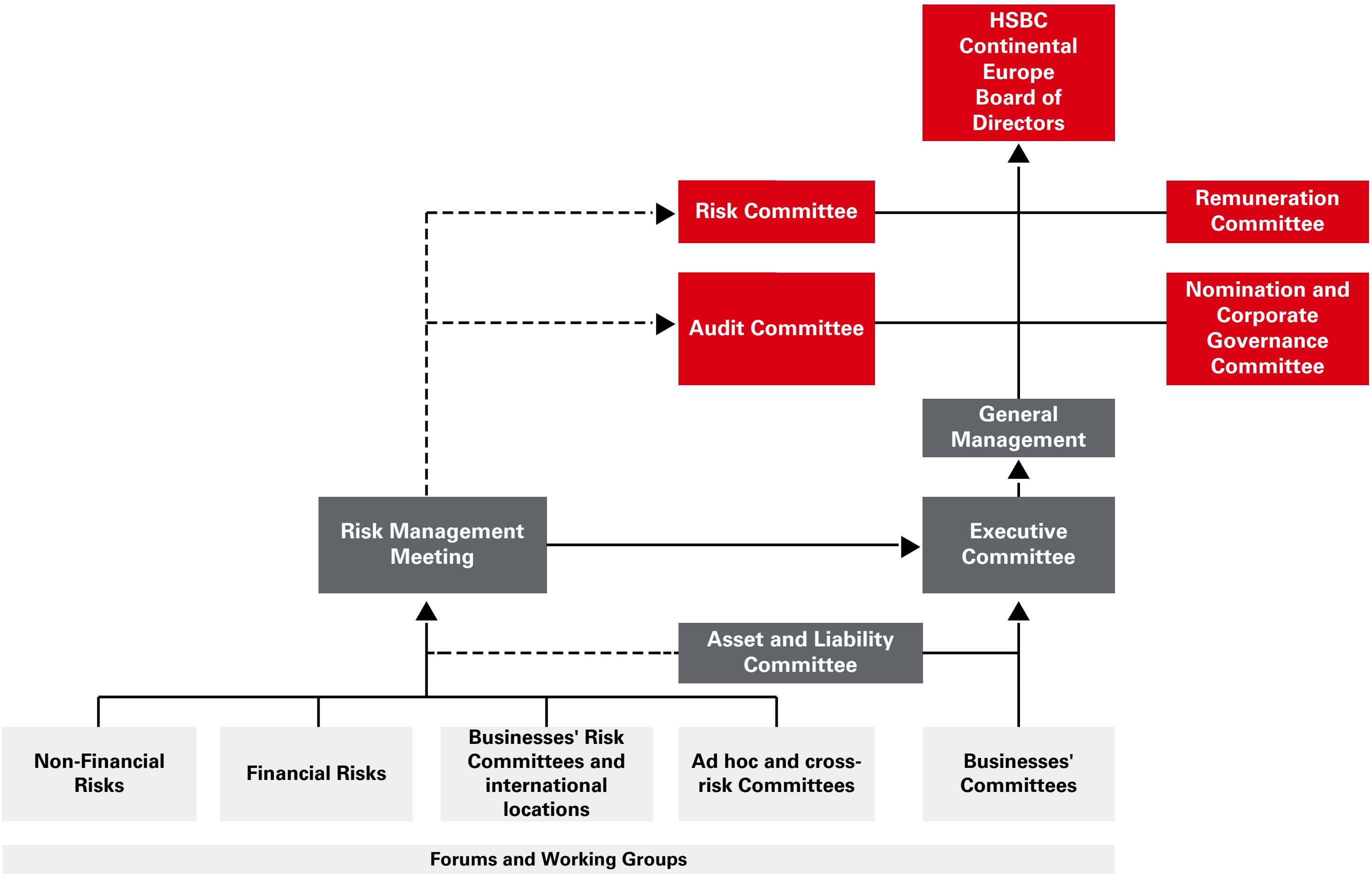
Corporate Governance report

Under article L. 225-37 of the French Commercial Code, the Board of Directors presents to the shareholders' general meeting a report on Corporate Governance attached to the management report referred to in article L. 225-100 of the French Commercial Code.

This report was submitted to the Nomination and Corporate Governance Committee for the part relating to Corporate Governance and to the Remuneration Committee for the part relating to remuneration at their meetings held on 30 January 2025.

Corporate governance bodies and regime

Governance bodies structure



This Corporate Governance report includes detailed information on:

- Membership, duties and work of the Board of Directors on pages 23 to 34;
- Membership, duties and work of the Board Committees on pages 34 to 38; and
- General Management and Executive Committee membership on pages 38 and 39.

Risks, issues or other matters requiring attention from the management body may be escalated through line management, or through the committee structure described above.

In particular regarding the information flow on risk, the HSBC Continental Europe Risk Management Meeting, which is chaired by the Chief Risk Officer and includes the Chief Executive Officer, the Deputy Chief Executive Officers and the other members of the Executive Committee, is the overarching Committee overseeing risk management and permanent control.

Relevant information, in particular on risk, is shared on a quarterly basis with the Board and its Audit and Risk Committees by the Bank's senior management.

Corporate Governance code

As permitted under article L. 22-10-10 of the French Commercial Code, HSBC Continental Europe has decided not to make reference to a corporate governance code worked out by representative business organisations. The reasons for this are threefold:

- As a bank, HSBC Continental Europe is a highly regulated entity, including regarding its corporate governance, and is under the supervision of the European Central Bank, that controls HSBC Continental Europe's compliance with applicable regulation. This ensures that high standards of governance, common to all European banks under the supervision of the European Central Bank, are applied with HSBC Continental Europe.

- HSBC Continental Europe does not have any publicly traded stocks in issuance.
- As a 99.9 per cent owned subsidiary of the HSBC Group, HSBC Continental Europe, like all entities of the HSBC Group, is committed to applying high standards of corporate governance. The HSBC Group has a comprehensive set of principles, policies and procedures, influenced by the UK Corporate Governance Code, which includes requirements in terms of the independence, composition and effectiveness of the Board of Directors, in order to ensure that the HSBC Group is well managed, with appropriate oversight and control. HSBC Continental Europe adhered to these principles, policies and procedures all along 2024.

Information on governance structure, the Chairman's role, Board composition, functioning, organisation and work, and on Executive Directors' compensation are presented in the relevant sections of this report.

Board of Directors

Board of Directors' internal rules

The Board of Directors' internal rules were first established in 1996, and have been updated several times since their implementation. The Board last reviewed and updated these internal rules at its meeting held on 7 February 2025.

The Board's internal rules define the composition, the duty and the conducting of the Board meetings and the information to the Board of Directors. They indicate the main duties and arrangements for exercising the function of Chairman, Chief Executive Officer and Deputy Chief Executive Officers (the latter two functions making up the Company's management body in its management function or 'dirigeants effectifs').

Furthermore, the Board's internal rules define, in accordance with the HSBC Group rules, the duties and responsibilities of the Audit Committee, the Risk Committee, the Nomination and Corporate Governance Committee and the Remuneration Committee (as stipulated below in the parts related to each of these Committees' assignments). They also incorporate ethical rules and rules regarding conflicts of interests prevention and management to be followed by the Directors of HSBC Continental Europe, setting out their rights and duties.

Changes in the Board composition

Changes occurred during 2024

The Nomination and Corporate Governance Committee reviewed the position of the Director whose term of office expired at the Annual General Meeting on 25 March 2024, Carola von Schmettow.

The Board decided to propose the noting of the expiration of her term of office, which was approved by the shareholders at the Annual General Meeting held on 25 March 2024.

Moreover, upon recommendation of the Nomination and Corporate Governance Committee, the Board further decided to propose the appointment of a new Director: Kerstin Lopatta, which was approved by the shareholders at the General Meeting held on 11 October 2024. This appointment was made for three years and will expire at the 2027 Annual General Meeting approving the 2026 annual financial accounts.

Finally, further to the sale of the French Retail Banking business, two Directors elected by HSBC Continental Europe employees transferred to CCF (formerly My Money Group) on 6 February 2024: Ludovic Bénard and Elisabeth Moussi. As they are no longer employed by HSBC Continental Europe, their mandates automatically ended at the same date. Ludovic Bénard has been replaced by Emmanuelle Vigneron, while the other seat will remain vacant until the end of the mandate on 26 September 2025. The term of office of Emmanuelle Vigneron will expire on 26 September 2025.

Changes planned for the first quarter of 2025

Pursuant to the governance rules of the HSBC Group regarding the length of presence of Directors on Group entities' boards, the terms of office of Paule Cellard, Dominique Perrier, Arnaud Poupart-Lafarge, and Eric Strutz will not be renewed at the 2025 Annual General Meeting. Moreover, Stephen O'Connor will not stand for renewal. On the proposal of the Nomination and Corporate Governance Committee, the Board of Directors decided to submit the appointments of Monika Rast and Xavier Martiré as Directors for approval of the General Meeting on 24 March 2025.

Chair of the Board of Directors

Duties of the Chairman of the Board

The Chairman of the Board has a duty to ensure the proper functioning of HSBC Continental Europe's governing bodies. In particular, he conducts the work of the Board and coordinates it with that of the specialised Committees. He ensures that the Directors are in a position to perform their duty, and in particular, ensures that they are in possession of all the information they require for the discharge of their duty.

Presentation of the Chairman of the Board of Directors

Jean Beunardeau

Chairman of the Board of Directors

Member of the Nomination and Corporate Governance Committee

First elected: 2008 as a Director and 2021 as Chairman of the Board. Last re-elected: 2023. Term ends: 2026.

Principal position: Chairman of the Board, HSBC Continental Europe. Vice Chairman Global Banking Europe.

Other directorships in the HSBC Group: Chairman of the Board, HSBC Global Asset Management (France). Vice Chairman and Director, HSBC Assurances Vie (France). Director, Valeurs Mobilières Elysées.

Other directorships outside of the HSBC Group: Member of the Supervisory Board, Société Anonyme des Galeries Lafayette. Chairman, L'offrande Musicale (formerly Académie France-Chine). Treasurer, Association du Golf de Saint-Cloud. Member of the Great Council, Cercle de l'Union Interalliée. Member of the Board, Fondation Schlumberger pour l'Education et la Recherche (since June 2024).

Number of positions held within the meaning of L. 511-52 of the French Monetary and Financial Code: two directorships as member of a Board of Directors or a Supervisory Board.

Skills and experience: Born in 1962. Graduated from Ecole Polytechnique, Telecom Engineer and Master of Economics, he began his career at the Ministry of Finance, at the Forecasting Department then at the Treasury. He became Technical Advisor to the Prime Minister in 1995.

He joined HSBC Continental Europe in 1997 in Corporate Finance and became Managing Director in 2000. He was appointed Co-Head of Corporate Investment Banking and Markets, mainly in charge of Corporate and Investment Banking in 2004.He was appointed Senior Corporate Vice-President in 2005 and then Head of Global Banking and Markets of HSBC Continental Europe in 2007. In 2010, he was appointed Deputy Chief Executive Officer, in addition to his role as Head of Global Banking and Markets France. The same year, he was appointed Head of Global Banking, Continental Europe, HSBC Group.

His direct responsibilities within Global Banking and Markets ended in 2019. From 2012 to 2021, he was Chief Executive Officer of HSBC Continental Europe. Since 2021, he has been Chairman of the Board of Directors of HSBC Continental Europe and Vice Chairman Global Banking Europe.

2023	**Directorships in the HSBC Group:** Chairman of the Board: HSBC Continental Europe, HSBC Global Asset Management (France). Director and Vice Chairman: HSBC Assurances Vie (France). Director: Valeurs Mobilières Elysées. **Directorships outside of the HSBC Group:** Member of the Supervisory Board: Société Anonyme des Galeries Lafayette. Chairman: Académie France-Chine. Treasurer: Association du Golf de Saint-Cloud. Member of the Great Council: Cercle de l'Union Interalliée.
2022	**Directorships in the HSBC Group:** Chairman of the Board: HSBC Continental Europe, HSBC Global Asset Management (France). Director and Vice Chairman: HSBC Assurances Vie (France). Director: Valeurs Mobilières Elysées. **Directorships outside of the HSBC Group:** Member of the Supervisory Board: Société Anonyme des Galeries Lafayette. Chairman: Académie France-Chine. Treasurer: Association du Golf de Saint-Cloud. Member of the Great Council: Cercle de l'Union Interalliée.
2021	**Directorships in the HSBC Group:** Chairman of the Board: HSBC Continental Europe. HSBC Global Asset Management (France). Director and Vice Chairman: HSBC Assurances Vie (France). Director: Valeurs Mobilières Elysées. **Directorships outside of the HSBC Group:** Member of the Supervisory Board: Société Anonyme des Galeries Lafayette. Chairman: Académie France-Chine. Treasurer: Association du Golf de Saint-Cloud. Member of the Great Council: Cercle de l'Union Interalliée.
2020	**Directorships in the HSBC Group:** Director and Chief Executive Officer: HSBC Continental Europe. Chairman of the Board: HSBC Global Asset Management (France). Director and Vice Chairman :HSBC Assurances Vie (France). Director: Valeurs Mobilières Elysées. Chairman: Fondation HSBC pour l'Education. **Directorships outside of the HSBC Group:** Member of the Supervisory Board: Société Anonyme des Galeries Lafayette,Chairman: Académie France-Chine. Director, Fondation de France (permanent representative of HSBC Continental Europe). Treasurer: Association du Golf de Saint-Cloud. Member of the Great Council: Cercle de l'Union Interalliée.

Composition of the Board as of 31 December 2024

On 31 December 2024, the Board of Directors comprised 15 Directors, of which 12 were appointed by the Shareholders' General Meeting and three were elected by employees. A representative of the Social and Economic Council attends Board meetings, without voting rights.

The Directors elected by Shareholders' General Meeting or by employees have a three-year term of office.

The Board membership complies with the policies the Board had implemented on the assessment of the suitability of members of the management body and key function holders and on diversity.

Presentation of the Directors as of 31 December 2024

Andrew Wild

Director and Chief Executive Officer

First elected: 2021. Last re-elected: 2022. Term ends: 2025[2].

Principal position: Chief Executive Officer, HSBC Continental Europe.

Other directorships in the HSBC Group: Member of the Supervisory Committee, HSBC Bank plc Paris Branch. Directorship expired in 2024: Vice-Chairman and Director, HSBC Assurances Vie (France) (until March 2024).

Other directorships outside of the HSBC Group: Member of the Supervisory Board representing HSBC Continental Europe, Fonds de Garantie des Dépôts et de Résolution (since March 2024).

Number of positions held within the meaning of L. 511-52 of the French Monetary and Financial Code: one directorship as executive.

Skills and experience: Born in 1970. British nationality. Graduate of the Business School of the University of Nottingham. He is also qualified as a chartered accountant. He joined the HSBC Group in 2005, after having been, in particular, Senior Manager Transaction Services at KPMG then, Corporate Finance Director at KPMG Corporate Finance. In 2008, he was appointed Deputy Head of Commercial Banking of HSBC in France. In 2011, he was appointed Global Head of Corporate, Business Banking and Products of Commercial Banking, HSBC Group, then he became, in 2013, Global Head of Mid-Market and Business Banking of Commercial Banking, HSBC Group. He was Deputy Chief Executive Officer, Deputy to the Chief Executive Officer of HSBC Continental Europe from 2015 to 2021 and Director of HSBC Continental Europe from 2015 to 2019. He was Head of Commercial Banking in France from 2015 to 2018 and Head of Commercial Banking, Europe from 2017 to 2021. He has been the Chief Executive Officer of HSBC Continental Europe since 2021 and Member of the Executive Committee of HSBC Bank plc since 2018.

2023	**Directorships in the HSBC Group:** Director and Chief Executive Director: HSBC Continental Europe. Vice Chairman and Director: HSBC Assurances Vie (France). Member of the Supervisory Committee: HSBC Bank plc Paris Branch.

2 Director standing for re-election at the Annual General Meeting to be held on 24 March 2025.

2022	**Directorships in the HSBC Group:** Director and Chief Executive Director: HSBC Continental Europe. Vice Chairman and Director: HSBC Assurances Vie (France). Member of the Supervisory Committee: HSBC Bank plc Paris Branch. **Directorships outside the HSBC Group:** Treasurer: Association Française des Banques. Chairman: Group of Banks under foreign control in France, Fédération Bancaire Française.
2021	**Directorships in the HSBC Group:** Director and Chief Executive Officer: HSBC Continental Europe. Vice Chairman and Director: HSBC Assurances Vie (France). Member of the Supervisory Committee: HSBC Bank plc Paris Branch. **Directorships outside the HSBC Group:** Treasurer: Association Française des Banques. Chairman: Group of Banks under foreign control in France, Fédération Bancaire Française.
2020	**Directorships in the HSBC Group:** Deputy Chief Executive Office: HSBC Continental Europe. **Directorships outside the HSBC Group:** Treasurer: Association Française des Banques. Chairman: Group of Banks under foreign control in France, Fédération Bancaire Française.

Irina Aggelidakis

Director elected by employees

First elected: 2022. Term ends: 2025.

Principal position: Administrative Officer within the Social and Economic Council - Management of the HSBC Continental Europe's sport association.

Number of positions held within the meaning of L. 511-52 of the French Monetary and Financial Code: one directorship as member of a Board of Directors or a Supervisory Board.

Skills and experience: Born in 1971. Greek and French nationalities. Graduated with a Professional Certificate in 'Banking' and of a BTS in Advertising Measures and Communication. Since she joined HSBC Continental Europe in 2008, she held the positions of Back-Office Manager in the Commitments Department then Middle-Office Manager in the Collection Department within the Retail Banking. Since 2019, she has been Administrative Officer within the Social and Economic Council in charge of the HSBC Continental Europe's sport association management.

2023	**Directorship in the HSBC Group:** Director elected by employees: HSBC Continental Europe.
2022	**Directorship in the HSBC Group:** Director elected by employees: HSBC Continental Europe.
2021	–
2020	–

Paule Cellard

Independent Director

First elected: 2017. Last re-elected: 2022. Term ends: 2025.

Other directorships: Director, Somfy[3].

Number of positions held within the meaning of L. 511-52 of the French Monetary and Financial Code: Two directorships as member of a Board of Directors or a Supervisory Board.

Skills and experience: Born in 1955. Graduated from the Ecole Supérieure de Commerce de Paris (‘ESCP’ Europe). Degree in International Law from the University Paris II-Assas and Corporate Director Certificate from the French Institute of Directors, issued by the Institut d'Etudes Politiques de Paris.

After having held various operational responsibilities within Investment Banking and Markets activities at Banque Indosuez, at the Chase Manhattan Bank and then at Crédit Agricole Group, she was Head of the central team of Calyon’s Inspection Générale between 2000 and 2005, Chief Executive Officer of Gestion Privée Indosuez between 2006 and 2009, and subsequently Global Head of Compliance for Crédit Agricole Corporate and Investment Bank until 2013, when she retired. Since 2013, she has been holding several directorships in boards and board committees.

2023	**Directorship in the HSBC Group:** Independent Director: HSBC Continental Europe. **Directorships outside of the HSBC Group:** Director : Somfy.
2022	**Directorship in the HSBC Group:** Independent Director: HSBC Continental Europe. **Directorships outside of the HSBC Group:** Member of the Supervisory Board: Damartex. Director Somfy.
2021	**Directorship in the HSBC Group:** Independent Director: HSBC Continental Europe. **Directorships outside of the HSBC Group:** Member of the Supervisory Board: Damartex. Director: Somfy,CA Indosuez Wealth Management (Europe).
2020	**Directorship in the HSBC Group:** Independent Director: HSBC Continental Europe. **Directorships outside of the HSBC Group:** Director: CA Indosuez Wealth Management (Europe). Member of the Supervisory Board: Damartex, Somfy.

Pablo Forero

Independent Director

Member of the Risk Committee and since 1 Juanuary 2025, Chairman of the Risk Committee, Member of the Audit Committee (since 1 January 2025) and Member of the Remuneration Committee (since 9 February 2024).

First elected: 2023. Term ends: 2026.

[3] Listed company

Other directorships: Chairman of the Board of Directors, CaixaBank Asset Management SGC. Director, Grupo Jose De Mello. Member of the Executive Board, Camara de Comercio e Industria Luso-Espanhola.

Number of positions held within the meaning of L. 511-52 of the French Monetary and Financial Code: Three directorships as member of a Board of Directors or a Supervisory Board.

Skills and experience: Born in 1956. Spanish nationality. Graduated with a Bachelor in Macroeconomics from the Autonomous University of Madrid. From 2017 until 2020, he was the Chief executive Officer and Vice-Chairman of Banco BPI S.A. From 2009 to 2016, in CaixaBank S.A. he was Chief Information Officer then Chief Officer for Treasury, Capital Markets and Asset allocation for two years and finally Chief Risk Officer during three years. Before that he was from 1990 to 1997 Head of Asset Management at JP Morgan in Madrid then he assumed various senior roles with JP Morgan Asset Management in London during 1998 and 1999. At the beginning of his career in 1981, he worked in the Audit Department of Arthur Andersen & Co for three years then became Head of Markets and ALCO at Manufacturers Hanover Trust Co. during five years.

2023	**Directorship in the HSBC Group:** Independent Director: HSBC Continental Europe. **Directorships outside of the HSBC Group:** Chairman of the Board of Directors: CaixaBank Asset Management SGC. Director: Grupo Jose De Mello. Member of the Executive Board: Camara de Comercio e Industria Luso-Espanhola.
2022	–
2021	–
2020	–

Deirdre Hannigan

Independent Director

Chairman of the Audit Committee and Member of the Risk Committee

First elected: 2023.Term ends: 2026.

Other directorships: Director and since December 2024, Chair, Dublin City University Education Trust. Director, New Ireland Assurance Company plc (since April 2024).

Number of positions held within the meaning of L. 511-52 of the French Monetary and Financial Code: two directorships as member of a Board of Directors or a Supervisory Board.

Skills and experience: Born in 1960. Irish nationality. Graduated with a Master of Business Studies from the University College Dublin. She is a qualified accountant and a chartered director of the Institute of Directors. From 2017 until 2022, Deirdre Hannigan was the Group Chief Risk Officer and a member of the Executive Management team of AIB Group Plc. She joined AIB from the National Treasury Management Agency where she was Chief Risk Officer during two years. Before that, she held a number of senior international risk management roles with GE Capital and progressively senior roles in Bank of Ireland, primarily in Strategy and Risk Management. Previous to that, she worked in Retail and Corporate Banking with AIB and Rabobank.

2023	**Directorship in the HSBC Group:** Independent Director: HSBC Continental Europe. **Directorships outside of the HSBC Group:** Director: Dublin City University Education Trust.
2022	–
2021	–
2020	–

Kerstin Lopatta

Independent Director

Member of the Audit Committee

First elected: 2024. Term ends: 2027.

Other directorships: Member of the Supervisory Board, Eurokai GmbH &Co KGaA, Freenet AG. Vice Chair of the Sustainability Reporting Board and Special Liaison to the ISSB, European Financial Reporting Advisory Group (EFRAG). Member of the Sustainability Reporting Technical Committee, Accounting Standards Committee of Germany (ASCG). Member of the Sustainable Finance Council, German Ministry of Finance.

Number of positions held within the meaning of L. 511-52 of the French Monetary and Financial Code: Three directorships as member of a Board of Directors or a Supervisory Board.

Skills and experience:

Born in 1969. German nationality. Diploma in Business and Economics from the Leibniz University in Hanover and Ph.D. at the Chair of Business Administration, Auditing and Corporate Governance from Goethe University in Frankfurt. She is a Professional Supervisory Board Member of the German Stock Exchange and an EFFAS Certified ESG Analyst® (CESGA). She is professor of Financial Accounting, Auditing and Sustainability at the University of Hamburg, adjunct professor at the Faculty of Law, Economics and Finance at the University of Luxembourg, and affiliated with City University of Hong Kong as a visiting professor. Before embarking on her academic career, she worked as a consultant both within Deloitte & Touche GmbH Hanover and Mannheim and Feix Steuerberatungsgesellschaft Hanover.

2023	–
2022	–
2021	–
2020	–

Stephen O'Connor

Vice-Chairman and Independent Director

Member of the Nomination and Corporate Governance Committee

First elected: 2021. Last re-elected 2022. Term ends: 2025.

Other directorship in the HSBC Group: Chairman, HSBC Bank plc.

Other directorships outside the HSBC Group: Director, FICC Markets Standards. Chairman and Founder, Quantile Technologies Limited. Board Directorship expired in 2024: Director, London Stock Exchange plc.

Number of positions held within the meaning of L. 511-52 of the French Monetary and Financial Code: two directorships as member of a Board of Directors or a Supervisory Board.

Skills and experience: Born in 1961. British nationality. BSc in Mechanical Engineering from Imperial College and Chartered Accountant. After starting his career with PwC, he held various positions in Markets activities, in particular derivatives, at Morgan Stanley from 1988 to 2013.

He was the non-executive Chairman of OTC Deriv LTD from 2001 to 2011 and of International Swaps and Derivatives Association ('ISDA') from 2009 to 2014.

From 2013 to 2021, he was a member of the Board of the London Stock Exchange Group where he also served as Chairman of the Board Risk Committee and as a Member of the Audit and Nominations Committees. He founded Quantile Technologies Ltd in 2015, where he is the Chair. Since 2018, he has been Chairman of the Board and Chairman of the Nominations, Remuneration and Governance Committee of HSBC Bank plc.

2023	**Directorships in the HSBC Group:** Independent Director: HSBC Continental Europe. Chairman: HSBC Bank plc. **Directorships outside of the HSBC Group:** Chairman and Founder: Quantile Technologies Limited. Director: London Stock Exchange plc, FICC Markets Standards Board.
2022	**Directorships in the HSBC Group:** Independent Director: HSBC Continental Europe. Chairman: HSBC Bank plc. **Directorships outside of the HSBC Group:** Chairman and Founder: Quantile Technologies Limited. Director: London Stock Exchange Group plc, London Stock Exchange plc, FICC Markets Standards Board.
2021	–
2020	–

Pascale Peluso

Director elected by employees

First elected: 2022. Term ends: 2025.

Principal position: Chief Operating Officer – Principal Investment Support and Head of Affiliates and Participations Department HSBC Continental Europe.

Number of positions held within the meaning of L. 511-52 of the French Monetary and Financial Code: one directorship as member of a Board of Directors or a Supervisory Board.

Skills and experience: Born in 1967. Graduated with a Master's Degree in Law, Economics and Management for Professional Purposes, major in Finance and with the Certification of the French Financial Market Authority. She joined HSBC in 1989. From 1993 to 2010, she was Head of Securities Back-Office at HSBC Securities (France). Since 2011, she has been Chief Operating Officer – Principal Investment Support of HSBC Continental Europe. She was also appointed Head of the Subsidiairies and Investments Department in 2012 and Chief Financial Officer of HSBC Real Estate Leasing (France) in 2018.

2023	**Directorship in the HSBC Group:** Director elected by employees: HSBC Continental Europe.
2022	**Directorship in the HSBC Group:** Director elected by employees: HSBC Continental Europe.
2021	–
2020	–

Dominique Perrier

Independent Director

Member of the Audit Committee

First elected: 2018. Last re-elected: 2022. Term ends: 2025.

Other directorships: Director, NaturaBuy. Chairman, Moncey Arbitrage et Conseil. Manager, YP Conseil. Co-manager, Perrier/ Giroire Communication.

Number of positions held within the meaning of L. 511-52 of the French Monetary and Financial Code: one directorship as executive and two directorships as member of a Board of Directors or a Supervisory Board.

Skills and experience: Born in 1954. Graduated from the French Business School ESSEC and Certified Public Accountant. Mediator certified by Ecole Professionnelle de la Médiation et de la Négociation. After practising as external auditor at Peat Marwick and then, from 1988, as an audit and consulting partner at PricewaterhouseCoopers Audit ('PwC'), she took over the development of PwC Dispute Analysis and Investigation department from 2001 to 2016. From 2004 to 2008, she also managed the PwC Restructuring activities. Retired since 2017, she intervenes, on the one hand, as an independent director and, on the other hand, as arbitrator, independent expert and mediator.

2023	**Directorship in the HSBC Group:** Independent Director: HSBC Continental Europe. **Directorships outside of the HSBC Group:** Chairman: Moncey Arbitrage et Conseil. Director: NaturaBuy. Manager: YP Conseil. Co-manager : Perrier/Giroire Communication.
2022	**Directorship in the HSBC Group:** Independent Director: HSBC Continental Europe. **Directorships outside of the HSBC Group:** Chairman: Moncey Arbitrage et Conseil. Director: NaturaBuy. Manager: YP Conseil.
2021	**Directorship in the HSBC Group:** Independent Director: HSBC Continental Europe. **Directorships outside of the HSBC Group:** Chairman: Moncey Arbitrage et Conseil. Director: NaturaBuy. Manager: YP Conseil.
2020	**Directorship in the HSBC Group:** Independent Director: HSBC Continental Europe. **Directorships outside of the HSBC Group:** Chairman: Moncey Arbitrage et Conseil. Director: NaturaBuy.

Arnaud Poupart-Lafarge

Independent Director

Chairman of the Nomination and Corporate Governance Committee and Chairman of the Remuneration Committee.

First elected: 2016. Last re-elected: 2022. Term ends: 2025.

Principal position: Chief Executive Officer, Galliance (until 1 January 2025). Chief Executive Officer, Elivia (since September 2024).

Number of positions held within the meaning of L. 511-52 of the French Monetary and Financial Code: one directorship as executive and one directorship as member of a Board of Directors or a Supervisory Board.

Skills and Experience: Born in 1965. Engineer graduated from the Ecole Polytechnique and the Ecole Nationale des Ponts et Chaussées. Holds a Master of Science in Engineering Management from Stanford University. Within the ArcelorMittal group, led operations in Europe, Africa and CIS; member of the Management Council of the ArcelorMittal group until 2013. Managing Director of Nexans from 2014 to 2018, after joining the company in 2013 as Director of Operations. From 2019 to 2022, President of Racilia.

He was the CEO of Galliance from 2020 until 1 January 2025 and has been the VCEO of Elivia since September 2024.

2023	**Directorship in the HSBC Group:** Independent Director: HSBC Continental Europe. **Directorship outside of the HSBC Group:** Chief Executive Officer: Galliance.
2022	**Directorship in the HSBC Group:** Independent Director: HSBC Continental Europe. **Directorship outside of the HSBC Group:** Chief Executive Officer: Galliance.
2021	**Directorship in the HSBC Group:** Independent Director: HSBC Continental Europe. **Directorships outside of the HSBC Group:** Chairman: Racilia. Chief Executive Officer: Galliance.
2020	**Directorship in the HSBC Group:** Independent Director: HSBC Continental Europe. **Directorships outside of the HSBC Group:** Chairman: Racilia. Chief Executive Officer: Galliance.

Lucile Ribot

Independent Director

Member of the Audit Committee

First elected: 2016. Last re-elected: 2023. Term ends: 2026.

Other directorships: Director, Imerys[4]. Director, Kaufman & Broad SA[4].

Number of positions held within the meaning of L. 511-52 of the French Monetary and Financial Code: three directorships as member of a Board of Directors or a Supervisory Board.

Skills and experience: Born in 1966. Graduated from the Ecole des Hautes Etudes Commerciales de Paris ('HEC'). Senior Audit Manager at Arthur Andersen (audit and consulting) from 1989 to 1994. She joined the Fives Group in 1995 as a Group Financial Controller. From 1996 to 1997, Chief Financial and Administrative Officer of the subsidiary Fives Solios. From 1998 to 2017, Chief Financial Officer of Fives and Member of the Management Board from 2002 to 2017.

2023	**Directorship in the HSBC Group:** Independent Director: HSBC Continental Europe. **Directorships outside of the HSBC Group:** Director: Imerys, Kaufman & Broad SA.
2022	**Directorship in the HSBC Group:** Independent Director: HSBC Continental Europe. **Directorships outside of the HSBC Group:** Director: Imerys, Kaufman & Broad SA.
2021	**Directorship in the HSBC Group:** Independent Director: HSBC Continental Europe. **Directorships outside of the HSBC Group:** Director: Imerys, Kaufman & Broad SA.
2020	**Directorship in the HSBC Group:** Independent Director: HSBC Continental Europe. **Directorships outside of the HSBC Group:** Director: Imerys, Kaufman & Broad SA. Member of the Supervisory Committee: Acropole Holding SAS, Siaci Saint Honoré.

Eric Strutz

Independent Director

Member of the Risk Committee since 1 January 2025, Chairman of the Risk Committee (until 31 December 2024) and Member of the Audit Committee (until 31 December 2024).

First elected: 2022. Term ends: 2025.

Other directorship in the HSBC Group: Director, HSBC Bank plc.

Other directorships outside the HSBC Group: Member of the Board of Directors, Global Blue Group Holding AG. Member of the Advisory Council, Luxembourg Investment Company 261 S.à.r.l. Member of the Foundation Council Stiftung Tumorforschung Kopf-Hals.

Number of positions held within the meaning of L. 511-52 of the French Monetary and Financial Code: three directorships as member of a Board of Directors or a Supervisory Board.

Skills and experience: Born in 1964. German nationality. Graduated of a Bachelor Degree and a Doctorate from the University of St. Gallen, in Switzerland, and an MBA in Finance from the University of Chicago, USA. Eric Strutz started his carrier at Boston Consulting Group in 1993, where he was Consultant then a Director from 2000. He joined Commerzbank in 2001 as Group Head of Strategy, and was Chief Financial Officer from 2003 to 2012, and Member of the Management Board from 2004 to 2012. From 2015 to August 2023, he was Member of the Supervisory Board and Chairman of the Audit Committee of HSBC Trinkaus & Burkhardt GmbH. He has been an independent non-executive Director, Chairman of the Risk Committee, Member of the Audit Committee and of the Nomination, Remuneration and Corporate Governance Committee of HSBC Bank plc since 2016.

2023	**Directorships in the HSBC Group:** Director: HSBC Continental Europe. Director, HSBC Bank plc. **Other directorships outside the HSBC Group:** Member of the Board of Directors, Global Blue Group Holding AG. Member of the Advisory Council, Luxembourg Investment Company 261 S.à.r.l. Member of the Foundation Council Stiftung Tumorforschung Kopf-Hals.

4 Listed Company.

2022	**Directorships in the HSBC Group:** Director: HSBC Continental Europe. Director, HSBC Bank plc. Member of the Supervisory Board, HSBC Trinkaus & Burkhardt GmbH. **Other directorships outside the HSBC Group:** Member of the Board of Directors, Global Blue Group Holding AG. Member of the Advisory Council, Luxembourg Investment Company 261 S.à.r.l. Member of the Foundation Council Stiftung Tumorforschung Kopf-Hals.
2021	–
2020	–

Michaël Trabbia

Independent Director

Member of the Risk Committee

First elected: 2022. Term ends: 2025[5].

Principal position: Executive Vice President and Chief Executive Officer Orange Wholesale, Orange Group.

Other directorships: Chairman, Orange Concessions. Chairman, Bleu (since March 2024). Director, Totem. Director, Nordnet. Chairman of the Supervisory Committee, FT Marine.

Number of positions held within the meaning of L. 511-52 of the French Monetary and Financial Code: Two directorships as member of a Board of Directors or a Supervisory Board.

Skills and Experience: Born in 1976. Graduated of Ecole Polytechnique and of Télécom ParisTech, and holding a Master’s of Advanced Studies in Industrial Economics. Michaël Trabbia began his career in 2001 at ARCEP (French National Regulatory Authority for telecommunications and posts) where he was notably in charge of the allocation and control of the mobile licences. In 2004, he was appointed Technical Advisor to the cabinet of the Minister for European Affairs, before joining the cabinet of the Minister for Regional Development as Advisor for "ICT and Europe" in 2005. In 2007, he joined TDF (a french network and infrastructure operator) as Head of Strategy and Development. In 2009, he was appointed Deputy Chief of Staff to the Minister of Industry and Head of "Industrial Sectors Policy", before joining the Orange Group in 2011 where he was the Group’s Director (SVP) for Corporate Public Affairs. He then became in 2014 Chief of Staff for the Chairman and Chief Executive Officer of Orange, and Secretary of the Group’s Executive Committee. From 2016 to 2020, Michaël Trabbia served as Chief Executive Officer of Orange Belgium and was then Chief Technology and Innovation Officer and Group Head of Innovation from 2020 to 2023. He has been the CEO Wholesale of Orange Group since 2023.

2023	**Directorships in the HSBC Group:** Director: HSBC Continental Europe. **Directorships outside of the HSBC Group:** Chairman Orange Concessions,Director,Totem, Nordnet. Chairman of the Supervisory Committee, FT Marine.
2022	**Directorships in the HSBC Group :** Director: HSBC Continental Europe. **Directorships outside of the HSBC Group:** Chairman of the Board, Viaccess SA. Chairman of the Board, Sofrecom. Chairman of the Board, Soft@home. Director, Nordnet. Director, BuyIn S.A. Board Member, GSMA.
2021	–
2020	–

Emmanuelle Vigneron

Director elected by by employees

Member of the Remuneration Committee

First elected: 2024. Term ends: 2025.

Principal position: Equity Analyst, Mid Cap Value & Growth, HSBC Continental Europe.

Number of positions held within the meaning of L. 511-52 of the French Monetary and Financial Code: One directorship as member of a Board of Directors or a Supervisory Board.

Skills and experience: Born in 1974. Master’s degree in Bank and Finance from the University of Paris-Sorbonne. Graduate of the CFAF. Since she joined HSBC Continental Europe in 2006, she has held various positions as Financial Analyst.

2023	-
2022	–
2021	–
2020	–

Board diversity

The diversity policy of the management body aims at reaching a balance and a complementarity of age, gender, geographic, professional and educational experience, independence, seniority in the mandate and representation of employees.

The profiles of the Directors are diverse and complementary and cover the spectrum of business lines and risks associated with the activities of HSBC Continental Europe. According to the Articles of Association, the Board of Directors includes four members elected by the employees.

The Board includes six different nationalities and two-thirds of Directors have international experience. As at 31 December 2024, the average age of the Directors in office is 59.6, slightly higher than 55.9 at 31 December 2023, and their average tenure in the function is 4.9 years, slightly higher than 4.1 in 2023. Excluding Directors elected by employees, the Board comprises five women and seven men, i.e. 42 per cent of women and 58 per cent of men.

Independent Directors

With respect to the criteria on independence defined in the guidelines on the assessment of the suitability of members of the management body issued by the European Banking Authority ('EBA') and the European Securities and Markets Authority (‘ESMA’) and by the HSBC Group, the Board of Directors determines, on appointment and annually thereafter, whether each non-executive Director may be considered as independent.

5 Director standing for re-election at the Annual General Meeting to be held on 24 March 2025.

To do this, it examines whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director’s judgement. The Board should record its reasons if it determines that a Director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination. As at 31 December 2024, ten Directors can be deemed independent, i.e. 67 per cent of all Directors.

Board evaluation

Pursuant to HSBC Group's policy, a Board evaluation was conducted internally in December 2024, under the responsibility of the Nomination and Corporate Governance.

Committee and on the basis of a questionnaire covering the following themes:

– for the Board: strategy, risk and financial performance; Board and committee composition and structure; management performance; corporate culture and conduct; meeting materials and process; role of Company Secretary; Director self-assessment, training and succession; and Board behaviours, culture and effectiveness.
– for each of the Board Committees: committee performance; committee composition and structure; management performance and succession; meeting materials and process; and Committee behaviours, culture and effectiveness.

Results of this evaluation and the update on main actions implemented further to the evaluation conducted the year before were discussed by each of the Board Committes and then by the Board of Directors at its meeting of 7 February 2025.

The overall opinion regarding the Board and its Committees as well as their effectiveness remains broadly positive. Actions were discussed and decided upon by each Board Committee in relation to their activities and by the Board. These actions related for example to training, Board Committees membership, the involvement of the Board in developing the strategy, and wider support to the Board.

Directors’ training and information

As required by the Board’s internal rules, Directors receive the information they need to fulfil their duties and may ask to receive any documents they deem useful.

In particular, the Board and the Board Committees may ask for a presentation on a particular subject or issue at a future meeting.

According to the policy on training of the management body's members, all new Directors, when taking up duty, receive an information pack on HSBC Continental Europe, including legal information about the company and the role of Directors, as well as the latest Universal Registration Document.

In addition, the Company Secretary organises, for the new Director’s benefit and depending on his/her needs and priorities, a programme of training sessions with HSBC Continental Europe’s main executives in the business lines and functions. Directors in office are also able to attend these sessions. Thus, in 2024, induction programmes were organised for the new Director elected by employees and then for the new independent Director, with some training sessions delivered in late 2024 and the remaining scheduled in 2025.

In addition, ten training sessions were organised during the year for the entire Board: four on ESG-related topics, three on technology and data issues, two on recovery and resolution, and one on IFRS17.

A deep dive on credit models was also organised jointly for the Boards of both HSBC Continental Europe and HSBC Bank plc. Furthermore, Directors completed training, during the year, in the form of e-learning on risk management, health and safety, wellbeing, protective security and sustainability, anti-money laundering, terrorist financing, proliferation financing, sanctions, fraud, tax transparency, anti-bribery and corruption, insider threat, data, cybersecurity, bullying, harassment, discrimination and retaliation and regulatory conduct.

Meetings of the Board of Directors and of the Board’s Committees are also used as an opportunity to provide Directors with information that is essential for them to carry out their duties, and to update their knowledge.

Moreover, the HSBC Group is also organising sessions, focusing on independent non-executive directors and Board chairs. For example, the Chairman of the Board and the independent non-executive directors were invited to attend a Global NED Update in September 2024. In 2024, the HSBC Group launched a Bank Chair Programme, involving the chairs of boards and boards committees across the HSBC Group's entities. The Chairman of the Board and the Chairpersons of the Audit and Risk Committees regularly attend sessions bringing together their counterparts from the main European entities.

Directors’ remuneration

The maximum total remuneration payable each year to Directors was fixed at EUR 1.8 million, as decided by the Ordinary General Meeting of 25 March 2024.

This remuneration is allocated according to the following rules, decided by the Board of Directors at its meeting on 20 July 2023:

– each Director is allocated an annual flat fee of EUR 65,000, paid at the conclusion of the Annual General Meeting;
– the additional annual flat fee paid to Board Committees members amounts to;
– EUR 40,000 for the Chair of the Audit Committee;
– EUR 45,000 for the Chair of the Risk Committee;
– EUR 25,000 for the members of the Audit Committee and of the Risk Committee;
– EUR 13,000 for the Chair of the Nomination and Corporate Governance Committee;
– EUR 11,000 for the members of the Nomination and Corporate Governance Committee;
– EUR 10,000 for the Chair of the Remuneration Committee; and
– EUR 8,500 for the members of the Remuneration Committee.

Furthermore, within the HSBC Group, it is customary for Directors performing other executive duties in the Group and Executive Directors to renounce their remuneration in respect of their directorships held in HSBC Group companies. Directors and Executive Directors of HSBC Continental Europe and its subsidiaries adhere to this recommendation.

In 2024, in respect of 2023, Jean Beunardeau and Andrew Wild renounced the payment of their remuneration in respect of their directorship in HSBC Continental Europe. It also has to be noted that, since his appointment as Chairman of the Board of Directors as of 15 July 2021, Jean Beunardeau has received compensation solely for his role as Vice Chairman Global Banking Europe, which includes eligibility to a defined benefits supplementary pension scheme, and does not receive compensation in the context of his role as Chairman of the Board and as Director.

Moreover, in order to comply with the rules applied by the HSBC Group, the Directors' attendance record is not taken into account in calculating Directors' remuneration.

The total Directors' remuneration net of social contributions, income tax prepayment and withholding tax to be paid in 2025 in respect of 2024 amounts to EUR 0.89 million, to be compared to EUR 0.69 million paid in 2024 in respect of 2023.

Remunerations paid to Non-Executive Directors by HSBC Continental Europe, the companies it controls and the companies which control it (the HSBC Group)

	Remuneration in respect of the directorship paid in 2023 in respect of 2022	**Remuneration in respect of the directorship paid in 2024 in respect of 2023**	Other compensation paid in 2023[1]	**Other compensation paid in 2024[1]**
Directors performing their principal position in an entity of the HSBC Group				
Jean Beunardeau	—	**—**	EUR 2,208,729	**EUR 2,164,631**
Directors elected by the employees				
Irina Aggelidakis[2,3]	EUR 10,350	**EUR 41,400**	—	**—**
Ludovic Bénard[2,3,4]	EUR 10,350	**EUR 47,852**	—	**—**
Christine D'Amore[3,5]	EUR 36,329	**EUR 36,329**	—	**—**
Elisabeth Moussi[2,3,4]	EUR 10,350	**EUR 41,400**	—	**—**
Pascale Peluso[2,3]	EUR 10,350	**EUR 41,400**	—	**—**
Lucie Thalamas Dit Barathe[3,5]	EUR 31,050	**—**	—	**—**
Angélique Terrazzino[5]	EUR 31,050	**—**	—	**—**
Directors not performing executive duties within the HSBC Group[6]				
Paule Cellard	EUR 55,650	**EUR 55,650**	—	**—**
Pablo Forero[7]	—	**EUR 15,478**		
Deirdre Hannigan[8]	—	**EUR 46,216**		
Lindsay Gordon[9]	EUR 19,207	**—**	—	**—**
Philippe Houzé[9]	EUR 10,208	**—**	—	**—**
Thierry Moulonguet[9]	EUR 15,458	**—**	—	**—**
Stephen O'Connor	EUR 263,733[10]	**EUR 262,420[11]**	—	**—**
Dominique Perrier	EUR 49,700	**EUR 49,700**	—	**—**
Arnaud Poupart-Lafarge	EUR 48,563	**EUR 49,000**	—	**—**
Lucile Ribot	EUR 69,096	**EUR 61,950**	—	**—**
Eric Strutz[12]	EUR 289,073[13]	**EUR 247,438[14]**	—	**—**
Carola von Schmettow[15]	EUR 43,600	**EUR 43,600**	—	**—**
Brigitte Taittinger[9]	EUR 7,292	**—**	—	**—**
Michaël Trabbia[12]	EUR 39,346	**EUR 49,700**	—	**—**

1 Fixed and other fixed remuneration, variable remuneration and benefits in kind.
2 Election by employees on 26 September 2022.
3 Renounced remuneration to the benefit of a trade union organisation, net of social contributions.
4 End of Directorship on 6 February 2025.
5 End of Directorship on 26 September 2022.
6 Amounts paid net of social contributions, income tax prepayment, and, where applicable, withholding tax.
7 Appointed on 6 October 2023.
8 Appointed on 30 June 2023.
9 End of Directorship on 11 March 2022.
10 Of which EUR 49,468 paid by HSBC Continental Europe.
11 Of which EUR 51,012 paid by HSBC Continental Europe.
12 Appointment on 11 March 2022.
13 Of which EUR 73,175 paid by HSBC Continental Europe.
14 Of which EUR 92,432 paid by HSBC Continental Europe.
15 End of Directorship on 25 March 2024.

Duties and procedures of the Board of Directors

The Board internal rules govern the Board’s functioning and include the main duties under the Board’s responsibility. The Board's functioning takes into account HSBC Continental Europe’s position as a 99.9 per cent held subsidiary of the HSBC Group. Under its internal rules, the Board:

– constructively challenges the strategy and determines strategic orientations, on the basis of the strategy formulated by General Management, and oversees and monitors their implementation. It approves strategic investments/divestments and all transactions liable to impact earnings significantly;
– oversees and monitors management decision-making and actions and provides effective oversight of the effective managers and constructively challenges and critically reviews proposals and information provided by the effective managers, as well as their decisions;
– oversees and monitors that HSBC Continental Europe’s strategic objectives, organisational structure and risk strategy, including its risk appetite and risk management framework, as well as other policies (e.g. remuneration policy) and the disclosure framework are implemented consistently;
– monitors and supervises major risks and reviews regular risk management reports, setting out the risks involved in the HSBC Continental Europe’s business and results;
– monitors that the risk culture is implemented consistently;
– sets HSBC Continental Europe’s values and principles and oversees the implementation and maintenance of a code of conduct or similar and effective policies to identify, manage and mitigate actual and potential conflicts of interests;
– oversees the integrity of financial information and reporting, and the internal control framework, including an effective and sound risk management framework;
– ensures that the heads of internal control functions, namely the Chief Risk Officer, the Chief Compliance Officer and the Head of Internal Audit, are able to act independently and, regardless of the responsibility to report to other internal bodies, business lines or units, can raise concerns and warn the Board where necessary when adverse risk developments affect or may affect the institution;
– deliberates on all questions pertaining to its legal and regulatory obligations and those stemming from its Articles of Association; and
– cares about HSBC Group's reputation in Continental Europe.

In the week prior to the meeting, the Directors receive the meeting file, including the agenda, the draft minutes of the previous Board meeting and supporting papers to the agenda items to be discussed at the meeting. When certain items are of high confidentiality or cannot be disclosed in advance, the necessary documents are provided immediately before or during the meeting. Furthermore, Directors are regularly advised of significant events regarding the company and receive the relevant documents.

Board of Directors’ work

The Board of Directors met 13 times during 2024. The average attendance rate was 91 per cent, compared to 12 meetings with an average attendance rate of 90 per cent in 2023:

– 9 February 2024 (attendance rate: 100 per cent);
– 20 February 2024 (attendance rate: 87 per cent);
– 25 March 2024 (attendance rate: 87 per cent);
– 23 April 2024 (attendance rate: 100 per cent);
– 13 May 2024 (attendance rate: 93 per cent);
– 28 June 2024 (attendance rate: 93 per cent);
– 19 July 2024 (attendance rate: 86 per cent);
– 30 July 2024 (attendance rate: 86 per cent);
– 20 September 2024 (attendance rate: 86 per cent);
– 24 October 2024 (attendance rate: 100 per cent);
– 12 November 2024 (attendance rate: 87 per cent);
– 6 December 2024 (attendance rate: 87 per cent); and
– 12 December 2024 (attendance rate: 87 per cent).

Businesses and strategy

At each of its meetings, the Board monitored the progress of the strategy and ensured the current and future sustainability of the business model. It was also given detailed presentations on specific parts of the business to ensure a proper oversight from the Board.

From a context perspective, the Board was given geopolitical and macroeconomic updates to support its discussions.

In order to increase its involvement in the assessment and validation of the strategy and associated transformation projects, the Board decided, at its meeting of 9 February 2024, to establish a Strategy Forum to support the decisions relating to strategy to be made by the Board.

Throughout 2024, the Board continued to take decisions to build a leaner, simpler bank with a sharper strategic focus and an ambition to grow and to oversee the implementation of the execution of the strategic initiatives. The main decisions included the following:

– on 13 May 2024, the Board approved the sale of the shares held by HSBC Continental Europe in HSBC Epargne Entreprise to Natixis Interépargne;
– on 20 September 2024, following a strategic review, the Board approved the disposal of the private banking business of HSBC Continental Europe in Germany to BNP Paribas, subject to the Works Council negotiations and regulatory approval;
– in accordance with the terms of the sale of the retail banking operations on 1 January 2024, HSBC Continental Europe retained a portfolio of EUR 7.1 billion at the time of sale, consisting of home and certain other loans. At its meeting of 24 October, the Board endorsed the launch of marketing the sale of this portfolio, which was announced by the HSBC Group on 29 October 2024; and
– on 12 December 2024, following a strategic review, the Board approved the disposal of the French Insurance business to Matmut SAM, subject to the parties’ information and consultation processes with their respective employees’ works councils and relevant regulatory and competition approvals.

The Board paid particular attention to the human resources risk and people engagement in the context of transformation.

Furthermore, the Board reviewed and approved the technology strategy HSBC Continental Europe sustainability and monitored its implementation. Moreover, the Board member designated to oversee IT topics, due to his expertise in this area, reported to the Board at each quarterly meeting of the Board.

Technology

In 2024, the Board discussed in detail technology related topics, including the strategy and its execution, operational resilience, budget.

In addition to the presentations from management, the Board received regular verbal reports by its member who had been tasked with a specific oversight over IT.

ESG

In 2024, the Board reviewed the sustainability strategy of HSBC Continental Europe and was regularly updated on climate-related and environmental risks and on the double materiality assessment process.

The Board reviewed the governance framework for ESG, including the roles and responsibilities of the Board and its Committees with respect to ESG strategy and oversight and the executive governance.

Considering the increasing importance of ESG across the board and in order to enhance its knowledge in this area, the Board decided, at its meeting of 20 September 2024, to appoint Kerstin Lopatta as an expert with extensive experience in sustainability, including reporting. She has been designated by the Board to oversee ESG topics and reports to the Board on these topics. Since her appointment, she has focused her attention on the implementation of the Corporate Sustainability Reporting Directive ('CSRD'), and in particular the first CSRD report to be published in 2025.

The Board decided to propose to the shareholders to appoint PwC as the sustainability statutory auditor in relation with the CSRD report.

People and Culture

In 2024, the Board discussed the People strategy and the Culture plan.

Finance

At each of its quarterly meetings, the Board reviewed the financial performance and changes in the balance sheet of HSBC Continental Europe. For each period considered, it heard the conclusions of the Statutory Auditors, who were invited to attend all Board meetings. In addition, the Board reviewed the quarterly, half-yearly and annual financial statements and signed off on the half-yearly and annual financial statements.

At its meeting on 6 December 2024, the Board reviewed and approved the budget and the capital and liquidity plans for 2025, after preliminary version presented at its meeting on 24 October 2024.

The Board was informed of developments in regulatory capital and regulatory ratios, in particular capital, liquidity, solvency and leverage ratios as well as projections on these matters.

The Board also reviewed and approved the dividend policy, the Internal Capital Adequacy Assessment Process ('ICAAP') and the Internal Liquidity Adequacy Assessment Process ('ILAAP') reports, and the stress testing framework.

The Board reviewed and approved non-audit services rendered by the Statutory Auditors as necessary.

Finally, the Board monitored the progress of work on recovery and resolution planning and approved the recovery plan before its submission to the European Central Bank.

Risk management

At each quarterly meeting, the Board reviewed the HSBC Continental Europe group's risk position, financial as well as non-financial risks.

For this purpose, it is supported in particular by the core risk reports (risk map, top and emerging risks and risk appetite statement) and by the reports given at the meetings by the Chief Risk Officer and the Chair of the Risk Committee.

In addition, it reviewed updates to the risk management framework and policies and reviewed certain risk appetite metrics and thresholds during the year.

The Directors have also access to the Risk Committee's supporting documentation.

The Board reviewed and approved where necessary the annual reports on internal control and on the organisation of the financial crime internal control system, sent to the Autorité de contrôle prudentiel et de résolution ('ACPR').

The work of Internal Audit, in particular the reports that were the subject of an adverse rating and the evolution in the number of open recommendations, as well as the resources of Internal Audit were discussed regularly, in particular by the Audit Committee. In addition, the Head of Internal Audit presented his annual report to the Board at its meeting on 9 February 2024. The Board reviewed and approved the Internal Audit Plan for 2025 at its meeting 6 December 2024.

Regulatory environment and supervision

The Board received regular reports on the changes in the regulatory landscape and how they were managed by HSBC Continental Europe.

In addition, the Board closely followed the engagements with the various supervisors and in particular the findings of their assessments and inspection missions.

On 9 February 2024, the Joint Supervisory Team of the European Central Bank and the ACPR presented to the Board the results of their work carried out in 2023 and their priorities, expectations and supervisory programme for 2024, enabling an exchange of views with the Directors.

Governance

The Board deliberated, notably on the basis of the work of the Remuneration and Nomination and Corporate Governance Committees, on the various subjects that fall under its responsibility, in accordance with the laws and regulations in force, in particular with regard to remuneration and assessment of the suitability of the management body, composition of the Board and specialised Board committees, training of the management body, management of conflicts of interests, Board performance, and delegation of authority framework.

The Board also reviewed and updated the corporate governance policies for which it is responsible. It also examined the updates of the governance rules applying to HSBC Group entities (Subsidiary Accountability Framework).

The Board approved the reports of the Board of Directors to the General Meeting and on corporate governance for the 2023 financial year, the half-yearly report of the Board at 30 June 2024 as well as the publications relating to the annual and half-yearly results.

During 2024 financial year, the Board did not authorise any new related-party agreements. The Board examined the agreements entered into and authorised by the Board during previous financial years and whose execution has continued, in accordance with Article L. 225-40-1 of the French Commercial Code[6].

The work of the Board Committees was set out in regular, detailed reports from their respective Chairpersons and was debated during Board meetings. In this regard, the Board was kept informed at each meeting about the main topics discussed, recommendations, and points of action identified by the Committee.

6 Details on related-party agreements are available on page 39.

Finally, at each Board meeting, a report was given on the action points requested by the Board at previous meetings, with specific presentations where necessary.

Board Committees

The Board is assisted by four specialised Committees: Audit Committee, Risk Committee, Nomination and Corporate Governance Committee and Remuneration Committee. Their duties are defined in the Board's internal rules.

Audit Committee

Composition of the Audit Committee

Chairperson	
Deirdre Hannigan (independent)	Appointed in 2023
Members	
Pablo Forero (independent)	Appointed on 1 January 2025
Kerstin Lopatta (independent)	Appointed in 2024
Dominique Perrier (independent)	Appointed in 2019
Lucile Ribot (independent)	Appointed in 2017 (Chair from 2022 to 2023)
Eric Strutz (independent)	From 2022 to 31 December 2024

Further to his appointment as Chairman of the Risk Committee from 1 January 2025, Pablo Forero was appointed as a Member of the Audit Committee from the same date, replacing Eric Strutz.

The Audit Committee members are highly qualified in banking, financial, accounting, sustainability reporting and control areas, as they serve or have in the past served as Audit Committee member, Chief Financial Officer, Chief Risk Officer, including for banks, Expert with regulatory advisory bodies or as Statutory Auditor. Cross-membership of the Audit and Risk Committees Chairs ensures an appropriate interaction between both committees.

Audit Committee's duties

The Audit Committee is accountable to the Board. The Committee oversees and advises the Board on matters relating to the budget, financial reporting, internal control of financial information, capital and liquidity ratios to support the Risk Committee, the dividend policy and capital allocation, management of the Finance function and Internal Audit.

The Committee in particular reviews:

- the integrity of the financial statements, formal announcements and disclosures relating to financial performance;
- the effectiveness of Internal Audit and the external audit process; and
- the effectiveness of internal financial control systems.

The Committee and its Chair had the opportunity to meet the Statutory Auditors and the Head of Internal Audit regularly, including in private sessions to ensure that there are no unresolved issues or concerns. In carrying out these duties and responsibilities, the Committee may consult any adviser or expert as it deems appropriate.

To give itself sufficient time to review the accounts before they are reviewed by the Board, the Audit Committee meets a few days before the Board insofar as possible.

Lastly, at the request of the HSBC Bank plc's Audit Committee, the HSBC Continental Europe's Audit Committee Chairperson provides a half-yearly certificate to the Audit Committee Chairman of HSBC Bank plc, HSBC Continental Europe's direct shareholder, confirming, in particular, that the accounts were reviewed by the Committee and that the internal control system of financial reporting appears to be appropriate.

Audit Committee's work in 2024

The Audit Committee met six times in 2024, with an attendance rate of 100 per cent, compared to seven meetings with an attendance rate of 100 per cent in 2023:

- 7 February 2024;
- 19 February 2024;
- 22 April 2024;
- 17 July 2024;
- 29 July 2024; and
- 18 October 2024.

Each meeting was also attended by the Statutory Auditors, the Chief Financial Officer, the Chief Accounting Officer, the Head of Internal Audit and the Chief Risk Officer. The Chief Executive Officer and the Deputy Chief Executive Officer also attended Committee meetings to answer any questions. HSBC Continental Europe executives also attend Committee meetings covering any subjects falling under their responsibility.

The first aspect of the Committee's work involved an in-depth review of the annual, half-yearly and quarterly financial statements prior to their presentation to the Board. The Audit Committee reviewed the parent company and consolidated accounts, as well as the publications relating to the annual results. The Committee was informed by the Finance Department of the main accounting and tax points of attention and discussed the choices made by the company in drawing up its financial statements and verified the adequacy of provisions for identified risks, especially provisions for credit risk.

The Committee paid particular attention to accounting incidents and the related remediation work, sustainability reporting under the EU Taxonomy, Pillar 3 and in preparation for the first disclosure of the CSRD report.

Throughout the year, the Committee remained attentive to monitoring the cost base, including technology spend.

The Committee recommended to the Board the renewal of financial statutory auditors, as well as the appointment of a sustainability statutory auditor in relation with the CSRD report.

The Committee was also informed of the Finance system strategy and of changes in the organisation of the Finance department.

The second area of the Committee's work concerned controls. To this end, the Statutory Auditors reported on matters requiring particular attention at the time of preparing the financial statements. Every quarter, the Statutory Auditors presented their diligences on the financial statements. The Committee discussed the Statutory Auditors' audit programme and independence, approved the fees paid in 2024 by the HSBC Continental Europe group to its Statutory Auditors. The Committee reviewed and authorised as necessary the non-audit services rendered by the Statutory Auditors.

The Committee was also informed of the risks and results of controls conducted on financial statements, in particular regarding the deficiencies identified by these controls and progress in action plans.

At its meeting on 17 July 2024, the Committee was given a presentation on the framework in place regarding whistleblowing and its results.

At its meeting on 18 October 2024, the Committee examined the list of related-party agreements authorised previously by the Board and still in force and made recommendations to the Board regarding the list update.

The third aspect of the Committee work concerned the detailed review, at each of its quarterly meetings, of Internal Audit activities. It reviewed the findings of the main audit duties, notably those calling for particular attention. The Committee remained extremely attentive to the proper implementation of the audit recommendations and to the evolution of the human resources of Internal Audit. It has also approved the 2024 annual audit plan.

Throughout 2024, the Committee received reports from the subsidiaries' Chairs of Audit Committees.

The Chairperson of the Audit Committee reported to the Board, on a regular basis and when necessary, on the key points discussed during Audit Committee meetings and on recommendations formulated by the Audit Committee.

Risk Committee

Composition of the Risk Committee

Chairman	
Eric Strutz (independent)	From 2022 until on 31 December 2024. Member since 1 January 2025
Members	
Pablo Forero Calderon (independent)	Appointed in 2023, Chairman since 1 January 2025
Deirdre Hannigan (independent)	Appointed in 2023
Michaël Trabbia (independent)	Appointed in 2022

On 1 January 2025, Pablo Forero was appointed as Chairman, succeeding Eric Strutz who remains a Member.

The Committee members are highly qualified in the banking, financial, risk, including technology, and internal control areas, as they serve or have in the past served in the capacity of Group Chief Financial Officer, Group Chief Risk Officer, Chief Executive Officer, including of banking entities, with operational responsibilities within a Global Banking activities or as Head of internal audit and compliance of a bank, Risk Committee member or Head of Innovation and Technology.

Cross-membership of the Audit and Risk Committees Chairs allows to ensure an appropriate interaction between both committees.

Risk Committee’s duties

The Risk Committee is accountable to the Board. The Committee oversees and advises the Board on risk related matters impacting HSBC Continental Europe and its subsidiaries, including risk governance and internal control systems (other than internal controls over financial reporting).

The Committee collaborates with other Board Committees whose activities may have an impact on the risk strategy (in particular, Audit and Remuneration Committees) and regularly communicates with the HSBC Continental Europe’s internal control functions, in particular the risk management function.

The Committee meets the Chief Risk Officer in private at least twice per year to ensure that there are no unresolved issues or concerns. In carrying out these duties and responsibilities, the Committee may consult any adviser or expert as it deems appropriate.

At the request of the HSBC Bank plc’s Risk Committee, the HSBC Continental Europe’s Risk Committee Chairman provides a half-yearly certificate to the Risk Committee Chairman of HSBC Bank plc, confirming, in particular, that the Committee examined the reports on risks and that no matter was brought to its attention other than those described in the supports.

Risk Committee’s work in 2024

The Risk Committee met six times in 2024,with an average attendance rate of 96 per cent, compared to six meetings with an attendance rate of 100 per cent in 2023:

- 7 February 2024 (attendance rate: 100 per cent);
- 15 March 2024 (attendance rate: 100 per cent);
- 22 April 2024 (attendance rate: 75 per cent);
- 21 June 2024 (attendance rate: 100 per cent);
- 18 July 2024 (attendance rate: 100 per cent); and
- 18 October 2024 (attendance rate: 100 per cent).

Each meeting was also attended by the Statutory Auditors, the Chief Risk Officer, the Chief Financial Officer and the Head of Internal Audit. The Chief Executive Officer and the Deputy Chief Executive Officer attended Committee meetings to answer any questions. HSBC Continental Europe executives also attend Committee meetings for subjects falling under their responsibility.

At the end of its quarterly meetings, the Risk Committee held regularly in camera sessions without HSBC Continental Europe management attending and, if applicable, with the Head of Internal Audit or the Chief Risk Officer only.

In 2024, the Committee paid particular attention to monitoring the economic and geopolitical context, as well as to HSBC Continental Europe's transformation projects, their management and the risks they entail. Liquidity management, models, data and cybersecurity were also particularly in the focus of the Committee.

In line with its usual work, the Committee approved HSBC Continental Europe’s risk appetite for 2024 and its subsequent updates, and then examined, at each of its meetings, the monitoring dashboard, in particular indicators which were not in line with the thresholds that had been set. It also reviewed and approved the risk tolerance framework.

In addition to a summary on risks given by the Chief Risk Officer, the Committee monitored, at each of its quarterly meetings, the risk profile of HSBC Continental Europe through the risk map and the review of top and emerging risks, as well as their assessment and the action plans which had been identified.

The Committee was informed of the changes to the risk management framework.

At each quarterly meeting, the Committee received reports on specific lines of business or subsidiaries from Heads of those areas or Chief Risk Officers and from Chairs of subsidiaries’ Risk Committees.

The Risk Committee also continued to carry out the usual review of financial risks, each of the individuals in charge of controlling such risks reported to the Committee, in particular concerning:

- Credit risk, with an individual review of major exposures, changes in outstanding credit and non-performing loans by businesses, changes in risk-weighted assets and the evolution of the cost of risk, worrying exposures and sectors and leveraged exposures. The Committee was informed of the communications with the supervisory authorities on credit;
- Market risk, including trends compared with limits, changes in exposure, the setting of limits, changes in market activities’ risk-weighted assets and the results of internal stress tests. Particular attention was also paid to the impact of the French snap parliamentary election on HSBC Continental Europe's market activity, and to the evolution of spreads on sovereign debt;

- Liquidity, capital and interest rate in the banking book risks. In particular, the Committee examined and approved the Internal Capital Adequacy Assessment Process ('ICAAP') and Internal Liquidity Adequacy Assessment Process ('ILAAP') reports, as well as the capital and liquidity plans and their execution afterwards; and
- Stress testing, including the work carried out, the framework, the results of these tests and the actions taken to reduce their impact.

Likewise, at each meeting, the Risk Committee continued to carry out a review of non-financial risks, each of the individuals in charge of controlling such risks reported to the Committee, in particular concerning:

- Risk models, in particular with the monitoring of progress made in the programme in this area and of reviews on models performed by supervisory authorities, as well as their impact on risk-weighted assets and the content and implementation of the recommendations issued by the various internal and external controlling bodies;
- Data management, in particular regarding HSBC Continental Europe's compliance with BCBS 239 requirements;
- Operational incidents and losses and progress and action plans relating to the non-financial risks management framework;
- Resilience risk and HSBC Continental Europe's preparation to implement the Digital Operational Resilience Act (DORA), as well as cybersecurity, business continuity and outsourcing risk;
- IT and technology risk, with a focus on the execution of IT transformation projects;
- Compliance risk (see below);
- ESG risks, including greenwashing risk and climate risk in connection with the stress testing;
- Legal risks, included emerging risks, and legal disputes; and
- Human Resources risks.

With regard to both financial and non-financial risks, the Committee was informed of the impact of climate-related and environmental risks weighing on these risks.

In relation to permanent control, the Committee endorsed the permanent control plan for 2024 and was informed regularly of the progress made towards this plan and the main areas of weakness identified, as well as the action plans drawn up to deal with them.

In accordance with the French Government Order of 3 November 2014 as modified, the Committee was informed of the changes to the management framework for outsourced services, in particular those deemed essential, whether these services be sub-contracted within the HSBC Group or to external suppliers, as well as the results of controls carried out on outsourced essential services.

In the area of compliance risk management, the Committee took note of the quarterly reports, which set out the main new matters and update on those already detailed in the course of previous meetings. In particular, the Committee closely followed the evolution of the transaction monitoring, the system and tools, the implementation of recommendations issued by the various control bodies in terms of compliance, as well as exchanges with the control and supervisory authorities and missions carried out by the latter in these areas. The Committee approved the annual reports to the ACPR on internal control and on the organisation of the financial crime compliance framework.

The Committee was informed of communications with supervisory and control authorities and of the conclusions of their various assessments, audits and reviews, and received reports and follow-up letters and replies to them in relation to these assignments, as well as action plans initiated to implement their recommendations.

The Committee was informed of the works performed by HSBC Continental Europe regarding recovery and resolution planning and carried out as part of the HSBC Group's obligations towards the Prudential Regulation Authority or of its own obligations towards the ECB and the Single Resolution Board. In particular, the Committee examined the draft recovery plan.

In relation to other governance matters, the Committee reviewed the remuneration policy.

The Chairman of the Risk Committee reported, on a regular basis and when necessary, on the key points discussed during Risk Committee meetings and on recommendations formulated by the Risk Committee.

Joint sessions of the Audit and Risk Committees

The Audit Committee and the Risk Committee held one joint session on 4 December 2024 with a 100 per cent attendance rate to review, endorse and recommend for the Board's approval the draft budget, the draft capital and funding plans and the draft Internal Audit plan for 2025. The Committees were also presented with an update on the report project under the CSRD, including the outcome of the Double Materiality Analysis. They endorsed and recommended for the Board's approval the list of Impacts, Risks and Opportunities which HSBC Continental Europe considers as material.

Nomination and Corporate Governance Committee

Composition of the Nomination and Corporate Governance Committee

Chairman	
Arnaud Poupart-Lafarge (independent)	Appointed in 2022 (Member from 2020 to 2022)
Members	
Jean Beunardeau	Appointed in 2021
Stephen O'Connor (independent)	Appointed in 2022

In accordance with the Governance rules applicable to the HSBC Group entities, at least half of the Nomination and Corporate Governance Committee's membership are independent non-executive, non-employee Directors.

Nomination and Corporate Governance Committee's duties

The Nomination and Corporate Governance Committee reports and is accountable to the Board. The Committee is responsible for:

- Regularly reviewing the composition of the Board and Board Committees and leading the process for nomination to the Board of Directors and Board Committees;
- Overseeing the planning and candidates assessment process to ensure succession plans are in place for the Board and General Management;
- Overseeing the process of assessing the individual and collective suitability of the Board of Directors, the Board Committees and the General Management;
- Overseeing the process by which the Board, its Committees and individual Directors assess their effectiveness; and
- Overseeing the application of the governance framework of the HSBC Group for its subsidiaries.

In carrying out these duties and responsibilities, the Committee may consult any adviser or expert as it deems appropriate.

Nomination and Corporate Governance Committee's work in 2024

The Committee met four times in 2024, with an attendance rate of 100 per cent, compared to five meetings with also an attendance rate of 100 per cent in 2023.

Its main work comprised:

- the monitoring of the individual and collective suitability of the management body pursuant to the suitability assessment policy and assessments and reassessments required by the criteria defined in this policy;
- succession plans for the Board, the General Management and the Executive Committee;
- the identification process of new independent non-executive directors that led to a proposal to the Board on the appointment of one Director at the General Meeting of 11 October 2024;
- the composition of the Board Committees;
- the Board effectiveness review;
- the follow-up of interactions with supervisors and their recommendations, on topics falling under the Committee's responsibility;
- the follow-up of the implementation of findings raised by Internal Audit of corporate governance;
- examining the revision of governance rules applying to the HSBC Group entities (Subsidiary Accountability Framework) and the compliance of HSBC Continental Europe with it;
- reports from chairs of nomination committees of certain subsidiaries, review of the succession plans of the main subsidiaries of HSBC Continental Europe and endorsing appointments to these boards;
- the review of the updated register of potential situations of conflict of interest, and of the results of the controls in place regarding potential conflict of interest situations;
- the review of the first part of the report on corporate governance for the 2023 financial year;
- the review and proposals to the Board for updating the Board policies relating to topics falling under the Committee's responsibility; and
- the draft guide on governance and risk culture issued by the ECB.

The Chairman of the Nomination and Corporate Governance Committee reported to the Board on its work regularly and when necessary. All of the Committee's work was submitted to the Board for approval.

Remuneration Committee

Composition of the Remuneration Committee

Chairman	
Arnaud Poupart-Lafarge (independent)	Appointed in 2022 (Member from 2020 to 2022)
Member	
Pablo Forero	Appointed in 2024
Emmanuelle Vigneron	Appointed in 2024

In accordance with the Governance rules applicable to the HSBC Group entities, at least two members of the Remuneration Committee are independent non-executive Directors. In addition, a Director elected by the employees is a member of the Remuneration Committee.

Remuneration Committee's duties

The Remuneration Committee has non-executive responsibility for matters related to remuneration and advises the Board on these matters. In exercising this responsibility, it is responsible for:

- supporting the Board in overseeing the implementation and operation of the compensation framework in place for HSBC Continental Europe's remuneration in conjunction with that of the HSBC's Group, as approved by the Group Remuneration Committee and with regulatory requirements;
- ensuring this framework does not contravene any local regulations;
- ensuring this framework is aligned with risk appetite, strategy, culture and values, and long-term interests of HSBC Continental Europe; and
- ensuring this framework is appropriate in order to attract, retain and motivate people with the qualities required to contribute to the success of HSBC Continental Europe.

The Committee collaborates with other Board committees whose activities may have an impact on the design and proper functioning of remuneration policies and practices (in particular, the Risk Committee).

The Committee's recommendations on Executive Directors' remuneration are presented to the Board after prior approval by the Remuneration Committee of HSBC Holdings plc or are then submitted for approval. Moreover, in carrying out these duties and responsibilities, the Committee may consult any adviser or expert as it deems appropriate.

Remuneration Committee's work in 2024

The Remuneration Committee met twice in 2024 with an attendance rate of 100 per cent, compared to three times in 2023 with an attendance rate of 100 per cent. Its main work comprised:

- the review of the general remuneration policy, taking into account regulations concerning compensation, in particular
- the process to identify the material risk takers,
- the feedback or findings from the supervisors and the second and third lines of defence,
- risk control and the contribution of the Risk and Compliance functions to the process for determining variable compensations,
- the review of the identified cases of employees, as not entirely complying with the risk and compliance rules and impacts on their remuneration,
- the review of the rules and remuneration for employees defined as risk takers;
- the review of the 20 highest remunerations in respect of the 2023 year;
- compensation proposals for the Chief Risk Officer and the Chief Compliance Officer;
- proposals to approve, in agreement with HSBC Holdings plc, the terms of the remuneration of Andrew Wild and Christopher Davies in respect of 2023 and setting out the fixed and variable elements of their remuneration and the number of shares to be awarded to them (see section 'Executive Directors' compensation');
- compensation proposal for Joseph Swithenbank as new Deputy Chief Executive Officer effective from 1 March 2024;
- the review of the remuneration of the Directors of certain subsidiaries; and
- the review of the section of the corporate governance report on remuneration.

The Chairman of the Remuneration Committee reported to the Board on its work and on recommendations formulated by the Committee. All of the Committee's work was submitted to the Board for approval.

General Management

Since 2007, HSBC Continental Europe's Board of Directors has chosen to separate the functions of Chairman of the Board and Chief Executive Officer. This choice has been maintained since then and is furthermore in compliance with regulatory obligations for credit institutions.

Organisation of the General Management

General Management leads the Company and acts as its representative vis-a-vis third parties. General Management comprises three Effective Managers ("Dirigeants effectifs"), i.e. the Chief Executive Officer, Andrew Wild, who is assisted by two Deputy Chief Executive Officers ("Directeurs Généraux Délégués"), Christopher Davies and Joseph Swithenbank.

Joseph Swithenbank was appointed on 9 February 2024 by the Board of Directors as Deputy Chief Executive Officer (Directeur Général Délégué) and Dirigeant effectif of HSBC Continental Europe effective 1 March 2024, in addition to his existing responsibilities as Chief Financial Officer of HSBC Continental Europe.

Chief Executive Officer's powers

The Chief Executive Officer has the widest powers to act on the Company's behalf in all circumstances within the limits of its corporate object, and subject to those powers expressly conferred by law on the collective body of shareholders and on the Board of Directors. At present, there are no specific restrictions on the Chief Executive Officer's powers set by the Board or by the Articles of Association, but decisions involving the strategic orientation of the Company's activities and investments/divestments are submitted to the Board of Directors for approval according to the Board Internal rules.

Furthermore, the Board of Directors has delegated powers to issue bonds to Andrew Wild (Chief Executive Officer), Christopher Davies (Deputy Chief Executive Officer), Joseph Swithenbank (Deputy Chief Executive Officer) and a certain number of HSBC Continental Europe Markets officers.

The current Delegation of Authorities Framework was put in place across the HSBC Group in 2023 and was amended in 2024. Moreover, a person with delegated powers may not individually commit HSBC Continental Europe to sums above EUR 1.5 million. There are specific delegated powers concerning credit and market risk.

Presentation of the members of General Management

The biography of the Chief Executive Officer, Andrew Wild, is available on page 24.

Christopher Davies

Deputy Chief Executive Officer ("Directeur Général Délégué")

Principal position: Deputy Chief Executive Officer and Head of Transformation, HSBC Continental Europe.

Other directorships in the HSBC Group: Director, HSBC Bank Bermuda Limited. Directorship expired in 2024: Chairman, HSBC Bank (RR) (Limited Liability Company).

Number of positions held within the meaning of L. 511-52 of the French Monetary and Financial Code: one directorship as executive.

Skills and experience: Born in 1962. British nationality. Masters (MA) degree in French and German literature and languages from the University of Oxford and graduate of the Chartered Institute of Bankers. Since he joined HSBC in 1985, he has served in various senior roles across the main HSBC's major business lines, principally in the United Kingdom, the United States and China.

Thus, he was Head of Commercial banking North America from 2007 to 2011 then Deputy Chief Executive Officer of HSBC Bank (China) Company Limited from 2011 to 2013. from 2013 to 2020, he has been Chief Executive Officer International Europe of HSBC Bank plc. He was appointed as Deputy Chief Executive Officer of HSBC Continental Europe in 2019, and Head of Transformation in 2021.

2023	**Directorships in the HSBC Group:** Deputy Chief Executive Officer: HSBC Continental Europe. Chairman: HSBC Bank (RR) (Limited Liability Company). Director: HSBC Bank Bermuda Limited.
2022	**Directorships in the HSBC Group:** Deputy Chief Executive Officer: HSBC Continental Europe. Chairman: HSBC Bank (RR) (Limited Liability Company). Director: HSBC Bank Bermuda Limited.
2021	**Directorships in the HSBC Group:** Deputy Chief Executive Officer: HSBC Continental Europe. Chairman: HSBC Bank (RR) (Limited Liability Company). Director: HSBC Bank Bermuda Limited, HSBC Europe B.V, Midcorp Limited.
2020	**Directorships in the HSBC Group:** Deputy Chief Executive Officer: HSBC Continental Europe. Chairman: HSBC Bank (RR) (Limited Liability Company). Director: HSBC Bank Bermuda Limited, HSBC Europe B.V, Midcorp Limited.
2019	**Directorships in the HSBC Group:** Deputy Chief Executive Officer: HSBC Continental Europe. Chairman: HSBC Bank (RR) (Limited Liability Company). Director: HSBC Bank Bermuda Limited, HSBC Bank Malta p.l.c., HSBC Europe B.V, Midcorp Limited. Member of the Supervisory Board: HSBC Bank Polska S.A.

Joseph Swithenbank

Deputy Chief Executive Officer ("Directeur Général Délégué")

Principal position: Deputy Chief Executive Officer (since 1 March 2024) and Chief Financial Officer, HSBC Continental Europe.

Number of positions held within the meaning of L. 511-52 of the French Monetary and Financial Code: one directorship as executive.

Skills and experience: Born in 1984. US and British nationalities. MBA from London Business School and B.S. Accounting & Finance from Wake Forest University (North Carolina, USA).

He was appointed as Deputy Chief Executive Officer of HSBC Continental Europe on 1 March 2024, in addition to his role as Chief Financial Officer that he has held since January 2021. Prior to this role, he was Global Head of Business Performance for Commercial Banking from 2017 to 2021. Before joining HSBC, he spent 12 years at General Electric, most recently as Financial Controller for GE Capital International. He also held positions in audit, treasury and operational finance at General Electric in the US and Europe.

2023	-
2022	–
2021	–
2020	–

Executive Committee

The General Management is assisted by an Executive Committee whose membership was as follows as at 31 January 2025:

Andrew Wild	Chief Executive Officer
Christopher Davies	Deputy Chief Executive Officer, Head of Transformation
Joseph Swithenbank	Deputy Chief Executive Officer, Chief Financial Officer
Andrew Beane	Head of Commercial Banking
Laurence Bogni-Bartholmé	Head of ESG Execution
Isabelle Bourcier	Head of Asset Management, France
Marwan Dagher	Head of Markets and Securities Services
François Essertel	Head of Private Banking
Eric Emoré	Head of Wealth and Personal Banking
Geoffrey Fichte	Chief Executive Officer, Malta
Lisa Hicks	Head of Strategy and Planning
Marc de Lapérouse	Head of Legal
Fredun Mazaheri	Chief Risk Officer
François Mongin	Head of Internal Audit
Camille Olléon	Head of Human Resources
Geneviève Penin	Head of Corporate Governance & Secretariat and Company Secretary
Antoine Pfister	Chief Compliance Officer
Laurence Rogier	Head of Insurance, France
Michael Schleef	Chief Executive Officer, Germany
Anna Tavano	Head of Banking
Olfert de Wit	Chief Operating Officer

Every year, HSBC Continental Europe reviews succession plans for Executive Committee members and roles considered as key with clear rules guiding this exercise in order to have robust succession plans, promoting gender balance as well as internal promotion. It is required to have at least one emergency successor and a female successor for each of these roles. The succession plans were reviewed in 2024 on these bases, including in respect of the members of the Executive Committee. Additional information on the diversity policy are available in the chapter on Sustainability on page 55.

Additional information

Agreements governed by article L. 225-38 of the French Commercial Code

Article L. 225-38 of the French Commercial Code requires that any agreement entered into directly or indirectly between a company and its Chief Executive Officer or one of its Directors or Deputy Chief Executive Officers, or between a company and one of its shareholders owning at least 10 per cent of the voting rights, or, in the case of a corporate shareholder, the company which controls it, must first be authorised by the Board of Directors and subsequently approved at the Annual General Meeting of shareholders. It also prohibits certain types of agreements between those parties, such as loans or guarantees.

During its meeting on 24 October 2024 the Board conducted its annual review of agreements already entered into that it had authorised previously and which are still in force.

Agreement authorised in 2024

No new agreements subject to the provisions of article L. 225-38 of the French Commercial Code were approved by the HSBC Continental Europe's Board of Directors during 2024.

Agreements entered into in prior years and still in force and effect during 2024

– the agreements between HSBC Continental Europe and its direct 99.99 per cent shareholder, HSBC Bank plc through its Paris Branch, namely: a pooling of resources agreement designed to provide the parties with various services relating to their activities at cost, an agreement for the provision of services covering various activities and a group tax relief agreement, entered into in 2001;

– the agreement renewed in 2015 between HSBC Holdings plc and HSBC Continental Europe, granting HSBC Continental Europe and its subsidiaries use at no charge of the HSBC brand;

– the indemnity agreement entered into in 2019 between HSBC Continental Europe and HSBC Bank plc and HSBC UK Bank plc in order to cover HSBC Bank plc and HSBC UK Bank plc for any amount that they may have to pay under obligations in which they remain debtors to the beneficiaries, that is clients having entered into a relationship with HSBC Continental Europe as HSBC Bank plc and HSBC UK Bank plc would no longer be authorised to provide certain international trade instruments and services to companies located in the European Economic Area after the exit of United Kingdom from the European Union;

– the agreement (Side Letter), entered into in 2021, by HSBC Continental Europe with HSBC Global Services (Hong Kong) Limited, HSBC Global Services (UK) Limited, HSBC Group Management Services Limited, HSBC Global Services Limited, and HSBC Service Delivery (Polska) sp. z o.o. and in which HSBC Holdings plc, a company controlling HSBC Bank plc, shareholder company of HSBC Continental Europe and owning more than 10 per cent of the voting rights, is indirectly interested. This agreement relates to the pre-payment by HSBC Continental Europe to five ServCo HSBC Group entities of four months' charges for the services provided, in order to meet contingency funding requirements to ensure Operational Continuity in Resolution ('OCiR'). The purpose of the contingency funding is to ensure the availability of sufficient financial resources in the Group's Services Companies to safeguard the provision of services that the HSBC Group relies on throughout a stress or resolution event;

– the Domination and Profit and Loss Transfer Agreements entered into in 2023 between HSBC Continental Europe and HSBC Trinkaus & Burkhardt GmbH relating to the acquisition of 100 per cent of HSBC Trinkaus & Burkhardt GmbH by HSBC Continental Europe S.A., Germany from HSBC Bank plc;

– the Domination and Profit and Loss Transfer Agreements entered into in 2023 between HSBC Continental Europe and HSBC Service Company Germany GmbH relating to the acquisition of 100 per cent of HSBC Service Company Germany GmbH by HSBC Continental Europe S.A., Germany from HSBC Trinkaus & Burkhardt Gesellschaft für Bankbeteiligungen GmbH; and

– the reactivation from 2021 of the employment agreement of Jean Beunardeau, Chairman of the Board, which had been suspended since his appointment as Deputy Chief Executive Officer in 2010.

Additional information about the members of the management body

Ethics

The policy of the management body on conflicts of interests annexed to the Board's internal rules covers situational and transactional conflicts of interests and includes in particular a list of questions to assist the Directors in identifying situations of conflicts of interests, examples of situations that may or may not give rise to a conflict of interest, a procedure dealing with the declaration of a potential conflict of interests, a procedure to guide the Board when considering such a declaration, as well as mitigating measures and controls regarding identified situations of potential conflicts of interests.

In order to strengthen the conflict of interests avoidance mechanism, Directors must seek authorisation from the Board before accepting a mandate or position in a company or organisation outside the HSBC Group and a process of authorisation, review and possible withdrawal of authorisation by the Board is in place.

Situations of potential conflicts of interests between the duties of Board members, including Executive Directors, with respect to HSBC Continental Europe and their private interests and/or other duties are appropriately managed through mitigating measures whose effectiveness is controlled half-yearly.

To the knowledge of HSBC Continental Europe, there is:

– no family relationship between Board members, including Executive Directors, of HSBC Continental Europe; and

– no arrangement or understanding with a shareholder, a customer, a supplier or other pursuant to which one of the Board members, including Executive Directors, was selected.

Absence of convictions

To the knowledge of HSBC Continental Europe, in the last five years, none of the Board members currently in office, including Executive Directors, have been the subject of a conviction for fraud, bankruptcy, receivership, liquidation or put into administration, official public incrimination and/or sanction pronounced by statutory or regulatory authorities, or have been disqualified by a court from acting as a member of an administrative, management or supervisory body of an issuer or from acting in the management or conduct of the affairs of an issuer.

Shareholders' general meeting

Meetings are open to all shareholders. They are convened and transact business in accordance with the provisions of the law and regulations in force.

According to article 21 of the Articles of Association, all shareholders, whatever the number of shares they own, are entitled to attend General Meetings and to take part in the deliberations, personally or through a representative, provided their shares are paid up in full for payments that are due and are registered on an account in their own name no later than midnight, Paris time, on the second business day preceding the General Meeting. However, the author of the notice to attend has the option at all times to reduce this period of time, as he sees fit.

All shareholders can also vote by correspondence using a form which can be sent to them in accordance with the conditions specified by the notice to attend the Meeting.

The Board of Directors can decide that shareholders will be allowed to take part and vote in all General Meetings by video conference or by any means of telecommunications making it possible to identify them in accordance with the applicable legal and regulatory provisions.

Delegations given by the Shareholders' meeting to increase the share capital

	With pre-emptive rights
Issue of shares for cash or by capitalising reserves	
Date of authority	25 March 2024
Expiry date	May 25, 2026
Maximum nominal amount	EUR 500 million
Used amount	EUR 0 million

Compensation

Compensation and benefits of Executive Directors

Remuneration package

The remuneration of Executive Directors is adopted each year by the Board of Directors upon the recommendation by the Remuneration Committee, and approved by the Remuneration Committee of HSBC Holdings plc. It includes a fixed component and a variable component.

The fixed component is determined considering external market practices with the help, if needed, of specialist consulting firms and HSBC Group internal benchmarks.

The variable component is determined in particular on the basis of the overall variable pay pool and according to the individual performance of the Executive Director measured annually and based on completion of objectives embedded in a balanced scorecards and supported by a set of indicators. There are financial indicators focused on revenues growth, costs control, return on capital (RoTE), customers deposits, loans, non financial indicators linked to sustainability related risks as carbon path reduction at HSBC Continental Europe level and for our clients, development of sustainable finance or more generally related to risk management as audits follow up, control of operational risks, appropriate application of conduct principles and few qualitative indicators such as successful achievement of reorganization projects, customer satisfaction, improvement of data quality, increase of employees' engagement index, women representativity in the organisation, improvement of inclusion index,etc.

In parallel the variable component also takes account of market trends and, if necessary, changes in regulations. In accordance with regulation, this variable component is paid partly in non-deferred and partly in deferred remuneration and partly in cash and partly in shares.

Deputy Chief Executive Officer as Head of transformation and Deputy Chief Executive Officer as Chief Financial Officer may also have specific objectives related to their respective role.

Award of shares

In 2024, Executive Directors benefited from the allocation of shares in HSBC Holdings plc in accordance with the HSBC Group's general policy.

With respect to 2024, HSBC Continental Europe Executive Directors received, as part of their variable remuneration, Restricted Shares, for which the only criterion is to be with the company at award date.

Supplementary pension scheme

The current and former Executive Directors of HSBC Continental Europe have a defined benefits supplementary pension scheme. This plan guarantees members a pre-determined absolute supplementary pension income based on their length of service. In the event that the beneficiary dies, 60 per cent of this pension is payable to the surviving spouse. It is increased every year in line with the average rate applied to the French State pension scheme.

As at 31 December 2024, Andrew Wild had accrued pension rights representing 4.2 per cent of his 2024 fixed remuneration and 1.8 per cent of his 2024 total remuneration.

Joseph Swithenbank had accrued pension rights representing 2.5 per cent of his 2024 fixed remuneration and 1.2 per cent of his 2024 total remuneration. Christopher Davies is not entitled to this pension scheme, since he takes benefit of a UK pension schemes linked to its employment contract.

Remuneration

The remuneration of Andrew Wild as Chief Executive Officer of HSBC Continental Europe, and of Christopher Davies and Joseph Swithenbank as Deputy Chief Executive Officers of HSBC Continental Europe are detailed on next pages.

The following information is published in accordance with the provisions of article L. 225-102-1, paragraphs 1, 2 and 3 and article L. 225-184 of the French Commercial Code.It concerns remuneration paid by HSBC Continental Europe, the companies it controls and the companies that control it (the HSBC Group). The remuneration of the Executive Directors below is presented in accordance with the Autorité des marchés financiers recommendations of December 2009[7]. Tables 4, 5 and 9 of this recommendation are not applicable.

Summary of compensation awarded to each Executive Director

Chief Executive Officer[1]

	2021	2022	2023	**2024**
	Compensation awarded in 2021	Compensation awarded in 2022	Compensation awarded in 2023	**Compensation awarded in 2024**
	€	€	€	**€**
Andrew Wild				
Fixed remuneration	528,760	573,300	573,300	**623,300**
Fixed Pay Allowance 'Material Risk Taker'[2,3]	202,821	326,700	326,700	**376,700**
Variable remuneration in cash	107,100	125,811	200,000	**259,211**
Variable remuneration in shares[4]	107,100	125,811	200,000	**259,211**
Deferred variable remuneration in cash[5]	71,400	188,717	300,000	**388,817**
Deferred remuneration in shares without performance conditions[6]	71,400	188,717	300,000	**388,817**
Directors' fees[7]	—	—	—	**—**
Benefits in kind[8]	3,250	14,638	15,328	**15,574**
Total	1,091,831	1,543,694	1,915,328	**2,311,630**

Chief Executive Officer[1]

	2021	2022	2023	**2024**
	Compensation for 2021	Compensation for 2022	Compensation for 2023	**Compensation for 2024**
	€	€	€	**€**
Andrew Wild				
Fixed remuneration	528,760	573,300	573,300	**623,300**
Fixed Pay Allowance 'Material Risk Taker'[2,3]	202,821	326,700	326,700	**376,700**
Variable remuneration in cash	125,811	200,000	259,211	**259,211**
Variable remuneration in shares[4]	125,811	200,000	259,211	**259,211**
Deferred variable remuneration in cash[5]	188,717	300,000	388,817	**388,817**
Deferred remuneration in shares without performance conditions[6]	188,717	300,000	388,817	**388,817**
Directors' fees[7]	—	—	—	**—**
Benefits in kind[8]	3,250	14,638	15,238	**15,574**
Total	1,363,887	1,914,638	2,211,294	**2,311,630**

1 Deputy Chief Executive Officer since 1 March 2015 and Chief Executive Officer from 15 July 2021.
2 Fixed Pay Allowance awarded to certain 'Material Risk Takers'.
3 Fixed Pay Allowance awarded in form of cash on a monthly basis.
4 Shares that vest immediately and are subject to a 12 months' retention period.
5 Variable remuneration in cash deferred over five years (20 per cent per year will vest from year n+1).
6 Variable remuneration in shares without performance conditions deferred over five years (20 per cent per year from year n+1) and subject to a 12 months' retention period.
7 Renounced the payment of his Directors' fees by HSBC Continental Europe (see page 30).
8 Company car and accommodation allowance. As Chief Executive Officer, he is also entitled to a medical cover and tax assistance.

7 Tables numbers refer to table models provided by the Autorité des marchés financiers in its 10 December 2009, as amended lastly on 13 April 2015, recommendation 2009-16 concerning the guide for compiling registration documents.

Deputy Chief Executive Officer[1]

	2021	2022	2023	**2024**
	Compensation awarded in 2021	Compensation awarded in 2022	Compensation awarded in 2023	**Compensation awarded in 2024**
	€	€	€	**€**
Christopher Davies				
Fixed remuneration	526,248	541,481	528,674	**541,642**
Fixed Pay Allowance 'Material Risk Taker'[2,3]	89,231	91,539	89,412	**91,606**
Variable remuneration in cash	130,500	155,957	153,000	**165,000**
Variable remuneration in shares[4]	130,500	155,957	153,000	**165,000**
Deferred variable remuneration in cash[5]	87,000	103,971	102,000	**110,000**
Deferred remuneration in shares without performance conditions[6]	87,000	103,971	102,000	**110,000**
Directors' fees[7]	—	—	—	**—**
Benefits in kind[8]	—	—	—	**—**
Total	1,050,479	1,152,876	1,128,086	**1,183,248**

Deputy Chief Executive Officer[1]

	2021	2022	2023	**2024**
	Compensation for 2021	Compensation for 2022	Compensation for 2023	**Compensation for 2024**
	€	€	€	**€**
Christopher Davies				
Fixed remuneration	526,248	541,481	528,674	**541,642**
Fixed Pay Allowance 'Material Risk Taker'[2,3]	89,231	91,539	89,412	**91,606**
Variable remuneration in cash	155,957	153,000	165,000	**153,000**
Variable remuneration in shares[4]	155,957	153,000	165,000	**153,000**
Deferred variable remuneration in cash[5]	103,971	102,000	110,000	**102,000**
Deferred remuneration in shares without performance conditions[6]	103,971	102,000	110,000	**102,000**
Directors' fees[7]	—	—	—	**—**
Benefits in kind[8]	—	—	—	**—**
Total	1,135,334	1,143,020	1,168,086	**1,143,248**

1 Deputy Chief Executive Officer since 8 February 2019.
2 Fixed Pay Allowance awarded to certain 'Material Risk Takers'.
3 Fixed Pay Allowance awarded in form of cash on a monthly basis.
4 Shares that vest immediately and are subject to a 12 months' retention period.
5 Variable remuneration in cash deferred over four years (25 per cent per year will vest from year n+1).
6 Variable remuneration in shares without performance conditions deferred over four years (25 per cent per year from year n+1) and subject to a 12 months' retention period.
7 As non Director he is not entitled to Directors' fees (see page 30).
8 Is entitled to an annual cost of living allowance, an accommodation allowance, a travel allowance, a medical cover and tax assistance.

Deputy Chief Executive Officer[1]

	2021	2022	2023	**2024**
	Compensation awarded in 2021	Compensation awarded in 2022	Compensation awarded in 2023	**Compensation awarded in 2024**
	€	€	€	**€**
Joseph Swithenbank				
Fixed remuneration	—	—	—	**250,000**
Fixed Pay Allowance 'Material Risk Taker'[2,3]	—	—	—	**—**
Variable remuneration in cash	—	—	—	**—**
Variable remuneration in shares[4]	—	—	—	**—**
Deferred variable remuneration in cash[5]	—	—	—	**—**
Deferred remuneration in shares without performance conditions[6]	—	—	—	**—**
Directors' fees[7]	—	—	—	**—**
Benefits in kind[8]	—	—	—	**2,956**
Total	—	—	—	**252,956**

Deputy Chief Executive Officer[1]

	2021 Compensation for 2021 €	2022 Compensation for 2022 €	2023 Compensation for 2023 €	**2024 Compensation for 2024 €**
Joseph Swithenbank				
Fixed remuneration	—	—	—	**250,000**
Fixed Pay Allowance 'Material Risk Taker'[2,3]	—	—	—	**—**
Variable remuneration in cash	—	—	—	**97,950**
Variable remuneration in shares[4]	—	—	—	**97,950**
Deferred variable remuneration in cash[5]	—	—	—	**65,300**
Deferred remuneration in shares without performance conditions[6]	—	—	—	**65,300**
Directors' fees[7]	—	—	—	**—**
Benefits in kind[8]	—	—	—	**2,956**
Total	—	—	—	**579,456**

1 Deputy Chief Executive Officer since 1st March 2024. Fixed remuneration and benefits in kind are taken into account for 10 months in 2024. Variable remuneration is taken into account in full from performance year 2024.
2 Fixed Pay Allowance awarded to certain 'Material Risk Takers'.
3 Fixed Pay Allowance awarded in form of cash on a monthly basis.
4 Shares that vest immediately and are subject to a 12 months' retention period.
5 Variable remuneration in cash deferred over five years (20 per cent per year will vest from year n+1).
6 Variable remuneration in shares without performance conditions deferred over five years (20 per cent per year from year n+1) and subject to a 12 months' retention period.
7 As non Director he is not entitled to Directors' fees (see page 30).
8 Company car.

Shares awarded to each Executive Director in 2025 in respect of 2024 (Table 6)

HSBC Holdings plc shares without performance conditions (Table 6)

	Date of award	Number of shares awarded	Value of the shares at grant	Vesting date	Date of availability
Andrew Wild	4 March 2025	ND	EUR 388,817	20% on each following dates:	20% on each following dates:
				March 2026	March 2027
				March 2027	March 2028
				March 2028	March 2029
				March 2029	March 2030
				March 2030	March 2031
Andrew Wild	4 March 2025	ND	EUR 259,211	March 2025	March 2026
Christopher Davies	4 March 2025	ND	EUR 102,000	25% on each following dates:	25% on each following dates:
				March 2026	March 2027
				March 2027	March 2028
				March 2028	March 2029
				March 2029	March 2030
Christopher Davies	4 March 2025	ND	EUR 153,000	March 2025	March 2026
Joseph Swithenbank	4 March 2025	ND	EUR 65,300	20% on each following dates:	20% on each following dates:
				March 2026	March 2027
				March 2027	March 2028
				March 2028	March 2029
				March 2029	March 2030
				March 2030	March 2031
Joseph Swithenbank	4 March 2025	ND	EUR 97,950	March 2025	March 2026

Performance shares which became available for each Executive Director in 2024 (Table 7)

	Date of award	Number of shares which became available during the year	Vesting conditions
None			

HSBC Holdings plc shares vested for each Executive Director in 2024 (Table 8)

	Date of award	Number of shares vested[1]	Vesting conditions (in case of special conditions)
Andrew Wild	25/3/2019	2,936	—
Andrew Wild	24/2/2020	3,238	—
Andrew Wild	1/3/2021	3,448	—
Andrew Wild	28/2/2022	6,826	—
Andrew Wild	27/2/2023	9,631	—
Andrew Wild	26/2/2024	37,062	—
Christopher Davies	25/3/2019	3,519	—
Christopher Davies	24/2/2020	3,976	—
Christopher Davies	1/3/2021	4,202	—
Christopher Davies	28/2/2022	6,826	—
Christopher Davies	27/2/2023	9,631	—
Christopher Davies	26/2/2024	24,048	—

1 Part of the deferred shares awarded under the UK plan in 2019, 2020, 2021, 2022 and 2023 were vested in 2024. The immediate shares awarded in 2024 were vested for 100 per cent in 2024. All these shares, immediate or deferred, are subject to a 12 months retention period after vesting.

HSBC Holdings plc shares, without performance conditions, awarded in 2024 in respect of 2023, to the 10 employees (excluding Executive Directors) whose number of awarded shares is the highest (Table 10)

	Date of award	Number of shares awarded	Value of the shares at grant	Vesting date[1]	Date of availability[1]
Total value of the 10 highest awards of shares (employees or former employees)	26/2/2024	594,865	EUR 4,160,371	March 2024 for 100% or March 2026 for 66% and March 2027 for 34% or March 2025 to 2028 for 25% per year or March 2025 to 2029 for 20% per year	12 months after the award

1 Part of the shares awarded to employees considered as Material Risk Takers (see page 47) vests immediately and is available for sale twelve months after vesting.

HSBC Holdings plc shares, without performance conditions, awarded in 2025 in respect of 2024, to the 10 employees (excluding Executive Directors) whose number of awarded shares is the highest

	Date of award	Number of shares awarded	Value of the shares at grant	Vesting date[1]	Date of availability[1]
Total value of the 10 highest awards of shares (employees or former employees)	4/3/2025	ND	EUR 3,992,090	March 2025 for 100% or March 2027 for 66% and March 2028 for 34% or March 2026 to 2029 for 25% per year or March 2026, to March 2030 for 20% per year	12 months after the award

1 Part of the shares awarded to employees considered as Material Risk Takers (see page 47) vests immediately and is available for sale twelve months after vesting.

HSBC Holdings plc shares, without performance conditions, vested in 2024, for the 10 highest employees (excluding Executive Directors) split per year of award

	Number of shares vested[1]	Vesting dates
Total number of the 10 highest shares that vested in 2024	537,341	
– of which award 2019	30,504	13.03.2024
award 2020	33,140	12.03.2024
award 2021	80,522	14.03.2024
award 2022	104,434	13.03.2024
award 2023	49,296	14.03.2024
award 2024	239,445	26.02.2024

1 The shares awarded are available,for sale twelve months after vesting.

Other information required by the Corporate Governance Code (Table 2)

Executive Director Function First appointed Term ends	Employment contract	HSBC Continental Europe supplementary pension scheme[1]	Compensation or benefits due or that may be due upon termination or change in duties	Compensation due under terms of non-compete agreement	Participation in the share capital of the company and quantity of shares held
Andrew Wild Chief Executive Officer 15 July 2021	Suspended	Yes	No	No	No
Christopher Davies Deputy Chief Executive Officer 8 February 2019	Not applicable	No	No	No	No
Joseph Swithenbank Deputy Chief Executive Officer 1st March 2024	Suspended	Yes	No	No	No

1 See page 40.

Company remuneration policy

As HSBC Continental Europe is part of an international banking group, its remuneration policy is defined at the level of the parent company. As part of a delegation by the HSBC Group's Board of Directors, the HSBC Group's Remuneration Committee is responsible for approving the remuneration policy for the HSBC Group as a whole.

The remuneration policy in place in HSBC Continental Europe falls within the framework of this global policy, while also ensuring that it complies with local regulations, in particular Capital Requirement Directive V ('CRDV') for the bank, Alternative Investment Fund Management ('AIFM'), and Undertakings for Collective Investments in Transferable Securities ('UCITS') for our Asset Management companies, Investment Firm Directive ('IFD') and Investment Firm Regulation (IFR) for our Investment companies and Solvency II for our Insurance companies. In accordance with the article L 511-74 of the Code Monétaire et Financier, the remuneration policy is submitted to an independent audit, once a year, performed by the Internal Audit department or risk permanent control team. The remuneration policy is also approved by the local Risk and Regulatory Compliance departments.

Governance

In accordance with local regulation, HSBC Continental Europe has set up a dedicated governance structure which on several bodies.The Board of Directors of HSBC Continental Europe, in its supervisory function, approves, adopts and reviews at least once a year the general principles of the remuneration policy and controls its implementation and approves the remuneration of the members of the management body in its management function.

The Remuneration Committee, composed of 2 independent non-executive Directors and a staff representative, prepares the decisions concerning the remuneration and remuneration principles to be adopted by the Board of Directors, gives his view on the bank's policies and practices concerning compensation, ensuring that risk and compliance dimensions are dully taken into account. Its scope of review covers all aspects of remuneration policies and practices in place within the company, although with a more in-depth review concerning professionals whose activities have a significant impact on the risk profile of the business, Heads of internal control function and Executive Directors.

In this context, it reviews the remuneration policy by ensuring its consistency with general principles of the HSBC Group's remuneration policy, with the specific directives set by the global business lines, its compliance with local standards in force and with recommendations of banking supervisory bodies in France such as the Autorité de Contrôle Prudentiel et de Résolution, the European Central Bank, the Autorité des Marchés Financiers and the Fédération Bancaire Française.

It evaluates the mechanisms and systems adopted to ensure that the remuneration system takes due account of all types of risk and liquidity and equity levels and that the overall remuneration policy is consistent and promotes sound and effective risk management and is consistent with HSBC Continental Europe's economic strategy, objectives, culture and values, risk culture and long-term interests.

It reviews variable pay pools allocated by the global business lines to local teams with regards to global performance of the business lines and relative performance of local teams.

It reviews the identification process of identified staff and approves the corresponding list.

It reviews the 20 highest compensation package in collaboration with the HSBC Group's decision-making bodies and global business lines.

It reviews the synthesis of individual breaches with respect to internal rules in terms of credit, compliance, reputation and social risks.

Finally it reviews the remuneration of any Executive Directors, of the Chief Risk Officer of the Chief Compliance Officer and submits its recommendations to the Board.

Main characteristics of the remuneration policy

This remuneration policy strives to achieve the following strategic goals:

- To comply with the company's strategy and objectives, the long-term sustainable interests and results of the company as a whole, and its risk profile. This approach aims not to encourage risk-taking that is not aligned with the risk acceptance level approved by the HSBC Group or that could negatively impact the company or the HSBC Group's capital;
- To implement a remuneration policy that takes into account sustainability risks, particularly in the environmental field, in terms of governance and diversity and inclusion;
- To ensure that there are no conflicts of interest when implementing and executing the variable pay policy;
- To establish remuneration budgets (for fixed and variable pay) that ensure a prudent balance between sound and effective management of financial results and risks and an appropriate level of capital;

- To set bonus pools linked to the sustainable financial performance of the HSBC Group and each of the business lines/functions at global, regional and local level, business competitiveness and the prudent management of risks for the HSBC Group and its various business lines;
- To offer competitive remuneration packages and neutral from a gender perspective;
- To ensure that the remuneration policy is based on the principle of equal pay for men and women for the same work or work of equal value;
- To adopt a total remuneration approach by clearly distinguishing between the fixed remuneration elements (basic salary, fixed allowances, etc.), the variable remuneration elements (discretionary and/or collective variable remuneration) and any allowances paid in the event of departure from the company which must correspond to actual performance assessed over time and must not under any circumstances reward the failure;
- To establish a balanced and sufficient level of fixed remuneration that does not cause employees to be abnormally dependent on their variable pay;
- To apply a discretionary approach that allows for judgement in assessing individual performance and setting the level of variable pay individually with regard to the performance rating, rather than an automatic approach based on formulae that could encourage inappropriate behaviour in terms of risk-taking and/or unsuitable sales to our clients;
- To defer a significant portion of variable pay in the form of financial instruments (HSBC Holdings Shares) in order to better align variable pay with the HSBC Group's performance, help retain our employees and meet our regulatory obligations; and
- Not to implement methods or instruments to circumvent regulatory principles in terms of variable pay.

Principles applicable to fixed pay

The base salary mainly rewards skills, expertise, technical know-how, the level of responsibility and seniority in the position. In this context, any potential increase may be justified by increased skills, expertise, by an internal promotion with new scope of responsibilities, by a growth in the size of the managed teams, by an increased influence on the organisation, by a lack of internal o external competitiveness.

These increases, either selective or collective, have to comply with the annual fixed pay budget, with any guidelines on a maximum level and must not be promised by anticipation.

Principles applicable to variable pay

The first step is to set the variable pay pool that will be allocated to the different business lines and functions with regards to their performance and their contribution to the HSBC Group and business lines' global performance.

The variable pay pool is set primarily at HSBC Group level, taking into account its sustainable financial performance and commercial competitiveness overall and in each of its business lines, its global performance in terms of risk management, its affordability to fund this pool with its own results and its market position.

The HSBC Group variable pay pool is expected to reflect Group performance, based on a range of financial, non-financial and contextual factors. The HSBC Group uses a countercyclical funding methodology, with both a floor and a ceiling, with the payout ratio generally reducing as performance increases to avoid pro-cyclicality. The floor recognises that even in challenging times, remaining competitive is important. The ceiling recognises that at higher levels of performance it is not always necessary to continue to increase the variable pay pool, thereby limiting the risk of inappropriate behaviour to drive financial performance.

The main quantitative and qualitative performance and risk metrics used for assessment of performance include:

- HSBC Group and business unit financial performance, taking into account contextual factors driving performance, and capital requirements;
- current and future risks, taking into consideration performance against the risk appetite, financial and resourcing plan and global conduct outcomes; and
- fines, penalties and provisions for customer redress, which are automatically included in the Committee's definition of profit for determining the pool.

Variable pay pools on a global basis and by business lines are reviewed and approved by the Group Chief Risk Officer, the Group Chief Executive Officer, the Group Chief Financial Officer, the Group Chief Financial Officer and the Group Remuneration Committee.

Once approved, these variable pay pools are allocated, for each business/segment/product/function by regions and countries depending on their respective performance and contribution. Local performances are measured through: financial metrics such as profit before tax, growth in revenue, costs control, evolution in profitability through, in particular, return on tangible equity; and through non-financial metrics linked to sustainable risks such as reduction of carbon path, development of sustainable finance and to risk management focused in particular on improvement of financial crime risk culture, implementation of regulator or Audit recommendations, operational risk management, appropriate application of 'Conduct' principles in order to act in the interest of customers, being compliant with financial markets integrity and avoiding any conflict of interests.

Lastly the performance measure is based on more generic indicators such as customer experience improvement, implementation of reorganisation and transformation projects, growth in women representation among senior roles in the organisation, employee engagement score, inclusion index. These indicators are included in performance scorecard and are analysed by comparison with objectives set at the start of the year.

With regards to individual allocation, from Performance Year 2024, a new remuneration approach has been introduced in order to determine individual variable pay for great part of the population. Using internal and external data, a pay mix ratio (variable pay compared to fixed pay) has been calculated for clusters of employees with the same role in the same business/function, the same grade and the same localisation. Based on this pay mix, a target variable pay is communicated at the start of the year to employees. At year end, this target variable pay is adjusted, up or down, taking into consideration overall performance of the Group, performance of the Business/Function employee belongs to and finally individual performance.

For Senior Executives and employees in front lines roles in Global Banking, Market and Securities Services and Asset Management, the variable pay remains fully discretionary and linked only to the individual performance.

This new approach applies to all HSBC Continental Europe countries from Performance Year 2024 except for France, Malta and Spain where it will be introduced in Performance Year 2025 and except for Germany and Malta with no implementation date defined yet.

Regarding individual performance of each employee, it is assessed throughout the year through routine discussions and feedback, and, more formally, at the end of the year during the annual performance assessment. The employee's individual performance is assessed by the manager using the following three ratings scale:

– " Oustanding"
– " Performing"
– " Off track"

Subject to local regulations, from 2024 onwards, employees must comply with a minimum standard on behaviour/conduct against HSBC values (Gateway approach). If they do not comply, their performance is considered as off track and they are not eligible to receive any variable pay.

The individual performance assessment is based on the achievement of objectives set by the manager at the beginning of the year. These objectives can include, according to the role and the position in the organisation:

– financial indicators (revenue growth, cost control, increase in profit before tax, etc.);
– indicators related to sustainability risks (carbon footprint reduction, development of sustainable finance, facilitated financing to help clients transition to carbon neutral, upskilling on environmental issues, etc.);
– indicators related to healthy risk management (respect of compliance and internal control rules, quality of sales or service, control of operational risks, monitoring of audit issues, etc.); and
– indicators related to inclusion (gender representation in the Executive Committee, number of women executive directors or with the highest internal grades (GCB3 and Managing Director), inclusive approach in recruitment, etc.).

The indicators underpinning these objectives depend on the position held and the level of responsibility and are reviewed in comparison with the objectives for the year which are formalised, at the start of each year, in the employees' annual performance scorecards. The aim of the three-level performance measurement scale is to facilitate differentiation on variable pay, based on the performance score and efforts in relation to the targets set at the beginning of the year.

In addition the Control Functions contribute to the final calculation of variable pay under the Incentivising Compliance process, in the event of non-compliance with internal rules or exceptional actions/ achievements, In such situations, variable pay may be reduced, capped or increased.

Lastly, a 'malus' policy applies to all employees receiving deferred bonuses. This allows the HSBC Group's Remuneration Committee to cancel, reduce or amend all or part of bonuses awarded on the basis of the employee's behaviour or factors justifying such action.

To be also noted that all vested awards are subject to the HSBC Group 'Clawback' policy. This allows, in case of breaches, to recover full or partial part of vested cash or shares.

Regarding guaranteed bonuses they are no more awarded since 2020. They have been replaced by New Hire Indicative Variable Pay still highly exceptional, limited to one year and only in a high profile hiring context.

Finally, regarding severance payments, they follow legal or collective bargaining agreements' rules.

It should be noted that beyond the Material Risk Takers population (see below), the great proportion of the company's senior managers are affected by the minimum deferral compensation rules s defined by the HSBC Group which, for 2024, provide for deferred compensation in the form of shares of between 10 per cent and 30 per cent of variable compensation, with three years vesting rules and no retention period.

Remuneration policy applicable to Risk takers

CRD V

The following information is published in accordance with article 266 of the order of 3 November 2014 on internal control of banking sector companies, based on articles L. 511-64, L. 511-71 and L. 511-72 of the French Monetary and Financial Code and article 450 of ('UE') regulation 575/2013.

In compliance with the rules under CRD V directive, some employee categories ('Identified Staff') are subject to specific rules regarding structure and award of variable pay. These employees, considered to have an impact on the entity's risk profile ('Material Risk Takers'), are identified on the basis of qualitative and quantitative criteria defined by the European Banking Authority. Pursuant to these criteria, 320 employees have been identified at Group and local level in 2024 (304 excluding double counting).

For this population, variable remuneration is limited to twice the fixed remuneration (ratio at 100% for Malta Material Risk Takers), , according to the decision made by HSBC Continental Europe shareholders' Annual General Meeting held on 23 May 2014. In order to maintain the competitiveness of Material Risk Takers remuneration, Group has modified the remuneration of several of them by allocating a monthly fixed pay allowance linked to their function. In addition their variable remuneration is deferred by 40 per cent and even by 60 per cent for the highest variable. Finally, variable remuneration granted in the form of shares accounts for 50 per cent of variable remuneration granted; this 50 per cent applies to both the deferred component and to its immediately paid fraction. It should be noted that if the variable remuneration amount is equal or lower than 1/3 of total remuneration and equal and lower than EUR 50,000, the variable remuneration is granted in cash immediately paid.

For French employees, the deferred share-based portion is not vested by the employee until after either a period of two years for 50 per cent, three years for 25 per cent and after four years for the remaining 25 per cent or a period of two years for 40 per cent, three years for 20 per cent, four years for 20 per cent and five years for the remaining 20 per cent. This is furthermore subject to a one-year retention period (starting from vesting. In addition there is a prohibition on hedging it.

For our employees working in our European branches or subsidiaries, deferred shares vest either over four years of 25 per cent each or over five years of 20 per cent each.

AIFM/UCITS

With effect from 1 January 2017, management companies under certain conditions are governed by the UCITS Directive in addition to the Alternative Investment Funds Management ('AIFM') Directive already in place since 1 January 2015.

In accordance with these Directives, categories of employees of HSBC Global Asset Management (France) and HSBC REIM (France) are subject to specific rules in term of variable remuneration. The employees concerned, are those whose professional activity has a significant impact on the risk profile of the management company or its alternative investment funds.

In 2024, a total of 62 risk takers have been identified risk takers AIFM/ UCITS within HSBC Global Asset Management (France), HSBC REIM (France) and INKA Internationale Kapitalanlagegesellschaft mbH (Germany) (60 excluding double counting).

For this population, subject to having a variable remuneration of more than EUR 200,000 and representing more than 30 per cent of fixed pay, variable remuneration is 40 per cent deferred if it is lower than GBP 500,000 and 60 per cent deferred for variable remuneration of more or equal to GBP 500,000.

For risk takers with a variable remuneration deferred at 40 per cent, the variable remuneration is composed as follows:

50 per cent in immediate cash,10 per cent in cash variable indexed on the funds' performance, 40 per cent in cash variable deferred one-fourth over four years and indexed on the funds performance. For risk takers with a variable remuneration deferred at 60 per cent, the variable remuneration is composed as follows: 40 per cent in immediate cash,10 per cent in deferred cash that vest in four annual tranches, 50 per cent in cash variable deferred one- third over four years and indexed on the fund's performance. The variable awarded in indexed cash, both the non deferred and deferred part, is subject to a 12 months retention period after vesting. Risk takers who do not meet the conditions above are subject to HSBC Group deferral standard rules.

Solvency II

In accordance with this Solvency II Directive, categories of employees of HSBC Assurances Vie (France) and HSBC Life Insurance Malta identified as risk takers are subject to specific rules in term of variable remuneration. In 2024, 38 employees have been identified as risk takers under Solvency II (37 excluding double counting).

For this population, a part of their variable remuneration is deferred. This deferred part comprises shares that totally vest after a three years vesting period and that is applied under specific conditions described below:

- 60 per cent of the variable remuneration is deferred when its total amount is equal or above GBP 500,000; and
- 40 per cent of the variable remuneration is deferred when its total amount is under GBP 500,000.

However, risk takers whose variable remuneration is lower than GBP 500,000 (or an equivalent amount in local currency) and whose variable remuneration is under 1/3 of their total compensation, are considered as 'de minimis'. On this basis, they are subject to HSBC Group deferral standard rules, which means a deferral between 10 per cent to 50 per cent according to the level of their variable.

IFD/IFR

Investment companies are subject to UE 2019 / 2023 Investment Firm Regulation ('IFD') and UE 2019 / 2034 Investment Firm Directive ('IFR') Directives.

Pursuant to these directives, categories of employees ('Identified Staff') from HSBC Epargne Entreprise and HSBC Global Asset Management Germany are subject to specific rules in terms of variable remuneration. The employees concerned are those whose professional activity has a significant impact on the risk profile of the company.

In 2024, 16 employees have been identified under IFD/IFR directives in HSBC Epargne Entreprise and HSBC Global Asset Management Germany.

For this population, subject to having a variable pay above EUR 50,000 and representing more than 1/3 of the total remuneration, the variable pay is 40 per cent deferred if it is lower than GBP 500,000 and 60 per cent deferred if it is higher than GBP 500,000. The deferred par of the variable pay is awarded in the form of shares, has a 4 years vesting period and is subject to a 12 months retention period.

In accordance with CRD V Directive

Consolidated quantitative information about compensation paid to executive members and financial market professionals, whose activities have a material impact on the company's risk exposure.

Amounts are expressed in EUR and correspond to gross salary (excluding employer social security contributions and before deduction of payroll costs).

Remunerations awarded to overall staff

	Full time Equivalent 2024[1]	Total remuneration 2024 €
Executive members	**3**	**4,065,803**
Wealth and Personal Banking	**1,314**	**126,132,249**
Commercial Banking	**1,252**	**120,152,484**
Markets and Securities Services	**1,311**	**164,802,342**
Global Banking	**362**	**75,731,165**
Corporate Centre	**2,498**	**225,064,619**
Total	**6,739**	**715,948,661**

1 Staff as of 31 December 2024 excluding trainees and pre-retirements (CFCS).

Remuneration awarded to Executive members and professionals whose roles have a significant impact on risk profile of the company

Total remuneration: distribution between fixed pay and variable pay

	Number of people concerned	Total remuneration 2024 €	Total fixed pay €	Total variable pay €
Executive members	3	4,065,803	1,933,248	2,132,555
Wealth and Personal Banking	32	13,024,666	7,680,047	5,344,619
Commercial Banking	16	7,181,085	3,981,827	3,199,259
Markets and Securities Services	60	27,951,963	14,107,574	13,844,389
Global Banking	19	16,326,243	8,350,356	7,975,887
Corporate Centre	146	29,185,464	21,241,492	7,943,972
Total	276	97,735,223	57,294,544	40,440,681

Note:Table excludes 28 Non Executive Directors with no remuneration.

Total variable pay: distribution between payments in cash and payments in shares

	Payments in cash €	Payments in shares €	Total variable pay €
Executive members	1,066,278	1,066,278	2,132,555
Wealth and Personal Banking	2,789,709	2,554,910	5,344,619
Commercial Banking	1,665,316	1,533,943	3,199,259
Markets and Securities Services	7,088,623	6,755,766	13,844,389
Global Banking	3,987,943	3,987,943	7,975,887
Corporate Centre	4,919,207	3,024,765	7,943,972
Total	21,517,075	18,923,606	40,440,681

Note:Table excludes 28 Non Executive Directors with no remuneration.

Total variable pay: distribution between non deferred and deferred amount

	Non-deferred amount €	Deferred amount €	Total variable pay €
Executive members	1,020,322	1,112,233	2,132,555
Wealth and Personal Banking	2,906,705	2,437,914	5,344,619
Commercial Banking	1,815,719	1,383,539	3,199,259
Markets and Securities Services	7,665,477	6,178,912	13,844,389
Global Banking	4,121,792	3,854,095	7,975,887
Corporate Centre	5,402,160	2,541,812	7,943,972
Total	22,932,175	17,508,506	40,440,681

Note:Table excludes 28 Non Executive Directors with no remuneration.

Total deferred variable pay: distribution between payments in cash and payments in shares

	Payments in cash €	Payments in shares €	Total deferred variable pay €
Executive members	556,117	556,117	1,112,233
Wealth and Personal Banking	814,301	1,623,613	2,437,914
Commercial Banking	691,770	691,770	1,383,539
Markets and Securities Services	3,089,456	3,089,456	6,178,912
Global Banking	1,927,048	1,927,048	3,854,095
Corporate Centre	1,236,651	1,305,162	2,541,812
Total	8,315,342	9,193,165	17,508,506

Note:Table excludes 28 Non Executive Directors with no remuneration.

Amount of unvested deferred variable pay in respect of previous financial years

	Amount of unvested deferred variable pay in respect of previous financial years €
Executive members	3,202,455
Wealth and Personal Banking	6,340,575
Commercial Banking	3,376,716
Markets and Securities Services	14,717,373
Global Banking	14,608,088
Corporate Centre	7,113,219
Total	**49,358,426**

This table shows outstanding deferred variable pay corresponding to total unvested deferred remuneration before 31 December 2024, i.e. variable pay that has been awarded but not yet paid (cash) or delivered (shares) and which is still subject to a future 'malus' mechanism or early departure.

Shares and equivalent instruments are valued on the share value as at 31 December 2024. Outstanding vested variable pay in respect of prior year can be impacted by departures from the company.

Amounts paid in respect of hiring (guaranteed variable)[1]

	Number of people concerned	Amount paid in respect of hiring (guaranteed variable) €
Executive members	–	–
Wealth and Personal Banking	–	–
Commercial Banking	–	–
Markets and Securities Services	–	–
Global Banking	–	–
Corporate Centre	–	–
Total	–	–

1 No guaranteed variable paid in respect of hiring.

Amount of severance payments

	Number of people concerned	Amount of severance decided and paid in year n €
Executive members	–	–
Wealth and Personal Banking	–	–
Commercial Banking	1	384,302
Markets and Securities Services	–	–
Global Banking	–	–
Corporate Centre	2	383,648
Total	**3**	**767,950**

Contributions to defined benefit plan[1]

	Number of people concerned	Contribution to defined benefit plan €
Executive members	–	–
Wealth and Personal Banking	–	–
Commercial Banking	–	–
Markets and Securities Services	–	–
Global Banking	–	–
Corporate Centre	–	–
Total	–	–

1 No contributions paid to defined benefit plan.

Information on highest remunerations

Total remuneration

	Number of Material Risk Takers
Between EUR 1 million and EUR 1.5 million excluded	**11**
Between EUR 1.5 million and EUR 2 million excluded	**5**
Between EUR 2 million and EUR 2.5 million excluded	**1**
Total	**17**

In accordance with AIFM/UCITS and IFD/IFR Directives

Consolidated quantitative information about compensation paid to executive members and financial market professionals, whose activities have a material impact on the company's risk exposure in the entities HSBC Global Asset Management (France), HSBC REIM (France),INKA Internationale Kapitalanlagegesellschaft mbH (Germany), HSBC Epargne Entreprise and HSBC Asset Management (Germany). Amounts are expressed in EUR and correspond to gross salary (excluding employer social security contributions and before deduction of payroll costs).

HSBC Global Asset Management (France), HSBC REIM (France) and INKA (Germany)

	Total fixed pay €	Total variable pay €	Total remuneration €
Total of Employees (number: 619)	**52,077,421**	**15,289,101**	**67,366,522**
Including employees who have a significant impact on the risk profile AIFMD (number: 60)[1]	**10,580,490**	**7,640,360**	**18,220,850**
Including Senior Managers (number: 24)	**4,507,883**	**2,975,413**	**7,483,296**

1 Including 6 employees who are already in the CRD V material risk takers.

HSBC Epargne Entreprise (France) and HSBC Asset Management (Germany)

	Total fixed pay €	Total variable pay €	Total remuneration €
Total of Employees (number: 114)	**14,236,491**	**5,268,574**	**19,505,065**
Including employees who have a significant impact on the risk profile IFD/IFR (number: 16)[1]	**3,513,320**	**2,220,142**	**5,733,462**
Including Senior Managers (number: 9)	**2,222,933**	**1,730,284**	**3,953,217**

1 Including 2 employees who are already in the AIFM/UCITS material risk takers.

In accordance with Solvency II Directive

Consolidated quantitative information about compensation paid to employees identified as Solvency II staff in the entities HSBC Assurances Vie (France) and HSBC Life Insurance Malta. Amounts are expressed in EUR and correspond to gross salary (excluding employer social security contributions and before deduction of payroll costs).

	Total fixed pay €	Total variable pay €	Total remuneration €
Employees identifies as Solvency II staff (number: 37)[1]	**6,779,918**	**4,475,894**	**11,255,812**

1 Including 24 employees who are already in the CRD V material risk takers.

PricewaterhouseCoopers Audit
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Statutory Auditors' special report on related-party agreements

(Annual General Meeting for the approval of the financial statements for the year ended 31 December 2024)

HSBC Continental Europe

38, avenue Kléber

75116 Paris

To the Shareholders,

In our capacity as Statutory Auditors of HSBC Continental Europe, we hereby report to you on related-party agreements.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of the agreements that have been disclosed to us or that we may have identified as part of our engagement, as well as the reasons given as to why they are beneficial for the Company, without commenting on their relevance or substance or identifying any undisclosed agreements. Under the provisions of article R.225-31 of the French Commercial Code (Code de commerce), it is the responsibility of the shareholders to determine whether the agreements are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by article R.225-31 of the French Commercial Code in relation to the implementation during the year of agreements already approved by the Annual General Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying that the information provided to us is consistent with the underlying documents.

Agreements to be submitted for the approval of the Annual General Meeting

Agreements authorised and entered into during the year

In accordance with article L.225-38 of the French Commercial Code, we have not been informed of any agreements authorized during the past financial year that were subject to prior approval by your board of directors.

Agreements authorised and entered into since the year-end

We have not been informed of any authorised agreements on the exercise and concluded since the close of the last financial year, which have been subject to the prior authorisation of your board of directors.

Agreements already approved by the Annual General Meeting

Agreements approved in prior years:

a) that were implemented during the year

In accordance with article R.225-30 of the French Commercial Code, we were informed of the following agreements, approved by the Annual General Meeting in prior years, which were implemented during the year.

With HSBC Bank plc Paris Branch (a company controlling HSBC Continental Europe and owning more than 10 per cent of the voting rights)

Two agreements concluded in 2001 between your company and HSBC Bank p.l.c. Paris Branch also continued their effects in 2024:

- A shared services agreement to provide its members, at cost, with various services related to the two companies' business activities.

Under the terms of this agreement, the income recorded in 2024 amounted to EUR 0.8 million.

- A tax consolidation agreement between HSBC Bank plc Paris Branch and the Company.

Under the terms of this agreement, tax income of EUR 39.85 million was recorded in 2024.

With HSBC Holdings plc, a company controlling a shareholder company of HSBC Continental Europe and owning more than 10 per cent of the voting rights

The agreement renewed in 2015 provides for the free use of the HSBC brand by the Company and its subsidiaries. This agreement had no impact on the 2024 financial statements.

With HSBC Global Services (Hong Kong) Limited, HSBC Global Services (UK) Limited, HSBC Group Management Services Limited, HSBC Global Services Limited, and HSBC Service Delivery (Polska) sp. z o.o., (a company in which HSBC Holdings plc, the controlling company of HSBC Bank plc, a shareholder company of HSBC Continental Europe and owning more than 10 per cent of the voting rights, has an indirect interest).

The agreement (Side Letter) entered into on 29 September 2021 with HSBC Global Services (Hong Kong) Limited, HSBC Global Services (UK) Limited, HSBC Group Management Services Limited, HSBC Global Services Limited, and HSBC Service Delivery (Polska) sp. z o.o. relates to the prepayment by HSBC Continental Europe to five of the Group's Services Companies of four months' charges for the services provided in order to meet contingency funding requirements to ensure Operational Continuity in Resolution (OCiR). The purpose of the contingency fund is to ensure the availability of sufficient financial resources in the Group's Services Companies (ServCos) to safeguard the provision of services that the HSBC Group relies on throughout a stress or resolution event.

Under the terms of this agreement, the prepayments recorded on the Company's statement of financial position amounted to EUR 180 million in 2024 financial statements.

With HSBC Trinkaus & Burkhardt GmbH, a company controlled by HSBC Bank plc, a shareholder company of HSBC Continental Europe and owning more than 10per cent of the voting rights

The Domination and Profit and Loss Agreement, entered into on January 4, 2023, with HSBC Trinkaus & Burkhardt GmbH, an entity under the control of HSBC Bank plc, a significant shareholder of HSBC Continental Europe with over 10 per cent of the voting rights, was part of the acquisition strategy to secure 100per cent ownership of HSBC Trinkaus & Burkhardt GmbH by HSBC Continental Europe S.A., Germany (the German branch of HSBC Continental Europe). This agreement received the Board's approval during its meeting on October 14, 2022.

In 2024, this agreement facilitated the transfer of an exceptional loss amounting to EUR 0.6 million, as recorded by HSBC Trinkaus & Burkhardt GmbH, to HSBC Continental Europe S.A., Germany, your company's branch in Germany.

With HSBC Service Company Germany GmbH, which is indirectly controlled by HSBC Bank plc, a shareholder company of HSBC Continental Europe and owning more than 10 per cent of the voting rights

The Domination and Profit and Loss Transfer Agreement, entered into on 4 January 2023 with HSBC Service Company Germany GmbH, a company indirectly controlled by HSBC Bank plc, a significant shareholder of HSBC Continental Europe with over 10 per cent of the voting rights, relates to the acquisition of the entirety of shares in HSBC Service Company Germany GmbH held by HSBC Trinkaus & Burkhardt Gesellschaft für Bankbeteiligungen GmbH by HSBC Continental Europe S.A., Germany (the German branch of HSBC Continental Europe). This agreement was approved by the Board in its meeting on 14th October 2022.

In 2024, the effect of this agreement was the transfer of a net profit of EUR 1 million recorded by HSBC Service Company Germany GmbH to HSBC Continental Europe S.A., Germany, the German branch of your entity.

With Jean Beunardeau, Chairman of the Board of Directors

Reinstatement, as of 15 July 2021, of Jean Beunardeau's employment contract, which had been suspended since his appointment as Deputy Managing Director on 1 February 2010. This agreement was authorised by the Board of Directors at its meeting on 9 June 2021 and was entered into on 19 July 2021.

This agreement resulted in a payment of EUR 2,164,631 during the relevant period.

b) that were not implemented during the year

In addition, we were informed that the following agreement, approved by the Annual General Meeting in previous years, remained in force but was not implemented during the year.

With HSBC Bank plc and HSBC UK Bank plc, (a company controlling HSBC Continental Europe and a shareholder company controlling HSBC Continental Europe respectively, and owning more than 10 per cent of the voting rights)

The indemnity agreement entered into in 2019 between HSBC Continental Europe and HSBC Bank plc and HSBC UK Bank plc in order to indemnify HSBC Bank plc and HSBC UK Bank for any costs that they may still be required to pay pursuant to their obligations to their beneficiaries, who have become customers of HSBC Continental Europe, HSBC Bank plc and HSBC UK Bank plc whilst no longer having authorisation to supply certain international commercial tools and services ("Trade") to companies situated in the European Economic Area (EEA) after the United Kingdom left the European Union.

Under the terms of this agreement, no income was recorded in 2024.

With HSBC Bank plc Paris Branch (a company controlling HSBC Continental Europe and owning more than 10 per cent of the voting rights)

A shared services agreement entered into in 2001 to provide its members, at cost, with various services related to the two companies' business activities.

This rule between HBCE and HSBC Bank PLC Paris Branch ceased to exist from 1 January 2023 due to the establishment of the VAT group, which does not include HSBC Bank PLC Paris Branch.

Executed in Neuilly-sur-Seine and Paris, on 19 February 2025

The Statutory Auditors

PricewaterhouseCoopers Audit
Agnès Hussherr

BDO Paris
Vincent Génibrel

Sustainability Statement

Contents

Background to the sustainability statement

This sustainability statement has been prepared for the first time by HSBC Continental Europe under the local transposition of the EU's Corporate Sustainability Reporting Directive ('CSRD') in accordance with the European Sustainability Reporting Standards ('ESRS'). As 2024 marked the first year of implementation, the process of implementation has been subject to several limitations and challenges, including uncertainties with the interpretation of the new rules, the lack of sector-specific guidance and established best practices, as well as limitations in the availability, consistency, and quality of data.

Given this context, HSBC Continental Europe has focused on the implementation of the mandatory requirements under the ESRS as applicable.

- With respect to the double materiality assessment ('DMA') and value chain, HSBC Continental Europe faced limitations in data availability, consistency, and quality, as well as in the maturity of valuation methodologies. The DMA involved significant judgements, assumptions, and estimates, as detailed in the relevant sections of this statement. Subject to any future regulatory changes or expectations, the result of the DMA may be re-assessed to consider the evolving data, methodologies, regulatory requirements, and sector-specific guidance, where applicable.
- Methodologies, data, scenarios and industry standards that have been used may evolve over time in line with market practice, regulation and developments in science, where applicable. Any such developments in methodologies and scenarios, and changes in the availability, accuracy, and verifiability of data over time and our ability to collect and process such data could result in revisions to our internal measurement frameworks as well as reported data going forward, including on financed emissions, meaning that such data may not be reconcilable or comparable year-on-year.
- With respect to the EU Taxonomy, HSBC Continental Europe has not disclosed certain information, where considered to be not material or relevant. Please see section 'EU Taxonomy economic performance indicators' on page 85 for further details.

The statement is prepared at a consolidated level (i.e. including its subsidiaries and branches), using the same consolidation principles as those applied in its financial statements to ensure consistency and comparability across both reports. It includes HSBC Assurances Vie (France) and the Private Banking business in Germany, classified as 'held for sale'. The Bank has conducted materiality assessment for these entities and identified no changes to the DMA outcome. For further details refer to 'Note 2 Assets held for sale, liabilities of disposals groups held for sale and discontinued operations' on page 263.

HSBC Continental Europe has relied on the exemption for undertakings based in an EU member state to not disclose impending developments or matters in the course of negotiation, under articles 19a(3) and 29a(3) of Directive 2013/34/EU (as transposed into French law).

HSBC Continental Europe's approach to sustainability reporting will continue to evolve to consider alignment with future regulatory requirements, industry guidance, best practices, and recommendations.

Limited assurance is performed by PricewaterhouseCoopers Audit ('PwC'), who are one of the external auditors to HSBC Continental Europe. Refer to the Independent Auditors' Report on page 106.

Strategy, business model and value creation

Strategy

The HSBC Group is one of the largest banking and financial services organisations in the world. Guided by its purpose of 'Opening up a world of opportunity', the HSBC Group's ambition is to be the preferred international financial partner for its clients.

HSBC Continental Europe is the Group's banking hub in the European Union. HSBC Continental Europe has a clear and focused strategy that is consistent with the HSBC Group's strategy: to build the leading international wholesale bank in Continental Europe complemented by a targeted wealth and private banking offering.

For more information on the HSBC Group and its strategy implemented in Continental Europe, refer to the 'Presentation of Activities and Strategy' section on page 5.

Incorporating sustainability into our strategy

HSBC Continental Europe's approach to sustainability is aligned with that of the HSBC Group, focusing on creating long-term value for its customers and wider stakeholders. The HSBC Group focuses its efforts on three areas: the transition to net zero, building inclusion and resilience, and acting responsibly.

Transition to net zero

In October 2020, the HSBC Group announced its ambition to become a net zero bank by 2050. The HSBC Group believes supporting its customers' transition both benefits their business and helps generate long-term financial returns for its shareholders.

HSBC Group is further developing its approach to nature, which builds on the outline that was set out in its net zero transition plan. This includes considering how to: understand its exposure to nature; manage nature-related risks and impacts; support its customers, including financing and investing in nature-related solutions; and build nature-related skills, data capacities and partnerships.

HSBC Group is taking steps to embed its approach to nature alongside delivery of its net zero implementation plans and it continues to test and scale approaches to financing and investing in biodiversity and nature.

Building inclusion and resilience

To help create long-term value for all stakeholders, the HSBC Group focuses on fostering inclusion and building resilience for its employees, its customers and the communities it operates within.

For employees, the HSBC Group focuses on creating an inclusive, healthy and rewarding environment as this helps to attract, develop and retain the best talent, and the HSBC Group supports its resilience through access to wellbeing and learning resources.

The HSBC Group strives to provide an inclusive and accessible banking experience for its customers. The HSBC Group does this by providing resources that help manage customers' finances, and services that help customers protect what they value.

Acting responsibly

The HSBC Group is focused on operating a strong and sustainable business that puts the customer first, values good governance, and gives its stakeholders confidence in how the HSBC Group does what it does. Its conduct approach guides the HSBC Group to do the right thing and to focus on the impact it has on its customers and the financial markets in which it operates.

Customer experience is at the heart of how the HSBC Group operates. The HSBC Group aims to act responsibly and with integrity across the value chain.

In line with the HSBC Group Net Zero Transition Plan, the Bank intends to use its strengths as an organisation to help deliver a broader impact on decarbonisation. This includes: the way that it supports its customers, both through customer engagement and the provision of financing solutions; the way that it operates as an organisation, including risk management, policies, governance and own operations; and how it partners externally in support of systemic change.

Business model

In 2024, HSBC Continental Europe managed its products and services through its global business lines: Global Banking and Markets (comprising of three reportable segments: Markets and Securities Services, Global Banking, and GBM Other), Commercial Banking, Wealth and Personal Banking (comprising asset management, insurance and private banking), and the Corporate Centre (comprising certain legacy assets, central stewardship costs, and interests in its associates and joint ventures). These global businesses are supported by Digital Business Services, and 11 global functions, including Risk, Finance, Compliance, Legal, Human Resources and Sustainability.

Products offered by HSBC Continental Europe include deposit accounts, loans, payment solutions, trade finance, asset management, insurance and other bespoke products tailored to clients' requirements. HSBC Continental Europe also offers sustainability focused products such as green loans, social loans, sustainability-linked loans, green, social and sustainability bonds among others.

For more information on the HSBC Continental Europe's business model, refer to the 'Our Global Businesses' section on page 7.

From a geographical perspective, HSBC Continental Europe comprises the Paris hub including the French subsidiaries and its European Union ('EU') branches (Belgium, Czech Republic, Germany, Ireland, Italy, Luxembourg, Netherlands, Poland, Spain, Sweden) and subsidiaries in Luxembourg (HSBC Private Bank (Luxembourg) S.A.) and in Malta (HSBC Bank Malta p.l.c.).

For information on the headcount of HSBC Continental Europe employees by geographical area, see 'Characteristics of HSBC Continental Europe's workforce' on page 91.

Value Creation

HSBC Continental Europe aims to create value for all stakeholders by harnessing its resources to deliver responsible and innovative financial solutions for its clients. The below tables outline the key inputs, outputs and stakeholders in HSBC Continental Europe's value chain.

Inputs	Outputs
Financial – Funds to operate as a business and provide products and services to customers obtained through funding from shareholders and liquidity providers	– Financial stability and growth – Ability to invest in new projects and initiatives – Revenue generation and profitability
Intellectual – Intellectual property, brand and other specific knowledge that allows the Bank to operate competitively – Investment in innovation and product development	– Development of new products and services – Strengthened brand reputation and market presence – Competitive advantage through innovation
Human – Employees' time, skills and expertise – Investment in workforce training and development	– Skilled and knowledgeable workforce – Improved employee performance and productivity – Higher employee satisfaction and retention
Social – Relationships with stakeholders that enhance the wellbeing of the wider society in which the Bank operates – Maintained through ongoing stakeholder engagement	– Stronger community ties and trust – Positive social impact and community initiatives – Improved stakeholder relationships and collaboration
Natural – Consumption of energy, water and other natural resources	– Efficient use of natural resources – Implementation of sustainable practices and technologies – Reduction in environmental footprint

Material sustainability impacts, risks and opportunities

The double materiality assessment process

HSBC Continental Europe carried out its first DMA in 2024 to identify and assess sustainability-related impacts, risks and opportunities ('IROs') that are material to the Bank. These IRO form the basis of the information in this report. The DMA was a multi-step process as defined below:

Step 1: Understanding the business context

As a foundation for the assessment, the first step of the DMA was an analysis of HSBC Continental Europe's operations and business relationships across its value chain, including identifying the key stakeholders potentially impacted by its activities. This assessment included reviewing internal documents and external sources such as Ecovadis and Sustainalytics reports to create value chain maps and pinpoint key stakeholder groups. The process considered all geographies in which the Bank operates, and all core products and services offered by the Bank and its subsidiaries.

The value chain was mapped for key business lines, including Global Banking and Markets, Commercial Banking and Wealth and Personal Banking which includes Private Banking, Insurance and Asset Management.

Step 2: Identifying potentially material sustainability matters

This was followed by a data and information gathering exercise to define a preliminary 'long list' of sustainability matters that could be material for the Bank. In addition to the suggested sustainability matters included within the ESRS Application Requirement 16 ('AR 16'), other international standards and frameworks, including the Sustainability Accounting Standards Board ('SASB'), Global Reporting Initiative ('GRI'), Taskforce on Climate-related Financial Disclosures ('TCFD'), Taskforce on Nature-related Financial Disclosures ('TNFD') and United Nations Environment Programme- Finance Initiative ('UNEP–FI') Impact Radar were reviewed to identify any additional sector-specific topics that may be relevant across HSBC Continental Europe's value chain. This was further supplemented with reviews of CDP (formerly Carbon Disclosure Project) disclosures and ESG ratings and additional inputs gathered through stakeholder interviews and feedback. Finally, this preliminary list was validated through peer benchmarking to finalise the topics and matters to be assessed for materiality.

Step 3: Assessing the impact and financial materiality of sustainability matters

The assessment of the impact and financial materiality of this long list of topics involved two independent processes: one with internal subject matter experts and one with the key stakeholder groups defined in the first step.

Subject matter expert consultation

Subject matter experts and professionals from relevant areas of the Bank were appointed to evaluate the list of sustainability matters based on expert judgment. To aid their assessment, they consulted internal data, as well as the existing HSBC Group and Continental Europe reporting and risk assessments. The Exploring Natural Capital Opportunities, Risks and Exposure ('ENCORE' 2024 version) tool and the salient human rights assessment were also key inputs that informed their assessment of nature and social topics respectively.

The following criteria were used to guide the assessment and prioritisation of different sustainability matters. Each parameter was assigned a scoring scale which was then consolidated into a final materiality score and a materiality threshold applied.

Materiality assessment	Parameter	Definition
Impact	Scale	How grave the negative impact is or how beneficial the positive impact is for people or the environment
	Scope	How widespread an impact could be
	Irremediability (for negative impacts)	Whether and to what extent the negative impacts could be remediated
	Likelihood (for potential impacts)	Probability of occurrence
Financial	Magnitude	Potential size of a financial effect (risk or opportunity)
	Likelihood	Probability of occurrence

As part of the assessment process, the interlinkage between impacts and dependencies as drivers to risks and opportunities were taken into account, by considering potential risks which could arise from negative impacts and opportunities from positive impacts.

Impacts were assessed on a gross basis, meaning without considering any mitigating actions. For potential impacts related to social and business conduct, likelihood was assessed by taking into consideration mitigating actions.

Direct and indirect stakeholder engagement

To capture the perspectives of key stakeholder groups, internal stakeholders were engaged directly whilst the views of key external groups were represented by internal proxies, with sufficient expertise and knowledge to represent those groups. Concurrently, external stakeholders were engaged through various channels and their insights informed the Bank's understanding of the relevant issues faced by its affected stakeholders and of the importance for the users of sustainability information. In addition to leveraging this proxy stakeholder input, third party information sources were selected to identify items of importance to external stakeholders, and further inform the final stakeholder engagement assessment for each sustainability matter.

Stakeholder groups and method of engagement/proxy information

Stakeholder Group	Stakeholder Engagement (through interview)	Proxy Information (desktop research)
Wholesale customers and suppliers	Indirect engagement through interviews with business lines	ESG rating providers and customers' and suppliers' annual and sustainability reports
Retail customers	—	Risk analytics provider, which grades ESG risks across the globe
Employees	Indirect engagement through interviews with HR	HSBC workforce engagement papers and snapshot survey results
Communities and NGOs	Indirect engagement through interviews with Sustainability teams	HSBC NGO engagement reports and internal tools
Regulators, governments and investors	Indirect engagement through interviews with Compliance Indirect engagement through interviews with Investor Relations	Financial institutions peer review and HSBC reporting frameworks
Nature	N/A	Risk analytics provider, which grades nature related risks across the globe

Due to data constraints, the assessment only considered direct contractual relationships and did not include the value chain of HSBC Continental Europe's clients and suppliers. Unless otherwise specified in the report, the DMA did not cover indirect contractual relationships.

Aggregation and calibration of material sustainability matters
The outcomes of these two assessments were compared and calibrated in order to determine any matters for which there was a divergent view of materiality between SMEs and stakeholders. In such cases, further detailed analysis was carried out with the respective SMEs, and a final determination made based on all available inputs and documentation.

This consolidated list of material sustainability matters was then benchmarked using two primary inputs:

- Internal review and challenge by internal governance functions, including the Executive Committee.
- Review by an external partner, a strategic advisory firm delivering sustainable finance training and client support.

Step 4: Identifying material IROs

Following the SME assessment in Step 3, a list of IROs was developed for each sustainability matter (including those identified as non-material), with input from relevant business and functions. SMEs then assessed the materiality of each IRO, validating the IRO descriptions, mapping them to the value chain, and confirming the classification of impacts as either actual or potential.

For IROs pertaining to non-material matters, the SME review was used to confirm that they had been correctly considered as non-material, thereby validating the original sustainability matter-level assessment. After this IRO-level assessment, a further refinement step was carried out to identify possible consolidation and disaggregation opportunities.

Consolidation was considered where there were similarities in descriptions or common drivers in particular parts of the value chain, while disaggregation was considered in cases where there was conflation between different geographies, organisations, lines of business or time horizons.

Step 5: Validation and sign-off

A series of workshops were conducted, by ESRS topic, to facilitate the assessment and review by senior management[1] along with the respective SMEs. All material IROs from the SME assessment were discussed during the workshops for further opportunity to consolidate or disaggregate. In some instances, materiality was reassessed considering senior management inputs and subject to SME review and challenge. A final workshop was then conducted to review and validate the final IRO list collectively. The final list of material IROs was then presented to the Executive Committee and Board of Directors for approval.

Notes on methodology and process

ESG risk management capabilities have been enhanced over the year and progress continues to be made to embed sustainability into the Bank's daily activities, strategy and risk management practices.

This assessment was conducted based on the most up to date understanding and data available at the time of the assessment. It is important to recognise that the financial and sustainability landscape is inherently dynamic and subject to change. As such, this is a point-in-time view that is expected to evolve over time.

The identification of the most material risks related to ESG across HSBC Continental Europe was performed in line with the HSBC Group Risk Framework including the 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 appetite for risk, risk mapping, emerging risk, horizon scanning and stress testing and scenario analysis.

Certain limitations were encountered while conducting the DMA particularly around availability of data. This warranted the use of assumptions and proxies where appropriate as covered in the respective detailed sections of the disclosure.

[1] Refers to colleagues who are at career band GCB 3 and above.

List of material IROs

HSBC Continental Europe identified 27 material IROs through the DMA, which includes 4 entity specific IROs. Below is an overview of these, with further details available in the relevant sections of this report on 'Climate change' page 73, 'Biodiversity and Ecosystems' page 82, 'Social' page 90, 'Governance' page 100.

ESRS	Description	Impact Materiality	Financial Materiality Risk	Financial Materiality Opportunity
E1 – Climate change	Impact on climate change	◆		
	Impact on energy	◆		
	Reputational risk (including the risk of greenwashing) associated with misstatements and misalignment with targets		◆	
	Deterioration in credit worthiness of customers and valuations of investments due to climate change		◆	
	Regulatory compliance and legal risk that could arise from failure to comply with climate related regulations		◆	
	Opportunity for sustainable finance and investment			◆
E4 – Biodiversity and Ecosystems	Impact on biodiversity driven by climate change	◆		
	Impact on ecosystem services	◆		
S1 – Own Workforce	Building an inclusive workforce	◆		
	Career growth and progression	◆		
	Productive and skilled workforce			◆
	Work-life balance	◆		
	Active social dialogue	◆		
	Right to privacy	◆		
	Compliance with data protection laws		◆	
	Secure employment	◆		
S4 – Consumers and end-users	Right to privacy	◆		
	Compliance with data protection laws		◆	
G1 – Business Conduct	Responsible corporate culture	◆		
	Conduct risk		◆	
	Speak-up culture			◆
	Anti-bribery and corruption	◆		
	Sanctions compliance (Entity Specific)	◆		
	Anti-money laundering (Entity Specific)	◆		
	Regulatory and reputational risk (financial crime)		◆	
	Cybersecurity (Entity Specific)	◆		
	Cybersecurity (Entity Specific)		◆	

The current financial effects of material risks and opportunities

Following the conclusion of the DMA, HSBC Continental Europe carried out an analysis to understand if any of the material risks and opportunities had given rise to a financial impact during the current reporting period.

This process involved mapping the identified risks and opportunities to any potential financial impact on HSBC Continental Europe's statement of financial position, financial performance, and cash flow, to establish the key line items to be assessed.

This was followed by a data sourcing and analysis exercise across each of the topic areas where a potentially known and observable impact has been identified, to assess the financial effect of the material risks and opportunities during the reporting period. From this analysis HSBC Continental Europe noted that none of the material risks or opportunities had a material financial effect in the current reporting period.

Resilience of the strategy and business model

The DMA exercise shows the wide range of material sustainability impacts and risks to which HSBC Continental Europe is exposed, either directly or indirectly through its relationships with customers and other stakeholders. It also shows the opportunities that are available to the Bank.

In respect of these sustainability matters, HSBC Continental Europe endeavours to ensure its strategy and business model, including the products and services provided to its customers and risk management processes, are adapted to regulatory requirements, stakeholders, and market expectations, which continue to evolve. In doing so, the Bank aims to ensure its ongoing operational resilience and to safeguard its ability to continue providing critical products and services to its customers, affiliates, and counterparties.

Identifying key resilience risks

HSBC Continental Europe uses a comprehensive risk management framework across its organisation and across all risk types, underpinned by its culture and values.This framework outlines the key principles, policies, and practices that the Bank employs to manage material risks, both financial and non-financial. As part of this framework, the Bank uses a top and emerging risks process to provide a forward-looking view of issues with the potential to threaten the execution of its strategy or operations over the medium to long term. It updates its top and emerging risks as necessary, considering both internally driven and externally driven factors.

The main resilience risks for HSBC Continental Europe in 2024 were technology and cyber security risk, data risk and third party risk. The approach to risk management, including resilience risk, is detailed in section 'Risk Management Framework' on page 166.

Ensuring business continuity

The Bank has a well-established business continuity and Incident Management programme in place designed to protect its staff, assets, processes, and customers in the event of an interruption to normal business activities. Business continuity plans cover interruption scenarios including communicable disease, unavailability of staff, unavailability of buildings, unavailability of IT services and unavailability of key third party suppliers.

Business impact analysis and business continuity plans are signed off as fit for purpose by each department head and are updated annually, or more frequently in case of material changes in their structure or processes. Regular testing is carried out to ensure business continuity plans remain accurate, relevant, and fit for purpose.

For HSBC Continental Europe's departments categorised as critical, 100 per cent of business continuity plans were up to date at the end of the year and overall business continuity lifecycle controls (business impact analysis, plans and exercises) for the region have been assessed as effective and compliant against a target appetite of 95 per cent completion – reaching a compliance of 100 per cent.

Resilience of the business model in relation to environmental risks

Stress testing is the primary mechanism through which the Bank is able to gain forward-looking insights into the resilience of its strategy and business model. The overall approach that HSBC Continental Europe adopts to Stress Testing is described in section 'Stress Testing' on page 166. The stress testing program also includes scenario analysis on the climate and nature risks faced by HSBC Continental Europe (see 'Testing the resilience of the strategy and business model in relation to climate change' and 'Testing the resilience of the strategy and business model in relation to nature risk' below).

In 2024, HSBC Continental Europe carried out stress tests covering systemic and idiosyncratic shocks over the short-term horizon (including as part of the local recovery plans and for specific risk portfolios), the impact of macroeconomic downturns over the five-year planning horizon (including the impact of different interest rate paths) and potential transition and physical risk shocks from climate and nature risk impacts under short-, medium- and long-term horizons.

In all cases, stress test impacts were measured on the profit and loss account, risk-weighted assets and capital, and the outcomes were presented to the HSBC Continental Europe Risk Committee.

These exercises help the Bank to gain a better understanding of its potential resilience risks and feed into the determination of appropriate capital buffers to ensure the Bank's financial resilience and ability to absorb shocks including those relating to its material sustainability matters.

Impacts from climate scenario analysis were analysed across three distinct timeframes and allow HSBC Continental Europe to monitor potential risks to capital and its progress towards contributing to the HSBC Group's Net Zero Transition Plan. The scenario analysis covers impacts over the short term up to 2025; the medium term from 2026 to 2035; and long term from 2036 to 2050. The nature of the scenarios, HSBC Continental Europe's developing capabilities, and limitations of the analysis lead to outcomes that are indicative of climate change headwinds, although they are not a direct forecast. Developments in climate science, data, methodology and scenario analysis techniques continue to shape the Bank's approach and therefore conclusions of the analysis may change over time.

Testing the resilience of the strategy and business model in relation to climate change

HSBC Continental Europe performs a scenario analysis exercise which supports the assessment of the overarching strategic resilience of HSBC Continental Europe's business models in relation to climate change.

The exercise is focused on the Bank's downstream (financed) emissions. In the 2024 climate scenario analysis exercise, five scenarios were explored that were created to examine the potential impacts from climate for HSBC Continental Europe. The 2024 exercise primarily focused on credit risk and non-financial risk exposures. Climate scenario analysis was also used to assess the impacts on other risks including traded market risk, treasury risk, pension risk and insurance risk.

Climate risk scenarios

Climate scenario analysis focuses on the impacts on HSBC Continental Europe's customers across a range of potential climate scenarios. The 2024 scenarios were internally created using external publicly available scenarios as a reference, including those produced by the Network for Greening the Financial System ('NGFS'), the Intergovernmental Panel on Climate Change ('IPCC') and the International Energy Agency. Using these external scenarios as a template, the scenarios were adapted by incorporating the unique climate risks and vulnerabilities to which the Bank and its customers across different business sectors and regions are exposed to within the context of evolving policies and emerging climate risks. The scenarios vary by severity to analyse how climate risks could impact the Bank's portfolios.

The scenarios utilised to assess climate change impacts were:

- the Below 2 Degrees scenario, which is consistent with the Paris Agreement where net zero is achieved, but beyond the 2050 scenario horizon. It assumes that there will be an orderly and gradual rise in the stringency of climate policies over time.
- the Current Commitments scenario, which assumes that there is a slower-than-required transition to a net-zero economy, which is reflective of the current pace of transition. The scenario is anchored to existing governmental committed policies. This slow transition scenario helps HSBC Continental Europe to inform the actions it needs to take to reach the HSBC Group's net zero ambition while operating in a world that is not on a net zero pathway.
- the Delayed Transition Risk scenario, which assumes that climate action is delayed until 2030 with a late disorderly transition to net zero but stringent and rapid enough to meet net zero by 2030, accentuating disorderly transition risks. This scenario allows HSBC Continental Europe to stress test severe but plausible transition risk impacts over the medium and long-term time horizons.
- the Downside Physical Risk scenario, which is a stressed scenario that contains significant global warming and physical risk events. It also assumes that current climate policies are preserved but new decarbonisation policies fail to be introduced and global warming continues. This scenario allows HSBC Continental Europe to

assess physical risks associated with climate change over the long-term horizon.

– the Severe Climate Stress scenario, with near term disorderly climate action triggered by unprecedented global weather events which leads to a short, sharp economic recession. In this scenario, which is assessed in the horizon up to 2030, extreme physical events pivot the public view on climate and the transition to net zero accelerates. This extreme stress scenario is used to test HSBC Continental Europe’s capital resilience to extreme and very unlikely events, combining downside climate and macroeconomic risks.

+Physical risk — Transition Risk+

Climate Scenarios

		Downside Physical	Severe Climate	Current Commitments	Below 2 Degrees	Delayed Transition
Scenario outcomes	Rise in global temperatures by 2100 (vs pre-industrial levels)	4.2°C	N/A	2.4°c	1.7°c	1.6°c
	Rise in European temperatures by 2100 (relative to global increases)	Higher ▲	N/A	Higher ▲	Lower ▼	**Similar** ▶
	End of horizon	2050	2030	2050	2050	2050
Underlying assumptions based on global averages	**European and Global Climate Actions**	Already implemented polices only	Rapid and disorderly transition	All currently pledged policies	Gradually rising stringency of policies	Rapid and disorderly transition
	Assumed pace of technology change and adoption	Slow change	Accelerated progress	Limited progress	Moderate change	Accelerates from 2030
	Assumed socioeconomic impact	Very high	Very high	Moderate	Moderate to High	Very high
	Assumed European carbon price – 2030	25	990	93	119	93
	Assumed European carbon price – **2050**	**20**		**179**	**242**	**1281**
Scenario risk characteristics	**Climate risk** – **Physical**	▲ Higher	▲ Higher	▶ Moderate	▼ Lower	▼ Lower
	Climate risk – **Transition**	▼ Lower	▲ Higher	▶ Moderate	▲ Higher	▲ Higher

Portfolio scope and methodology

The assessment of scenario outcomes is largely focused on credit risk, examining the capability of the Bank’s clients to absorb the cost of transition and physical risk events. The internal climate scenario analysis uses models to assess how transition and physical risks may impact HSBC Continental Europe’s portfolios under different scenarios. The models for the Bank’s wholesale portfolios are focused on transition risk factors and incorporate a range of climate-specific metrics that could have an impact on customers, including expected production volumes, revenue, costs and capital expenditure. For the commercial real estate portfolio, the Bank’s models are focused on physical risk factors, including property locations, perils and insurance coverage when assessing the overall credit risk impact to the portfolio.

Beyond credit risk, the analysis also covers other risks HSBC Continental Europe may face as a result of climate change, including treasury risk, pension risk, insurance risk and non-financial risk. Impacts observed during the scenario analysis exercise were minimal across these risk types.

Outcome of climate scenario analysis

The modelled outputs from the internal climate scenario analysis exercise suggest that HSBC Continental Europe’s wholesale portfolio could see increases in credit losses due to climate change. Overall, these increases are expected to remain low in the short term but could grow in the medium term particularly under scenarios such as the Below 2 Degrees scenario where clients exposed to transition risk in HSBC Continental Europe's portfolio are most impacted.

HSBC Continental Europe continues to look for ways of enhancing methodology to improve the effectiveness of its climate scenario analysis by incorporating lessons learnt from previous exercises and feedback from key stakeholders, including regulators. There are industry-wide limitations, particularly on data availability, although the models are designed to produce outputs that can support HSBC Continental Europe's assessment of the level of its climate resilience.

Model outputs are driven by the quality and presence of client transition plans, the competitive environment limiting the ability to pass on carbon costs, the current emissions of HSBC Continental Europe’s customers and, the amount of capital expenditure required for the transition.

The analysis of HSBC Continental Europe’s commercial real estate portfolio revealed that climate physical risks pose limited additional impacts to credit risk in the short to medium term. The largest portfolio is in France where coastal inundation and riverine flooding is a key physical risk peril within certain regions of the country. The diversified nature of the portfolio helps to mitigate the levels of credit deterioration.

While climate-related losses for HSBC Continental Europe are expected to remain limited in the short term, they are likely to increase compared with the counterfactual scenario, that experiences no climate change impacts, in the medium and longer term. This is largely driven by the transition to a net zero economy. Climate-related losses can be mitigated through active management approaches, which include identifying new climate-related business opportunities and adapting lending portfolios to reduce exposure to climate risks and losses. HSBC Continental Europe continues to enhance its methodology to improve the effectiveness of its climate scenario analysis.

There are industry-wide limitations, particularly on data availability, although HSBC Continental Europe's models are designed to produce outputs that can support the assessment of the level of HSBC Continental Europe's climate resilience.

The nature of the scenarios, HSBC Continental Europe's developing capabilities, and limitations of the analysis led to outcomes that are indicative of climate change headwinds, although they are not a direct forecast. Developments in climate science, data, methodology and scenario analysis techniques will help HSBC Continental Europe to shape its approach further, in partnership with the HSBC Group. It therefore expects this view to change over time.

Testing the resilience of the strategy and business model in relation to nature risk

In 2024, HSBC Continental Europe conducted a nature scenario analysis exercise focused on the wholesale lending portfolio, which is part of the Bank's downstream value chain, and the impact of nature events on a limited range of counterparties in key sectors exposed to nature risk up to 2050. Modelling covered 25 per cent of the highest risk climate sectors and has identified limited financial impacts from nature risk for HSBC Continental Europe.

Due to the limited industry development and availability of external data, nature scenario analysis remains nascent and further work to expand and enhance the analysis will be conducted in future years.

Nature risk scenarios

HSBC Continental Europe has developed three scenarios, expanding on the existing climate scenarios with nature variables sourced from available third-party frameworks and publications as follows:

- Nature Destruction scenario where policy responses remain largely absent and physical risks intensify.
- Nature Baseline scenario with a gradual shift of public and policy attention towards nature risks.
- Nature Positive scenario where orderly action is taken with a concerted global effort to restore biodiversity and sustainable practices.

Outcome of nature risk scenario analysis

Overall, the results were impacted by the very limited number of nature-focused transition plans from many of the Bank's clients and from the early stage of industry thinking around nature risk. The results do not currently indicate that the current business model and strategy will not remain resilient in respect of nature-related risks.

Results in the Nature Destruction scenario were primarily driven by a nature based macroeconomic shock, which resulted in reductions in lending. In the Nature Positive scenario, the results were driven by transition risk following impacts from nature-related government policies.

Overall resilience to environmental risks

The conclusions of HSBC Continental Europe's scenario analysis are in line with the conclusions published by the EBA as a result of the 'Fit for 55' regulatory exercise carried out in 2024. The results of the scenario analysis exercises reveal that climate change and nature impacts on their own do not reveal material risks to HSBC Continental Europe's resilience and strategy in the short to medium-term, however, could act as a contributing factor which worsens the impacts of a wider macroeconomic shock.

Scenario analysis supports the Bank in identifying how to mitigate potential climate-related losses through active management approaches, which include identifying new climate-related business opportunities and adapting its portfolios to reduce exposure to climate risks. In line with the HSBC Group's net zero ambition, HSBC Continental Europe will continue to work with its clients around the development of their transition plans. This will support future improvements to the Bank's scenario analysis capabilities enhancing how it assesses the resilience of its business models to both climate change and nature risk.

Further details on the mitigating actions taken by HSBC Continental Europe can be found in the 'Managing climate-related risks' section of this disclosure.

Risk management and internal controls over sustainability reporting

Risk management and internal controls over sustainability reporting are covered in HSBC Continental Europe's comprehensive risk management framework. This framework is used across all risk types and outlines the key principles, policies and practices that the Bank employs in managing material risks, both financial and non-financial. Refer to the 'Risk Management Framework' section on page 166.

Sustainability reporting is covered within HSBC Continental Europe's risk management framework under the taxonomy financial reporting risk. In 2023 the scope of financial reporting risk was expanded to explicitly include oversight over accuracy and completeness of sustainability reporting and the risk appetite statement was updated to reference the sustainability disclosures. Internal controls were also updated to incorporate requirements for addressing the risk of misstatement in sustainability reporting.

To support this, a framework was developed to guide control implementation over sustainability reporting disclosures, which includes areas such as data governance, and risk assessment:

- A process to gather climate-related and environment data for risk management was developed. In particular, the ESG Data Utility is responsible for addressing ESG data challenges and ensuring that associated risks are properly managed. The ESG Data Utility primarily covers the production of data and related management information. The Bank also relies on both third-party data vendors and counterparty data to meet its sustainability reporting and disclosure requirements. Controls are performed to validate accuracy, completeness, and consistency of data.
- A number of forums support the oversight of the control environment for sustainability reporting and disclosures. These include the Audit Committee, the ESG Disclosure Committee, and the Prudential Policy Interpretation Working Group ('PPIWG'), among others. The PPIWG oversees the appropriate and consistent interpretation of prudential regulatory rules, regulatory guidance, principles, technical standards and other requirements, including those in relation to sustainability reporting and disclosure requirements.

As the landscape for sustainability disclosures develops, HSBC Continental Europe continues to focus on horizon scanning and interpretation of relevant external reporting requirements, to ensure a timely response for producing the required disclosures. As the volume and nature of these requirements continue to evolve, the level of risk is heightened. Part of HSBC Continental Europe's response to this heightened risk includes undertaking a range of assurance procedures over these disclosures.

HSBC Continental Europe recognises the importance of sustainability disclosures and the quality of data underpinning them. The Bank also acknowledges that the internal processes to support ESG disclosures are in the process of being developed and currently rely on manual sourcing and categorisation of data. Certain aspects of HSBC Continental Europe's sustainability disclosures are subject to enhanced verification and assurance procedures including the first, second and third line of defence.

Assurance review assists in reducing the risk of restatement, although it cannot be fully eliminated given the challenges in data, evolving methodologies and emerging standards.

HSBC Continental Europe aims to continue to enhance the approach in line with external expectations.

Stakeholders in the value chain

HSBC Continental Europe recognises that its ability to succeed and create long-term value is interconnected with the interests and views of key stakeholder groups across all parts of its value chain. This includes both direct business relationships and indirect interactions through intermediaries and other stakeholders.

Upstream Value Chain

Stakeholder type	Description
Shareholders, such as: – Institutional investors – Retail investors	Provide capital to the Bank. As a 99.9 per cent owned subsidiary of the HSBC Group, HSBC Continental considers the HSBC Group's institutional and retail investors within this stakeholder group.
Funding and liquidity providers, including: – Depositors – Small-Medium Enterprises – Corporate and institutional clients – Bondholders	Attract funding that enables the Bank to offer lending and other financial products and services.
Rating agencies, both: – Credit ratings agencies – ESG ratings agencies	Provide credit and ESG ratings to investors and to the Bank.
Suppliers (including their workforce), comprising: – Technology providers – Card networks – Buildings service providers – Professional services	Provide goods and services that are critical for the Bank's ongoing operations.
Government, Regulators and Tax Authorities including: – Banking regulators – Regulators with oversight of sustainability-related matters Tax and local government authorities	Supervise the Bank to ensure its compliance with the relevant rules and standards.

Own Operations

Stakeholder type	Description
Workforce	Employees: individuals who are directly employed by the Bank on a full-time or part-time basis. Contractors: individuals who are engaged by HSBC Continental Europe on a temporary basis to deliver a specific service. Consultants: individuals contracted by HSBC Continental Europe from a consultancy company, professional services company or on a self-employed basis, to provide advice, guidance, or expertise. Internal Service Providers: individuals who are part of the HSBC Group but not directly employed by HSBC Continental Europe, such as employees of Global Technology Centres ('GTC') and Global Service Centres ('GSC'). External Service Providers: individuals who are employed by a third-party company contracted by HSBC Continental Europe to provide a specific service e.g. payroll providers.
Social partners	Unions and works councils.
Board members	Governance body responsible for setting the strategy, overseeing and monitoring its implementation, including the risk strategy.

Downstream Value Chain

Stakeholder type	Description
Customers of the Bank, including Corporate, Institutional, Public Sector and Retail	Utilise the Bank’s products and services.
Distributors, including third-party payment processors and business partners	Distribute the Bank’s products and services to facilitate market penetration.
Intermediaries between the bank and buyers or sellers of products or services.	Intermediaries between the Bank and buyers or sellers of products or services.
Local communities, including charities and non-profit organisations	Groups potentially affected by the Bank’s operations. This group includes customers of the Bank's clients and the wider community that could be potentially impacted, including trade unions and social partners, civil society and non-governmental organisations (‘NGOs’), analysts, academics and silent stakeholders such as ‘nature’.
Workers in the value chain, specifically employees of clients	The nature of the relationship can be either direct or indirect, depending on where in the value chain these workers and their employers are located. For the purposes of this report, this group includes workers of distributors and business partners, including corporate clients or workers in their value chains, which are or could be impacted through business relationships.

Engaging with stakeholders to inform our strategy

HSBC Continental Europe is committed to ongoing engagement with its key stakeholders through a variety of channels. The table below shows how HSBC Continental Europe interacts regularly with its primary stakeholder groups to gain insights of their views. While it is not an exhaustive list, it represents the main focus areas for engagement and the main outcomes.

Stakeholder Group	Key Areas of Interest	Engagement Approach	Purpose	Outcomes
Investors (existing and potential)	– Financial performance – Strategy execution – Progress against sustainability ambition	– AGMs – Virtual and in-person meetings – Conferences	– Understanding the needs of shareholders and investors on an ongoing basis	– HSBC Continental Europe’s strategic direction is in line with the expectations of those who provide capital and funding
Employees	– Remuneration and other benefits – Wellbeing – Corporate culture and job security – Training and skills development	– Annual Snapshot survey – Exchange meetings with senior management – Leadership summits – Speak-up channels, including global whistleblowing platform, HSBC Confidential	– Understanding the interests and views of employees on an ongoing basis – Understanding the factors that drive employee satisfaction and retention	– Enables HSBC Continental Europe to attract and retain talent to execute on its strategy
Suppliers	– Responsible supply chain management practices – Geopolitical impacts – Support in implementing sustainability requirements	– Virtual and in-person meetings – Supplier management platform – Third party onsite audits – Supplier day events	– To conduct supplier vetting, due diligence and monitor service delivery – To maintain relationships and provide capacity building – To set out the Bank’s ambitions and areas of focus on the environment, inclusion and human rights and outline the minimum standards expected of suppliers	– Continued service quality and customer service, as well as ensuring compliance with the HSBC’s supplier Code of Conduct – Identify and mitigate the risk of human rights violations within the value chain – Supports HSBC Continental Europe on its path to net zero

Stakeholder Group	Key Areas of Interest	Engagement Approach	Purpose	Outcomes
Customers	– Access to products and services – Customer support – Availability of sustainable products and services – Pricing and value for money	– Customer meetings – Transition Engagement Questionnaires – Feedback through the Net Promoter Score ('NPS') – Complaints handling	– Understanding customer's banking needs – For wholesale clients, understanding their net zero transition plans	– Customer satisfaction, ongoing product development and innovation, and delivery on the Bank's strategy
Nature	– Mitigating adverse impacts arising from Nature related sustainability matters	– Indirectly through customers and NGOs – External scientific sources e.g. ENCORE and country geospatial data	– To understand the Bank's impact on nature	– Enables the Bank to monitor nature related impacts and risks over time and adjust its strategy and business model as required
Communities and Non-Governmental Organisations (NGOs)	– Community outreach and support – Investing in the next generation, supporting vulnerable communities – Inclusion – Net zero transition	– Active engagement in philanthropy through the Corporate Sustainability team and volunteering employees. – Reactive engagement where relevant for HSBC Continental Europe (e.g. in response to NGO publications or direct NGOs queries) – Targeted engagement with NGOs selected within the structuration of an ESG-linked loan, an ESG-related product or a client event.	– To understand ways HSBC Continental Europe can support the communities in which it operates on an ongoing basis. – To gain new perspective on trends that might affect the financial sector.	– Positive impact on communities – Improved employee engagement – Insights on the communities in which the Bank operates
Regulators / Government	– Strategy execution – Compliance with regulations and guidance – Application of sustainability regulation, guidance and risk management	– Virtual and in-person meetings – Responding to consultations individually and jointly via industry bodies – On-site inspections	– Input into the policy landscape – Enabling their supervision of the Bank / financial sector	– Ensures HSBC Continental Europe's regulatory compliance and financial stability

For information on how the interests and views of stakeholders have been incorporated into the DMA, see 'The double materiality assessment process' section, on page 57.

HSBC Continental Europe takes part in ongoing shareholder engagement to understand and discuss the key topics from their perspective. These conversations inform the approach to disclosures and may result in the enhancement of the disclosures.

Both the Board of Directors and General Management as well as the Executive Committee of HSBC Continental Europe receive updates on sustainability-related topics from the relevant business owners and functions formally during their regular meetings. Where relevant, these updates include information about the views and interests of affected stakeholders. For detailed information on the Bank's governance of sustainability matters, refer to the following section 'Governance of sustainability matters'.

Governance of sustainability matters

Composition and expertise of the Board and the General Management related to sustainability matters

HSBC Continental Europe's Board of Directors and General Management provide the foundation for its commitment to strong governance and oversight of sustainability matters. By bringing together a diverse mix of expertise, perspectives, and experiences, these bodies define and ensure the effective oversight of the strategy and operations while fostering accountability and innovation.

As of December 2024, the Board is made up of 15 directors, one of which is an executive member and the remaining 14 are non-executive members. From a gender perspective, there are eight women (53 per cent) and seven men (47 per cent).

The General Management comprises three Effective Managers ('Dirigeants effectifs'), i.e. the Chief Executive Officer ('CEO'), Andrew Wild, who is assisted by two Deputy Chief Executive Officers ('Directeurs Généraux Délégués'), Christopher Davies and Joseph Swithenbank. From a gender perspective, there are three men (100 per cent).

For further information about the composition of HSBC Continental Europe's governance bodies refer to the 'Corporate Governance Report' section on page 22, including the information on the representation of employees and independence of Board members (on page 29).

The experience of the members of HSBC Continental Europe's Board and General Management covers all sectors, products and geographic locations of the Bank. The Board is regularly engaged on sustainability topics through presentations during regular meetings, interactive workshops and continuous education programmes, including mandatory training to stay at the forefront of evolving global topics. For a detailed description of the experience of each Board and General Management member, refer to the 'Corporate Governance Report' on page 22.

To further enhance the Board's expertise to oversee sustainability matters, the shareholders' meeting on 11 October 2024 appointed a new independent non-executive director to the Board of HSBC Continental Europe: Kerstin Lopatta. She brings deep and extensive sustainability reporting skills and expertise to the Board, in particular given her experience with the European Financial Reporting Advisory Group ('EFRAG'). As a member of the Board's Audit Committee, she advises on key areas relating to sustainability, including the approach to ESG reporting.

The General Management can also access sustainability experts in the HSBC Group Sustainability Centre of Excellence, who are represented in HSBC Continental Europe Corporate Sustainability function, which reports to the Head of ESG Execution. The Head of ESG Execution sits on the Sustainability Execution Group ('SEG') and on the Risk Management Meeting ('RMM').

Roles and responsibilities of the Board and the General Management related to sustainability matters

Sustainability matters are integral to monitoring and guiding the strategy, to ensure the long-term viability of the business model. As such, the Board of Directors and the General Management integrate sustainability considerations into strategy setting, business decisions, and risk management processes.

The Board of Directors

The Board holds collective responsibility for overseeing sustainability matters including the Bank's tracking of progress towards ambitions. This role is being formalised in its terms of reference. The Board is regularly updated on sustainability topics at its quarterly meetings, including with advice provided by management to the Risk Committee, and Audit committee on relevant sustainability matters.

The Board also sets HSBC Continental Europe's values and principles and oversees the implementation and maintenance of a code of conduct or similar and effective policies to identify and manage matters related to business conduct.

The General Management

The General Management leads the Bank and acts as its representative towards third parties. It is comprised of the three Effective Managers listed in the section above. In particular, the Chief Executive Officer has the widest powers to act on the Bank's behalf in all circumstances within the limits of its corporate object and of the internal delegation of authorities framework, and subject to those powers expressly conferred by law on the collective body of shareholders and on the Board of Directors.

The HSBC Continental Europe CEO is responsible for implementing processes, controls, and procedures to monitor, manage, and address sustainability matters effectively. Those responsibilities are delegated to three functions, all of them reporting to the HSBC Continental Europe CEO:

- The Head of ESG Execution, in charge of ESG strategy and transformation.
- The Chief Financial Officer ('CFO'), in charge of financial reporting, including sustainability reporting, as per the EBA Guidelines on internal governance (EBA/GL/2017/11).
- The Chief Risk Officer ('CRO'), in charge of risk management, including sustainability risks, as per the EBA Guidelines on internal governance (EBA/GL/2017/11).

These responsibilities are exercised through committees and forums, including the following:

- Sustainability Execution Group ('SEG'): The overarching executive committee responsible for setting out and executing the ESG strategy of HSBC Continental Europe and supervising the implementation of ESG regulations. It is chaired by the HSBC Continental Europe CEO and the Head of ESG Execution, and includes all HSBC Continental Europe Executive Committee members as members including the CFO and CRO. The SEG reports to the HSBC Continental Europe Executive Committee and to the Risk Management Meeting.
- Climate and ESG Risks Oversight Forum ('CESGROF'): A governance forum established to provide senior oversight of all risk activities related to the management of climate and ESG risks across HSBC Continental Europe. The forum provides recommendations and decisions on sustainable finance and supports the Chief Risk Officer's individual accountability for the oversight of enterprise risks as set out in the Group Risk Management Framework ('RMF'). The forum aims to ensure adequate focus on risks associated with climate and environmental changes, ESG criteria, and compliance with European and French regulations. The CESGROF is chaired by the HSBC Continental Europe Head of Enterprise Risk Management and includes the HSBC Continental Europe CEO and CRO as members. It informs the HSBC Continental Europe Risk Management Meeting, the HSBC Continental Europe SEG as required.
- ESG Disclosure Steering Committee: The executive committee responsible for overseeing and monitoring the delivery of external ESG disclosures for HSBC Continental Europe and its subsidiaries. It is chaired by the HSBC Continental Europe CFO. The ESG Disclosure Steering Committee reports locally into the SEG.

The respective roles and responsibilities are defined in the terms of reference of each governance forum.

Controls used to manage sustainability matters and inform the General Management include the ESG Key Management Information ('KMIs') and the Climate and Nature Risk Appetite Statement metrics ('RAS'). The KMIs on climate and nature risks are important metrics to measure the evolution of the sustainability strategy across HSBC Continental Europe on areas such as people/culture, regulatory, and own operations. They are reported quarterly to the CESGROF, monthly to the SEG and on a semi-annual basis at the HSBC Continental Europe Risk Management Meeting. The sustainability-related RAS metrics reflect the aggregate level of climate and nature risk that HSBC Continental Europe is willing to assume within its risk capacity, in line with its business model, to achieve its strategic sustainability objectives. Each RAS metric has an appetite and tolerance threshold against which the metric is measured and monitored. RAS metrics are reported quarterly to the CESGROF, the HSBC Continental Europe Risk Management Meeting and the Risk Committee.

Embedding the Double Materiality Assessment into HSBC Continental Europe's governance

In 2024, HSBC Continental Europe carried out its first Double Materiality Assessment. The General Management closely monitored the progress of the DMA through regular workshops, the monthly SEG and the Executive Committee. Management informed the Board at its regular meetings of the DMA process and of the principles guiding the assessment, and submitted the final list of material impacts, risks, and opportunities, which the Board approved. For further information on the DMA process, including the list of material IROs, see 'The double materiality assessment process' on page 57.

Integrating sustainability criteria into compensation

HSBC Continental Europe's approach to remuneration seeks to incentivise its employees to deliver on its business strategy, including key sustainability matters. As a subsidiary of the HSBC Group, the general principles of HSBC Continental Europe's remuneration policy, which applies to all employees, including General Management, are aligned with the broader framework approved by the HSBC Group's remuneration committee, while also ensuring compliance with local regulations. The section 'Company remuneration policy' within the Corporate Governance Report outlines the role of the HSBC Group Remuneration Committee in setting the policy and the interaction between HSBC Continental Europe and the HSBC Group (refer to page 40 for more details).

Variable compensation

The overall variable remuneration pools determined each year are based on the achievement of objectives set at the start of the year. As of 2024, this includes sustainability-related goals such as the HSBC Group's net zero ambition and key social KPIs such as employee engagement and inclusion index scores, and representation of women in senior leadership roles. In addition, they take into account current and future sustainability-related risks embedded in the RAS. There is not a fixed percentage of remuneration tied to these targets, but rather they are among the criteria considered as part of an overall assessment of business performance.

The variable compensation offered to individuals is based on the achievement of the assigned objectives. This assessment is a key element to set the level of performance, and the corresponding variable pay awarded to the employee.

Assigned objectives were consistent with the strategic aims of the business and included sustainability-related objectives. These were assigned at different levels of the organisation, in business lines or functions, and if appropriate cascaded to teams, managers or even individuals.

In 2024, all employees across HSBC Continental Europe were assigned an objective to complete at least two climate-related training modules out of eleven modules proposed, in order to raise collective awareness and understanding of climate risks. All people managers across HSBC Continental Europe were also assigned an inclusion related objective. The completion of these sustainability goals forms part of the annual performance assessment which determines the associated performance rating basis of the individual variable remuneration. In addition, the profit-sharing agreement for France, signed in 2024, includes three sustainability-related objectives, focused on energy, water and paper consumption.

Executive compensation

Goals focused on driving a positive and inclusive culture, along with goals related to transition to net zero, are assigned to members of the Executive Committee, including the General Management. The completion of these goals forms part of the annual performance assessment which determines their performance rating (outstanding, performing, or off-track) that directly impacts executive pay decisions, especially variable remuneration.

The CEO and the two Deputy CEOs (the 'General Management') have been assigned individual sustainability objectives in their annual incentive scorecards. There were six objectives assigned in 2024 to the HSBC Continental Europe CEO and the Deputy CEO in charge of transformation, each carrying a 5 per cent weighting. The achievement of these objectives was assessed using both qualitative and quantitative performance indicators:

- Representation of women in senior leadership roles.
- Employee engagement index score.
- Employee inclusion index score.
- Volume of sustainable finance and investment.
- Progress towards achieving the net zero ambition in operations by 2030.
- HSBC Continental Europe's contribution to the Group Sustainability Execution Programme, the Group-wide programme to enable the delivery of the sustainability agenda.

For the CFO appointed Deputy CEO in the course of the year, there were three objectives assigned in 2024:

- Representation of women in senior leadership roles.
- Employee inclusion index score.
- Delivery of external ESG reporting commitments in 2024, development of a plan for ESG data and implementation of CSRD with required controls for HSBC Continental Europe.

As with all staff, Board members elected by employees were assigned the objective of completing climate-related training. Apart from the Board members elected by employees, there was no variable component to the remuneration of the non-executive members of the HSBC Continental Europe Board of Directors.

Additional mandatory disclosures under CSRD

Following the completion of its DMA, HSBC Continental Europe mapped the mandatory disclosure requirements and data points within the ESRS to its material IROs to assess the materiality of information. Where no linkage was found between a specific requirement and a material IRO, the information in that disclosure requirement or data point has not been disclosed. In addition to this, the Bank has adopted all the phase-in available as per Appendix 'B' of ESRS 2.

In line with this assessment, the tables below list all of the ESRS disclosure requirements across ESRS 2 and the five topical standards which are deemed material to HSBC Continental Europe. Some disclosure requirements, covered in the Bank's 'Universal registration document' are incorporated by reference as indicated in the table below.

ESRS 2 General Information

Disclosure Requirement	Name of Disclosure Requirement	Incorporated by reference	Section	Page
BP-1 and BP-2	General basis for preparation of the sustainability statement & Disclosures in relation to specific circumstances	N	Background to the sustainability statement	55
			Additional notes on the preparation of this statement – estimation and time horizons	72
GOV-1	The role of the administrative, management and supervisory bodies	Y	Governance of sustainability matters	65
GOV-2	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies			
GOV-3	Integration of sustainability-related performance in incentive schemes	N	Integrating sustainability criteria into compensation	67
GOV-4	Statement on sustainability due diligence	N	Statement on due diligence	72
GOV-5	Risk management and internal controls over sustainability reporting	N	Risk management and internal controls over sustainability reporting	62
SBM-1	Strategy, business model and value chain (products, markets, customers)	Y	Strategy, business model and value creation	55
SBM-2	Interests and views of stakeholders	N	Engaging with stakeholders to inform our strategy	64
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	N	Material sustainability impacts, risks and opportunities	57
IRO-1	Description of the process to identify and assess material impacts, risks and opportunities	N	The double materiality assessment process	57
IRO-2	Disclosure requirements in ESRS covered by the undertaking's sustainability statement	N	Additional mandatory disclosures under CSRD	68
MDR-PAT	Minimum Disclosure Requirements pertaining to Policies, Actions and Targets	These requirements are disclosed in the respective topical standards sections		

Environment Standard – E1 Climate Change

Disclosure Requirement	Name of Disclosure Requirement	Incorporated by reference	Section	Page
ESRS 2, GOV-3	Integration of sustainability-related performance in incentive schemes	N	Integrating sustainability criteria into compensation	67
ESRS 2, SBM-3	Material impacts, risks and opportunities, and their interaction with strategy and business model	N	Testing the resilience of the strategy and business model in relation to climate change	60
ESRS 2, IRO-1	Description of the processes to identify and assess material climate-related impact, risks and opportunities	N	Climate change-related impacts, risks and opportunities	73
E1-1	Transition plan for climate change mitigation	N	Addressing climate-related impacts, risks and opportunities through policies and actions	76
E1-2	Policies related to climate change mitigation and adaptation	N	Addressing climate-related impacts, risks and opportunities through policies and actions	76
E1-3	Actions and resources in relation to climate change policies	N	Addressing climate-related impacts, risks and opportunities through policies and actions	76
E1-4	Targets related to climate change mitigation and adaptation	N	Embedding the transition to net zero in the way the Bank operates	78
E1-5	Energy consumption and mix	N	Energy consumption and mix	80
E1-6	Gross Scopes 1, 2, 3 and Total GHG emissions	N	Greenhouse gas emissions	78

Environment Standard – E4 Biodiversity and Ecosystems

Disclosure Requirement	Name of Disclosure Requirement	Incorporated by reference	Section	Page
ESRS 2, SBM-3	Material impacts, risks and opportunities, and their interaction with strategy and business model	N	Biodiversity and ecosystems-related impacts, risks and opportunities	82
ESRS 2, IRO-1	Description of the processes to identify and assess material biodiversity and ecosystem-related impact, risks, and opportunities	N	Biodiversity and ecosystems-related impacts, risks and opportunities	82
E4-1	Transition plan and consideration of biodiversity and ecosystems in strategy and business model	N	Strategy, business model and value creation	55
		N	Testing the resilience of the strategy and business model in relation to nature risk	60
E4-2	Policies related to biodiversity and ecosystem	N	Policies	83
E4-3	Actions and resources related to biodiversity and ecosystem	N	Actions	84
E4-4	Targets related to biodiversity and ecosystem	N	Targets	84

Social Standard – S1 Own Workforce

Disclosure Requirement	Name of Disclosure Requirement	Incorporated by reference	Section	Page
ESRS 2 SBM-2	Interests and views of stakeholders	N	Engaging with stakeholders to inform our strategy	64
ESRS 2, SBM-3	Material impacts, risks and opportunities, and their interaction with strategy and business model	N	Social impacts, risks and opportunities	90
S1-1	Policies related to own workforce	N	HSBC Continental Europe's workforce	91
S1-2	Processes for engaging with own workers and workers' representatives about impacts	N	Being a responsible employer	92
S1-3	Processes to remediate negative impacts and channels for own workers to raise concerns	N	Creating secure employment for employees	97
S1-4	Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	N	Employment Practices and Relations Policy	93
S1-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	N	Setting ambitions for inclusion	95
S1-6	Characteristics of the company's employees	N	Characteristics of HSBC Continental Europe's workforce	91
S1-8	Collective bargaining coverage and social dialogue	N	Fostering social dialogue	93
S1-9	Diversity metrics	N	Metrics	95
S1-16	Compensation metrics (pay gap and total compensation)	N	Gender pay gap and remuneration ratio	96

Social Standard – S4 Consumers and end users

Disclosure Requirement	Name of Disclosure Requirement	Incorporated by reference	Section	Page
ESRS 2,SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	N	Protecting customer and employee data	97
S4-1	Policies related to consumers and end-users	N	Protecting customer and employee data	97
S4-2	Processes for engaging with consumers and end-users about impacts	N	Privacy notices	99
S4-3	Processes to remediate negative impacts and channels for consumers and end-users to raise concerns	N	Handling data related incidents	99
S4-4	Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end- users, and effectiveness of those actions			

Governance Standard – G1 Business Conduct

Disclosure Requirement	Name of Disclosure Requirement	Incorporated by reference	Section	Page
ESRS 2, GOV-1	The role of the administrative, supervisory and management bodies	N	The Board of Directors	66
ESRS 2, IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	N	Governance impacts, risks and opportunities	100
G1-1	Corporate culture and Business conduct policies	N	Business conduct	100
			Corporate culture	100
			Whistleblowing and 'Speak-up' culture	102
G1-3	Prevention and detection of corruption and bribery	N	Global Financial Crime Policy	104
G1-4	Confirmed incidents of corruption or bribery	N	Investigating credible incidents	104

Data points that derive from other EU legislation

The table below includes all of the datapoints that derive from other EU legislation as listed in ESRS 2 appendix B.

Data point	SFDR	Pillar 3	Benchmark Regulation	EU Climate Law	Section	Page
Board's gender diversity	◆				Gender representation in senior leadership	96
Percentage of board members who are independent	◆				Corporate Governance Report	65
Statement on due diligence	◆				Statement on due diligence	72
Involvement in activities related to fossil fuel activities	◆				Not applicable[1]	
Involvement in activities related to chemical production	◆				Not applicable[1]	
Involvement in activities related to controversial weapons	◆				Not applicable[1]	
Involvement in activities related to cultivation and production of tobacco	◆				Not applicable[1]	
Transition plan to reach climate neutrality by 2050				◆	Not applicable[2]	
Undertakings excluded from Paris-aligned Benchmarks		◆	◆		Not applicable[2]	
GHG emission reduction targets	◆	◆	◆		Not applicable[2]	
Energy consumption and mix	◆				Energy consumption and mix	80
Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors)	◆				Not applicable[2]	
Energy intensity associated with activities in high climate impact sectors	◆				Not applicable[2]	
Gross Scope 1, 2, 3 and Total GHG emissions	◆	◆	◆		Total emissions	80
Gross GHG emissions intensity	◆	◆	◆		GHG intensity based on net revenue	80
GHG removals and carbon credits				◆	Not applicable[2]	
Exposure of the benchmark portfolio to climate-related physical risks			◆		Not applicable[3]	
Disaggregation of monetary amounts by acute and chronic physical risk; Location of significant assets at material physical risk		◆			Not applicable[3]	
Breakdown of the carrying value of its real estate assets by energy-efficiency classes		◆			Not applicable[3]	
Degree of exposure of the portfolio to climate-related opportunities			◆		Not applicable[3]	
Amount of each pollutant listed in Annex II of the E-PRTR Regulation emitted to air, water and soil	◆				Not applicable[4]	
Water and marine resources	◆				Not applicable[4]	
Dedicated policy	◆				Not applicable[4]	
Sustainable oceans and seas	◆				Not applicable[4]	
Total water recycled and reused	◆				Not applicable[4]	
Total water consumption in m3 per net revenue on own operations	◆				Not applicable[4]	
Activities negatively affecting biodiversity-sensitive areas	◆				Not applicable[4]	
Land degradation, desertification, soil sealing to disclosure rules on sustainable investments	◆				Not applicable[4]	

Data point	SFDR	Pillar 3	Benchmark Regulation	EU Climate Law	Section	Page
Natural species and protected areas	◆				Not applicable[4]	
Sustainable land / agriculture practices or policies	◆				Not applicable[4]	
Sustainable oceans / seas practices or policies	◆				Not applicable[4]	
Policies to address deforestation	◆				Not applicable[4]	
Non-recycled waste	◆				Not applicable[4]	
Hazardous waste and radioactive waste	◆				Not applicable[4]	
Risk of incidents of forced labour	◆				Not applicable[4]	
Risk of incidents of child labour	◆				Not applicable[4]	
Human rights policy commitments	◆				Not applicable[4]	
Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8			◆		HSBC Human Rights Statement	93
Processes and measures for preventing trafficking in human beings	◆				Not applicable[2]	
Workplace accident prevention policy or management system	◆				Not applicable[2]	
Grievance/complaints handling mechanisms	◆				Whistleblowing and 'Speak-up' culture	102
Number of fatalities and number and rate of work-related accidents	◆		◆		Not applicable[4]	
Number of days lost to injuries, accidents, fatalities or illness	◆				Not applicable[4]	
Unadjusted gender pay gap	◆		◆		Gender pay gap and remuneration ratio	96
Excessive CEO pay ratio	◆				Gender pay gap and remuneration ratio	96
Incidents of discrimination	◆				Not applicable[4]	
Non-respect of UNGPs on Business and Human Rights and OECD	◆		◆		Not applicable[4]	
Significant risk of child labour or forced labour in the value chain	◆				Not applicable[4]	
Human rights policy commitments	◆				Not applicable[4]	
Policies related to value chain workers	◆				Not applicable[4]	
Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines	◆		◆		Not applicable[4]	
Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8			◆		Not applicable[4]	
Human rights issues and incidents connected to its upstream and downstream value chain	◆				Not applicable[4]	
Human rights policy commitments	◆				Not applicable[4]	
Non-respect of UNGPs on Business and Human Rights, ILO principles or and OECD guidelines	◆		◆		Not applicable[4]	
Human rights issues and incidents	◆				Not applicable[4]	
Policies related to consumers and end-users	◆				Protecting customer and employee data	97
Non-respect of UNGPs on Business and Human Rights and OECD guidelines	◆					
Human rights issues and incidents	◆				Not applicable[2]	
United Nations Convention against Corruption	◆				Not applicable[2]	
Protection of whistleblowers	◆				Not applicable[2]	
Fines for violation of anti-corruption and anti-bribery laws	◆		◆		Approach to mitigating financial crime	104
Standards of anti-corruption and anti-bribery	◆				Approach to mitigating financial crime	104

1 Not applicable for Financial Institutions.
2 Not applicable during the reporting year.
3 Adopting phase-in provision.
4 Not material as per DMA.

Statement on due diligence

Due diligence is integral to HSBC Continental Europe operations, ensuring compliance, accuracy, and transparency in every aspect. The Bank has conducted thorough due diligence process for all the disclosures presented in the Sustainability Statement.

The below table provides a mapping of the information provided in its sustainability statement about the due diligence process.

Core elements of due diligence	Sections in the sustainability statement	Page
a) Embedding due diligence in strategy and business model	Strategy and business model	55
b) Engaging with affected stakeholders in all key steps of the due diligence	Engaging with affected stakeholders to inform our strategy	64
c) Identifying and assessing adverse impacts	Material sustainability risks, impacts and opportunities	57
d) Taking actions to address those adverse impacts	Respective sections of the Climate and Social where actions and tracking of effectiveness are disclosed.	76, 77, 78, 93, 95, 95, 95
e) Tracking the effectiveness of these efforts and communicating		

Additional notes on the preparation of this statement – estimation and time horizons

HSBC Continental Europe has used estimates for the reporting of Scope 3 emissions, based on widely accepted frameworks and industry standards available at the time of reporting. Such metrics may be subject to a high level of measurement uncertainty due to data challenges, evolving methodologies and emerging standards. The effective measurement, governance and reporting of Scope 3 emissions relies heavily on the availability and quality of external data. The Bank's internal processes to support ESG disclosures continue to be developed and currently partly rely on manual sourcing and categorisation of data. This, coupled with diverse external data sources and complex structures, further complicates data consolidation. Methodologies, data, scenarios and industry standards may evolve over time in line with market practice, regulation or developments in science, and where applicable, HSBC Continental Europe aims to continue to review its approach.

As data improves and coverage expands, estimates can be replaced with reported figures.

HSBC Continental Europe uses the following three distinct timeframes for qualitative assessment to assess its financial materiality on climate and nature sustainability matters:

– Short term up to 2026.

– Medium term from 2027 to 2035.

– Long term from 2036 to 2050.

The quantitative DMA for Nature on HSBC Continental Europe’s wholesale, liquidity and traded risk portfolios utilises ENCORE materiality scores which uses 1 year timeframe.

Environmental

Climate change

In October 2020, the HSBC Group announced its ambition to become a net zero bank by 2050. As a material subsidiary of the HSBC Group, HSBC Continental Europe actively contributes to the achievement of the Group's ambition by managing its own emissions, providing and facilitating sustainable finance and investment for clients, and investing in the scaling up of emerging climate technologies.

Transition plan for climate change

In January 2024, HSBC Group published its first Net Zero Transition Plan, covering HSBC Holdings plc and its subsidiaries, which includes HSBC Continental Europe.

The HSBC Group Net Zero Transition Plan took into consideration the guidance available at the time, including recommendations set out in the Glasgow Financial Alliance for Net Zero's ('GFANZ') Financial Institution Net-zero Transition Plans framework and the UK Transition Plan Taskforce's ('TPT') draft framework, published in November 2022.

HSBC Continental Europe does not have an entity-level transition plan under the relevant ESRS and continues to review its approach to transition planning in line with regulatory requirements, available guidance, and industry practice. HSBC Continental Europe is taking entity-level actions to contribute to the HSBC Group Net Zero Transition Plan. This includes: the way that it supports its customers, both through customer engagement and the provision of financing solutions (refer to page 76); the way that it operates as an organisation, including risk management (refer to page 165), policies (refer to page 76) and own operations (refer to page 78), and how it partners externally in support of systemic change (refer to page 77).

Climate change-related impacts, risks and opportunities

HSBC Continental Europe has identified six material climate change related IROs through its DMA, which are connected to its own operations, upstream and downstream value chain.

Impact / Risk / Opportunity	Description	Time Horizon	Value Chain Segment or Own Operations
Impact	**Impact on climate change** Through its downstream financing and investing activities the Bank has exposure to high-emitting sectors, such as fossil fuels, power utilities, infrastructure, transportation and heavy industry. The emissions from these sectors result in adverse climate impacts, accelerating global warming and complicating efforts to cap global temperature rises.	Short / Medium / Long Term	Downstream
Impact	**Impact on energy** Through its downstream financing and investing activities the Bank is exposed to energy-intensive sectors, such as power utilities, infrastructure, transportation and heavy industry. These sectors have a fossil fuel driven energy mix which can be a challenge to transition and could have a negative impact on the overall transition to a more sustainable energy mix.	Short / Medium / Long Term	Downstream
Risk	**Reputational risk (including the risk of greenwashing) associated with misstatements and misalignment with targets** HSBC Continental Europe's key stakeholders - such as investors, customers, regulators, and society at large - are placing growing importance on its alignment with climate objectives and expect the Bank to effectively manage climate-related risks. Misrepresentation or failure to meet these expectations could expose the Bank to reputational damage, greenwashing risk and litigation.	Short Term	Own Operations Upstream Downstream
Risk	**Deterioration in credit worthiness of customers and valuations of investments due to climate change** HSBC Continental Europe may be affected by climate-related transition risk through its business activities such as exposure to carbon intensive borrowers that may find it challenging to transition, thus threatening the long term viability of their business models and impacting their credit worthiness and/or market value. This may lead to a risk of credit losses across lending and investment activities, and impacts on asset valuations and capital. HSBC Continental Europe may also be affected by climate-related physical risk through its business activities, such as exposure to borrowers in regions vulnerable to acute and chronic climate events, resulting in disruption of businesses and stranded assets. This exposure may also result in elevated credit risk across financing activities, and impacts on asset valuations and capital.	Short Term (Insurance) Medium / Long Term (Wholesale)	Downstream
Risk	**Regulatory compliance and legal risk could arise from failure to comply with climate-related regulations** HSBC Continental Europe must comply with an increasing number of climate related regulations and reporting requirements. Non-compliance or failure to accurately report could result in reputational, regulatory compliance and legal risks.	Short / Medium / Long Term	Own Operations Upstream Downstream
Opportunity	**Opportunity for sustainable finance and investment** The transition to a sustainable and resilient economy presents the bank with a growth opportunity. By integrating ESG principles across its products and services, the Bank has the opportunity to meet the rising demand for sustainable finance and investments thereby improving financial performance through increased market share and access to new client segments.	Short / Medium Term	Downstream

HSBC Continental Europe utilised both qualitative and quantitative methods to identify and assess its climate change-related IROs, including climate scenario analysis and stress testing. These assessments were designed to help HSBC Continental Europe understand where it may have material impact on climate change, both directly and indirectly, and how climate risks or opportunities may impact its operations, financial performance, stability, and reputation. See 'Resilience of the business model in relation to environmental risks', page 60 for full details of the Bank's climate-related scenario analysis programme.

The tools and parameters used to assess climate change-related IROs varied by business line, given the differences in how each of these areas may impact, or may be impacted by climate change.

Given the enduring nature of greenhouse gas emissions, all impacts associated with climate change were designated as 'difficult to remedy' or 'long-term to remedy'.

Assessment of materiality through HSBC Continental Europe's value chain

Wholesale Banking (Commercial Banking and Global Banking and Markets)

Through its downstream wholesale banking activities, HSBC Continental Europe has exposure to high-emitting sectors, such as fossil fuels, power and utilities, infrastructure, transportation, and heavy industry. This may pose both physical and transitional risks for HSBC Continental Europe and its clients. See 'ESG Risks' section, page 226 for more information.

For wholesale clients with the highest exposure to potential climate risk, HSBC Continental Europe uses a Transition Engagement Questionnaire ('TEQ') to gather and assess information about the alignment of its clients' business model, approach to net zero and their exposure to and management of physical and transition risk. See 'Supporting customers' transition in high emitting sectors', page 76 for more information. To assess the impacts of its wholesale loan portfolio on climate change, HSBC Continental Europe leveraged the information gathered through the TEQ process along with the client's greenhouse gas ('GHG') emissions data. Where emissions data was unavailable, proxy analysis and estimated data points were used to complete the assessment.

Climate-related financial risk was assessed both qualitatively and quantitatively to gain insight into the long-term effect of transition and physical risk across the wholesale banking portfolio. The qualitative assessment was performed using the ESG score, which is derived from both qualitative and quantitative datasets, along with outputs from the climate scenario analysis. See 'Climate Risk Scenarios', page 60 for more information. It considers how climate risks may impact principal risk types associated with wholesale banking including financial and non-financial risks. The climate scenario analysis was further used to perform the quantitative assessment of climate risk.

Market risk

The potential impact of climate risk on the Bank's market risk has been assessed with a review performed of each traditional financial risk type (Equity, Foreign Exchange (FX), Interest Rate, Credit Spread notably).

Climate events can expose the Bank to potential losses from financing high-risk geographies affected by tighter regulations or extreme weather events, as well as from fluctuating asset values tied to carbon-intensive sectors.

Therefore, HSBC Continental Europe performed its financial materiality assessment on its traded book based on a country analysis for the physical risks and a sector analysis for the transition risks. Internal and external data sources, including climate studies and published indexes from international bodies, were used to make these country and sector analyses.

Liquidity risk

HSBC Continental Europe undertook an assessment to understand the impact that climate risk may have on its liquidity position. This assessment was made up of two components:

- Qualitative assessment: to understand the potential impact that a climate risk event may have for each liquidity risk driver, over a short-term horizon.
- Quantitative assessment: to identify the potential impacts of climate transition risk on the two main liquidity risk drivers (deposits outflow and committed facilities drawdown), the analysis was completed with an internal climate liquidity stress testing which assessed the impact of a potential greenwashing event on HSBC Continental Europe's liquidity position impacting notably deposits and undrawn commitments from high-risk sectors, over a 90-day scenario.

Wealth and Personal Banking ('WPB')

Transition and physical risks were considered across this portfolio with a focus on unsecured property with a low energy performance grade and financial risks resulting from chronic or acute climate events assessed as exposure to six natural hazards: subsidence, wildfire, flood, wind, sea level rise and temperature.

The same approach has been applied for assessing the transition and physical risks impacts on the HSBC Private Bank (Luxembourg) S.A. credit portfolio with a limitation of the natural hazard assessed (wildfires, flood, subsidence, water stress and biodiversity hotspots) due to data availability.

HSBC Bank Malta p.l.c has assessed transition and physical risk for its retail mortgage portfolio. For the transition risk assessment, the properties' energy performance certificate ratings are captured and the energy performance distribution across the portfolio is monitored.

For the physical risk assessment, flood risk is considered for both sea level rise and flash floods, in addition to other environmental risks such as water stress, biodiversity hotspots, air quality and untreated wastewater.

HSBC Continental Europe has downstream investment activities across multiple parts of its WPB business, namely HSBC Asset Management[1], INKA[2] within Global Banking and Markets and the savings business within HSBC Insurance (HSBC Assurances Vie). The

1 HSBC Asset Management in context of the section 'Assessment of the materiality through HSBC Continental Europe's value chain' includes HSBC Global Asset Management (France), HSBC Global Asset Management (Deutschland) GmbH and HSBC Global Asset Management (Malta) Ltd.

2 HSBC INKA (Internationale Kapitalanlagegesellschaft mbH) a subsidiary of HSBC Continental Europe S.A., Germany, specialises in fund administration with an AIF and UCITs management license by Federal Financial Supervisory Authority (BaFin), operating in Germany.

primary driver of climate impact in these businesses is exposure within their portfolios to high-emitting sectors, such as fossil fuels, power utilities, infrastructure, transportation, and heavy industry.

As with Wholesale Banking activities, these financed emissions may result in adverse climate impacts.

To assess these impacts, HSBC Asset Management and HSBC INKA leveraged the MSCI Impact Materiality Assessment, which highlights the most material negative and positive impacts for 163 Global Industry Classification Standard ('GICS') sub-industries across ESRS subtopics. This provided a binary view of the materiality of a given topic based on the sector/industry breakdown of the client assets under management ('AuM').

Neither HSBC Asset Management nor INKA is directly exposed to financial risks such as market risk, credit risk or liquidity risk since risks and/or opportunities related to their investing activities would primarily impact their clients' investments. HSBC Asset Management and INKA monitor and manage such risks and opportunities on behalf of their clients' investments. However, qualitative results of the Risk and Control Assessments for Non-Financial Risks were considered in the DMA assessment.

HSBC Assurances Vie (France) used the financed emissions of its Life Insurance and Pensions business to assess whether its investment activities have a material impact on climate change, taking both carbon intensity and carbon footprint into consideration. To monitor GHG emissions from non-linked assets, the company evaluated the level of avoided carbon emissions and measured the implicit temperature increase in the portfolio by 2050.

To assess financial risks, HSBC Assurances Vie (France) leveraged the climate risk assessment model from the 2024 climate stress test exercise covering the insurance sector performed by the French Prudential Supervisory and Resolution Authority ('ACPR'). The test considered four distinct scenarios, developed from the narratives and data published by the NGFS. For physical risk, these scenarios ranged from the 'Ambitious' 1.5°C-aligned scenario, to the 'Pessimistic' scenario which assumes climate action is limited to current policies resulting in temperatures rising by more than 3 degrees by 2100. For transition risk, the scenarios covered both an 'Orderly Transition' scenario, based on the NGFS Net Zero 2050, and a 'Disorderly Transition' scenario assuming limited climate action over the next few years, followed by a sharp acceleration of climate measures between 2030 and 2035, leading to temperatures below 2°C by 2100.

The assessment of climate-related impact on non-financial risks, such as compliance risk, resilience risk, financial reporting risk or legal risk, is performed on an annual basis across HSBC Assurances Vie (France), Asset Management and INKA to ensure the identification of potential material climate-related risks faced by each business.

HSBC Continental Europe's own operations

The impacts of HSBC Continental Europe's operations on climate change were assessed using scope 1 and scope 2 GHG emissions as a measure, particularly from energy use in its buildings and data centres and the heating, ventilation, and air conditioning ('HVAC') systems used to cool or heat its premises. In addition, select scope 3 emissions from its upstream value chain were also considered, including business travel and those relating to purchased goods and services from suppliers and capital goods.

To identify and assess potential climate risks to its operations, the Bank leveraged the findings from the operational risk assessment in the 2024 study. This study applied two Representative Concentration Pathway ('RCP') climate scenarios: the high emission 'RCP 8.5' 'climate action limited to current policies, leading to extreme global warming with global temperatures increasing by greater than 4.2°C by 2100, and the intermediate 'RCP 4.5' (climate action based on existing and expected commitments) leading to global temperature rises of 2.4°C by 2100.

The assessment considered the potential effect of both physical climate hazards–such as extreme temperatures, drought, water stress, wildfire, and fluvial and pluvial flooding, tropical cyclone—and transition risks, including those related to policy and legal, technology, reputation, and market dynamics, on estimated asset values of HSBC Continental Europe's owned properties.

As a credit institution and Public Interest Entity, HSBC Continental Europe is particularly exposed to reputational and regulatory compliance risks. This is driven by increasing expectation, and scrutiny from investors, customers, regulators and wider society regarding the Bank's activities and their alignment with national and international climate goals, as well as those set by the HSBC Group.

As such, these risks were considered during the qualitative materiality assessment. See 'The double materiality assessment process', page 57, for more details. This risk identification and assessment process was also supported in 2024 by an internal scenario analysis performed to identify and evaluate the impact of climate change on the business under Financial Reporting and Regulatory Compliance risks (Greenwashing) and Resilience risks (Physical). See 'Non-Financial Risk' section of the Risk report of Universal Registration Document and Annual Financial Report 2024, page 218, for more details.

HSBC Continental Europe's supply chain

The HSBC Group undertook an assessment of its suppliers' carbon emissions including HSBC Continental Europe's suppliers and is encouraging its largest suppliers to make their own net zero commitments, and to disclose their emissions via the CDP (formerly the Carbon Disclosure Project) supply chain programme. Improvement in the measurement, quality and reporting of HSBC Continental Europe supply chain emissions data continue to generate insights to drive targeted reduction activities.

HSBC Group has engaged with its 300 highest-emitting suppliers to collaborate and identify emissions reduction opportunities based on supplier maturity levels. Third-Party risk materiality is also assessed on a yearly basis by considering the impact resulting from a climate risk event which may occur in the next 12 months.

Addressing climate-related impacts, risks and opportunities through policies and actions

Supporting customers' transition in high emitting sectors[3]

HSBC Continental Europe recognises that it has an important role to play in supporting the transition to a net zero global economy.

As a financial institution, HSBC Continental Europe is focused on making choices that do not just deliver progress towards portfolio emissions targets, but also lead to a meaningful impact on emissions reduction in the real economy. This means supporting customers in high emitting sectors whose transformation is key to a net zero economy.

HSBC Continental Europe applies, where relevant, the HSBC Group's sustainability risk policies, which form part of the HSBC Group's broader risk management framework and are important mechanisms for managing risks, including delivering the Group's net zero ambition. They focus on mitigating reputational, credit, legal and other risks related to the Bank's customers' environmental and social impacts.

Senior members of the HSBC Group Risk and Compliance function have oversight of the development and implementation of sustainability risk policies across global businesses and functions. In addition, senior members of HSBC Continental Europe's Risk function oversee the implementation of these policies for the entity.

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.
- 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.
- Supporting a just and affordable transition, recognising the local realities in all the communities served.

In addition, the HSBC Asset Management business has its own policies on Energy and Thermal Coal that apply to investment products it manages. Where it does not have full portfolio discretion, commitments included in these policies are subject to client, fund director and regulatory approval.

The Energy Policy and Thermal Coal Policy are reviewed at least annually to consider changes in relevant external factors. Oversight of the application of these policies is conducted as part of Asset Management's governance and risk framework.

- The Energy Policy aims to engage and assess the transition plans of the oil and gas, and power and utilities companies for listed issuers responsible for around 70 per cent of relevant emissions based upon all listed equity and corporate fixed income under its direct investment control and managed within its major investment hubs.
- The Thermal Coal Policy is developed in support of the transition from coal-fired power and thermal coal mining ('thermal coal') within the 2030/40 timelines set out in the HSBC Group's Thermal Coal Phase-Out Policy and is intended to help meet the dual objectives of phasing out thermal coal within science-based timeframes and of energy transition in more coal-reliant economies.

Engaging with clients to deepen understanding of and support their transition plans

In wholesale banking, HSBC Continental Europe seeks to actively engage with its clients on their climate strategies and risks. In 2024, it pursued this strategic dialogue with its higher transition risk and/or largest corporate customers through the completion of a TEQ performed annually. This questionnaire contains specific, climate-focused questions to support HSBC Continental Europe in understanding the level of climate risk in each client's business and their transition strategy. Commercial Banking and Global Banking are using the data collected to engage with their clients and identify additional business opportunities that could support their transition to net zero.

In 2024, nature-related questions were introduced to the TEQ to cover topics including pollution, water, biodiversity, resource use and circular economy.

Providing climate focused unit linked offerings

HSBC Assurances Vie (France) offers a wide range of unit linked funds in its saving and retirement insurance contracts, more than half of which are related to climate, environment and social actions. This ESG offer is enriched every year.

Due to the nature of its business, HSBC Assurances Vie (France) relies on Global Management Selection[4], which conducts due diligence on unit linked offers. The business will continue to provide these thematic funds going forward and will aim to provide more where approval is received.

3 HSBC Continental Europe's actions are not reliant on specific resources and not attributed to financed emissions reductions, as doing so could result in overstated impacts, including risk of greenwashing and double counting.

4 Global Management Selection ('GMS') refers to the process of selection of the unit linked funds related to HSBC Assurances Vie (France) savings and retirement product offer and for the quantitative and qualitative analysis of the ESG criteria declared by assets manager. GMS analyses in detail the policy of the asset manager, unit linked and related management policy.

Engagement with priority issuers on climate topics

In 2024, Asset Management continued developing its engagement strategy for priority issuers based on their contribution and materiality to financed emissions (typically the top emitting issuers) and by setting company level engagement plans.

This approach will enable the business to support issuers along their transition journey and show improvement in their alignment classifications over time, whilst also helping support the reduction in emissions intensity of portfolios.

Implementing fund rules

HSBC INKA has implemented specific investment rules in several funds, for example, exclusions with regards to coal and in some cases other fossil energy sources.

Funds can also apply rules with regards to carbon reduction, invest in target funds which are classified according to Articles 8 or 9 of the Sustainable Finance Disclosure Regulation ('SFDR') or invest in sustainable bonds. The business plans to continue to implement further ESG criteria in fund rules over the coming years.

Stewardship

When exercising its voting rights on management proposals, member re-elections and executive remuneration, HSBC INKA considers investee companies' approaches to climate change based on its Voting Policy, considering BVI voting rules (German fund industry association) and Glass Lewis ESG voting rules.

During 2024, HSBC INKA's Voting Policy was considered when dealing with investee companies and will continue to be implemented when exercising the voting rights over the coming years.

Partnering for systemic change

Throughout 2024, HSBC Continental Europe continued to engage in commercial partnerships with third parties to help support its customers on their transition journey. This included a partnership with ESG ratings provider EcoVadis in France, to help wholesale banking clients to understand and develop plans to reduce their scope 3 emissions through scoring.

Commercial Banking has been expanding its partnership and developing ESG Directory, a vetted list of third-party ESG service providers to help customers navigating in the evolving sustainability landscape. While already available in France, the directory focuses on key areas where customers need support, such as setting strategy, disclosing against regulatory frameworks, assessing supply chains, assessing physical risk and second party opinion and energy efficiency.

Managing climate-related risks

Climate-related risks may affect HSBC Continental Europe either directly, or through its relationships with its customers. This includes potential risks arising as a result of the HSBC Group's net zero ambition, which could lead to reputational concerns, and potential legal and/or regulatory action if it is perceived to mislead stakeholders on business activities or if the Group fails to achieve its stated net zero targets.

As outlined in section 'Risk Management', page 165, climate risk has been integrated into the Bank's risk taxonomy and risk management framework through policies and controls for the existing risks where appropriate. HSBC Continental Europe applies, where relevant, HSBC Group policies to mitigate climate risks.

Aligned with the policy objectives, HSBC Continental Europe also takes action to manage these risks.

Reputational risk policy

The Reputational Risk Policy is aimed at managing the sources and drivers of reputational risk that may be encountered through the Bank's business activities.

The policy seeks to achieve three primary objectives:

- Potential reputational risks are identified and escalated as appropriate.
- Roles and responsibilities relating to reputational risk management are clearly defined, understood, and embedded.
- Senior management have visibility and oversight over reputational risks.

The policy applies to all employees at HSBC Continental Europe. At a senior level, the Chief Risk Officer is accountable for assessing and deciding reputational risk cases and the Chief Executive Officer owns and is accountable for the management and mitigation of any residual reputational risk.

Financial reporting risk policy

The Financial Reporting Risk Policy outlines the minimum requirements to address financial reporting risk, including the risk of misstatement in externally driven climate-related reporting and disclosures.

The purpose of this policy is to ensure consistent and appropriate interpretation, measurement, and presentation of financial information in relevant reports. This includes compliance with applicable legal and regulatory frameworks which require HSBC Continental Europe to publish financial reports and disclosures.

The policy establishes the overriding financial reporting guidelines applicable to HSBC Continental Europe. It is owned by the Group Chief Financial Officer as the Global Risk Steward and its implementation is managed by HSBC Continental Europe's Financial Controller for the entity.

Wholesale credit risk policies

The Wholesale Credit Risk policies establish guidelines and criteria to manage and mitigate the risks associated with providing credit to wholesale clients. This includes wholesale credit risk driven by climate transition and physical risks that HSBC Continental Europe has identified as material through its DMA.

Within these policies, HSBC Continental Europe references its wholesale credit risk assessment. The objective is to ensure that credit extended to wholesale clients and counterparties aligns with the Bank's risk appetite approved by the Board. This includes sustainability considerations, requiring wholesale credit risk assessments (with stated exceptions) to evaluate clients' exposure to transition and physical risks associated with climate change.

Ownership and management of the policy sits with the Head of Wholesale Credit Risk Oversight, at global and entity level.

Risk analysis and modelling for climate risks

HSBC Continental Europe continues to develop its climate risk management capabilities, including scenario analysis and embedding climate risk into wholesale credit processes.

The Bank performs annual scenario analysis to understand the climate risks that may directly affect the business. For more detail on how the Bank conducts this analysis see page 60.

In addition, HSBC Assurances Vie (France) conducts an annual review of operational risks, with associated controls mapped to specific risk categories. Within each category, climate risks are analysed.

For each identified risk, a probability of occurrence and potential impact are assessed based on a scenario representing the most severe situation that could occur in the next 12 months. These assessments are reviewed by the second line of defence, including Risk management and internal controls over sustainability reporting Risk, Legal and Compliance. In 2024, this analysis did not materially change the company's estimate of non-financial risks.

Addressing regulatory compliance risk
HSBC Continental Europe aligns its actions within the general regulatory framework outlined in the section 'Regulatory Compliance' on page 224 and has adapted it to incorporate climate-related regulatory compliance requirements.

Financing the shift to a sustainable economy

In 2020, the HSBC Group announced its ambition to provide between USD 750 billion to USD 1 trillion in sustainable financing and investment by 2030. This ambition aims to help promote green, sustainable and socially-focused business, as well as sustainable investing products and solutions.

Since 1 January 2020, HSBC Continental Europe's cumulative contribution to the HSBC Group target amounted to USD124.9 bn on 31 December 2024, which represents 32 per cent of the HSBC Group's total progress to date.

Embedding the transition to net zero in the way the Bank operates

The HSBC Group has the ambition to become a net zero bank by 2050, which includes its operations. In order to contribute to the HSBC Group's ambition, HSBC Continental Europe is focused on key objectives:

Reducing greenhouse gas emissions
In Germany and France, the office buildings are operated with the vast majority of electricity consumption being obtained from renewable energy sources. Further plans are in place to increase the amount of renewable electricity consumption across HSBC Continental Europe. In addition, HSBC Continental Europe continues its efforts to reduce overall travel emissions year on year.

Improving energy efficiency
In Malta, major work on the construction project named HSBC HUB was completed in 2024. As part of the HSBC HUB project, a number of net zero initiatives were delivered, such as the reduction of floor space by 30 per cent through hybrid working and the introduction of energy saving installations.

Additionally in France, a local tracker is used to monitor energy consumption by comparing invoice data with climate index metrics. Following energy audits in 2023, HSBC Continental Europe implemented an action plan that allowed the Bank to better track and understand usage, reducing total energy consumption in its head office building on avenue Kleber in Paris by 15 per cent from 2023 to 2024.

Partnering with suppliers
The HSBC Continental Europe adopted the CDP to help companies report their environmental impact. Since 2024, additional data sources have been incorporated to complement existing CDP data to improve measurement, quality and reporting of the supply chain emissions data. HSBC Continental Europe aims to deepen collaboration with suppliers, and support those without public disclosures or emissions reduction plans through education and engagement. Efforts have been focused on building partnerships with larger suppliers to drive change in shared supply chains through scaled solutions, including industry initiatives.

Measuring progress

In October 2020, the HSBC Group announced its ambition to become a net zero bank by 2050. It seeks to analyse and track its financed emissions through specific RAS and KMIs. HSBC Continental Europe is taking entity-level actions to contribute to the HSBC Group's ambition. It is also increasingly assessing its corporate customers' transition risks, outlined in 'Climate and Environmental risks management', page 226. HSBC Continental Europe continues to review its approach to entity-level targets in line with regulatory expectations or requirements, available guidance, and industry practice.

Greenhouse gas emissions

HSBC Continental Europe considered the requirements of the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Version 2011) and the calculation guidance set out in the Partnership for Carbon Accounting Financial ('PCAF') specifically Part A 'Financed Emissions'.

The GHG Corporate Standard classifies the direct and indirect emissions into three scopes.

Scope 1 represents the Bank's direct emissions. Scope 2 represents the indirect emissions resulting from the Bank's use of electricity and energy to run its business. Scope 3 represents indirect emissions attributed to upstream and downstream activities. HSBC Continental Europe's upstream activities include business travel and emissions from its supply chain including procurement of goods and services and related transport. Downstream activities include those related to investments and including financed emissions. Under the protocol, scope 3 emissions are broken down into 15 categories, of which HSBC Continental Europe discloses emissions data for three related to upstream activities. These are: purchased goods and services (category 1); capital goods (category 2); and business travel (category 6). HSBC Continental Europe also reports data on downstream activities for financed emissions (category 15).

Scope 1 and scope 2 emissions
Scope 1 and 2 emissions represent the GHG emissions associated with HSBC Continental Europe's operations. The emissions data is extracted using the HSBC Group's environmental tool Metrix. Data covers a 12-month period ending on September 30 and is gathered for the three key markets[5]: France, Germany, and Malta.

[5] Scope 1, 2 and Scope 3 category 6 emissions data covers all HSBC Continental Europe entities, located in markets that are onboarded on HSBC's climate reporting tool: France, Germany, and Malta. Data covers entities that are not consolidated under HSBC Continental Europe, but they share premises with HSBC Continental Europe entities so cannot be excluded such as HSBC Global Services (UK) Paris Branch, HSBC Bank plc, Paris Branch, HSBC Global Service UK Ltd – Malta Branch.

Scope 3 emissions categories 1, 2 and 6

Emissions from business travel (category 6) are tracked similarly to Scope 1 and 2 emissions, using the HSBC Group's environmental reporting tool for the 12-month period ending on September 30. Data covers HSBC Continental Europe’s operations in France, Germany, and Malta.

HSBC Continental Europe’s supply chain emissions (categories 1 and 2) are calculated using a spend-based method under Greenhouse Gas Protocol supplemented by supplier emissions data obtained through CDP.

In the absence of reported emissions data for a supplier, or if the supplier is not within the HSBC Group's 500 largest suppliers, emissions are estimated using actual and modelled data from an external provider.

If such data is not available, the revenue-based CDP industry average for the supplier's primary activity is applied to derive the associated emissions. Spend data covers the period from October 2023 till September 2024.

Scope 3 emissions category 15

Financed emissions link the financing HSBC Continental Europe provides to its customers and their activities in the real economy and provides an indication of the associated GHG emissions. They form part of HSBC Continental Europe’s scope 3 emissions, which includes emissions associated with the use of a company’s products and services.

The DMA assessment has concluded that climate change mitigation impact is material – for wholesale, insurance, and asset management. As per ESRS, only material topics have been considered for disclosure.

To determine the scope of activities for reporting, HSBC Continental Europe considered the specified minimum boundary defined in the GHG Protocol.

The amounts reported for financed emissions include the wholesale banking book for known and unknown use of proceeds and where data was available to make the assessment. This enables the scope of activities to align with Pillar 3 disclosures on Financed emissions. To calculate annual on-balance sheet financed emissions, HSBC Continental Europe used drawn balances as of 31 December 2024 related to wholesale loans and advances to customers (corporate loans) and financial assets that are not insurance related (corporate debt). It represents a total of EUR 33.2 billion.

HSBC Continental Europe recognises that the methodology and data used to assess financed emissions are new and evolving and HSBC Continental Europe expects industry guidance, market practices, and regulations to continue to change in the coming years, and may enable the Bank to review and consider the scope of reporting for other types of investments including the additional asset classes and activities listed as optional or not addressed in the GHG Protocol such as managed investments and client services, other investments or financial services (for example, insurance contracts, credit guarantees, pension funds), sovereigns, financial institutions and retail lending.

Data and methodology limitations

The methodologies and data used to assess financed emissions continue to evolve alongside changes to industry guidance, market practice and regulation. Most clients do not yet report emissions data at the granular subsidiary level and the full scope of GHG 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 Continental Europe has estimated emissions using proxies based on industry averages. These industry averages may be defined at country, region or globally based on the data available to calculate emission factors and may not be country specific. Given financed emissions data is reliant on 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 sets and given the multi-year lag noted for emissions availability, HSBC Continental Europe 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 Nomenclature of Economic Activities ('NACE') code granularity exists using industry averages, and where NACE code is unavailable, a weighted average portfolio emission factor has been applied. For HSBC Continental Europe, financed emissions are calculated at the individual obligor level and this may therefore differ between the counterparty group sectors used for financed emissions 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 methodology and approach to the scope of these calculations for HSBC Continental Europe is not aligned with the HSBC Group methodology and emissions figures will differ. This is to ensure alignment with reporting requirements to expand coverage across a wider range of sectors for disclosure purposes rather than focusing on target setting on specific sectors, which is currently done at the HSBC Group level.

Evolving approach

HSBC Continental Europe’s approach will evolve based on data and methodology improvements as well as future alignment with updated industry guidance for methodologies. As data improves and coverage expands, estimates can be replaced with reported figures.

Total Emissions

		2024	
		tCO2e	**Primary data source %**
Scope 1 GHG Emissions			
Gross Scope 1 GHG Emissions	tCO2e	**2,631**	**N/A**
Scope 2 GHG Emissions			
Gross Location-based Scope 2 GHG Emissions	tCO2e	**2,818**	**N/A**
Gross Market-based Scope 2 GHG Emissions	tCO2e	**1,252**	**N/A**
Scope 3 GHG emissions			
Category 1: Purchased goods and services	tCO2e, %	**38,141**	**8**
Category 2: Capital goods	tCO2e, %	**621**	**26**
Category 6: Business travel	tCO2e, %	**2,902**	**100**
Category 15: Investments (Financed Emissions)	tCO2e, %	**20,902,030**	**0**
Total Gross Scope 3 GHG Emissions	tCO2e, %	**20,943,694**	**0**
Total GHG emissions			
Total GHG Emissions (location-based)	tCO2e	**20,949,143**	**N/A**
Total GHG Emissions (market-based)	tCO2e	**20,947,577**	**N/A**

GHG intensity is based on HSBC Continental Europe's total net revenue.

For more details on the GHG Emissions calculation and methodology please refer to page 78.

GHG intensity based on net revenue

		2024
Total GHG Emissions (location-based) per net revenue	(tCO2e/ EUR)	**0.01**
Total GHG Emissions (market-based) per net revenue	(tCO2e/ EUR)	**0.01**

Alignment of GHG emissions intensity to financial reporting

Net Revenue used to calculate GHG intensity	Million EUR	**3,252**
Net Revenue (other)	Million EUR	**—**
Total net revenue (in financial statements)	Million EUR	**3,252**

Contribution to the HSBC Group’s sustainable finance and investment 2030 ambition since 1 January 2020

The table below shows HSBC Continental Europe’s cumulative contribution to the HSBC Group’s sustainable finance and investment 2030 ambition since 1 January 2020[1,2,3]

		2020	2021	2022	2023	**2024**
Total	$bn	16.4	47.4	76.0	101.2	**124.9**

1 The 2024 data in this table has been prepared in accordance with the the HSBC Group’s Sustainable Finance and Investment Data Dictionary 2024, which includes green, social and sustainability activities. The amounts provided and facilitated include: the limits agreed for balance sheet-related transactions provided, the proportional share of facilitated capital markets/advisory activities and the net new flows of sustainable investments within assets under management.

2 For green, social, and other sustainable use of proceeds, the capital markets products are aligned to the International Capital Markets Association's ('ICMA') Green Bond Principles, Social Bond Principles or Sustainability Bond Guidelines or the Climate Bonds Initiative as applicable. The lending labelled products are aligned to the Green Loan Principles ('GLP') or Social Loan Principles of the Loan Market Association ('LMA'), Asia-Pacific Loan Market Association ('APLMA') and the Loan Syndications and Trading Association ('LSTA’) as applicable; or for sustainable trade instruments, are aligned to HSBC's internal sustainable trade instrument principles which are based on the GLP and reference the UN SDGs. Also included are facilities where HSBC identifies that the use of proceeds would meet eligibility criteria as defined and approved by appropriate governance committees, but these are not labelled or marketed as green or social.

3 Data is presented in US dollars, as it is calculated at the HSBC Group level.

Energy consumption and mix

In addition to measuring emissions, HSBC Continental Europe monitors its energy consumption as part of its effort to support the Group’s net zero ambition.

Energy consumption data is reported for electricity, primary fuel sources and locally generated energy sources with measurements obtained via meters where possible and compiled from service provider invoices. If metered data is only partially available or not available, energy consumption may be calculated based on a comparable property, extrapolation of cost per unit or estimates using floor area or other published industry baselines.

Energy consumption and mix[1]

		2024
Nuclear energy consumption		
Consumption from nuclear sources	MWh	—
Share of energy consumption from nuclear sources in total energy consumption	%	—
Renewable energy consumption		
Fuel consumption for renewable sources, including biomass	MWh	—
Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources	MWh	**13,156**
The consumption of self-generated non-fuel renewable energy	MWh	**189**
Total renewable energy consumption	MWh	**13,346**
Share of renewable sources in total energy consumption	%	**67**
Total energy consumption	MWh	**19,837**
Renewable energy production		
Renewable energy production – Self generated	MWh	**189**

1 Energy consumption and mix data covers all HSBC Continental Europe entities, located in markets that are onboarded on HSBC's climate reporting tool: France, Germany, and Malta. Data covers entities that are not consolidated under HSBC Continental Europe, but they share premises with HSBC Continental Europe entities so cannot be excluded such as HSBC Global Services (UK) Paris Branch, HSBC Bank plc, Paris Branch, HSBC Global Service UK Ltd – Malta Branch. Data covers a 12-month period ending on September 30.

Exposures towards sectors that highly contribute to climate change

HSBC Continental Europe in its Capital and Risk Management Pillar 3 Disclosures, outlines its exposures towards non-financial corporates, including loans and advances, debt securities and equity instruments classified in the accounting portfolios in the banking book excluding financial assets held for trading or held for sale assets.

The table below sets out the same aggregated exposure towards sectors which highly contribute to climate change.

This exposure helps the Bank track performance and effectiveness of its climate change related material IRO's.

Refer to HSBC Continental Europe's Q4 2024 Capital and Risk Management Pillar 3 Disclosures for detailed break-up of this exposure.

Exposures towards sectors that highly contribute to climate change[1]

		2024
Gross carrying amount	Million EUR	**21,213**

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.

Nature

The world cannot solve the climate crisis without addressing the nature crisis. HSBC recognises the importance of safeguarding nature and the important role of nature in a net zero transition.

HSBC Continental Europe has identified two material nature-related impacts through its DMA, which are connected to its wholesale lending activities. The assessment did not identify any material negative impacts relating to land degradation, desertification, and soil sealing. Financial risk was not considered to be material.

HSBC Continental Europe is still at early stage of understanding and taking actions to address its nature-related impacts, with nature currently considered as a broad thematic.

Recognising that climate change is one of the drivers of biodiversity loss, see 'Addressing climate-related impacts, risks and opportunities through policies and actions', page 76 for the actions the Bank is taking to manage its climate-related IROs.

Biodiversity and ecosystems-related impacts, risks and opportunities

Impact / Risk / Opportunity	Description	Time Horizon	Value Chain Segment or Own Operations
Impact	**Impact on biodiversity driven by climate change** By virtue of its financing activities, the Bank has exposure to sectors that contribute to climate change. The effects of climate change, such as rising temperatures, increased frequency of extreme weather events, and changes in precipitation patterns may contribute to habitat destruction, wildlife decline and species extinction resulting in biodiversity loss.	Long-Term*	Downstream
Impact	**Impact on ecosystem services** Through its financing activities, the Bank has exposure to sectors such as energy, power utilities, heavy manufacturing, transportation, and agriculture. These sectors are recognised for their potential to impact ecosystem services.	Long-Term*	Downstream

* Time horizons will be updated as the Bank develops its approach to nature and with the enhancement of data availability and quality.

HSBC Continental Europe used a range of risk management frameworks and tools, alongside internal and third-party data sets, to identify and assess the nature-related IROs within its value chain. As with climate, the approach varied across the different areas of its business.

The impact and dependency that an organisation has on nature is highly location-dependent, and accurately determining the scale requires granular, site-specific data which is not currently available for the Bank's value chain. Due to these nature-related data coverage and quality gaps, a high degree of estimation has been required to carry out the DMA for nature. As a result, consultations with local communities in its value chain were not feasible. HSBC Continental Europe expects that its analysis of nature-related IROs will evolve as data availability and quality, methodologies and industry practice improve over time.

Assessment of materiality through HSBC Continental Europe's value chain

HSBC Continental Europe's Downstream Value Chain Wholesale Banking (Commercial Banking and Global Banking and Markets)

As a financial institution, HSBC Continental Europe's primary impact on nature may arise from its downstream financing activities, specifically wholesale lending. Through the capital provided to its clients HSBC Continental Europe may indirectly impact a number of aspects of the natural world. Visibility to the impacts associated with these financing activities is limited, with many clients not yet able to assess and disclose their own impacts and dependencies on nature as a result of the lack of transparency and data availability in their own supply chains, and many still overcoming the complexities of understanding the downstream effects of their products and services. This is expected to improve as more companies disclose their nature-related impacts and dependencies in line with new reporting requirements.

As a proxy for granular, location-specific client data, HSBC Continental Europe assessed its wholesale lending portfolio considering the sectors in which clients operate and the country in which they are primarily based.

To determine sector-level impact materiality, HSBC Continental Europe used the ENCORE tool, developed by the Natural Capital Finance Alliance in partnership with the UN. The tool provides a view of the nature-related impacts and dependencies across different sub-sectors applying pressure and dependency scores in each case, based on how the sectors interact with natural resources and ecosystems. HSBC Continental Europe then weighted these scores to bring country specificity using inputs derived from a range of publicly available data sources on the state of nature at a country level.

The result was a combined 'nature score', which was then used along with HSBC Continental Europe's wholesale credit exposures to determine where it potentially has material nature-related impacts.

Nature-related risk associated with the wholesale lending portfolio was assessed over the short-, medium- and long-term using a combination of quantitative and qualitative approaches. This included using the results from the ENCORE assessment along with the output from the nature-related risk management approach. See 'Testing the resilience of the strategy and business model in relation to nature risk' on page 62 and for the results of a nature scenario analysis, see 'Outcome of nature risk scenario analysis' on page 62.

Nature-related opportunities for wholesale banking were assessed by looking at the pipeline of wholesale lending opportunities over the next 12 months and using the Risk Prioritisation Matrix ('RPM') approach to assess the materiality of nature-related financing opportunities.

Traded and Market risk

As part of supporting Markets and Securities Services customers with their sustainability and transition needs focused on nature, the measurement of risk sensitivities for FX, Interest Rates, Credit Spreads and Equity was introduced in 2024 in addition to climate.

The risk assessment of nature-related impacts and dependencies across traded and market risks activities was carried out over the short-, medium- and long-term using the ENCORE tool and a qualitative risk assessment. This was complemented by an internal nature scenario analysis used for all trading books which was designed on the basis that human activity draws down natural capital assets at unsustainable rate.

Liquidity Risk
HSBC Continental Europe undertook an assessment to understand the impact that nature risk may have on its liquidity position. This assessment was made up of 2 components:

- Qualitative assessment: to understand the potential impact that a nature risk event may have for each liquidity risk driver, over a short-term horizon.
- Quantitative assessment: to look at the impact on the two main liquidity risk drivers (deposits outflow and committed facilities drawdown) under a nature risk scenario.

Wealth and Private Banking ('WPB')
HSBC Assurance Vie (France) uses HSBC Global Asset Management (France) to manage more than two thirds of its non-linked assets and the majority of linked assets. As such, the Insurance company benefits from HSBC Asset manager's expertise and KPIs methodologies.

The insurance company based its assessment of its nature-related impacts on the results of a review of the biodiversity footprint of a part of its non-linked asset portfolio. Its Asset manager uses Iceberg Data Lab's methodology to quantify the impact of its investments/ underwriting practices on nature, considering key pressures including air pollution, water pollution, land use change and climate change caused by GHG emissions.

HSBC Assurance Vie (France) has not developed its own nature score to evaluate the financial risks associated with biodiversity loss and environmental degradation. In its place, it relied on the results of the 2024 qualitative assessment of how nature-related risks can be a driver of or affect existing non-financial risk categories, to inform its materiality assessment.

The process for assessing the material impacts and dependencies on nature from Retail and Private banking, HSBC Asset Management and INKA was the same as the process described in 'Wealth and Personal Banking ('WPB')' under 'Assessment of the materiality through HSBC Continental Europe's value chain' section on page 74.

HSBC Continental Europe's Own operations
Nature-related IROs from HSBC Continental Europe's own operations may arise from business activities at its office locations. HSBC Continental Europe conducted a screening of its office locations to identify potential impacts related to water, biodiversity and waste. This involved an assessment of the proximity of each of HSBC Continental Europe's sites to key biodiversity areas, world heritage sites and areas of water stress. The Bank has not directly assessed the potential impact on threatened species, land degradation, desertification and soil sealing from its own operations, however it has used proximity to key biodiversity areas as a proxy for this.

The assessment concluded that none of HSBC Continental Europe's sites have a material negative impact on nature or contribute to the deterioration of natural habitats. This is due to the nature of its business activities at these locations i.e. commercial offices with relatively low water usage and limited contribution to local pollution levels. As such it has not been necessary to implement biodiversity mitigation measures.

To identify and measure the risk associated with nature events for HSBC Continental Europe's own operations, third-party data was used to assess physical and operational risks arising from water stress and climate change at its buildings, including offices, branches and data centres.

Other nature-related risks, such as dependency on biodiversity and ecosystem services (other than water availability) were not assessed. This was due to lack of available data, proxies and methodologies.

HSBC Continental Europe's supply chain
The Bank undertook an assessment of biodiversity and nature risks to better understand the nature-related impacts and risks in its global supply chain. The assessment was undertaken in 4 steps:

- Identification of nature-related impacts and dependencies in each of HSBC's procurement categories.
- Identification of the biodiversity risks related to these impacts and dependencies at the country level.
- Identification for each procurement category of the risks and opportunities for procurement and the possible steps that could be taken to address risks and opportunities.
- Development of a risk rating for each of the procurement categories.

Addressing Biodiversity and Ecosystems-related impacts through policies, actions and targets

Policies

HSBC Continental Europe applies the HSBC Group's sustainability risk policies to its relevant financing activities. HSBC Group's sustainability risk policies focus on mitigating reputational, credit, legal and other risks related to our customers' environmental and social impacts and impose restrictions on certain financing activities that may have material negative impacts on nature. 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. HSBC Group also require palm oil customers to obtain certification under the Roundtable on Sustainable Palm Oil. The Group' 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.

Given the interconnectedness between climate and nature, the Group's net zero-aligned sustainability risk policies, the thermal coal phase-out policy and the energy policy, are also important mechanisms for helping to manage climate-related risks. For further details of the Bank's climate-related policies and actions, see 'Addressing climate-related impacts, risks and opportunities through policies and actions', page 76.

In addition to the Group sustainability risk policies, HSBC Continental Europe has developed guidance for the management of nature-related risks across its wholesale lending activities. This includes guidance for considering how nature-related physical and transition risks may impact the credit risk management process and a monitoring process to help detect and manage pockets of risks resulting from nature-related impacts and dependencies.

Actions

Developing an approach to nature

In 2024, HSBC Continental Europe contributed to the ongoing development of the HSBC Group's approach to nature, which builds on the outline approach set out in the Group's net zero transition plan, published in January 2024.

This included considering how to: understand its exposure to nature; manage nature-related risks and impacts; support its customers, including financing and investing in nature-related solutions; and building nature-related skills, data capabilities and partnerships.

Managing the impact of the Bank's own operations

HSBC Continental Europe supports the HSBC Group's efforts to minimise the impact on nature from its own operations and supply chain, and seeks to ensure that, where possible, its premises do not adversely affect the environment or natural resources through its leasing, design, construction and operational standards. The main focus areas for this are GHG emission reduction, water consumption, waste and paper usage.

The HSBC Group has been working to embed effective biodiversity and nature risk management within global procurement procedures and processes, including considering how it engages with its suppliers to help drive performance.

Managing nature-related risks

HSBC Continental Europe has not identified any material nature-related financial risks through its DMA process. However, given the interconnectedness between nature and climate change, the risk posed by nature degradation to the global economy and the remaining potential for nature loss to pose risks to HSBC Continental Europe, it has developed a nature-related risks management approach and nature scenario analysis capabilities. Building off the HSBC Group climate risk approach, the nature-related risks approach aims to effectively identify and manage nature-related risks that may impact the Bank's operations, financial performance and reputation. The approach sets out high level principles and guidance for how nature-related risks should be managed through the existing HSBC risk taxonomy and in line with the 'three lines of defence' responsibilities described in the Group RMF.

The identification and assessment of nature-related risks using this approach is reviewed at least annually and is expected to continue to evolve with the growing availability of data from sustainability disclosures.

Wholesale client engagement

HSBC Continental Europe's TEQ supports engagement on net zero and sustainability-related matters with key corporate customers. For more information on the TEQ see 'Engaging with clients to deepen understanding of and support their transition plans' on the page 76. In 2024, the TEQ was expanded to include nature-related questions, including but not limited to questions related to biodiversity.

The Bank is working towards using the data gathered through the TEQ to better understand HSBC Continental Europe's corporate clients' exposure to nature-related impacts, risks and opportunities and the actions being taken to manage them.

Partnering for systemic change

Collective action across the private and public sectors and civil society is key to enable the systemic change required to protect and restore nature. HSBC Continental Europe has been involved in a number of partnerships which focus on scaling nature-based solutions. These partnerships, funded through its own philanthropic spending, help drive action and develop industry practice across the public and private sector. In 2024, HSBC Continental Europe partnered with:

– ONF - Agir pour la Forêt fund, on multiple biodiversity conservation programmes aiming to raise awareness on Nature-Based Solutions among the Bank's employees through volunteering outdoor fieldwork (360 participants in 2024); and additionally on a project to support a research programme around forest resilience and testing new trees species able to develop under warmer and drier climates.
– Earthworm Foundation, through the HSBC Climate Solutions Partnership global philanthropic program, on 'Living Soils', a programme dedicated to regenerative agriculture and intended to promote agricultural practices that respect the earth and contribute to capturing carbon.

Nature-related training

HSBC Continental Europe recognises the need to build understanding and awareness of nature-related issues across its business. In 2024, to support the implementation of the nature-related risks approach, specific training was deployed to members of the first and second line of defence involved in risk identification and management. In addition, all relationship managers within the wholesale and credit advisory functions were required to complete mandatory training on the potential nature-related issues that could impact their clients and associated financing. Training was delivered through online modules, workshops, leadership development and sharing on-the-ground experience from deals and customer interactions.

HSBC Continental Europe Board members also received nature-related upskilling as part of their mandatory training curriculum. In 2024, sessions included an overview of nature-related impacts and dependencies, HSBC Continental Europe's approach to nature-related risks management, and the actions being taken to start to address nature across multiple business areas.

Targets

At present, HSBC Continental Europe does not have entity-level nature-related targets. This is due to the nascent nature of this topic for the Bank and the limitations in the quality and availability of nature-related data. As noted above, the Bank expects to continue to evolve its DMA process as data improves and will consider how to set nature-related targets once it has sufficient confidence in the outputs of the analysis. HSBC Continental Europe has however defined a number of metrics to support the implementation of the nature-related risks approach and to monitor the delivery of some of its nature-related actions.

EU Taxonomy economic performance indicators[1]

Climate change mitigation and climate change adaptation objectives and the remaining environmental objectives

In order to meet the European Union's 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 Continental Europe is therefore required to provide information to investors about the environmental performance of the Bank's assets and economic activities.

The disclosures presented provide information on 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.

Scope of consolidation

The Taxonomy KPIs presented in the tables are based on exposures and balances within HSBC Continental Europe's prudential scope of consolidation as at 31 December 2024. Subsidiaries engaged in insurance activities are treated as investment subsidiary, and the insurance activities are excluded from the prudential scope of 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 and CapEx 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.

The calculation of KPIs for off-balance sheet exposures include financial guarantees granted by the Bank and assets under management. Other off-balance sheet exposures such as commitments are excluded from the calculation.

Total Covered assets

The calculation of the Taxonomy on-balance sheet KPIs include on-balance sheet 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 and credit consumption loans for cars 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 related disclosures shall be based on information provided by the counterparty. This includes exposures to undertakings subject to the NFRD where the use of proceeds is known such as green lending and green bonds.

Exposure to green bonds and debt securities issued by non-NFRD undertakings have also been assessed for eligibility and alignment based on the specific use of proceeds. However, green bonds issued by central governments, central banks and supranationals are excluded from the scope of the GAR.

Eligibility and alignment of general lending exposures have been assessed using the turnover and CapEx eligibility and alignment ratios published in the most recently available annual reports by the Bank's counterparties in scope of NFRD.

Exposures to multi-lateral development banks have been classified as credit institutions in accordance with EU Taxonomy regulation and have been assessed for Taxonomy eligibility and alignment accordingly.

Retail loans collateralised by residential immovable property, building renovation loans, and motor vehicle loans are assessed for eligibility and alignment based on the use of proceeds.

In all tables, '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.

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

Exposures to undertakings not in scope of NFRD/CSRD[4]

Exposures to undertakings that are not obliged to publish Non-Financial Reporting information 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

HSBC Assurance Vie (France) is a subsidiary carrying out insurance activities and has been classified as held for sale at 31 December 2024. The investment in HSBC Assurance Vie (France) that was previously included as an equity instrument has been reported as part of 'Other assets' and excluded from the eligibility assessment.

Other assets also 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. Lending to or financing of local governments where the use of proceeds is unknown (i.e. general-purpose lending) is also excluded from the numerator and these exposures have been included as part of Other assets. 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

The trading portfolio, including trading derivatives, is out of scope for the GAR calculation.

Reporting as a group

Since December 2024, HSBC Continental Europe was no longer regarded as a financial conglomerate, therefore not subject to any supplementary supervision. Consequently, disclosure of KPIs by business segment or a weighted average KPI has not been disclosed. Therefore, the reporting by HSBC Continental Europe is prepared based on its principal business activity as a credit institution.

HSBC Continental Europe's GAR

HSBC Continental Europe is in the early stages of integrating EU Taxonomy considerations into its broader climate strategy. HSBC Continental Europe is beginning to track and report green project finance lending, including assessing alignment against the EU Taxonomy.

HSBC Continental Europe 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; for example, supporting clients in high emissive sectors to reduce their GHG emissions. 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 HSBC Continental Europe'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 and following the sale of the majority of the retail mortgage portfolio on 1 January 2024, most exposures are outside the scope of eligibility assessment under the EU Taxonomy framework. Furthermore, for those exposures where the use of proceeds is known to be applied to eligible activities, such as green bonds and property-related lending, data limitations result in limited ability to comprehensively assess against the alignment criteria.

As the scope of the EU Taxonomy expands to cover counterparties reporting under the Corporate Sustainability Reporting Directive ('CSRD'), and as data capabilities and market data availability improves, it is expected that reporting and strategy will evolve.

For further information on HSBC Continental Europe's ESG strategy, please refer to 'Strategy, business model and value creation' on page 55.

Data limitations

HSBC Continental Europe is dependent on several data sources to determine exposures subject to NFRD and calculate Taxonomy ratios. Availability of data and improvements in data quality over time, as firms adopt the Taxonomy requirements for their own disclosures, could lead to differences in the data reported in future years as compared to the current year.

The Bank will continue to engage with customers, market data providers and standard setters to improve the quality and completeness of Taxonomy data as the Bank 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 Continental Europe to use in its assessment and reporting for the year ended 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 Continental Europe 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 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 for incomplete data, and checking for consistency of calculations across counterparties.

To consistently report the Bank's Taxonomy eligibility and alignment of exposures there is a dependency on counterparty KPIs. However, 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. For example, data is corrected in the case of double counting and reported under one objective only. Total alignment is calculated as a sum of alignment by objective, as opposed to total alignment reported, to ensure that the data sums correctly. Where a counterparty has not reported eligibility data and solely reported alignment, it has been assumed that eligibility matches the alignment KPIs.

HSBC Continental Europe has a dependency on counterparty information to make an assessment for EU Taxonomy eligibility and alignment, where this information is incomplete and deemed not reliable, it has been excluded from the numerator of the Bank's GAR calculation.

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 set out below was followed. In addition, the sector classification is reported in accordance with FinRep reporting.

- Financial conglomerates: Green Asset Ratios or if not available, non-life underwriting KPIs, or if not available Green Investment KPIs.
- Credit institutions: Green Asset Ratios or if not available Green Investment KPIs.
- Insurance undertakings: non-life underwriting KPIs or if not available Green Investment KPIs.
- Investment companies: Green Asset Ratios – dealing on own account.
- Asset managers: Green Investment Ratios.

Where weighted average KPIs were disclosed by counterparties, they were not sufficiently granular for the Bank to satisfy its disclosure requirements. For example, only 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 NFRD/CSRD[4]

The CSRD came into force in January 2023 and strengthens the existing rules on non-financial reporting introduced in the Accounting Directive by the 2014 Non-financial Reporting Directive ('NFRD'). It also broadened the scope for EU entities and includes non-EU entities, subject to meeting certain criteria. Under the CSRD, entities that satisfy the criteria for the first year of reporting and with more than 500 employees during the financial year are expected to report for the 2024 financial year end.

Due to data limitations, it has not been possible to assess all the criteria required to determine the NFRD/CSRD status. Instead, reliance has been placed upon data provided by third party vendors. To treat a counterparty as NFRD, the counterparty must be assessed as being incorporated in the European Union or European Economic Area, and have reported EU Taxonomy eligibility data. Where counterparties have been identified as reporting voluntary data only, or where the data vendor can only provide estimated data, the counterparty is treated as non NFRD.

For NFRD counterparties that have taken the exemption to report at subsidiary level because they are included in the consolidated reporting of their parent, the parent's Taxonomy KPIs have not been relied upon unless the parent undertaking has clearly stated that the relevant subsidiary has taken the exemption option to report Taxonomy KPIs. Where it has not been possible to identify the NFRD status of the counterparty, the exposure has been included in the non-NFRD section of the template.

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.

Non-climate environmental objectives

In 2023, the EC enacted into law the Commission Delegated Regulation (EU) 2023/2486 ('Environmental Delegated Act') and amendments to the Disclosures Delegated Act introducing new reporting requirements for the four remaining environmental objectives i.e. i) Sustainable use and protection of water and marine resources; ii) transition to a circular economy; iii) pollution prevention and control; iv) protection and restoration of biodiversity and ecosystems. This requires both financial and non-financial undertakings to disclose Taxonomy-eligibility information for the remaining environmental objectives from 1 January 2024.

In accordance with Article 8 (4) of the Disclosure Delegated Act, financial undertakings shall use the most recently available data and key performance indicators of their counterparties to calculate their own key performance indicators. Although both financial and non-financial undertakings are required to disclose the proportion in covered assets of exposures to Taxonomy non-eligible and Taxonomy-eligible economic activities for the four non-climate environmental objectives, in practice the data is often in a non-standardised format or incomplete. For many financial counterparties, since the timing for the introduction of these new disclosure requirements coincided with the application timeline for non-financial undertakings, the required counterparty data was not available at the time of reporting to allow financial counterparties to report under mandatory disclosures.

To ensure counterparty data used is standardised and there is no double counting across objectives, HSBC Continental Europe has only used eligibility data for the four non-climate environmental objectives where it has been populated within the EU Taxonomy templates of the Bank's non-financial counterparties. HSBC Continental Europe's exposures to Taxonomy-eligible economic activities for the four non-climate environmental objectives have been presented in the relevant eligibility columns of the tables. The total eligible amount across all six environmental objectives is presented in the total Taxonomy-eligible column.

The proportion in total covered assets of exposures to Taxonomy non-eligible economic activities across all six environmental objectives is 6.3 per cent based on Turnover and 6.1 per cent based on CapEx.

Financial undertakings are required to disclose KPIs for Taxonomy aligned activities covering the economic activities set out in the Environmental Delegated Act from 1 January 2026. Therefore, the columns requiring alignment information related to the remaining environmental objectives have been excluded in all tables.

In all tables presented, the total columns report eligible exposures across all six environmental objectives. The total columns for environmentally sustainable (aligned) exposures, only report against the Climate Change Mitigation and Climate Change Adaptation objectives.

The summary of KPIs (Template 0) is provided in the following table. All other EU Taxonomy templates are provided in the appendices.

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) 2014/95/EU and the Accounting Directive 2013/34/EU.

Summary of KPIs (Template 0)

This table sets out a summary of KPIs required to be disclosed by HSBC Continental Europe as a credit institution, under Article 8 of the Taxonomy regulation.

The table disclosed is provided in Annex VI to the Disclosures Delegated Act but has been modified by adding additional columns and clarifying column headings to clearly distinguish KPIs calculated using counterparty Turnover ratios versus KPIs calculated using counterparty CapEx ratios, both of which are required to be reported by credit institutions.

As the Trading book KPI and Fees and Commissions KPI are required to be disclosed from 1 January 2026, the applicable rows for these KPIs have not been included in the Summary table.

Summary of KPIs to be disclosed by credit institutions under Article 8 Taxonomy Regulation

		2024						
Million EUR		**Total environmentally sustainable assets (Based on Turnover)**	**KPI Based on Turnover KPI of the counterparty**	**Total environmentally sustainable assets (Based on CapEx)**	**KPI Based on CapEx KPI of the counterparty**	**% coverage (over total assets)**	**% of assets excluded from the numerator of the GAR (Article 7 (2) and (3) and Section 1.1.2. of Annex V)**	**% of assets excluded from the denominator of the GAR (Article 7 (1)) and Section 1.2.4 of Annex V)**
Main KPI	**Green asset ratio (GAR) stock**	**440**	**0.40 %**	**790**	**0.72 %**	**45.28**	**36.85**	**54.72**
		Total environmentally sustainable assets (Based on Turnover)	**KPI Based on Turnover KPI of the counterparty**	**Total environmentally sustainable assets (Based on CapEx)**	**KPI Based on CapEx KPI of the counterparty**	**% coverage (over total assets)**	**% of assets excluded from the numerator of the GAR (Article 7 (2) and (3) and Section 1.1.2. of Annex V)**	**% of assets excluded from the denominator of the GAR (Article 7 (1)) and Section 1.2.4 of Annex V)**
Additional KPIs	GAR (flow)	**14**	**0.03 %**	**40**	**0.10 %**	**18.58**	**65.49**	**15.94**
	Financial guarantees	**33**	**1.71 %**	**36**	**1.83 %**			
	Assets under management	**3,378**	**1.05 %**	**5,130**	**1.59 %**			

		2023						
Million EUR		Total environmentally sustainable assets (Based on Turnover)	KPI Based on Turnover KPI of the counterparty	Total environmentally sustainable assets (Based on CapEx)	KPI Based on CapEx KPI of the counterparty	% coverage (over total assets)	% of assets excluded from the numerator of the GAR (Article 7 (2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7 (1)) and Section 1.2.4 of Annex V)
Main KPI	Green asset ratio (GAR) stock	159	0.13 %	355	0.28 %	47.69	40.84	52.31
Additional KPIs		Total environmentally sustainable assets (Based on Turnover)	KPI Based on Turnover KPI of the counterparty	Total environmentally sustainable assets (Based on CapEx)	KPI Based on CapEx KPI of the counterparty	% coverage (over total assets)	% of assets excluded from the numerator of the GAR (Article 7 (2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7 (1)) and Section 1.2.4 of Annex V)
	Financial guarantees	31	2.01 %	25	1.60 %			
	Assets under management	3,366	0.79 %	6,055	1.42 %			

Social

HSBC Continental Europe is committed to operating a responsible, socially focused business. This goes beyond meeting regulatory requirements to focus on building strong relationships with its workforce and customers based on trust.

The Bank promotes an inclusive, safe and rewarding workplace where employees treat others with dignity and respect. HSBC Group and HSBC Continental Europe have adopted policies and practices to safeguard the wellbeing of their workforce and support them in achieving their personal and professional goals.

This approach goes hand in hand with resilience and allows the Bank to focus on delivering products, services and education that support customers and communities.

HSBC Continental Europe has identified ten social-related IROs connected to inclusion, data privacy, training and skills development, social dialogue, secure employment and work-life balance through its DMA. The Bank's material negative impacts are considered industry wide challenges in the region HSBC Continental Europe operates. The following sections address these material IROs in turn, as well as how the Bank is acting to build inclusion and resilience in its business.

Social impacts, risks and opportunities

Impact / Risk / Opportunity	Description	Time Horizon	Value Chain Segment or Own Operations
Own workforce			
Impact	**Active social dialogue** Through internal dialogue and engagement, facilitated by regular surveys and exchanges with management, HSBC Continental Europe ensures that employees' interests and concerns are effectively represented and incorporated into its strategy. This collaborative approach strengthens employee trust and wellbeing.	Short / Medium / Long Term	Own operations
Impact	**Building an inclusive workforce** As part of its core values of embracing inclusion and collaborative success, the Bank fosters a culture that promotes equal opportunities for all. This approach aims at ultimately enhancing a sense of inclusion across the organisation.	Short / Medium / Long Term	Own operations
Impact	**Career growth and progression** HSBC Continental Europe's high-quality training and skills development programmes have a positive impact on employees. These programmes boost employee confidence, enabling them to excel in their roles and advance in their careers.	Short / Medium / Long Term	Own operations
Opportunity	**Productive and skilled workforce** Strong training and skills development supports employee engagement and productivity, retention and recruitment, enhancing customer delivery and the Bank's competitive advantage	Short / Medium / Long Term	Own operations
Impact	**Secure employment** Ongoing business transformation may cause concerns about job security and increased stress for employees due to divestitures and changes in the operating model of HSBC Continental Europe.	Short Term	Own operations
Impact	**Work-life balance** HSBC Continental Europe is active in an industry where certain businesses are culturally exposed to high workload, which may have the potential to lead to extended working hours, resulting in insufficient rest, reduced morale, and a heightened risk of mental health issues among employees.	Short / Medium / Long Term	Own operations
Impact	**Right to privacy** Improper handling of data may result in exposure of employees' personal data, potentially leading to a negative impact on wellbeing or financial loss.	Short / Medium / Long Term	Own operations
Risk	**Compliance with data protection laws** Failure to comply with data protection laws such as the General Data Protection Regulation ('GDPR') may give rise to regulatory fines, penalties and reputational damage.	Short / Medium / Long Term	Own operations
Customers			
Impact	**Right to privacy** Each person has a fundamental right to privacy, and any unauthorised access to personal information could lead to serious consequences such as identity theft, financial losses and reputational damage. Similarly, the unauthorised disclosure of business data could affect customers' competitive standing and increase their vulnerability to fraudulent activities.	Short / Medium / Long Term	Downstream
Risk	**Compliance with data protection laws** Improper handling of data and lack of robust security measures may lead to potential data breaches or breaches of regulations. This may result in fines, penalties, reputational damage and loss of client trust which is crucial to the Bank's business model.	Short / Medium / Long Term	Downstream

HSBC Continental Europe's workforce

HSBC Continental Europe relies on its workforce to meet its strategic objectives and deliver its purpose of 'Opening up a world of opportunity'. HSBC Continental Europe approach acknowledges that its workforce is not only central to operational effectiveness, but also a key determinant in realising its strategic objectives and sustaining its business model. HSBC Continental Europe aims to create a workplace that will help attract, retain and motivate employees so they can deliver for customers across countries and territories.

In 2024, HSBC Continental Europe obtained a Top Employer certification for HSBC Continental Europe as an entity and six of its markets (France, Germany, Italy, Luxembourg, Poland and Spain), delivered by the Top Employers Institute for the commitment and actions towards promoting an inclusive and supportive company culture.

HSBC Continental Europe's Human Resources ('HR') department facilitates talent management, employees' mobility, and defines frameworks to support employee performance management, as well as learning and development.

The Human Resources Function also partners with businesses and functions to establish minimum standards for employee relations, industrial relations, payroll and personnel administration, people capabilities, hiring, and inclusion. It consists of approximatively 210 employees located primarily in the Paris hub, with some employees in all HSBC Continental Europe countries.

Characteristics of HSBC Continental Europe's workforce

HSBC Continental Europe's workforce comprises a diverse group of individuals who contribute to its operations. The workforce consists of employees (including fixed-term contracts and interns), internal and external service providers, contractors, and consultants, which are described in the section 'Stakeholders in the value chain' on page 63.

Breakdown of employees by gender, country and contract type

Metric	HSBC Continental Europe
Total number of employees by headcount	8,421
By gender	
Male	4,402
Female	4,019
By country	
France	3,739
Germany	2,825
Malta	962
Others	895

Metric	HSBC Continental Europe
By employment type and gender	
Permanent employees	7,173
Male	3,612
Female	3,561
Temporary employees	1,248
Male	790
Female	458
Rate of YTD voluntary turnover in the reporting period	4.6 %

HSBC Continental Europe applies HSBC Group's global standards to summarise its employees' characteristics and considers country-specific rules and regulations for each of the entities in its perimeter. The metrics should be considered in the context of the following information:

- HSBC Continental Europe's employee turnover figures reflect the sale of the French Retail Banking Network in 2024; 3,854 employees left HSBC Continental Europe in 2024, equating to a 2024 turnover rate of 53%. These figures are not representative of the typical trends that HSBC Continental Europe faces and do not reflect the underlying stability.
- The voluntary turnover rate is defined as the number of voluntary employee leavers since the beginning of the year, as a percentage of the average employee headcount for the year-to-date period. The 2024 YTD employee voluntary turnover rate is 4.6 per cent, representing a 2.9 points decrease compared to 2023.
- Employee numbers are based on active headcount data as of 31 December 2024.
- Temporary employees refer to interns, fixed-term contracts, consultants and external service providers.
- All the countries, where number of employees are 50 or more representing at least 10 per cent of the total employees, have been disclosed separately.
- All employees who did not report their gender were incorporated into the 'Male' gender category.
- Average number of employees during the 2024 financial year can be found on 'Note 6 – Employee compensation and benefit' of the financial statements.

Employee engagement

Employee engagement is an essential part of building a healthy workplace at HSBC Continental Europe. The Bank encourages employees to speak up directly and collectively about their experiences at work. The leadership team and managers provide employees with channels for dialogue and the means to speak.

Feedback from employees is discussed widely, including executive leadership at HSBC Continental Europe, and informs decision making. Policies are developed, based on the feedback received, to support the wellbeing and interest of employees. HSBC Continental Europe Head of Human Resources is accountable for employee engagement.

As part of the DMA, HSBC Continental Europe has taken into consideration people that could be particularly affected by certain IROs when it was deemed relevant. This includes consideration of employees' self-reported characteristics where legally permitted, such as gender, age, or disabilities. Such considerations were primarily reflected in the severity assessment of impacts, based on available employee data.

HSBC Continental Europe can analyse employee sentiment, as captured by the Snapshot survey, according to business line, function, geography, and certain employee characteristics, including gender, age band, and if the employee is a parent or caregiver. Further, under the sponsorship of a member of the leadership team, the Employee Resource Groups ('ERGs') bring employees with shared interests together while offering a way for HSBC Continental Europe to understand employees' needs and views.

Direct engagement with employees

'Snapshot' survey
The annual 'Snapshot' survey is the primary way in which HSBC Continental Europe captures employee feedback. The survey allows the Bank to hear directly from its workforce, evaluate employee engagement, and assess employees' perception of key themes relating to strategy, communication, customer experience, culture, working methods and to track and assess the effectiveness of the actions and initiatives. It is centrally coordinated by the Group Employee Listening team which sits in the Group Human Resources function.

HSBC Continental Europe tracks the effectiveness of employee engagement through the Snapshot survey response rate, as well as through the level of positive responses to questions related to employees' motivation. The 2024 survey achieved an increased response rate by 13 points, up to 70 per cent in HSBC Continental Europe. Insights from the survey are shared with and discussed by the Executive Committee to inform strategic plans and are provided directly to people managers, when there are more than 10 responses on their teams.

Human Resources also supports teams to have conversations about their feedback through the provision of interactive dashboards, action planning tools and discussion guides.

Performance and reward survey
HSBC Continental Europe complements its Snapshot survey with an annual performance and reward survey. The survey captures feedback relating to the annual performance of employees and pay review cycle and provides valuable insight into how well the Bank is meeting employee needs and expectations on compensation, development and professional growth.

Employee Resource Groups
HSBC's ERGs foster an inclusive culture and contribute significantly to the experience of many employees. They operate at different scales, including well established chapters across HSBC Continental Europe markets, and are led by employees with a range of shared values, identities, interests and goals. Most groups are sponsored by a member of HSBC Continental Europe's leadership team, ensuring there is a direct link between leadership and employees. ERGs are governed by a global charter but yet engage in initiatives and events targeted at the regions and countries in which they operate.

Additional engagement channels
Employee feedback is additionally captured through several ad hoc channels:

- 'Exchange' programme: agenda-free consultation meetings where employees are able to discuss any issues directly with a representative of senior leadership.
- Voluntary inclusion survey: voluntary survey in France and Germany that captures employee sentiment about inclusion and aligns to regulatory requirements.
- Targeted listening activities: feedback sessions focused on key moments in employees' careers, such as the onboarding experience from the perspective of new joiners and hiring managers.

Engagement and communication through representative bodies

HSBC Continental Europe encourages active social dialogue with workers' representative organisations to ensure that employees' perspectives and concerns are heard. The Bank considers that open social dialogue helps bolster employee wellbeing, recruitment, retention and satisfaction.

Being a responsible employer

The HSBC Group has set policies and procedures that define the minimum control requirements with which all employees are required to comply to ensure that the organisation is managed effectively and safely. They are aligned with the Bank's purpose, built taking into account employee interests where possible and implemented in compliance with local work-related requirements and practices. Unless otherwise stated, these policies and associated procedures are contained in Global Functions and Global Business Functional Instruction Manuals which are available to all HSBC Continental Europe employees on the intranet.

HSBC Continental Europe adheres to applicable laws, rules and regulations across countries in which it operates, as well as policies defined at HSBC Group and local level.

People Management Policy

The HSBC Group People Management ('PM') Policy sets out the practices that managers must follow to support their employees and help maintain an environment where employees can thrive. The PM Policy sets expectations relating to matters such as inclusion, as well as learning and development.

This policy applies globally to all global businesses, functions and geographies. All HSBC Group employees and other worker groups have a responsibility to adhere to and enforce this policy. The Group Chief People and Governance Officer has oversight of the policy across all global business and functions. The HSBC Continental Europe Head of Human Resources is accountable for its implementation across the Bank.

To build and safeguard HSBC's desired culture, people managers are expected to:

- Ensure that the workplace environment reinforces the Bank's values to enable everyone to be at their best, to achieve its strategic objectives and serve the needs of its customers, employees and communities.
- Have a representative and inclusive workforce that will help the Bank adapt to achieve its strategy and purpose.
- Listen to employee feedback, identify areas of improvement and address issues with appropriate action.

To support the implementation of this policy, controls are put in place. Such controls include the 'Pay Equity Review', which is performed to ensure pay decisions are fair and free from bias across under-represented groups of employees.

HSBC Human Rights Statement

HSBC Continental Europe adheres to HSBC Group's Human Rights Statement, which describes the ways in which HSBC Group seeks to meet its responsibility to respect human rights. HSBC Group's approach is guided by the United Nations Guiding Principles on Business and Human Rights ('UNGPs') and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct.

As per the HSBC Human Rights Statement, HSBC Continental Europe requires all its employees to treat others with dignity and respect. The Bank has zero tolerance for harassment or unlawful discrimination, including discrimination connected to age, race, ethnicity or nationality, religion or faith, caste, skin colour, mental or physical health conditions, disability, pregnancy, gender, gender expression, gender identity, sexual orientation, marital status or other domestic circumstances, employment status, and working hours or other flexible working arrangements.

HSBC Continental Europe's employees are made aware of their employment rights through a variety of channels, including written employment contracts and policies, and procedures in employee handbooks and on employee websites. Employees of the Bank are trained on a range of human rights-related topics, including but not limited to inclusion, bullying and harassment, and data privacy. In addition, employees receive regular training as part of the HSBC Group's broader financial crime control framework, covering anti-money laundering, anti-bribery and corruption, and financial sanctions and export controls. Each of these intersects with human rights risk.

HSBC Continental Europe addresses human rights grievances and provides suitable means for affected individuals or communities to communicate concerns through its speak-up channels. The Bank does not tolerate retaliation against anyone who raises concerns and takes appropriate action in cases where employees act in violation of the Human Rights Statement. See the 'Whistleblowing and speak-up culture' section on page 102 for further details on speak-up channels.

Health and Safety Policy

HSBC Continental Europe is devoted to providing a safe and healthy working environment for all its workforce abiding by the HSBC Group's Health and Safety Policy. HSBC Continental Europe deploys the policy at best in a balance with local regulations and to meet legal requirements wherever it operates and, where reasonably practical, exceed them.

Health and safety performance is subject to ongoing monitoring and assurance to ensure the Bank maintains compliance with applicable laws and regulations.

Everyone at the Bank has a responsibility for helping to create a healthy and safe working environment. Employees are expected to take ownership of their safety and are encouraged and empowered to report any concerns.

Chief Operating Officers have overall responsibility for ensuring that the correct policies, procedures and safeguards are put into practice.

HSBC Continental Europe is committed to supporting positive mental health for its people. Every employee has a responsibility to help make HSBC a workplace where people feel supported and are empowered to take ownership of their own mental health. HSBC Continental Europe is committed to meeting recognized good practice standards. The Bank's approach to employee wellbeing is in line with the World Health Organization ('WHO') Healthy Workplace Model, and where available, local good practice.

Supplier Code of Conduct

HSBC Continental Europe strives to ensure that contractors, consultants and external service providers employed by third parties act in accordance with the Bank's culture and strategic priorities. This is primarily managed through the Supplier Code of Conduct, a Group-wide code which defines the minimum standards to all entities globally. Commitment to this Supplier Code of Conduct is formalised with clauses in supplier contracts which support the right to audit and act if breach is discovered. The Bank's suppliers are required to reiterate their adherence to this code at regular intervals or at least when renewing the contract. Suppliers unable to approve the Code of Conduct are required to provide HSBC Continental Europe with an eligible alternative. At the end of 2024, 97.8 per cent of HSBC Continental Europe's suppliers have approved the Supplier Code of Conduct.

Fostering social dialogue

HSBC Continental Europe is committed to fostering social dialogue across its organisation. The Bank ensures that employee wellbeing, interests and concerns are well represented and integrated into appropriate initiatives through active social dialogue with employee representatives bodies.

Employment Practices and Relations Policy

The HSBC Group's overarching Employment Practices and Relations ('EPR') Policy defines the minimum standards with which all employees are required to comply to meet regulatory obligations and fulfil the Bank's responsibility to its workforce. The EPR Policy sets out mandatory workforce requirements, including but not limited to inclusion requirements and minimum pay thresholds. The EPR Policy also ensures that poor employee behaviour is effectively managed.

The EPR policy additionally commits HSBC Continental Europe to respecting individuals' right to freedom of association and to forming recognised employee representative bodies, in compliance with local legal requirements and recognised agreements. Where changes in strategy or in its operations may give rise to adverse impacts on employee wellbeing, the Bank engages in appropriate consultation with employees and representative bodies to find appropriate solutions.

The EPR policy applies to all geographies, global businesses and functions, employees and worker representative groups.

The Group Chief People & Governance Officer has oversight over the implementation of the EPR Policy globally.

In addition, HSBC Continental Europe implements country-level policies providing for market-specific arrangements.

- In France, an agreement has been signed that defines the framework for setting up employees representative bodies, their remit, and resources, and has been supplemented by an agreement on trade union organisations, which also defines measures to support and enhance the career paths of employees representatives.
- In Poland, a policy is in place which promotes social dialogue between employees and management by encouraging employees to raise concerns through employee representatives.

The HSBC Continental Europe Head of Human Resources has oversight of the implementation of the policy for HSBC Continental Europe, and the implementation accountability at country level is with the local Head of Human Resources.

Approach to social dialogue

HSBC Continental Europe maintains a structured approach to social dialogue across its European offices in compliance with all applicable local union and employee representation-related requirements.

The Bank engages in social dialogue with relevant employee representatives across all countries within HSBC Continental Europe. Meetings are held in compliance with local requirements.

The overarching aim of these sessions is to provide clear communication channels for employees to communicate with senior management.

The Bank is committed to continue engaging in constructive social dialogue to ensure that employee perspectives and experiences receive appropriate consideration.

European Works Council

HSBC Continental Europe and its employees reached an agreement to establish a European Works Council ('EWC') to provide representation for the Bank's employees in addition to existing employee representative bodies. The EWC is informed and consulted about significant transnational matters such as the economic and financial situation of the Bank and its subsidiaries. The EWC has access to data concerning production and sales within the perimeter of the EEA Member States where HSBC Continental Europe operates. The EWC does not aim to replace existing employees' representative bodies at the Bank and bargaining unit level throughout Europe, which continue to operate in accordance with local legal requirements. The EWC does not interfere with bargaining and consultation procedures established by existing representative bodies.

Metrics

In 2024, 76 per cent of employees in HSBC Continental Europe's workforce are covered by local collective bargaining agreements and 81 per cent are represented by local workers' representatives.

Percentage of Total employees covered by collective bargaining agreements and workers' representatives.

Metric	HSBC Continental Europe (%)
Total employees covered by collective bargaining agreements	
By EEA country: France	100
By EEA country: Germany	44
By EEA country: Malta	99
By EEA country: Others	46
Total employees covered by workers' representatives	
By EEA country: France	100
By EEA country: Germany	44
By EEA country: Malta	99
By EEA country: Others	91

Building an inclusive workforce

HSBC Continental Europe strives to create an equal opportunity culture that helps to foster inclusion and prevent discrimination.

HSBC Continental Europe uses the policies and guidelines established by the HSBC Group as the foundation of its efforts. The key element of creating an equal and supportive environment for all is the People Management Policy (see the 'Being a responsible employer' section, page 92). It defines the critical role managers are expected to play in fostering a values-driven, inclusive workplace, supporting strategic objectives, and actively addressing employee feedback to improve performance and meeting the needs of customers, employees and communities.

The procedures and controls which support the implementation of this policy require HSBC Continental Europe to periodically review its strategy and tailor local implementation efforts to the needs and priorities of its people and any jurisdictional requirements, and aspirations, whilst also remaining consistent with HSBC Group's approach. This policy is supplemented by the following policies which address more specific matters.

Vulnerable Employees Policy

As part of HSBC Continental Europe ambition to fostering an inclusive workplace, the Bank complies with Directive 2000/78/EC, which establishes a general framework for the equal treatment of those with disabilities in employment and occupation, fostering an environment where all employees are treated fairly and equitably.

HSBC Continental Europe does this through the HSBC Group Vulnerable Employees Policy, which outlines the necessary steps to be taken to maintain a safe work environment for those with impaired movement, hearing or vision, who are more at risk in the work environment. Where a new or existing member of employee informs the Bank of a disability or a medical condition that may pose a risk to their health and/or safety in the workplace, managers must arrange an assessment of the hazards to which they are exposed and determine a safe system of work for them. The assessment is tailored to the individual in question, establishing safe systems of work, and also including the completion of a personal emergency evacuation plan.

The Group Chief Operating Officer is responsible for the implementation of this policy globally, supported by the HSBC Continental Europe Chief Operating Officer.

Digital Accessibility Policy

All internal and external facing digital applications that are created or updated by HSBC Continental Europe must comply with the HSBC Group Accessibility Standards. This ensures that digital experiences and applications comply with local disability, discrimination, and equality regulations. This policy is owned by the Group Head of Digital Experience & Accessibility.

Training

In recognition of the importance of awareness as the first step to create an inclusive environment, HSBC Continental Europe continues to educate its workforce on unconscious bias.

The primary training delivered by the Bank on this topic is 'The Code of Conduct & Me' which was launched in 2023 to raise awareness of workplace bias and discrimination at work. This is reinforced by the People Manager Excellence Programme, which focuses on the role and expectations of managers, how to design and organise work, how to nurture a productive team environment, and covers the importance of an inclusive management within the 'Your People' and 'Your Team' modules.

In addition, the Bank runs regular inclusion workshops to enhance mutual understanding, cultural knowledge and support employees in navigating local nuances. For example, Germany focused on how to successfully balance parenting and work life, which is an important topic in a country where many mothers work part-time due to their work and family structure.

France has set up 'La Fresque de la Diversité', which is a collective intelligence workshop that allows employees to experiment with the cognitive mechanisms that are present in their relationships with others from an inclusion perspective.

Employee-led initiatives

The 8 Employee Resource Groups present across HSBC Continental Europe actively contribute to maintaining an inclusive culture. Collectively, they have identified priorities areas: sexual orientation, gender, support for working parents, ethnicity, disability, and intergenerational inclusion, and focus their activities in the region on these priority topics where it is compliant to local regulations.

The effectiveness of these initiatives is tracked through the Snapshot and Inclusion surveys.

Setting ambitions for inclusion

The HSBC Group has set an ambition of having 35 per cent of senior leadership positions held by women in 2025 following the achievement of its previous ambition of reaching 30 per cent by 2020. HSBC Group is on track to meet its 2025 ambition, with 34.6 per cent of senior leadership roles held by women at the end of 2024.

HSBC's Group Inclusion team distribute individual ambitions among Group Executive Committee members as part of their annual performance scorecards. Such ambitions are defined in each performance scorecard by analysing current women representation levels, team size, geographical composition, and industry trends. This approach aligns with practices in the financial services sector.

To contribute to HSBC Group’s ambition, HSBC Continental Europe equally has an ambition for greater representation of women in senior leadership positions. In 2024, HSBC Continental Europe achieved 28.8 per cent representation of women in senior leadership roles (exceeding its ambition by 0.7 points.).

Metrics

HSBC Continental Europe monitors the following metrics.

Gender representation in senior leadership

Metric	HSBC Continental Europe
Male (Number)	451
Male (%)	71.2
Female (Number)	182
Female (%)	28.8

HSBC Continental Europe has applied the HSBC Group’s global standards to summarise its gender representation metrics. The metrics should be considered in the context of the following information: All employees who have not declared their gender have been incorporated into the ‘Male’ gender category. Senior leadership is considered GCB 3 and above in the Bank 'Global Career Band' structure.

Employees by age group

	HSBC Continental Europe	
Metric	**Number**	**%**
By age distribution		
<=29	708	10 %
30-49	3,996	56 %
>=50	2,469	34 %

HSBC Continental Europe has applied the HSBC Group’s global standards to summarise its age distribution metrics. The metric is reflective of permanent employees only.

Gender pay gap and remuneration ratio

Based on the population covered under the annual pay review cycle (a headcount of 7,292), the Bank has identified, on fixed pay, a 25 per cent gap on median and a 29 per cent gap on mean and, on total Compensation, a 27 per cent gap on median and a 36 per cent gap on mean. This is driven by the higher proportion of men in senior roles in Global Banking and Markets, Asset Management and Private Bank. There are also several senior, head office roles held by men.

Gender pay gap distribution

HSBC Continental Europe				Fixed pay		Total compensation	
Global Career Band	Total	Male	Female	Mean	Median	Mean	Median
GM	2	2	0				
MD	122	97	25	20 %	11 %	19 %	11 %
3	520	361	159	10 %	9 %	15 %	16 %
4	1804	1119	685	12 %	10 %	14 %	13 %
5	2236	1177	1059	8 %	9 %	8 %	8 %
6	1531	633	898	9 %	12 %	10 %	9 %
7	867	233	634	(1)%	3 %	(2)%	3 %
8	210	73	137	(9)%	(16)%	(9)%	(15)%
Overall gap	7292	3695	3597	29 %	25 %	36 %	27 %

All employees in the pay review at 30th September 2024 were considered in the gender pay gap and total compensation ratio calculations. The gender pay gap calculation only includes employees who had disclosed their gender by this date. The annual remuneration ratio of the highest compensation package, which is of HSBC Continental Europe's Chief Executive Officer to the median annual remuneration of all employees is 14 at fixed pay and 30 at total compensation level.

Developing skills and creating opportunities

HSBC Continental Europe aims to equip employees with the skills that they need to perform well in their role, enhance their career development and meet their professional goals. This approach is fundamental to fostering a high-performing, motivated workforce and driving the Bank's long-term success. HSBC Continental Europe primarily supports employees' personal and professional growth through high-quality training and learning programmes.

HSBC Continental Europe's efforts to provide continuous training and skills development opportunities for all employees are governed by the People Management Policy (see 'Being a responsible employer' on page 92). People managers are responsible for conducting a capability gap analysis to identify and resolve learning needs, implement performance and development processes to support development and carry out talent reviews.

Mandatory Training

Mandatory training is the primary mechanism for the Bank to communicate minimum standards for safe and efficient operations (see 'Business Conduct' section on page 101). All employees, consultants, contractors and service providers must complete this training on an annual basis to maintain regulatory and statutory compliance.

The Procedure for Managing and Completing Mandated Learning Activities guides the development, deployment and governance of this training. The Procedure lays out the roles and responsibilities of different global functions, including but not limited to Group Human Resources and Risk Stewards, to ensure the timely and effective provision of necessary resources to all employees. At HSBC Group level, the Group Chief People & Governance Officer oversees this procedure across all business and functions. HSBC Continental Europe's Head of Human Resources is accountable for the implementation of this procedure in HSBC Continental Europe.

Effectiveness of the procedure is monitored through training completion rates, with each business and function having on-demand access to completion data. Managers can track their teams' progress through a dedicated dashboard and are responsible for reminding their direct reports to complete mandatory training on time and to follow escalation processes for non-compliance.

Learning platforms

HSBC Continental Europe's workforce has access to a number of learning platforms, through which they can explore a wide range of training and development materials and courses and manage their own professional development and career goals. These include, HSBC University, Degreed, Careers Academy and the HSBC Talent Marketplace.

Future Skills and People Management Excellence Programme

HSBC Continental Europe has rolled out two specialist training programmes designed to strengthen the adaptability and agility of its workforce. The Future Skills curriculum provides skills that help to enable employees, with a particular focus on soft and transversal skills. The People Manager Excellence Programme was redesigned in 2023 to provide tailored support to managers at all levels to develop managerial skills and foster growth and inclusive leadership.

HSBC Continental Europe continues to encourage employees to use the integrated Degreed training platform and take time regularly to explore these learning opportunities to support their self-development.

Mentoring programme

A mentoring programme is available, allowing employees to connect with another employees from across the HSBC Continental Europe network. The scheme has been in place since 2020 and matches participants with a senior leader, based on their stated learning or development objectives.

The relationships developed as part of this programme increase employee engagement and support employees' career prospects, which may improve employee retention. In addition, dedicated mentoring programs are launched to develop and engage targeted population across Business and Functions.

Creating secure employment for employees

HSBC Continental Europe makes strategic decisions on its business model, including resource allocation, to ensure the best possible support for its customers whilst aligning to its strategy. The Bank recognises that any changes in the business or operating model may have an impact on employees' physical, mental and financial wellbeing.

HSBC Continental Europe follows the Group-wide Employment Practices and Relations Policy and all applicable local employment requirements to minimise adverse impacts on employees (see the 'Fostering social dialogue' section on page 93 for additional details on how the Bank accounts for employee concerns).

The Collective Redundancies Directive (98/59/EC) and the Transfer of Undertaking Directive (2001/23/EC), require HSBC Continental Europe to consult with employees' representatives prior to making decisions on redundancies to ensure that employee feedback is considered and that necessary adjustments are made.

HSBC Continental Europe has implemented actions to prevent any potential negative impact of business transformation on affected employees:

- Where potential business transformation may result in a potential negative impact on employees, HSBC Continental Europe would implement actions to anticipate and, where necessary, mitigate the potential impact.
- The Bank would proactively communicate with employees about potential upcoming changes, ensuring they remain well-informed and prepared. This approach fosters a culture of trust and open dialogue.
- HSBC Continental Europe would also be committed to providing employees with support and resources to navigate potential transformation. Support measures would be developed through collaborative discussions with employee representatives, working groups, and consultations with managers and employees, ensuring a comprehensive and inclusive approach.

Promoting work-life balance

HSBC Continental Europe is active in an industry where certain businesses are culturally exposed to high workload. As a result, HSBC Continental Europe's workforce may face challenges in balancing workload and personal time. The Bank seeks to mitigate the potential negative physical and mental health effects of insufficient personal time and recovery for employees.

HSBC Continental Europe is committed to supporting employees in striking a balance between their work and personal life. The Bank has embedded hybrid working and flexible leave policies in its business. Policies relating to working models can be found on the internal website. The benefits offered in these policies, including family-focused benefits, parental leave and flexible working arrangements, often exceed local minimum regulatory requirements.

Annual surveys are used to monitor employees' perception of these benefits. The Bank defines action plans when required to align with the needs of the workforce.

Policies to support work-life balance

Parental leave

HSBC Group's Employment Practices and Relations Policy ensures that all employees are entitled to and have access to maternity and paternity leave. HSBC Continental Europe abides by the policy and recognises the importance of family and complies with, or in some jurisdictions (such as France and the Netherlands) often exceeds, the minimum requirements of the Directive on Work-Life Balance for Parents and Carers (Directive 2019/1158), which consists of the following:

- Each employee has an individual right to four months of paid parental leave.
- Fathers are entitled to at least 10 working days' paternity leave when their child is born.
- Pregnant women are entitled to at least 14 weeks' maternity leave before and/or after birth, including at least two compulsory weeks to be taken after birth.

HSBC Continental Europe Head of Human Resources is accountable for the implementation of parental leave policies across the Bank.

Flexible working and employee assistance

HSBC Continental Europe actively fosters and promotes a healthy balance between professional and personal responsibilities through its flexible working hours, family support, caregiver programmes.

The Bank also provides leave for other life events, such as exams and moving house. HSBC Continental Europe aims to support the mental health and wellbeing of its employees through hybrid working conditions.

HSBC Continental Europe aims to create an environment where employees feel empowered to manage their time effectively. The Bank has adopted the following actions:

- Annual email campaigns to remind employees of their core leave entitlements, e.g. 10 consecutive days in France, and encourage regular breaks to promote rest and recovery.
- Learning programmes that equip employees with the skills to succeed in flexible work environments, fostering collaboration, productivity, and a strong organisational culture. These programmes are accessible to managers and employees via the Degreed platform.
- The HSBC Continental Europe's Head of Human Resources is accountable for implementation of flexible working arrangements across the Bank.

Protecting customer and employee data

In order to deliver its full suite of products and services to its customers, the Bank handles vast amounts of personal and business data.

Protecting this data is fundamental to the Bank's duties to its customers, ensuring both their privacy and the integrity of its operations. This responsibility reflects a broader challenge across the industry where data protection has become crucial to maintaining trust and resilience across an increasingly complex regulatory and technological environment.

HSBC Continental Europe acknowledges the potential impact on its customers that could arise from data privacy breaches. This could be in the form of identity theft, financial loss, reputational damage, security threats and possible discrimination from a breach of customers' personal data, as well as affecting customers' competitive position and increasing the risk of fraud from leaked data. HSBC Continental Europe serves a large number of customers across the European Union and other regions, requiring the processing of large amounts of personal information, and recognises the responsibility that comes with this.

Data privacy is not a matter limited to customer relationships, but one that could also impact the Bank's workforce. Improper data protection or data management risks the exposure of personal or private information, which could affect an employee's psychological, emotional and even financial wellbeing.

HSBC Continental Europe proactively integrates data privacy considerations into its initiatives, projects and processing activities, formalised through Data Privacy Impact Assessments which evaluate potential risks and identify appropriate safeguards to mitigate any negative impacts on individuals. By embedding data privacy principles across core operations, the Bank ensures that the protection of personal information, and responsible data management remain central to its long-term business strategy.

Given the vital importance of careful data management and protection to the entire organisation, the management of data privacy matters is governed centrally by the HSBC Group. HSBC Continental Europe adheres to the stringent data protection policies and guidelines set by the HSBC Group, as well as complying with all applicable EU and local regulations and laws on privacy and protection across its entities. This includes the General Data Protection Regulation. All data protection policies are designed to equally safeguard the interest of employees and customers.

Unless otherwise stated, the global policies and procedures below are contained in Global Function and Global Business Functional Instruction Manuals available on the intranet to all HSBC Continental Europe's employees and on all its websites for accessibility to its customers.

Governance of data risk management

All business must be conducted in compliance with the HSBC Data Privacy Principles, which are outlined in the Group Code of Conduct (see 'Corporate culture' section for more details, page 101).

The Principles define the fundamental standards of transparency, fairness and lawfulness which must be upheld when handling and using any data collected, generated, held and processed by the Bank.

This includes information about any and all transactions in which the Bank is involved, including but not limited to information relating to customer accounts and matters relating to business or personal affairs, and also extends to its dealings, procedures, policies, decisions, systems and other confidential matters. Any breaches, including unauthorised 'browsing' of accounts, can lead to disciplinary action, including dismissal.

HSBC Continental Europe has three lines of defense that work together to manage risks related to data privacy: firstly, the Data and Architecture Office, followed by the Data Protection Officers and the Data Privacy Risk Stewards and finally Internal Audit Function.

Group Data Risk Policy

HSBC Continental Europe adheres to the HSBC Group Data Risk Policy in order to mitigate the risk of a data processing failure or any breach of these principles, on either the part of the Bank or a third-party. The policy sets out key data processes and controls that all markets, lines of business, functions and legal entities must put in place to reduce the likelihood and impact of risk events. mitigate the risk of potential legal and financial repercussions and ultimately reinforce the trust that customers, employees, and remaining stakeholders place in HSBC Continental Europe.

The Group Head of Regulatory Data Enhancement is responsible for this policy at a global level. In addition, each local line of business within HSBC Continental Europe has identified an individual responsible for its effective implementation.

Data privacy risk is one of the four data risks covered by the Data Risk Policy. The Control Framework, specific to data privacy, covers six key areas: data processing, internal and external data transfers, privacy impact assessments, consent and choice, privacy notices and the rights of individuals. It details requirements for risk assessments which apply to all high-risk processing activities, in adherence to the GDPR requirements, as well as the Bank's approach to regular audits and testing.

Electronic Communications Policy

The HSBC Group Electronic Communications Policy, which applies to all employees, requires all written electronic business communications to be sent through approved channels or applications which have an appropriate level of security. This policy sets the minimum standards for all devices regardless of device type or ownership, the location of the device or the method of network connection used to access the platform on which the electronic communication is transmitted.

Details of what is permitted by employees when undertaking written electronic business communications on approved business platforms, whether internal, with a customer or with a third party are outlined in the policy.

All HSBC Continental Europe lines of business and functions have a responsibility to implement and maintain relevant procedures and controls to identify, monitor and manage the risk associated with electronic communications. This includes the exclusive use of secure platforms to undertake business communications, to lower the risk of data being compromised and decrease the likelihood of a privacy breach.

These policies are also designed to fulfil the Bank’s legal requirements to record, retain and produce electronic communications and where necessary, enable it to disclose them to regulators, law enforcement, courts and/or other third parties.

The Group Head of Regulatory Compliance is responsible for both polices within the HSBC Group while the HSBC Continental Europe’s Chief Compliance Officer is in charge of its implementation across the Bank.

Keeping individuals informed of their rights

Privacy notices

HSBC Continental Europe ensures that individuals are fully informed about the potential impact that sharing personal data may have on their right to privacy. The primary channel of communication is through the use of privacy notices and statements shown directly to data subjects, including individual customers, employees, external staff and job candidates, before they share any information with the Bank.

This can be in the form of pop-up notifications and banners, a link to the full privacy policy, or a written privacy statement. HSBC Continental Europe’s commitments to data privacy are also publicly available through its website.

These statements contain valuable information about how the Bank collects, uses and protects personal data, its processing standards, and how individuals can control their information and exercise their data privacy rights.

As a matter of compliance, both the Data and Architecture Office and the Legal Privacy and Data Protection Officers are responsible for ensuring these statements are up to date and visible to all data subjects.

Handling data related incidents

HSBC Continental Europe strives to prevent data-related incidents, but recognises that the risk cannot fully be eliminated.

Therefore, in case of a data breach or violation, HSBC Continental Europe has a process in place to evaluate the severity of the incident, in line with its legal and regulatory requirements, and where necessary, to notify data protection authorities.

This involves an assessment of the severity of the breach, which determines whether regulators and individuals need to be notified, the communication of the breach to senior internal stakeholders and the definition, implementation and oversight of a remedial action plan and the oversight of the action plan’s operation.

The number of data subject requests which misses the response Service Level Agreement and the number of regulatory personal data breaches notifications that misses the Service Level Agreement with zero appetite threshold are continuously monitored to assess the effectiveness of the Bank’s actions. During 2024, there was no significant data breach that led to a high residual risk for the private life of an individual.

HSBC Continental Europe engages with individuals who want to exercise their GDPR-related rights, to ensure they receive the correct information in a timely manner. To raise a request or specific concern, individuals can contact the HSBC Continental Europe Data Protection Office directly, by post or through a dedicated email address, the details of which are shared in all public privacy notices and statements. Clients are also able to contact any relationship manager with their concerns or queries.

The Bank must respond to individual customer requests within 30 days. Failure to do so will breach the response timeline imposed by the GDPR and may lead to regulatory actions. HSBC Continental Europe's compliance with the 30 day timeline is closely monitored by its Data Protection Officer.

To ensure these requirements are met, and that HSBC Continental Europe is sufficiently providing for the rights of all individual data subject, every line of business has assigned a control owner who is in charge of monitoring and reporting the number of requests received and confirming whether all of them were addressed effectively and in a timely manner, as required by law.

Governance

HSBC Continental Europe's success relies on good business conduct, including a culture of doing the right thing, high standards of accountability, integrity in financial markets, and resilience across its digital, physical, and operational footprint. Good business conduct is about collectively taking responsibility and individually being accountable and recognising the real impact the Bank's actions have on customers and the financial markets in which it operates.

HSBC Continental Europe requires that its employees act with the utmost integrity and honesty in all professional interactions with colleagues, customers, regulators, and vendors in the work environment, at social or corporate events, or when using electronic communications, technology or social media platforms.

The Bank asks its employees and associated persons to speak-up about breaches of its code of conduct or any unethical or illegal behaviour where it is lawful to do so. Directors and employees must act to deter, detect, and protect against such behaviours and report all instances where they know or have a reasonable concern that an offence has been committed.

HSBC Continental Europe has identified nine material business conduct related IROs through its DMA, which are connected to its own operations and its downstream value chain. The following subsections address these material IROs as well as how the Bank is acting to promote high standard of governance.

Governance impacts, risks and opportunities

Impact / Risk / Opportunity	Description	Time Horizon	Value Chain Segment or Own operations
Impact	**Responsible corporate culture** HSBC Continental Europe is focused on operating a strong and sustainable business that puts the customer first, values good governance, and gives its stakeholders confidence in how the HSBC Group does what it does. This in turn has a positive impact on customers, employees and society.	Short / Medium/ Long Term	Own operations
Risk	**Conduct risk** Ineffective conduct risk management may result in financial, regulatory and reputational risks.	Short / Medium/ Long Term	Own operations
Opportunity	**Speak-up culture** HSBC encourages a speak-up culture where individuals can raise any concerns about wrongdoing or unethical practices, thereby upholding the Bank's commitment to integrity and responsible business conduct.	Short / Medium/ Long Term	Own operations
Impact	**Anti-bribery and corruption** Preventing corruption and bribery is essential. Failure to do so may negatively affect economic growth and standards of living, and undermine long-term sustainable development and social equality.	Long term	Own operations
Impact	**Sanctions compliance (Entity Specific)** Compliance with international sanctions and export controls is critical to the role that HSBC Continental Europe plays in the financial system. Failure to do so may exacerbate human rights violations or conflicts, and enable oppressive regimes at a human cost.	Medium/ Long Term	Own operations
Impact	**Anti-money laundering (Entity Specific)** As a financial institution, implementing robust anti-money laundering policies and procedures is essential. Without such measures, the broader economic and political landscape may be compromised, allowing illicit activities to thrive.	Medium/ Long Term	Own operations
Risk	**Regulatory and reputational risk from financial crime** HSBC Continental Europe operates in a complex regulatory framework, necessitating strict adherence to numerous laws and regulations designed to prevent financial crime. Failure to achieve effective compliance may result in adverse regulatory, financial, and reputational consequences.	Medium/ Long Term	Own operations
Impact	**Cybersecurity (Entity Specific)** As cyber-attacks continue to evolve, failure to protect HSBC Continental Europe's operations may result in the loss of sensitive data, disruption for the Bank's customers and its business, or financial loss. This may have a negative impact on the Bank's customers and its reputation, among other risks.	Short / Medium/ Long Term	Downstream
Risk	**Cybersecurity (Entity Specific)** The availability, security and stability of core systems and data are important preconditions for HSBC Continental Europe to fulfil its strategy. The Bank may face potential operational disruptions, financial penalties, and reputational damage if it fails to maintain adequate cybersecurity controls or comply with evolving regulations.	Short / Medium/ Long Term	Own operations

With regards to business conduct matters, HSBC Continental Europe followed a qualitative approach to assessing its material topics and IROs, in line with that described in 'The double materiality assessment process', page 57. This involved SME input from various business functions, Risk Stewards and the First Line of Defence.

Unless otherwise stated, the business conduct assessment process and its outcomes apply to all the markets in which HSBC Continental Europe operates, and all activities undertaken by the Bank in the reporting period. Where possible, HSBC Continental Europe evaluated potential future risks and opportunities over short-, medium- and long-term time horizons.

Business conduct

HSBC Continental Europe aims to promote good business conduct in all that it does. In order to establish good governance across all its activities, policies and actions are largely centralised at HSBC Group level and implemented by HSBC Continental Europe. Where applicable, HSBC Group policies are supplemented by country-specific policies and initiatives to address local requirements. The Bank takes action with respect to corporate culture, whistleblowing, financial crime and cybersecurity in line with the material topics identified.

All HSBC Continental Europe employees are required to complete Global Mandatory Training on corporate culture, whistleblowing, financial crime and cybersecurity on an annual basis. Mandatory training is also deployed on risk and compliance topics, including business conduct, to embed skills and understanding in order to strengthen the company's risk culture and reinforce the expected attitude towards risk expected of all employees as described in the Bank's risk policies. Employees are additionally required to complete region- or country-specific training where required by local legal requirements. Managers must ensure that their direct reports complete all assigned learning before the due date, as well as monitor team completion rates and follow the manager guidance on extenuating circumstances for late or non-completed training.

The Global Mandatory Training programme is mandatory for all HSBC employees globally and it is delivered in three 'Trimesters' throughout the year. Trimester one focuses on how the employees can more effectively manage challenges related to risk management, sustainability, health and safety and wellbeing. Trimester two focuses on financial crime risk. That is, the risk that products and services will be exploited by criminals outside HSBC, but also by colleagues who may use their privileged knowledge and access to commit crime or assist others to do so. Trimester three focuses on business conduct related topics, including whistleblowing.

The Global Mandatory Training is a key element of the Bank's Financial Crime Framework and contributes to promote a strong risk management culture. This training provides awareness of the key financial crimes HSBC Continental Europe may encounter, including money laundering, tax evasion, sanctions, evasion and bribery and corruption ('AB&C'). The completion rate for this training was 96.8 per cent as of 2024. Additionally, HSBC Continental Europe's staff in High-Risk Roles ('HRR staff') receives targeted anti-bribery and corruption, anti-money laundering and sanctions compliance training. HRR staff includes, but is not limited to, the Chief Executive Officer, the Chief Risk Officers, senior managers who are members of relevant governance committee (e.g. local Executive Committees), relevant functional staff within Financial Crime, Legal staff involved in provision of AB&C- and AML-related legal advice, and relationship managers operating in high-risk sectors or managing high-risk customers. To comply with AFA (Agence Française Anticorruption, the French AB&C regulator) requirements, a dedicated training curriculum, 'AB&C HRR Training', has been designed and deployed to all HRR staff across the Bank, with completion rate 91.76 per cent as of 2024.

On top of Global Mandatory Training, HSBC Continental Europe provides a quarterly mandatory training dedicated to the countries' CEOs.

It comprises of a 60-minutes virtual classroom containing a deep dive into Financial Crime risks topics. Additionally, every three years, Deputy CEOs and Board Members take part on the Enterprise Risk Leadership Programme ('ERLP'), which aims to prepare the audience to make future-focused decisions that balance risk and growth.

Corporate culture

HSBC Continental Europe's business is shaped by the Bank's purpose and values and a desire to create sustainable long-term value for stakeholders. Together with more formal policies and tools, the Bank's values provide a clear path to achieving its purpose and delivering its strategy.

Framework for acting responsibly

The Framework for acting responsibly is a set of values that represents strong foundations for HSBC to deliver fair outcomes for customers and to maintain orderly, and transparency on financial markets. It guides HSBC to do the right thing and to recognise the real impact it has for customers and the financial markets in which it operates. It is part of HSBC's purpose and values and good decision-making, governing the outcomes to be achieved for our customers and markets. It recognises cultural and behavioural drivers of good outcomes and applies across all risk disciplines, operational processes and technologies. It is available on the HSBC Group website and it is implemented in the internal framework based on the HSBC Book and the Risk Management Framework.

Acting responsibly helps to focus on the impact HSBC Continental Europe has on its customers and on financial markets. The Bank is focused on operating a strong and sustainable business that puts the customer first, values good governance, and gives its stakeholders confidence in what the Bank does.

The approach concentrates on five clear outcomes:

- Understanding customers' needs.
- Providing products and services that offer a fair exchange of value.
- Serving customers' ongoing needs, and put it right in case of mistake.
- Acting with integrity in the financial markets HSBC Continental Europe operates in.
- 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.
- Governance and reporting.

The approach is embedded into the way HSBC Continental Europe develops, distributes, structures and executes products and services. The approach to product design and development – including how products are advertised – is set out in HSBC Continental Europe policies and provides a clear basis from which strategic product and service decisions can be made.

Global businesses take the following approach:

- Carrying out robust testing and risk assessment 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 to ensure that they continue to meet customers' needs and deliver fair value for money.
- Regularly reviewing products to help ensure they remain relevant and perform in line with expectations.

The Framework for acting responsibly is a key area of focus for HSBC Continental Europe to ensure that behavioural expectations and good conduct outcomes are being achieved with multiple initiatives. Conduct-related performance is covered by the quarterly HSBC Continental Europe's Conduct and Values Committee ('CVC'), chaired by the HSBC Continental Europe CEO and attended by Executive Committee members. It is responsible for carrying out decisions and for ensuring that the issues linked to acting responsibly are appropriately tracked within the quarterly CVC structure. The quarterly HSBC Continental Europe Conduct and Values Committee provide decision-making and guidance in respect of the Bank's framework and regulatory compliance risk and takes responsibility for the tracking of escalated issues.

Code of Conduct

All employees are required to abide by the HSBC Group Code of Conduct ('the Group Code'). Regional and country codes must be aligned to the Group Code to the extent permitted by local law and regulation. In France, employees are required to abide by the local Code of Conduct, in compliance with country-level regulatory requirements.

The Group Code outlines HSBC Group values, minimum ethical standards, and business principles that govern how the Bank operates. The Group Code is made accessible to all employees internally, and staff additionally receive communications on compliance with the Group Code from senior leadership and the Human Resources Department. The HSBC Continental Europe CEO is responsible for ensuring compliance with the Group Code across the Bank. The HSBC Continental Europe Human Resources department oversees the day-to-day implementation of the Group Code and monitors its compliance.

All of the policies and procedures that govern corporate culture are continually reviewed and improved, with consideration given to stakeholder feedback. In 2024, all lines of business and functions of HSBC Continental Europe completed a Conduct self-assessment to ensure alignment with the HSBC Group's Purpose-Led Conduct Approach.

Acting to ensure fair outcomes

Investigating business conduct complaints

HSBC Continental Europe's Human Resources team handles internal complaints and personal conduct cases where breaches in policy have been alleged or have materialised.

All employees at HSBC Continental Europe have access to appropriate channels to raise concerns relating to themselves or others.

Ensuring appropriate behaviours

Human Resources ensures that adjustments to variable pay and ratings due to poor behaviour are captured in the compensation systems, and that the adjustment is fair, consistent, and proportionate to the conduct framework. Human Resources may additionally be involved in investigations resulting from HSBC Confidential complaints and appeals. Human Resources abide by the Global Employee Relations ('ER') Investigation Framework to ensure that investigations are conducted fairly and thoroughly.

Whistleblowing and 'Speak-up' culture

HSBC Continental Europe is committed to fostering a speak-up culture. The goal of the speak-up culture is to enable all staff to work in a psychologically safe environment where people feel comfortable and able to speak-up not only to raise concerns, but also to bring innovation and creativity to facilitate change without fear of reprisal or retaliation. One of the biggest advantages of open communication and a speak-up culture is the ability to reduce risks and prevent potential breaches of the Bank's code of conduct. When employees feel empowered to raise concerns, organisations can act on them before a problem becomes a greater threat.

Speak-up Channels

The Bank has established speak-up channels to implement its speak-up culture. These channels are available to all employees via an internal web portal and through escalations to line managers. Senior leadership promotes the speak-up culture and awareness of reporting channels through regular communication and awareness initiatives aimed at employees. Alerts and reports received through speak-up channels are actioned promptly by independent teams from Compliance, Financial Crime or Human Resources.

HSBC Confidential

Where concerns cannot be handled through other speak-up channels, the Bank ensures that all employees and people in relationship with HSBC, including subcontractors and suppliers, have access to the Bank's global whistleblowing channel, 'HSBC Confidential'. HSBC Confidential is accessible at all times through independent third-party hotlines and a web portal available in multiple languages. Independent teams within the Compliance function handle reports at either the local or Group level depending on countries. Concerns are investigated proportionately and independently, with action taken where appropriate. HSBC Continental Europe is committed to ensuring investigations are carried out within a reasonable timeframe and that feedback is provided to the reporter promptly.

Whistleblowing Policy

HSBC Continental Europe follows the HSBC Group Whistleblowing Policy which aims to prevent and correct all instances of unethical and illegal behaviours by:

- Establishing minimum risk management and control requirements to report unethical and illegal activities.
- Setting out procedures to ensure that reporting channels are operated in a secure manner that ensure the identity of the reporting person and any third party mentioned in the report is protected, and prevent access thereto by non-authorised staff members.
- Defining procedures to investigate whistleblowing reports and, if necessary, report the whistleblowing alerts to competent authorities.

All whistleblowing investigators who are in charge of whistleblowing cases must complete training provided by the Whistleblowing Oversight Team ('WOT') or other agreed training. The training must cover the requirements set out in the Whistleblowing Policy, applicable laws and regulations and areas covered by the investigations manuals. Records that training has been completed by relevant parties must be kept by the Investigation Functions.

HSBC Continental Europe's Chief Compliance Officer ('CCO') has ultimate authority over the implementation of the Whistleblowing Policy and a dedicated, independent team attached to the Compliance department has oversight of its implementation. Key information relating to whistleblowing at the Bank and the outcomes of investigations into whistleblowing reports are escalated to the aforementioned team in Compliance and the CCO. The Global Whistleblowing Policy is available to all employees via the HSBC Group's intranet.

HSBC Continental Europe ensures that any failure to comply with regulatory requirements related to whistleblowing is managed appropriately, and strives to protect whistleblowers from any form of retaliation. It does this through ensuring the confidentiality of these channels and the anonymity of those who use them, thereby protecting reporters from adverse repercussions. The Bank safeguards the rights of reporters by prohibiting any suspensions, lay-offs, demotions or withholding of promotions, transfer of duties, withholding of training, and any other administrative or punitive measure from the Bank directly in response to whistleblowing.

Investigations

Independent risk teams carry out independent investigations to verify all reports related to unethical or illegal allegations. These investigations are fair and in-depth, and carried out within reasonable or regulatory timeframes.

HSBC Continental Europe tracks the efficiency of its policies and actions with respect to corporate culture, conduct risk and speak-up channels (including protection of whistleblowers):

- The volume of cases received and the anonymity rate.
- The number of alerts fully processed using existing reporting channels.
- The number of open cases under investigation and the associated level of risk.

The quarterly Whistleblowing Oversight Committee reports on the effectiveness of whistleblowing arrangements across HSBC Continental Europe, including branches and subsidiaries.

The HSBC Continental Europe Audit Committee is responsible for overseeing the local implementation of the procedures to ensure confidentiality, protection and fair treatment of whistleblowers. The HSBC Continental Europe Chief Compliance Officer provides a bi-annual report to the HSBC Continental Europe Audit Committee.

Preventing financial crime

Financial crime risk is the risk of knowingly or unknowingly helping parties to commit or to further illegal activity through HSBC, notably money laundering, terrorist, and proliferation of weapons of massive destruction financing, tax evasion, bribery and corruption, non-respect of international sanctions, fraud, and market abuse. Financial crime risk arises from day-to-day banking operations involving customers, third parties and employees.

HSBC Continental Europe is committed to acting with integrity and conducting its global business activities in compliance with financial crime laws, regulations and regulatory guidance everywhere it operates. Compliance with financial crime laws and regulations, as well as the Bank's internal policies and procedures, allows HSBC Continental Europe to fulfil its obligations to all its stakeholders, safeguard its reputation, and safeguard the global financial system.

Global Financial Crime Policy

The Global Financial Crime ('FC') Policy is the primary policy established by the HSBC Group to manage financial crime-related risks, including anti-bribery and corruption , fraud, tax evasion, anti-money laundering ('AML'), terrorist financing, proliferation financing, and sanctions and export control compliance. The Global FC Policy is driven by the requirements in the Bank's home markets, all of which are signatories of the UN Convention on Corruption and have therefore undertaken to have relevant laws in place. In addition to the Global FC Policy, HSBC Continental Europe has adopted several local FC Policies across its branches and subsidiaries, including the entity-wide HSBC Continental Europe FC Policy, and country-specific FC policies where this is required to meet local legal requirements.

The FC Policy requires all employees in the HSBC Group's wholly-or majority-owned or controlled legal entities to adhere to minimum risk management and control requirements to detect, analyse, investigate and mitigate the risk of the HSBC Group facilitating or being used to facilitate financial crime, including:

- Group-wide minimum customer due diligence requirements and enhanced due diligence on customers assessed as higher risk, and processes designed to monitor customer transactions for the purpose of identifying suspicious activity.
- The use of specific tools to minimise the risk of financial crime, e.g. all staff are required to use the Group-approved gifts and entertainment register tool, 'GER2', prior to exchanging or receiving gifts from customers, third parties and public officials where the gift value surpasses thresholds defined in the Bank's financial crime policy.

- Controls to verify that minimum due diligence procedures have been followed, specifically by requiring that checks are recorded in HSBC Group's internal system.
- Rejecting transactions, freezing assets or refusing to provide services under circumstances defined by local legal requirements.

The FC Policy is published in the Compliance Functional Instruction Manual, which is available to all HSBC employees. Furthermore, an External Sanctions Policy Statement has been published on the HSBC Group's public website.

HSBC Continental Europe's Head of Financial Crime is responsible for the implementation of financial crime policies across the Bank. This is overseen by the Group Head of Financial Crime, the Group Money Laundering Reporting Officer and the Group Chief Risk and Compliance Officer. HSBC Continental Europe performs an Enterprise-Wide Risk Assessment ('EWRA') to assess bribery and corruption, sanctions and anti-money laundering risks every year, in addition to contributing to the Group-wide EWRA.

Approach to mitigating financial crime

Preventative measures and controls against financial crime

During 2024, HSBC Continental Europe has continued its efforts to combat financial crime and reduce the impact of such crimes on the organisation, customers, and communities. HSBC Continental Europe continues to invest in capabilities to fight financial crime. Examples include the application of advanced analytics and AI, improvements in the Bank's transaction screening capabilities, and enhancements in the Bank's digital assets and currencies capabilities.

All staff are required to comply with financial crime-related controls and risk management procedures at all times. HSBC Continental Europe manages financial crime using a three line of defense model.

The Bank's First Line of Defence reviews and records FC risk through approved systems in partnership with Risk Stewards within the Second Line of Defence. The Second Line of Defence then reviews and challenges controls recorded in Helios. The Third Line of Defence undertakes independent reviews of existing policies and procedures to ensure that HSBC Continental Europe is compliant with relevant regulations, and that inefficiencies in governance are addressed by the first and second lines of defence.

The effectiveness of the controls are regularly monitored via the Risk and Control Assessments that are updated frequently, and at least annually.

HSBC Continental staff in high-risk roles receive targeted financial crime training. See the 'Business Conduct' section on page 101 for the full detail of financial crime-related trainings, coverage and completion rates.

Financial crime-related controls are assessed through key performance indicators using automated management information and analytics.

Investigating credible incidents

Independent teams from Compliance, Financial Crime, Audit and Human Resources conduct investigations into all credible allegations of bribery and corruption, money laundering, sanctions violations and any other kind of financial crime.

The outcomes of these investigations are escalated to the HSBC Continental Europe's Head of Financial Crime, and where necessary relevant cases are reported to relevant authorities.

Compliance may pursue several courses of action outlined in the guidance depending on the severity of the incident, actions taken can vary from sending policy reminder to staff, and issuing a breach notification to the employee's line manager, which is recorded in the performance evaluation. Policy breaches are recorded as management information and must be subject to a corrective action plan. Policy breaches are tracked and reported on until corrective actions have been completed and in rare instances, severe breaches can contribute to the termination of employment. During 2024, there was no instance of conviction or fine for violation of anti-corruption and anti-bribery laws.

Subject to regulatory exceptions, all Directors, employees and contractors and consultants' workers are required to co-operate with any legitimate lawful government, regulatory or internal investigation. They are expected to provide the maximum level of cooperation by, among other things, being available to those conducting the investigation and by providing any materials requested in a timely manner.

Safeguarding data - Cybersecurity

HSBC Continental Europe operates in an extensive and complex technology landscape. Cyberattacks may be directed at the Bank or at its suppliers and contractors. The Bank follows internal policies and procedures, as well as applicable data protection, electronic communications and confidentiality laws and regulations to ensure a consistent global approach to cybersecurity.

Cybersecurity Framework

All employees are required to abide by the Cybersecurity Framework, which defines the minimum standards and controls to safeguard customers, colleagues, and connected persons, including: the Group-wide 'defence in depth' approach involving multiple security layers; minimum business and technical controls to help prevent, detect and mitigate cyber threats; procedures for the prompt assessment of the severity of data breaches where such breaches occur, with rapid notification of the impacted individuals and competent authorities in compliance with all applicable law; and the procedures for cybersecurity incident response.

HSBC Continental Europe's Chief Information Security Officer ('CISO') is responsible for making sure the Group Cybersecurity Framework is properly implemented across the Bank. The Cybersecurity Framework is available to all employees on HSBC Group's intranet.

Key performance indicators, control effectiveness, and other matters related to cybersecurity, including cyber incidents, are presented on a monthly basis to the Bank's Cybersecurity Steering Committee as well as the IT Risk and Control Management Meeting to facilitate ongoing awareness of the cybersecurity control framework.

Preventative measures and controls

HSBC Continental Europe has adopted preventative measures to minimise cybersecurity risks, with which all staff are expected to comply, in particular staff in the three lines of defence.

HSBC Continental Europe continuously upgrades relevant IT systems and invests in mitigating the potential threats of emerging technologies. The Bank regularly updates and improves its software solutions, including Cloud security, identity and access management, metrics and data analytics, and third-party security reviews. The Bank's cyber intelligence and threat analysis team continually evaluates threat levels for the most prevalent cyber-attack types and their potential outcomes, and tests controls to help reduce the likelihood and impact of advanced malware, data leakage, exposure through third parties and security vulnerabilities. In addition, HSBC Continental Europe proactively collaborates with regulators to participate in regular testing activities.

HSBC Continental Europe hosts an annual Cyber Awareness Month for all colleagues covering topics such as online safety at home, social media safety, safe hybrid working, and cyber incidents and response. HSBC Group's dedicated cybersecurity training and awareness team provides a wide range of education and guidance to both customers and HSBC Continental Europe staff about how to identify and prevent online fraud.

HSBC Continental Europe has developed metrics to manage its compliance objectives and to measure its cybersecurity controls' performance, among which the number of significant cybersecurity incidents[6] that occur over a period of 12 months. In 2024, no significant cybersecurity incidents were recorded.

Where performance on key metrics is unsatisfactory or would put the Bank at risk of non-compliance with regulatory obligations, the issue is escalated both within HSBC Continental Europe to its Risk Committee and Managing body. In addition, HSBC Continental Europe reports and reviews cyber risk and control effectiveness at the HSBC Continental Europe Executive Committee and Board level to help ensure there is appropriate visibility and governance of the risk and its mitigating actions.

Response to cyber threats

Dedicated teams at HSBC Continental Europe, led by the HSBC Continental Europe's CISO, take swift action in case of serious identity theft, misappropriation of funds, damage to personal or professional reputation, threats to personal security and discrimination resulting from cyber-attacks. In the event of incidents, the Bank's CISO and relevant local CISOs are informed by the security operations team and engage in cybersecurity incident response protocols. To date, none of these attacks have had a material impact on the Bank's business or operations.

6 Significant cybersecurity incidents are the ones classified as moderate, major or extreme according to the HSBC Continental Europe Risk Prioritization Matrix.

Report on the certification of sustainability information and verification of the disclosure requirements under article 8 of Regulation (EU) 2020/852

(For the year ended 31 December 2024)

HSBC Continental Europe

38, avenue Kléber

75116 Paris

To the Shareholders,

This report is issued in our capacity as Statutory Auditors of HSBC Continental Europe. It covers the sustainability information and the information required by article 8 of Regulation (EU) 2020/852, relating to the financial year ended 31 December 2024 and included in the sustainability statement in the Group's management report.

Pursuant to article L.233-28-4 of the French Commercial Code (Code de commerce), HSBC Continental Europe is required to include the above mentioned information in a separate section of the Group's management report. This information has been prepared in the context of the first-time application of the aforementioned articles, a context characterised by uncertainties regarding the interpretation of the legal texts, the use of significant estimates, the absence of established practices and frameworks, in particular for the double materiality assessment, and an evolving internal control system. It provides an understanding of the impact of the Group's activity on sustainability matters, as well as the way in which these matters influence the development of its business, performance and position. Sustainability matters include environmental, social and corporate governance matters.

Pursuant to II of article L.821-54 of the aforementioned Code, our responsibility is to carry out the procedures necessary to issue a conclusion, expressing limited assurance, on:

- compliance with the sustainability reporting standards adopted pursuant to Article 29ter of Directive (EU) 2013/34 of the European Parliament and of the Council of 14 December 2022 (hereinafter ESRS for European Sustainability Reporting Standards) of the process implemented by HSBC Continental Europe to determine the information reported, and compliance with the requirement to consult the social and economic committee provided for in the sixth paragraph of article L.2312-17 of the French Labour Code (Code du travail);
- compliance of the information included in the sustainability statement with the requirements of article L.233-28-4 of the French Commercial Code, including with the ESRS; and
- compliance with the requirements set out in article 8 of Regulation (EU) 2020/852.

This engagement is carried out in compliance with the ethical rules, including those on independence, and quality control, prescribed by the French Commercial Code.

It is also governed by the H2A guidelines on limited assurance engagements on the certification of sustainability information and verification of disclosure requirements set out in article 8 of Regulation (EU) 2020/852.

In the three separate parts of the report that follow, we present, for each of the parts covered by our engagement, the nature of the procedures we carried out, the conclusions we drew from these procedures and, in support of these conclusions, the elements to which we paid particular attention and the procedures we carried out with regards to these elements. We draw your attention to the fact that we do not express a conclusion on any of these elements taken in isolation and that the procedures described should be considered in the overall context of the formation of the conclusions issued in respect of each of the three parts of our engagement.

Finally, where it was deemed necessary to draw your attention to one or more items of sustainability information provided by HSBC Continental Europe in the Group management report, we have included an emphasis of matter paragraph hereafter.

The limits of our engagement

As the purpose of our engagement is to provide limited assurance, the nature (choice of techniques), extent (scope) and timing of the procedures are less than those required to obtain reasonable assurance.

Furthermore, this engagement does not provide a guarantee regarding the viability or the quality of the management of HSBC Continental Europe, in particular it does not provide an assessment of the relevance of the choices made by HSBC Continental Europe in terms of action plans, targets, policies, scenario analyses and transition plans, that extends beyond compliance with the ESRS reporting requirements.

It does, however, allow us to express conclusions regarding the process for determining the sustainability information to be reported, the sustainability information itself, and the information reported pursuant to article 8 of Regulation (EU) 2020/852, as to the absence of identification or, on the contrary, the identification of errors, omissions or inconsistencies of such importance that they would be likely to influence the decisions that readers of the information subject to this engagement might make.

Our engagement does not cover any comparative data.

Compliance with the ESRS of the process implemented by HSBC Continental Europe to determine the information reported, and compliance with the requirement to consult the social and economic committee provided for in the sixth paragraph of article L.2312-17 of the French Labour Code.

Nature of procedures carried out

Our procedures consisted in verifying that:

- the process defined and implemented by HSBC Continental Europe has enabled it, in accordance with the ESRS, to identify and assess its impacts, risks and opportunities related to sustainability matters, and to identify the material impacts, risks and opportunities that are disclosed in the Group's sustainability statement; and
- the information provided on this process also complies with the ESRS.

We also checked compliance with the requirement to consult the social and economic committee.

Conclusion of the procedures carried out

On the basis of the procedures we have carried out, we have not identified any material errors, omissions or inconsistencies regarding the compliance of the process implemented by HSBC Continental Europe with the ESRS.

Concerning the consultation of the social and economic committee provided for in the sixth paragraph of article L.2312-17 of the French Labour Code, we inform you that at the date of this report this consultation has not yet taken place.

Elements that received particular attention

- Concerning the identification of stakeholders

Information concerning the identification of stakeholders is provided in the 'Stakeholders in the value chain' section of the Group's sustainability statement.

We spoke to management and inspected the documentation available.

We also assessed the consistency of the main stakeholders identified by the Group with the nature of its activities and its geographical location, taking into account its business relationships and value chain.

- Concerning the identification of impacts, risks and opportunities

Information concerning the identification of impacts, risks and opportunities can be found in the 'Material sustainability impacts, risks and opportunities' section of the Group's sustainability statement.

We have reviewed the Group's process for identifying actual and potential impacts (positive and negative), risks and opportunities ('IROs') in relation to the sustainability issues set out in paragraph AR 16 of ESRS 1 'Application requirements' and those specific to the Group, as presented in the 'Material sustainability impacts, risks and opportunities' section of the Group's sustainability statement.

In particular, we assessed the approach taken by the Group to determine its impacts and dependencies, which may be a source of risks or opportunities.

We reviewed the list of IROs identified by the Group, including a description of their distribution in the Group's own operations and value chain, as well as their time horizon (short, medium or long term), and we assessed the consistency of this list with our knowledge of the Group and, where applicable, with the risk analyses it has carried out.

- Concerning the assessment of impact materiality and financial materiality

Information on the assessment of impact materiality and financial materiality is provided in the 'Material sustainability impacts, risks and opportunities' section of the Group's sustainability statement.

Through interviews with management and inspection of the available documentation, we obtained an understanding of the impact materiality and financial materiality assessment process implemented by the Group, and assessed its compliance with the criteria defined by ESRS 1.

In particular, we assessed the way in which the Group has established and applied the materiality criteria defined by ESRS 1 to determine the material information disclosed (i) in respect of indicators relating to material IROs identified in accordance with the relevant topical ESRS and (ii) in respect of information that is specific to the Group.

Compliance of the sustainability information included in the sustainability statement in the Group management report with the requirements of article L.233-28-4 of the French Commercial Code, including the ESRS

Nature of procedures carried out

Our procedures consisted in verifying that, in accordance with legal and regulatory requirements, including the ESRS:

- the disclosures provided provide an understanding of the general basis for the preparation and governance of the sustainability information included in the 'Governance of sustainability matters' section of the Group's sustainability statement, including the general basis for determining the information relating to the value chain and the exemptions from disclosures used;
- the presentation of this information ensures its readability and understandability;
- the scope chosen by HSBC Continental Europe for providing this information is appropriate; and
- on the basis of a selection, based on our analysis of the risks of non-compliance of the information provided and the expectations of users, this information does not contain any material errors, omissions or inconsistencies, i.e., that are likely to influence the judgement or decisions of the users of this information.

Conclusion of the procedures carried out

Based on the procedures we have carried out, we have not identified materials errors, omissions or inconsistencies regarding the compliance of the sustainability information included in the 'Governance of sustainable development issues' section of the Group's sustainability statement with the requirements of article L.233-28-4 of the French Commercial Code, including the ESRS.

Emphasis of matter

Without qualifying the conclusion expressed above, we draw your attention to the 'Greenhouse Gas Emissions' section of the Group's sustainability statement, which sets out the scope used to calculate financed emissions relating to the value chain (category 15 of Scope 3 under the GHG Protocol), as well as the limitations relating to the availability of data and the methodology used for the estimates made.

Elements that received particular attention

Information disclosed relating to greenhouse gas emissions (ESRS E1) can be found in the 'Greenhouse gas emissions' section of the Group's sustainability statement.

The elements to which we paid particular attention concerning the compliance of this information with the ESRS are presented below.

Our audit procedures mainly consisted in:

- asking what internal control and risk management procedures the Group has put in place to ensure the compliance of the disclosed information;
- concerning financed emissions (Scope 3, category 15 of the GHG Protocol):
  - reviewing the methodology used to calculate the estimated data and the sources of information on which these estimates are based;
  - gaining an understanding of the scope of assets covered by the calculation of financed emissions and assessing its justification with regard to the reference framework applied as described in the Group's sustainability statement and management report;
  - verifying that the basis for calculating financed emissions corresponds to the scope of assets covered as described in the sustainability statement and reconciling it with the consolidated balance sheet;
  - assessing the appropriateness of the sectoral proxies used by the Group and verifying, on the basis of samples, that they are correctly used;
  - verifying the mathematical accuracy of the calculation of financed emissions, on the basis of samples.
- concerning Scope 1, 2 and 3 emissions (category 1, 2 and 6) from the Group's own operations:
  - reviewing the approach used to compile the inventory of greenhouse gas emissions used by the Group to draw up its greenhouse gas emissions statement;
  - assessing the appropriateness of the emission factors used and checking the calculation of the relevant conversions;
  - verifying, on the basis of samples, the underlying data used to draw up the greenhouse gas emissions statement, together with the supporting documents, as well as the mathematical accuracy of the calculations used to prepare the estimated emissions.

Compliance with the reporting requirements set out in article 8 of Regulation (EU) 2020/852

Nature of procedures carried out

Our procedures consisted in verifying the process implemented by HSBC Continental Europe to determine the eligible and aligned nature of the activities of the entities included in the consolidation.

They also involved verifying the information reported pursuant to article 8 of Regulation (EU) 2020/852, which involves checking (i) compliance with the rules governing the presentation of this information to ensure that it is readable and understandable and (ii) on the basis of a selection, the absence of material errors, omissions or inconsistencies in the information provided, i.e., information likely to influence the judgement or decisions of users of this information.

Conclusion of the procedures carried out

Based on the procedures we have carried out, we have not identified any material errors, omissions or inconsistencies in relation to compliance with the requirements of article 8 of Regulation (EU) 2020/852.

Elements that received particular attention

We established that there were no such elements to address in our report.

Neuilly-sur-Seine, 19 February 2025

The Statutory Auditor

PricewaterhouseCoopers Audit

PricewaterhouseCoopers Audit

Agnès Hussherr

Partner

Appendix

Assets for the calculation of GAR (Template 1)

This table presents assets used in the calculation of the GAR analysed by counterparty type and asset class. Total assets are further categorised between covered assets in the numerator, covered assets in the denominator, and assets excluded from the GAR calculation, with eligible and aligned covered assets presented by environmental objective. This table is provided in Annex VI to the Disclosures Delegated Act. One row has been added and a minor amendment made to the row 48 label to clarify where GAR assets form the numerator or denominator of the KPI.

The table has been duplicated to present the information separately based on Turnover and CapEx KPIs as reported by the Bank's counterparties.

As a proportion of total taxonomy eligible exposures, taxonomy aligned enabling activities represents 1.06 per cent based on counterparty turnover KPI and 1.62 per cent based on counterparty CapEx KPI.

The gross carrying amount reported excludes impairment allowances for all banking exposures. As a result, Total Assets reported in this table is not comparable to Total Assets reported in the Bank's balance sheet with the difference due to impairment allowances on banking exposures.

Row 34 'SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations' includes non-NFRD financial and non-financial undertakings in the EU, whether or not they are classified as SMEs.

Financial guarantees represent financial guarantees granted by the Bank to support an underlying loan or debt security. The assessment of eligibility and alignment is based on the reported KPIs of the obligor in relation to the underlying loan since information on specific use of proceeds for these loans is not available.

The gross carrying amount presented for financial guarantees and assets under management forms the denominator of the respective KPIs and includes exposures with both NFRD and non-NFRD counterparties while excluding exposures to central governments, central banks and supranational issuers.

1 The 'Total' column in the table includes exposures towards taxonomy relevant sectors (Taxonomy-eligible) for all six environmental objectives (CCM, CCA, WTR, CE, PPC and BIO) and includes environmentally sustainable exposures (Taxonomy-aligned) for the two climate objectives only (CCM and CCA).

Assets for the calculation of GAR-Based on Counterparty Turnover

		2024																		
		a	b	c	d	e	f	g	h	i	j	k	o	s	w	ab	ac	ad	ae	af
		Disclosure reference date T																		
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)	Circular economy (CE)	Pollution (PPC)	Biodiversity and Ecosystems (BIO)	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)[1]				
			of which towards taxonomy relevant sectors (Taxonomy-eligible)					of which towards taxonomy relevant sectors (Taxonomy-eligible)				of which towards taxonomy relevant sectors (Taxonomy-eligible)				of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				of which environmentally sustainable (Taxonomy-aligned)					of which environmentally sustainable (Taxonomy-aligned)								of which environmentally sustainable (Taxonomy-aligned)			
	Mn EUR	Total [gross] carrying amount			of which Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling							of which Use of Proceeds	of which transitional	of which enabling
	GAR – Covered assets in both numerator and denominator																			
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	20,478	12,496	433	—	19	139	253	7	—	5	1	147	638	1	13,536	440	—	18	144
2	**Financial undertakings**	7,170	2,465	95	—	—	1	26	2	—	—	—	—	—	—	2,491	97	—	—	1

Assets for the calculation of GAR-Based on Counterparty Turnover (continued)

		2024																		
		a	b	c	d	e	f	g	h	i	j	k	o	s	w	ab	ac	ad	ae	af
		Disclosure reference date T																		
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)	Circular economy (CE)	Pollution (PPC)	Biodiversity and Ecosystems (BIO)	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)[1]				
			of which towards taxonomy relevant sectors (Taxonomy-eligible)					of which towards taxonomy relevant sectors (Taxonomy-eligible)				of which towards taxonomy relevant sectors (Taxonomy-eligible)				of which towards taxonomy relevant sectors (Taxonomy-eligible)				
Mn EUR				of which environmentally sustainable (Taxonomy-aligned)					of which environmentally sustainable (Taxonomy-aligned)								of which environmentally sustainable (Taxonomy-aligned)			
		Total [gross] carrying amount			of which Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling							of which Use of Proceeds	of which transitional	of which enabling
3	Credit institutions	6,577	2,463	94	—	—	—	9	2	—	—	—	—	—	—	2,472	96	—	—	—
4	Loans and advances	5,764	1,989	90	—	—	—	9	2	—	—	—	—	—	—	1,998	92	—	—	—
5	Debt securities, including UoP	813	474	4	—	—	—	—	—	—	—	—	—	—	—	474	4	—	—	—
6	Equity instruments	—	—	—		—	—	—	—		—	—	—	—	—	—	—		—	—
7	Other financial corporations	593	2	1	—	—	1	17	—	—	—	—	—	—	—	19	1	—	—	1
8	of which investment firms	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9	Loans and advances	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10	Debt securities, including UoP	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
11	Equity instruments	—	—	—		—	—	—	—		—	—	—	—	—	—	—		—	—
12	of which management companies	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
13	Loans and advances	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
14	Debt securities, including UoP	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Assets for the calculation of GAR-Based on Counterparty Turnover (continued)

		2024																		
		a	b	c	d	e	f	g	h	i	j	k	o	s	w	ab	ac	ad	ae	af
		Disclosure reference date T																		
Mn EUR			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)	Circular economy (CE)	Pollution (PPC)	Biodiversity and Ecosystems (BIO)	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)[1]				
			of which towards taxonomy relevant sectors (Taxonomy-eligible)					of which towards taxonomy relevant sectors (Taxonomy-eligible)				of which towards taxonomy relevant sectors (Taxonomy-eligible)				of which towards 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 Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling							of which Use of Proceeds	of which transitional	of which enabling
15	Equity instruments	—	—	—		—	—	—	—		—	—	—	—	—	—	—		—	—
16	of which insurance undertakings	497	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
17	Loans and advances	497	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
18	Debt securities, including UoP	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
19	Equity instruments	—	—	—		—	—	—	—		—	—	—	—	—	—	—		—	—
20	**Non-financial undertakings**	3,977	758	337	—	19	138	227	5	—	5	1	147	638	1	1,772	342	—	18	143
21	Loans and advances	3,928	751	333	—	19	136	227	5	—	5	1	146	637	1	1,763	338	—	18	141
22	Debt securities, including UoP	36	6	4	—	—	2	—	—	—	—	—	1	1	—	8	4	—	—	2
23	Equity instruments	13	1	—		—	—	—	—		—	—	—	—	—	1	—		—	—
24	**Households**	9,134	9,130	1	—	—	—	—	—	—	—		—			9,130	1	—	—	—
25	of which loans collateralised by residential immovable property	9,111	9,112	1	—	—	—	—	—	—	—		—			9,112	1	—	—	—
26	of which building renovation loans	3	3	—	—	—	—	—	—	—	—		—			3	—	—	—	—
27	of which motor vehicle loans	20	15	—	—	—	—									15	—	—	—	—

Assets for the calculation of GAR-Based on Counterparty Turnover (continued)

		2024																		
		a	b	c	d	e	f	g	h	i	j	k	o	s	w	ab	ac	ad	ae	af
		Disclosure reference date T																		
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)	Circular economy (CE)	Pollution (PPC)	Biodiversity and Ecosystems (BIO)	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)[1]				
			of which towards taxonomy relevant sectors (Taxonomy-eligible)					of which towards taxonomy relevant sectors (Taxonomy-eligible)				of which towards taxonomy relevant sectors (Taxonomy-eligible)				of which towards taxonomy relevant sectors (Taxonomy-eligible)				
Mn EUR				of which environmentally sustainable (Taxonomy-aligned)					of which environmentally sustainable (Taxonomy-aligned)								of which environmentally sustainable (Taxonomy-aligned)			
		Total [gross] carry-ing amo-unt			of which Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling							of which Use of Proceeds	of which transitional	of which enabling
28	**Local governments financing**	**194**	**141**	—	—	—	—	—	—	—	—	—	—	—	—	**141**	—	—	—	—
29	Housing financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
30	Other local government financing	**194**	**141**	—	—	—	—	—	—	—	—	—	—	—	—	**141**	—	—	—	—
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	**3**	**2**	—	—	—	—	—	—	—	—	—	—	—	—	**2**	—	—	—	—
	Total GAR assets (in the numerator)	**20,478**	**12,496**	**433**	—	**19**	**139**	**253**	**7**	—	**5**	**1**	**147**	**638**	**1**	**13,536**	**440**	—	**18**	**144**
32	**Assets excluded from the numerator for GAR calculation (covered in the denominator)**	**89,440**																		
33	**Financial and Non-financial undertakings**	**63,538**																		
34	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	**46,419**																		
35	Loans and advances	**43,330**																		
36	of which loans collateralised by commercial immovable property	**4,670**																		
37	of which building renovation loans	**8**																		

Assets for the calculation of GAR-Based on Counterparty Turnover (continued)

		2024																		
		a	b	c	d	e	f	g	h	i	j	k	o	s	w	ab	ac	ad	ae	af
		Disclosure reference date T																		
	Mn EUR		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)	Circular economy (CE)	Pollution (PPC)	Biodiversity and Ecosystems (BIO)	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)[1]				
			of which towards taxonomy relevant sectors (Taxonomy-eligible)					of which towards taxonomy relevant sectors (Taxonomy-eligible)				of which towards taxonomy relevant sectors (Taxonomy-eligible)				of which towards 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 Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling							of which Use of Proceeds	of which transitional	of which enabling
38	Debt securities	2,847																		
39	Equity instruments	242																		
40	Non-EU country counterparties not subject to NFRD disclosure obligations	17,120																		
41	Loans and advances	15,013																		
42	Debt securities	2,106																		
43	Equity instruments	1																		
44	**Derivatives**	98																		
45	**On demand interbank loans**	1,857																		
46	**Cash and cash-related assets**	53																		
47	**Other categories of assets (e.g. Goodwill, commodities etc.)**	23,894																		
48	**Total GAR assets (in the denominator)**	109,918	12,496	433	—	19	139	253	7	—	5	1	147	638	1	13,536	440	—	18	144
49	**Assets not covered for GAR calculation**	132,827																		
50	**Central governments and Supranational issuers**	14,367																		
51	**Central banks exposure**	52,454																		
52	**Trading book**	66,006																		

Assets for the calculation of GAR-Based on Counterparty Turnover (continued)

Mn EUR		a	b	c	d	e	f	g	h	i	j	k	o	s	w	ab	ac	ad	ae	af
		2024																		
		Disclosure reference date T																		
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)	Circular economy (CE)	Pollution (PPC)	Biodiversity and Ecosystems (BIO)	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)[1]				
			of which towards taxonomy relevant sectors (Taxonomy-eligible)					of which towards taxonomy relevant sectors (Taxonomy-eligible)				of which towards taxonomy relevant sectors (Taxonomy-eligible)				of which towards 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 Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling							of which Use of Proceeds	of which transitional	of which enabling
53	**Total assets**	242,745	12,496	433	—	19	139	253	7	—	5	1	147	638	1	13,536	440	—	18	144
Off-balance sheet exposures – Undertakings subject to NFRD disclosure obligations																				
54	Financial guarantees	1,949	94	33	—	—	8	—	—	—	—	—	11	2	—	107	33	—	—	8
55	Assets under management	322,592	14,718	3,311	—	170	1,678	1,004	67	—	5	21	858	1,143	27	17,771	3,378	—	170	1,683
56	of which debt securities	128,296	5,957	1,949	—	117	818	234	12	—	—	14	202	94	18	6,519	1,961	—	117	818
57	of which equity instruments	70,277	5,976	1,361	—	53	860	768	55	—	5	8	656	1,049	10	8,467	1,416	—	53	865

Assets for the calculation of GAR-Based on Counterparty Turnover (continued)

Mn EUR		a	b	c	d	e	f	g	h	i	j	ab	ac	ad	ae	af
		2023														
		Disclosure reference date T-1														
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)				
			of which towards taxonomy relevant sectors (Taxonomy-eligible)					of which towards taxonomy relevant sectors (Taxonomy-eligible)				of which towards 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 Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling			of which Use of Proceeds	of which transitional	of which enabling
	GAR – Covered assets in both numerator and denominator															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	17,906		149	—	20	31		10	—	—	10,753	159	—	20	31
2	Financial undertakings	5,200		—	—	—	—		—	—	—	259	—	—	—	—
3	Credit institutions	5,078		—	—	—	—		—	—	—	259	—	—	—	—
4	Loans and advances	4,598		—	—	—	—		—	—	—	—	—	—	—	—
5	Debt securities, including UoP	480		—	—	—	—		—	—	—	259	—	—	—	—

Assets for the calculation of GAR-Based on Counterparty Turnover (continued)

		2023														
		a	b	c	d	e	f	g	h	i	j	ab	ac	ad	ae	af
		Disclosure reference date T-1														
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)				
			of which towards taxonomy relevant sectors (Taxonomy-eligible)					of which towards taxonomy relevant sectors (Taxonomy-eligible)				of which towards taxonomy relevant sectors (Taxonomy-eligible)				
	Mn EUR			of which environmentally sustainable (Taxonomy-aligned)					of which environmentally sustainable (Taxonomy-aligned)				of which environmentally sustainable (Taxonomy-aligned)			
		Total gross carrying amount			of which Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling			of which Use of Proceeds	of which transitional	of which enabling
6	Equity instruments	—		—		—	—		—		—	—	—		—	—
7	Other financial corporations	122		—	—	—	—		—	—	—	—	—	—	—	—
8	– of which: investment firms	2		—	—	—	—		—	—	—	—	—	—	—	—
9	Loans and advances	2		—	—	—	—		—	—	—	—	—	—	—	—
10	Debt securities, including UoP	—		—	—	—	—		—	—	—	—	—	—	—	—
11	Equity instruments	—		—		—	—		—		—	—	—		—	—
12	– of which: management companies	—		—	—	—	—		—	—	—	—	—	—	—	—
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	—		—		—	—		—		—	—	—		—	—
20	Non-financial undertakings	2,780		149	—	20	31		10	—	—	578	159	—	20	31
21	Loans and advances	2,721		137	—	18	27		10	—	—	564	147	—	18	27
22	Debt securities, including UoP	51		9	—	2	1		—	—	—	11	9	—	2	1
23	Equity instruments	8		3		—	3		—		—	3	3		—	3
24	Households	9,799		—	—	—	—		—	—	—	9,789	—	—	—	—
25	– of which: loans collateralised by residential immovable property	9,776		—	—	—	—		—	—	—	9,776	—	—	—	—
26	– of which: building renovation loans	2		—	—	—	—		—	—	—	2	—	—	—	—
27	– of which: motor vehicle loans	21		—	—	—	—		—	—	—	11	—	—	—	—
28	Local governments financing	124		—	—	—	—		—	—	—	124	—	—	—	—
29	Housing financing	—		—	—	—	—		—	—	—	—	—	—	—	—
30	Other local government financing	124		—	—	—	—		—	—	—	124	—	—	—	—
31	Collateral obtained by taking possession: residential and commercial immovable properties	3		—	—	—	—		—	—	—	3	—	—	—	—
	Total GAR assets (in the numerator)	17,906		149	—	20	31		10	—	—	10,753	159	—	20	31
32	Assets excluded from the numerator for GAR calculation (covered in the denominator)	106,925														
33	Financial and Non-financial undertakings	61,804														

Assets for the calculation of GAR-Based on Counterparty Turnover (continued)

		2023														
		a	b	c	d	e	f	g	h	i	j	ab	ac	ad	ae	af
		Disclosure reference date T-1														
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)				
			of which towards taxonomy relevant sectors (Taxonomy-eligible)					of which towards taxonomy relevant sectors (Taxonomy-eligible)				of which towards taxonomy relevant sectors (Taxonomy-eligible)				
	Mn EUR			of which environmentally sustainable (Taxonomy-aligned)					of which environmentally sustainable (Taxonomy-aligned)				of which environmentally sustainable (Taxonomy-aligned)			
		Total gross carrying amount			of which Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling			of which Use of Proceeds	of which transitional	of which enabling
34	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	51,676														
35	Loans and advances	48,602														
36	– of which:loans collateralised by commercial immovable property	3,973														
37	– of which: building renovation loans	5														
38	Debt securities	2,910														
39	Equity instruments	164														
40	Non-EU country counterparties not subject to NFRD disclosure obligations	10,128														
41	Loans and advances	9,083														
42	Debt securities	1,043														
43	Equity instruments	1														
44	Derivatives	169														
45	On demand interbank loans	2,034														
46	Cash and cash-related assets	102														
47	Other categories of assets (e.g. Goodwill, commodities etc.)	42,816														
48	Total GAR assets (in the denominator)	124,831														
49	Assets not covered for GAR calculation	136,951														
50	Central governments and Supranational issuers	9,974														
51	Central banks exposure	64,425														
52	Trading book	62,552														
53	Total assets	261,782														
Off-balance sheet exposures – Undertakings subject to NFRD disclosure obligations																
54	Financial guarantees	1,552		31	—	1	4		—	—	—	37	31	—	1	4
55	Assets under management	426,676		3,283	—	305	2,037		83	—	6	13,101	3,366	—	305	2,043
56	– of which: debt securities	159,685		2,325	—	257	1,375		37	—	2	4,953	2,362	—	257	1,377
57	– of which: equity instruments	82,635		950	—	48	658		46	—	4	4,826	996	—	48	662

Assets for the calculation of GAR-Based on Counterparty CapEx

		2024																		
		a	b	c	d	e	f	g	h	i	j	k	o	s	w	ab	ac	ad	ae	af
		Disclosure reference date T																		
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)	Circular economy (CE)	Pollution (PPC)	Biodiversity and Ecosystems (BIO)	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)[1]				
			of which towards taxonomy relevant sectors (Taxonomy-eligible)					of which towards taxonomy relevant sectors (Taxonomy-eligible)				of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
Mn EUR				of which environmentally sustainable (Taxonomy-aligned)					of which environmentally sustainable (Taxonomy-aligned)								of which environmentally sustainable (Taxonomy-aligned)			
		Total [gross] carrying amount			of which Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling							of which Use of Proceeds	of which transitional	of which enabling
	GAR – Covered assets in both numerator and denominator																			
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	**20,478**	**13,124**	**775**	**—**	**55**	**217**	**372**	**15**	**—**	**7**	**1**	**83**	**238**	**—**	**13,818**	**790**	**—**	**55**	**224**
2	**Financial undertakings**	**7,170**	**2,456**	**117**	**—**	**2**	**5**	**11**	**1**	**—**	**—**	**—**	**—**	**—**	**—**	**2,467**	**118**	**—**	**2**	**5**
3	Credit institutions	**6,577**	**2,433**	**109**	**—**	**—**	**—**	**11**	**1**	**—**	**—**	**—**	**—**	**—**	**—**	**2,444**	**110**	**—**	**—**	**—**
4	Loans and advances	**5,764**	**1,966**	**104**	**—**	**—**	**—**	**11**	**1**	**—**	**—**	**—**	**—**	**—**	**—**	**1,977**	**105**	**—**	**—**	**—**
5	Debt securities, including UoP	**813**	**467**	**5**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**467**	**5**	**—**	**—**	**—**
6	Equity instruments	**—**	**—**	**—**		**—**	**—**	**—**	**—**		**—**	**—**	**—**	**—**	**—**	**—**	**—**		**—**	**—**
7	Other financial corporations	**593**	**23**	**8**	**—**	**2**	**5**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**23**	**8**	**—**	**2**	**5**
8	of which investment firms	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
9	Loans and advances	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**

Assets for the calculation of GAR-Based on Counterparty CapEx (continued)

	Mn EUR	a	b	c	d	e	f	g	h	i	j	k	o	s	w	ab	ac	ad	ae	af
		2024																		
		Disclosure reference date T																		
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)	Circular economy (CE)	Pollution (PPC)	Biodiversity and Ecosystems (BIO)	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)[1]				
			of which towards taxonomy relevant sectors (Taxonomy-eligible)					of which towards taxonomy relevant sectors (Taxonomy-eligible)				of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards 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] carry-ing amo-unt			of which Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling							of which Use of Proceeds	of which transitional	of which enabling
10	Debt securities, including UoP	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
11	Equity instruments	—	—	—		—	—	—	—		—	—	—	—	—	—	—		—	—
12	of which management companies	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
13	Loans and advances	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
14	Debt securities, including UoP	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
15	Equity instruments	—	—	—		—	—	—	—		—	—	—	—	—	—	—		—	—
16	of which insurance undertakings	497	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
17	Loans and advances	497	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
18	Debt securities, including UoP	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
19	Equity instruments	—	—	—		—	—	—	—		—	—	—	—	—	—	—		—	—
20	**Non-financial undertakings**	**3,977**	**1,396**	**658**	—	**53**	**212**	**361**	**14**	—	**7**	**1**	**83**	**238**	—	**2,079**	**672**	—	**53**	**219**
21	Loans and advances	**3,928**	**1,380**	**651**	—	**52**	**210**	**361**	**14**	—	**7**	**1**	**82**	**237**	—	**2,061**	**665**	—	**52**	**217**

Assets for the calculation of GAR-Based on Counterparty CapEx (continued)

		2024																		
		a	b	c	d	e	f	g	h	i	j	k	o	s	w	ab	ac	ad	ae	af
		Disclosure reference date T																		
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)	Circular economy (CE)	Pollution (PPC)	Biodiversity and Ecosystems (BIO)	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)[1]				
			of which towards taxonomy relevant sectors (Taxonomy-eligible)					of which towards taxonomy relevant sectors (Taxonomy-eligible)				of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
Mn EUR				of which environmentally sustainable (Taxonomy-aligned)					of which environmentally sustainable (Taxonomy-aligned)								of which environmentally sustainable (Taxonomy-aligned)			
		Total [gross] carrying amount			of which Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling							of which Use of Proceeds	of which transitional	of which enabling
22	Debt securities, including UoP	36	8	5	—	1	2	—	—	—	—	—	1	1	—	10	5	—	1	2
23	Equity instruments	13	8	2		—	—	—	—		—	—	—	—	—	8	2		—	—
24	**Households**	9,134	9,129	—	—	—	—	—	—	—	—		—			9,129	—	—	—	—
25	of which loans collateralised by residential immovable property	9,111	9,111	—	—	—	—	—	—	—	—		—			9,111	—	—	—	—
26	of which building renovation loans	3	3	—	—	—	—	—	—	—	—		—			3	—	—	—	—
27	of which motor vehicle loans	20	15	—	—	—	—									15	—	—	—	—
28	**Local governments financing**	194	141	—	—	—	—	—	—	—	—	—	—	—	—	141	—	—	—	—
29	Housing financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
30	Other local government financing	194	141	—	—	—	—	—	—	—	—	—	—	—	—	141	—	—	—	—
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	3	2	—	—	—	—	—	—	—	—	—	—	—	—	2	—	—	—	—
	Total GAR assets (in the numerator)	20,478	13,124	775	—	55	217	372	15	—	7	1	83	238	—	13,818	790	—	55	224

Assets for the calculation of GAR-Based on Counterparty CapEx (continued)

		2024																		
		a	b	c	d	e	f	g	h	i	j	k	o	s	w	ab	ac	ad	ae	af
		Disclosure reference date T																		
	Mn EUR		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)	Circular economy (CE)	Pollution (PPC)	Biodiversity and Ecosystems (BIO)	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)[1]				
			of which towards taxonomy relevant sectors (Taxonomy-eligible)					of which towards taxonomy relevant sectors (Taxonomy-eligible)				of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards 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 Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling							of which Use of Proceeds	of which transitional	of which enabling
32	**Assets excluded from the numerator for GAR calculation (covered in the denominator)**	**89,440**																		
33	**Financial and Non-financial undertakings**	**63,538**																		
34	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	**46,419**																		
35	Loans and advances	**43,330**																		
36	of which loans collateralised by commercial immovable property	**4,670**																		
37	of which building renovation loans	**8**																		
38	Debt securities	**2,847**																		
39	Equity instruments	**242**																		
40	Non-EU country counterparties not subject to NFRD disclosure obligations	**17,120**																		
41	Loans and advances	**15,013**																		
42	Debt securities	**2,106**																		

Assets for the calculation of GAR-Based on Counterparty CapEx (continued)

	Mn EUR	2024																		
		a	b	c	d	e	f	g	h	i	j	k	o	s	w	ab	ac	ad	ae	af
		Disclosure reference date T																		
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)	Circular economy (CE)	Pollution (PPC)	Biodiversity and Ecosystems (BIO)	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)[1]				
				of which towards taxonomy relevant sectors (Taxonomy-eligible)					of which towards taxonomy relevant sectors (Taxonomy-eligible)			of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards 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 Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling							of which Use of Proceeds	of which transitional	of which enabling
43	Equity instruments	1																		
44	**Derivatives**	98																		
45	**On demand interbank loans**	1,857																		
46	**Cash and cash-related assets**	53																		
47	**Other categories of assets (e.g. Goodwill, commodities etc.)**	23,894																		
48	**Total GAR assets (in the denominator)**	109,918	13,124	775	—	55	217	372	15	—	7	1	83	238	—	13,818	790	—	55	224
49	**Assets not covered for GAR calculation**	132,827																		
50	**Central governments and Supranational issuers**	14,367																		
51	**Central banks exposure**	52,454																		
52	**Trading book**	66,006																		
53	**Total assets**	242,745	13,124	775	—	55	217	372	15	—	7	1	83	238	—	13,818	790	—	55	224
Off-balance sheet exposures – Undertakings subject to NFRD disclosure obligations																				
54	Financial guarantees	1,949	110	36	—	2	9	—	—	—	—	—	1	—	—	111	36	—	2	9
55	Assets under management	322,592	17,699	5,126	—	364	2,271	71	4	—	2	38	520	704	8	19,040	5,130	—	364	2,273
56	of which debt securities	128,296	6,777	2,615	—	191	1,009	25	1	—	—	32	124	87	4	7,049	2,616	—	191	1,009
57	of which equity instruments	70,277	8,137	2,511	—	173	1,262	46	3	—	2	5	396	618	3	9,205	2,514	—	173	1,264

Assets for the calculation of GAR-Based on Counterparty CapEx (continued)

		2023														
		a	b	c	d	e	f	g	h	i	j	ab	ac	ad	ae	af
		Disclosure reference date T-1														
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)				
			of which towards taxonomy relevant sectors (Taxonomy-eligible)					of which towards taxonomy relevant sectors (Taxonomy-eligible)				of which towards taxonomy relevant sectors (Taxonomy-eligible)				
	Mn EUR			of which environmentally sustainable (Taxonomy-aligned)					of which environmentally sustainable (Taxonomy-aligned)				of which environmentally sustainable (Taxonomy-aligned)			
		Total gross carrying amount			of which Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling			of which Use of Proceeds	of which transitional	of which enabling
	GAR – Covered assets in both numerator and denominator															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	17,906		338	—	23	53		18	—	6	11,050	356	—	23	59
2	Financial undertakings	5,200		—	—	—	—		—	—	—	259	—	—	—	—
3	Credit institutions	5,078		—	—	—	—		—	—	—	259	—	—	—	—
4	Loans and advances	4,598		—	—	—	—		—	—	—	—	—	—	—	—
5	Debt securities, including UoP	480		—	—	—	—		—	—	—	259	—	—	—	—
6	Equity instruments	—		—		—	—		—		—	—	—		—	—
7	Other financial corporations	122		—	—	—	—		—	—	—	—	—	—	—	—
8	– of which: investment firms	2		—	—	—	—		—	—	—	—	—	—	—	—
9	Loans and advances	2		—	—	—	—		—	—	—	—	—	—	—	—
10	Debt securities, including UoP	—		—	—	—	—		—	—	—	—	—	—	—	—
11	Equity instruments	—		—		—	—		—		—	—	—		—	—
12	– of which: management companies	—		—	—	—	—		—	—	—	—	—	—	—	—
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	—		—		—	—		—		—	—	—		—	—
20	Non-financial undertakings	2,780		338	—	23	53		18	—	6	875	356	—	23	59
21	Loans and advances	2,721		318	—	22	47		18	—	6	852	336	—	22	53
22	Debt securities, including UoP	51		16	—	1	3		—	—	—	19	16	—	1	3
23	Equity instruments	8		4		—	3		—		—	4	4		—	3
24	Households	9,799		—	—	—	—		—	—	—	9,789	—	—	—	—
25	– of which: loans collateralised by residential immovable property	9,776		—	—	—	—		—	—	—	9,776	—	—	—	—
26	– of which: building renovation loans	2		—	—	—	—		—	—	—	2	—	—	—	—
27	– of which: motor vehicle loans	21		—	—	—	—					11	—	—	—	—
28	Local governments financing	124		—	—	—	—		—	—	—	124	—	—	—	—
29	Housing financing	—		—	—	—	—		—	—	—	—	—	—	—	—
30	Other local government financing	124		—	—	—	—		—	—	—	124	—	—	—	—
31	Collateral obtained by taking possession: residential and commercial immovable properties	3		—	—	—	—		—	—	—	3	—	—	—	—

Assets for the calculation of GAR-Based on Counterparty CapEx (continued)

		2023														
		a	b	c	d	e	f	g	h	i	j	ab	ac	ad	ae	af
		Disclosure reference date T-1														
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)				
			of which towards taxonomy relevant sectors (Taxonomy-eligible)					of which towards taxonomy relevant sectors (Taxonomy-eligible)				of which towards taxonomy relevant sectors (Taxonomy-eligible)				
	Mn EUR			of which environmentally sustainable (Taxonomy-aligned)					of which environmentally sustainable (Taxonomy-aligned)				of which environmentally sustainable (Taxonomy-aligned)			
		Total gross carrying amount			of which Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling			of which Use of Proceeds	of which transitional	of which enabling
	Total GAR assets (in the numerator)	17,906		338	—	23	53		18	—	6	11,050	356	—	23	59
32	Assets excluded from the numerator for GAR calculation (covered in the denominator)	106,925														
33	Financial and Non-financial undertakings	61,804														
34	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	51,676														
35	Loans and advances	48,602														
36	– of which: loans collateralised by commercial immovable property	3,973														
37	– of which: building renovation loans	5														
38	Debt securities	2,910														
39	Equity instruments	164														
40	Non-EU country counterparties not subject to NFRD disclosure obligations	10,128														
41	Loans and advances	9,083														
42	Debt securities	1,043														
43	Equity instruments	1														
44	Derivatives	169														
45	On demand interbank loans	2,034														
46	Cash and cash-related assets	102														
47	Other categories of assets (e.g. Goodwill, commodities etc.)	42,816														
48	Total GAR assets (in the denominator)	124,831														
49	Assets not covered for GAR calculation	136,951														
50	Central governments and Supranational issuers	9,974														
51	Central banks exposure	64,425														
52	Trading book	62,552														
53	Total assets	261,782														
Off-balance sheet exposures – Undertakings subject to NFRD disclosure obligations																
54	Financial guarantees	1,552		25	—	1	4		—	—	—	45	25	—	1	4
55	Assets under management	426,676		5,760	—	448	2,998		295	—	2	17,564	6,055	—	448	3,000
56	– of which:debt securities	159,685		3,856	—	337	1,966		221	—	—	7,218	4,077	—	337	1,966
57	– of which: equity instruments	82,635		1,884	—	110	1,020		74	—	1	7,019	1,958	—	110	1,021

GAR Sector information (Template 2)

This table presents eligible and aligned exposures in the banking book to non-financial counterparties, broken down by sector of economic activities based on NACE code of the principal activity of the immediate counterparty. The values reported under gross carrying amount represents the taxonomy-eligible amount. The NACE code determining the sector classification of the counterparty represents the principal activity of the counterparty whether Taxonomy eligible or not. Consequently, there may be inclusion of some sectors with a

NACE code which is associated with a non-eligible activity in the EU Taxonomy framework, but where there is some aligned exposure based on non-principal activities.

The table has been duplicated to present the information separately based on Turnover and CapEx KPIs as reported by the Bank's counterparties.

[1] The 'Total' column in the table includes exposures towards taxonomy relevant sectors (Taxonomy-eligible) for all six environmental objectives (CCM, CCA, WTR, CE, PPC and BIO) and includes environmentally sustainable exposures (Taxonomy-aligned) for the two climate objectives only (CCM and CCA).

GAR-Based on Counterparty Turnover

		2024															
		a	b	c	d	e	f	g	h	i	m	q	u	y	z	aa	ab
		Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				Water and marine resources (WTR)	Circular economy (CE)	Pollution (PPC)	Biodiversity and Ecosystems (BIO)	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)[1]			
	Breakdown by sector – NACE 4 digits level (code and label)	Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)				Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount				[Gross] carrying amount		[Gross] carrying amount	
		Mn EUR	of which environmentally sustainable (CCM)	Mn EUR	of which environmentally sustainable (CCM)	Mn EUR	of which environmentally sustainable (CCA)	Mn EUR	of which environmentally sustainable (CCA)	Mn EUR	Mn EUR	Mn EUR	Mn EUR	Mn EUR	of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)	Mn EUR	of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)
1	**B06.10 – Extraction of crude petroleum**	**8**	**1**			—	—			—	—	—	—	**8**	**1**		
2	B08.99 – Other mining and quarrying n.e.c.	**1**	—			—	—			—	—	—	—	**1**	—		
3	C17.11 – Manufacture of pulp	**11**	**11**			—	—			—	—	—	—	**11**	**11**		
4	C19.20 – Manufacture of refined petroleum products	**2**	—			—	—			—	—	—	—	**2**	—		
5	C20.13 – Manufacture of other inorganic basic chemicals	**1**	—			—	—			—	—	—	—	**1**	—		
6	C21.20 – Manufacture of pharmaceutical preparations	—	—			—	—			—	**2**	**636**	—	**638**	—		
7	C22.29 – Manufacture of other plastic products	—	—			—	—			—	**2**	—	—	**2**	—		
8	C23.51 – Manufacture of cement	**14**	**1**			—	—			—	—	—	—	**14**	**1**		
9	C26.11 – Manufacture of electronic components	**17**	**9**			—	—			—	—	—	—	**17**	**9**		
10	C26.60 – Manufacture of irradiation, electromedical and electrotherapeutic equipment	—	—			—	—			—	**48**	—	—	**48**	—		
11	C27.20 – Manufacture of batteries and accumulators	**3**	—			—	—			—	—	—	—	**3**	—		

GAR-Based on Counterparty Turnover (continued)

Breakdown by sector – NACE 4 digits level (code and label)	2024															
	a	b	c	d	e	f	g	h	i	m	q	u	y	z	aa	ab
	Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				Water and marine resources (WTR)	Circular economy (CE)	Pollution (PPC)	Biodiversity and Ecosystems (BIO)	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)[1]			
	Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)				Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
	[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount				[Gross] carrying amount		[Gross] carrying amount	
	Mn EUR	of which environmentally sustainable (CCM)	Mn EUR	of which environmentally sustainable (CCM)	Mn EUR	of which environmentally sustainable (CCA)	Mn EUR	of which environmentally sustainable (CCA)	Mn EUR	Mn EUR	Mn EUR	Mn EUR	Mn EUR	of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)	Mn EUR	of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)
12 C28.22 – Manufacture of lifting and handling equipment	13	13			—	—			—	6	—	—	19	13		
13 C28.99 – Manufacture of other special-purpose machinery n.e.c.	7	—			—	—			—	—	—	—	7	—		
14 C29.10 – Manufacture of motor vehicles	7	1			—	—			—	1	—	—	8	1		
15 C29.32 – Manufacture of other parts and accessories for motor vehicles	1	—			—	—			—	—	—	—	1	—		
16 C30.20 – Manufacture of railway locomotives and rolling stock	6	3			—	—			—	—	—	—	6	3		
17 C30.91 – Manufacture of motorcycles	2	—			—	1			—	—	—	—	2	1		
18 C32.50 – Manufacture of medical and dental instruments and supplies	0	—			—	—			—	4	—	—	4	—		
19 C32.99 – Other manufacturing n.e.c.	0	—			—	—			—	1	—	—	1	—		
20 D35.11 – Production of electricity	86	66			—	—			—	—	—	—	86	66		
21 E38.11 – Collection of non-hazardous waste	2	—			—	—			—	—	—	—	2	—		
22 F41.20 – Construction of residential and non-residential buildings	4	2			—	—			—	—	—	—	4	2		
23 F42.11 – Construction of roads and motorways	13	1			—	—			—	—	—	—	13	1		
24 G46.21 – Wholesale of grain, unmanufactured tobacco, seeds and animal feeds	3	3			—	—			—	1	—	—	4	3		
25 G46.62 – Wholesale of machine tools	105	46			—	—			—	—	—	—	105	46		
26 G46.63 – Wholesale of mining, construction and civil engineering machinery	1	—			—	—			—	—	—	—	1	—		
27 H50.20 – Sea and coastal freight water transport	36	—			—	—			—	—	—	—	36	—		

GAR-Based on Counterparty Turnover (continued)

Breakdown by sector – NACE 4 digits level (code and label)	2024															
	a	b	c	d	e	f	g	h	i	m	q	u	y	z	aa	ab
	Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				Water and marine resources (WTR)	Circular economy (CE)	Pollution (PPC)	Biodiversity and Ecosystems (BIO)	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)[1]			
	Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)				Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
	[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount				[Gross] carrying amount		[Gross] carrying amount	
	Mn EUR	of which environmentally sustainable (CCM)	Mn EUR	of which environmentally sustainable (CCM)	Mn EUR	of which environmentally sustainable (CCA)	Mn EUR	of which environmentally sustainable (CCA)	Mn EUR	Mn EUR	Mn EUR	Mn EUR	Mn EUR	of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)	Mn EUR	of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)
28 H52.29 – Other transportation support activities	—	—			1	—			—	—	—	—	1	—		
29 I55.10 – Hotels and similar accommodation	4	—			—	—			—	—	—	—	4	—		
30 J58.21 – Publishing of computer games	1	—			—	—			—	—	—	—	1	—		
31 J61.10 – Wired telecommunications activities	—	2			—	—			—	1	—	—	1	2		
32 J62.01 – Computer programming activities	1	—			—	—			—	—	—	—	1	—		
33 J62.02 – Computer consultancy activities	1	—			—	—			—	—	—	—	1	—		
34 J62.09 – Other information technology and computer service activities	14	—			—	—			—	—	—	—	14	—		
35 J63.11 – Data processing, hosting and related activities	—	—			1	—			—	—	—	—	1	—		
36 K64.20 – Activities of holding companies	117	66			1	—			1	52	—	—	171	66		
37 L68.20 – Renting and operating of own or leased real estate	226	93			3	—			—	—	—	—	229	93		
38 M70.10 – Activities of head offices	35	13			221	4			—	19	2	1	278	17		
39 M70.22 – Business and other management consultancy activities	6	—			—	—			—	—	—	—	6	—		
40 M71.12 – Engineering activities and related technical consultancy	7	6			—	—			—	9	—	—	16	6		
41 M73.11 – Advertising agencies	2	—			—	—			—	—	—	—	2	—		
42 N79.12 – Tour operator activities	1	—			—	—			—	—	—	—	1	—		
43 S96.09 – Other personal service activities n.e.c.	—	—			—	—			—	1	—	—	1	—		

GAR-Based on Counterparty CapEx

	Breakdown by sector - NACE 4 digits level (code and label)	2024															
		a	b	c	d	e	f	g	h	i	m	q	u	y	z	aa	ab
		Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				Water and marine resources (WTR)	Circular economy (CE)	Pollution (PPC)	Biodi-versity and Ecosystems (BIO)	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)[1]			
		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)				Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount				[Gross] carrying amount		[Gross] carrying amount	
		Mn EUR	of which environmentally sustainable (CCM)	Mn EUR	of which environmentally sustainable (CCM)	Mn EUR	of which environmentally sustainable (CCA)	Mn EUR	of which environmentally sustainable (CCA)	Mn EUR	Mn EUR	Mn EUR	Mn EUR	Mn EUR	of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)	Mn EUR	of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)
1	**B06.10 – Extraction of crude petroleum**	37	31			—	—			—	—	—	—	37	31		
2	B08.99 – Other mining and quarrying n.e.c.	1	—			—	—			—	—	—	—	1	—		
3	C11.05 – Manufacture of beer	1	—			—	—			—	—	—	—	1	—		
4	C17.11 – Manufacture of pulp	24	22			—	—			—	7	—	—	31	22		
5	C19.20 – Manufacture of refined petroleum products	6	3			—	—			—	—	—	—	6	3		
6	C20.13 – Manufacture of other inorganic basic chemicals	1	—			—	—			—	—	—	—	1	—		
7	C21.20 – Manufacture of pharmaceutical preparations	119	1			—	—			—	—	237	—	356	1		
8	C22.29 – Manufacture of other plastic products	—	—			—	—			—	2	—	—	2	—		
9	C23.41 – Manufacture of ceramic household and ornamental articles	2	—			—	—			—	—	—	—	2	—		
10	C23.51 – Manufacture of cement	18	6			—	—			—	—	—	—	18	6		
11	C26.11 – Manufacture of electronic components	24	8			—	—			—	—	—	—	24	8		
12	C26.60 – Manufacture of irradiation, electromedical and electrotherapeutic equipment	28	—			—	—			—	6	—	—	34	—		
13	C27.20 – Manufacture of batteries and accumulators	2	—			—	—			—	—	—	—	2	—		
14	C28.22 – Manufacture of lifting and handling equipment	22	13			—	—			—	7	—	—	29	13		

GAR-Based on Counterparty CapEx (continued)

	Breakdown by sector - NACE 4 digits level (code and label)	2024															
		a	b	c	d	e	f	g	h	i	m	q	u	y	z	aa	ab
		Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				Water and marine resources (WTR)	Circular economy (CE)	Pollution (PPC)	Biodi-versity and Ecosystems (BIO)	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)[1]			
		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)				Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount				[Gross] carrying amount		[Gross] carrying amount	
		Mn EUR	of which environmentally sustainable (CCM)	Mn EUR	of which environmentally sustainable (CCM)	Mn EUR	of which environmentally sustainable (CCA)	Mn EUR	of which environmentally sustainable (CCA)	Mn EUR	Mn EUR	Mn EUR	Mn EUR	Mn EUR	of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)	Mn EUR	of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)
15	C28.92 – Manufacture of machinery for mining, quarrying and construction	1	—			—	1			—	—	—	—	1	1		
16	C28.99 – Manufacture of other special-purpose machinery n.e.c.	8	—			—	—			—	—	—	—	8	—		
17	C29.10 – Manufacture of motor vehicles	12	3			—	—			—	—	—	—	12	3		
18	C29.32 – Manufacture of other parts and accessories for motor vehicles	7	4			—	—			—	—	—	—	7	4		
19	C30.20 – Manufacture of railway locomotives and rolling stock	5	3			—	—			—	—	—	—	5	3		
20	C30.91 – Manufacture of motorcycles	2	—			—	—			—	—	—	—	2	—		
21	C32.50 – Manufacture of medical and dental instruments and supplies	7	—			—	—			—	1	—	—	8	—		
22	C32.99 – Other manufacturing n.e.c.	8	1			—	—			—	—	—	—	8	1		
23	D35.11 – Production of electricity	123	81			—	—			—	—	—	—	123	81		
24	E38.11 – Collection of non-hazardous waste	1	—			—	—			—	—	—	—	1	—		
25	F41.20 – Construction of residential and non-residential buildings	4	1			—	—			—	—	—	—	4	1		
26	F42.11 – Construction of roads and motorways	7	2			—	—			—	—	—	—	7	2		
27	G46.21 – Wholesale of grain, unmanufactured tobacco, seeds and animal feeds	33	31			—	—			—	—	—	—	33	31		
28	G46.62 – Wholesale of machine tools	136	105			—	—			—	—	—	—	136	105		

GAR-Based on Counterparty CapEx (continued)

Breakdown by sector - NACE 4 digits level (code and label)	a	b	c	d	e	f	g	h	i	m	q	u	y	z	aa	ab
	2024															
	Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				Water and marine resources (WTR)	Circular economy (CE)	Pollution (PPC)	Biodi-versity and Ecosystems (BIO)	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)[1]			
	Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)				Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
	[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount				[Gross] carrying amount		[Gross] carrying amount	
	Mn EUR	of which environmentally sustainable (CCM)	Mn EUR	of which environmentally sustainable (CCM)	Mn EUR	of which environmentally sustainable (CCA)	Mn EUR	of which environmentally sustainable (CCA)	Mn EUR	Mn EUR	Mn EUR	Mn EUR	Mn EUR	of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)	Mn EUR	of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)
29 G46.63 – Wholesale of mining, construction and civil engineering machinery	2	—			—	—			—	—	—	—	2	—		
30 G46.66 – Wholesale of other office machinery and equipment	6	—			—	—			—	—	—	—	6	—		
31 G46.72 – Wholesale of metals and metal ores	4	—			—	—			—	—	—	—	4	—		
32 G46.75 – Wholesale of chemical products	—	—			1	—			—	—	—	—	1	—		
33 G47.19 – Other retail sale in non-specialised stores	2	—			—	—			—	—	—	—	2	—		
34 G47.72 – Retail sale of footwear and leather goods in specialised stores	4	—			—	—			—	—	—	—	4	—		
35 H50.20 – Sea and coastal freight water transport	36	2			—	—			—	—	—	—	36	2		
36 H52.29 – Other transportation support activities	—	—			1	—			—	—	—	—	1	—		
37 I55.10 – Hotels and similar accommodation	4	—			—	—			—	—	—	—	4	—		
38 J58.21 – Publishing of computer games	1	—			—	—			—	—	—	—	1	—		
39 J58.29 – Other software publishing	47	29			—	—			—	—	—	—	47	29		
40 J62.01 – Computer programming activities	1	—			—	—			—	—	—	—	1	—		
41 J62.02 – Computer consultancy activities	49	11			—	—			—	—	—	—	49	11		
42 J62.09 – Other information technology and computer service activities	6	—			—	—			—	—	—	—	6	—		
43 J63.11 – Data processing, hosting and related activities	1	—			1	—			—	—	—	—	2	—		

GAR-Based on Counterparty CapEx (continued)

Breakdown by sector - NACE 4 digits level (code and label)	2024															
	a	b	c	d	e	f	g	h	i	m	q	u	y	z	aa	ab
	Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				Water and marine resources (WTR)	Circular economy (CE)	Pollution (PPC)	Biodi-versity and Ecosystems (BIO)	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)[1]			
	Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)				Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
	[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount				[Gross] carrying amount		[Gross] carrying amount	
	Mn EUR	of which environmentally sustainable (CCM)	Mn EUR	of which environmentally sustainable (CCM)	Mn EUR	of which environmentally sustainable (CCA)	Mn EUR	of which environmentally sustainable (CCA)	Mn EUR	Mn EUR	Mn EUR	Mn EUR	Mn EUR	of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)	Mn EUR	of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)
44 K64.20 – Activities of holding companies	187	94			—	—			1	29	—	—	217	94		
45 L68.20 – Renting and operating of own or leased real estate	236	184			—	—			—	—	—	—	236	184		
46 M70.10 – Activities of head offices	93	18			335	7			—	30	1	—	459	25		
47 M70.22 – Business and other management consultancy activities	21	—			23	6			—	—	—	—	44	6		
48 M71.12 – Engineering activities and related technical consultancy	13	4			—	—			—	—	—	—	13	4		
49 M73.11 – Advertising agencies	18	1			—	—			—	—	—	—	18	1		
50 N77.29 – Renting and leasing of other personal and household goods	1	—			—	—			—	—	—	—	1	—		
51 N79.12 – Tour operator activities	14	—			—	—			—	—	—	—	14	—		
52 N82.99 – Other business support service activities n.e.c.	3	—			—	—			—	—	—	—	3	—		
53 Q86.90 – Other human health activities	3	—			—	—			—	—	—	—	3	—		
54 R92.00 – Gambling and betting activities	5	—			—	—			—	—	—	—	5	—		
55 S96.09 – Other personal service activities n.e.c.	—	—			—	—			—	1	—	—	1	—		

GAR KPI stock (Template 3)

This table presents eligible and aligned exposures as a proportion of total covered assets by Taxonomy environmental objective. The table has been duplicated to present the information separately based on Turnover and CapEx KPIs as reported by the Bank's counterparties.

[1] The 'Total' column in the table includes exposures towards taxonomy relevant sectors (Taxonomy-eligible) for all six environmental objectives (CCM, CCA, WTR, CE, PPC and BIO) and includes environmentally sustainable exposures (Taxonomy-aligned) for the two climate objectives only (CCM and CCA).

GAR KPI stock – Based on Counterparty Turnover

		2024																		
		a	b	c	d	e	f	g	h	i	j	n	r	v	aa	ab	ac	ad	ae	af
		Disclosure reference date T																		
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)	Circular economy (CE)	Pollution (PPC)	Biodiversity and Ecosystems (BIO)	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)[1]					
% (compared to total covered assets in the denominator)		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)								Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
				of which Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling							of which Use of Proceeds	of which transitional	of which enabling	
		%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
	GAR – Covered assets in both numerator and denominator																			
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	11.37	0.39	—	0.02	0.13	0.23	0.01	—	—	—	0.13	0.58	—	12.31	0.40	—	0.02	0.13	8.44
2	**Financial undertakings**	2.24	0.08	—	—	—	0.03	—	—	—	—	—	—	—	2.27	0.08	—	—	—	2.95
3	Credit institutions	2.24	0.08	—	—	—	0.02	—	—	—	—	—	—	—	2.26	0.08	—	—	—	2.71
4	Loans and advances	1.81	0.08	—	—	—	0.02	—	—	—	—	—	—	—	1.83	0.08	—	—	—	2.37
5	Debt securities, including UoP	0.43	—	—	—	—	—	—	—	—	—	—	—	—	0.43	—	—	—	—	0.34
6	Equity instruments	—	—		—	—	—	—		—	—	—	—	—	—	—		—	—	—
7	Other financial corporations	—	—	—	—	—	0.01	—	—	—	—	—	—	—	0.01	—	—	—	—	0.24
8	– of which: investment firms	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9	Loans and advances	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

GAR KPI stock – Based on Counterparty Turnover (continued)

% (compared to total covered assets in the denominator)	a	b	c	d	e	f	g	h	i	j	n	r	v	aa	ab	ac	ad	ae	af
	2024																		
	Disclosure reference date T																		
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)	Circular economy (CE)	Pollution (PPC)	Biodiversity and Ecosystems (BIO)	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)[1]					
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)								Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
			of which Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling							of which Use of Proceeds	of which transitional	of which enabling	
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
10 Debt securities, including UoP	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
11 Equity instruments	—	—		—	—	—	—		—	—	—	—	—	—	—		—	—	—
12 – of which: management companies	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
13 Loans and advances	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
14 Debt securities, including UoP	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
15 Equity instruments	—	—		—	—	—	—		—	—	—	—	—	—	—		—	—	—
16 – of which: insurance undertakings	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.20
17 Loans and advances	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.20
18 Debt securities, including UoP	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
19 Equity instruments	—	—		—	—	—	—		—	—	—	—	—	—	—		—	—	—
20 **Non-financial undertakings**	**0.69**	**0.31**	—	**0.02**	**0.13**	**0.20**	**0.01**	—	—	—	**0.13**	**0.58**	—	**1.60**	**0.32**	—	**0.02**	**0.13**	**1.64**
21 Loans and advances	**0.68**	**0.31**	—	**0.02**	**0.13**	**0.20**	**0.01**	—	—	—	**0.13**	**0.58**	—	**1.59**	**0.32**	—	**0.02**	**0.13**	**1.62**
22 Debt securities, including UoP	**0.01**	—	—	—	—	—	—	—	—	—	—	—	—	**0.01**	—	—	—	—	**0.01**
23 Equity instruments	—	—		—	—	—	—		—	—	—	—	—	—	—		—	—	**0.01**
24 **Households**	**8.31**	—	—	—	—	—	—	—	—		—			**8.31**	—	—	—	—	**3.75**

GAR KPI stock – Based on Counterparty Turnover (continued)

% (compared to total covered assets in the denominator)	a	b	c	d	e	f	g	h	i	j	n	r	v	aa	ab	ac	ad	ae	af
	2024																		
	Disclosure reference date T																		
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)	Circular economy (CE)	Pollution (PPC)	Biodiversity and Ecosystems (BIO)	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)[1]					
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)								Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
			of which Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling							of which Use of Proceeds	of which transitional	of which enabling	
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
25 – of which: loans collateralised by residential immovable property	8.30	—	—	—	—	—	—	—	—		—			8.30	—	—	—	—	3.74
26 – of which: building renovation loans	—	—	—	—	—	—	—	—	—		—			—	—	—	—	—	—
27 – of which: motor vehicle loans	0.01	—	—	—	—									0.01	—	—	—	—	0.01
28 **Local governments financing**	0.13	—	—	—	—	—	—	—	—	—	—	—	—	0.13	—	—	—	—	0.10
29 Housing financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
30 Other local government financing	0.13	—	—	—	—	—	—	—	—	—	—	—	—	0.13	—	—	—	—	0.10
31 **Collateral obtained by taking possession: residential and commercial immovable properties**	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
32 **Total GAR assets**	11.37	0.39	—	0.02	0.13	0.23	0.01	—	—	—	0.13	0.58	—	12.31	0.40	—	0.02	0.13	45.28

GAR KPI stock – Based on Counterparty Turnover (continued)

		2023														
		a	b	c	d	e	f	g	h	i	aa	ab	ac	ad	ae	af
		Disclosure reference date T-1														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					
% (compared to total covered assets in the denominator)			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total assets covered
				of which Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling			of which Use of Proceeds	of which transitional	of which enabling	
		%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
	GAR – Covered assets in both numerator and denominator															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation		0.12	—	0.01	0.02		0.01	—	—	8.60	0.13	—	0.01	0.02	6.83
2	Financial undertakings		—	—	—	—		—	—	—	0.21	—	—	—	—	1.99
3	Credit institutions		—	—	—	—		—	—	—	0.21	—	—	—	—	1.94
4	Loans and advances		—	—	—	—		—	—	—	—	—	—	—	—	1.76
5	Debt securities, including UoP		—	—	—	—		—	—	—	0.21	—	—	—	—	0.18
6	Equity instruments		—		—	—		—		—	—	—		—	—	—
7	Other financial corporations		—	—	—	—		—	—	—	—	—	—	—	—	0.05
8	– of which: investment firms		—	—	—	—		—	—	—	—	—	—	—	—	—
9	Loans and advances		—	—	—	—		—	—	—	—	—	—	—	—	—
10	Debt securities, including UoP		—	—	—	—		—	—	—	—	—	—	—	—	—
11	Equity instruments		—		—	—		—		—	—	—		—	—	—
12	– of which: management companies		—	—	—	—		—	—	—	—	—	—	—	—	—
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		—		—	—		—		—	—	—		—	—	—
20	Non-financial undertakings		0.12	—	0.01	0.02		0.01	—	—	0.46	0.13	—	0.01	0.02	1.06
21	Loans and advances		0.11	—	0.01	0.02		0.01	—	—	0.45	0.12	—	0.01	0.02	1.04
22	Debt securities, including UoP		0.01	—	—	—		—	—	—	0.01	0.01	—	—	—	0.02

GAR KPI stock – Based on Counterparty Turnover (continued)

% (compared to total covered assets in the denominator)	2023														
	a	b	c	d	e	f	g	h	i	aa	ab	ac	ad	ae	af
	Disclosure reference date T-1														
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)					Proportion of total assets covered
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
			of which Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling			of which Use of Proceeds	of which transitional	of which enabling	
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
23 Equity instruments		—		—	—		—		—	—	—		—	—	—
24 Households		—	—	—	—		—	—	—	7.83	—	—	—	—	3.73
25 – of which: loans collateralised by residential immovable property		—	—	—	—		—	—	—	7.83	—	—	—	—	3.73
26 – of which: building renovation loans		—	—	—	—		—	—	—	—	—	—	—	—	—
27 – of which: motor vehicle loans		—	—	—	—										
28 Local governments financing		—	—	—	—		—	—	—	0.10	—	—	—	—	0.05
29 Housing financing		—	—	—	—		—	—	—	—	—	—	—	—	—
30 Other local government financing		—	—	—	—		—	—	—	0.10	—	—	—	—	0.05
31 Collateral obtained by taking possession: residential and commercial immovable properties		—	—	—	—		—	—	—	—	—	—	—	—	—
32 Total GAR assets		0.12	—	0.01	0.02		0.01	—	—	8.60	0.13	—	0.01	0.02	47.69

GAR KPI stock – Based on Counterparty CapEx

% (compared to total covered assets in the denominator)	2024																		
	a	b	c	d	e	f	g	h	i	j	n	r	v	aa	ab	ac	ad	ae	af
	Disclosure reference date T																		
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)	Circular economy (CE)	Pollution (PPC)	Biodiversity and Ecosystems (BIO)	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)[1]					
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)								Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
			of which Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling							of which Use of Proceeds	of which transitional	of which enabling	
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
GAR – Covered assets in both numerator and denominator																			
1 Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	11.93	0.71	—	0.05	0.20	0.34	0.01	—	0.01	—	0.08	0.22	—	12.57	0.72	—	0.05	0.21	8.44
2 **Financial undertakings**	**2.23**	**0.11**	—	—	—	**0.01**	—	—	—	—	—	—	—	**2.24**	**0.11**	—	—	—	**2.96**
3 Credit institutions	2.21	0.11	—	—	—	0.01	—	—	—	—	—	—	—	2.22	0.11	—	—	—	2.71
4 Loans and advances	1.78	0.11	—	—	—	0.01	—	—	—	—	—	—	—	1.79	0.11	—	—	—	2.37
5 Debt securities, including UoP	0.43	—	—	—	—	—	—	—	—	—	—	—	—	0.43	—	—	—	—	0.34
6 Equity instruments	—	—		—	—	—	—		—	—	—	—	—	—	—		—	—	—
7 Other financial corporations	0.02	—	—	—	—	—	—	—	—	—	—	—	—	0.02		—	—	—	0.25
8 – of which: investment firms	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9 Loans and advances	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10 Debt securities, including UoP	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
11 Equity instruments	—	—		—	—	—	—		—	—	—	—	—	—	—		—	—	—
12 – of which: management companies	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
13 Loans and advances	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
14 Debt securities, including UoP	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

GAR KPI stock – Based on Counterparty CapEx (continued)

% (compared to total covered assets in the denominator)	2024																		
	a	b	c	d	e	f	g	h	i	j	n	r	v	aa	ab	ac	ad	ae	af
	Disclosure reference date T																		
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)	Circular economy (CE)	Pollution (PPC)	Biodiversity and Ecosystems (BIO)	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)[1]					
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)								Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
			of which Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling							of which Use of Proceeds	of which transitional	of which enabling	
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
15 Equity instruments	—	—		—	—	—	—		—	—	—	—	—	—	—		—	—	—
16 – of which: insurance undertakings	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.20
17 Loans and advances	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.20
18 Debt securities, including UoP	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
19 Equity instruments	—	—		—	—	—	—		—	—	—	—	—	—	—		—	—	—
20 **Non-financial undertakings**	**1.27**	**0.60**	**—**	**0.05**	**0.20**	**0.33**	**0.01**	**—**	**0.01**	**—**	**0.08**	**0.22**	**—**	**1.90**	**0.61**	**—**	**0.05**	**0.21**	**1.64**
21 Loans and advances	1.25	0.60	—	0.05	0.20	0.33	0.01	—	0.01	—	0.08	0.22	—	1.88	0.61	—	0.05	0.21	1.62
22 Debt securities, including UoP	0.01	—	—	—	—	—	—	—	—	—	—	—	—	0.01	—	—	—	—	0.01
23 Equity instruments	0.01	—		—	—	—	—		—	—	—	—	—	0.01	—		—	—	0.01
24 **Households**	**8.30**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**		**—**			**8.30**	**—**	**—**	**—**	**—**	**3.76**
25 – of which: loans collateralised by residential immovable property	8.29	—	—	—	—	—	—	—	—		—			8.29	—	—	—	—	3.75
26 – of which: building renovation loans	—	—	—	—	—	—	—	—	—		—			—	—	—	—	—	—
27 – of which: motor vehicle loans	0.01	—	—	—	—									0.01	—	—	—	—	0.01
28 **Local governments financing**	**0.13**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**0.13**	**—**	**—**	**—**	**—**	**0.08**
29 Housing financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
30 Other local government financing	0.13	—	—	—	—	—	—	—	—	—	—	—	—	0.13	—	—	—	—	0.08

GAR KPI stock – Based on Counterparty CapEx (continued)

% (compared to total covered assets in the denominator)	a	b	c	d	e	f	g	h	i	j	n	r	v	aa	ab	ac	ad	ae	af
	2024																		
	Disclosure reference date T																		
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)	Circular economy (CE)	Pollution (PPC)	Biodiversity and Ecosystems (BIO)	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)[1]					
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)								Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
			of which Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling							of which Use of Proceeds	of which transitional	of which enabling	
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
31 Collateral obtained by taking possession: residential and commercial immovable properties	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
32 Total GAR assets	11.93	0.71	–	0.05	0.20	0.34	0.01	–	0.01	–	0.08	0.22	–	12.57	0.72	–	0.05	0.21	45.28

GAR KPI stock – Based on Counterparty CapEx (continued)

	% (compared to total covered assets in the denominator)	a	b	c	d	e	f	g	h	i	aa	ab	ac	ad	ae	af
		2023														
		Disclosure reference date T-1														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
				of which Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling			of which Use of Proceeds	of which transitional	of which enabling	
		%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
	GAR – Covered assets in both numerator and denominator															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation		0.26	—	0.02	0.04		0.01	—	0.01	8.84	0.27	—	0.02	0.05	6.83
2	Financial undertakings		—	—	—	—		—	—	—	0.21	—	—	—	—	1.99
3	Credit institutions		—	—	—	—		—	—	—	0.21	—	—	—	—	1.94
4	Loans and advances		—	—	—	—		—	—	—	—	—	—	—	—	1.76
5	Debt securities, including UoP		—	—	—	—		—	—	—	0.21	—	—	—	—	0.18
6	Equity instruments		—		—	—		—		—	—	—		—	—	—
7	Other financial corporations		—	—	—	—		—	—	—	—	—	—	—	—	0.05
8	– of which: investment firms		—	—	—	—		—	—	—	—	—	—	—	—	—
9	Loans and advances		—	—	—	—		—	—	—	—	—	—	—	—	—
10	Debt securities, including UoP		—	—	—	—		—	—	—	—	—	—	—	—	—
11	Equity instruments		—		—	—		—		—	—	—		—	—	—
12	– of which: management companies		—	—	—	—		—	—	—	—	—	—	—	—	—
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		—		—	—		—		—	—	—		—	—	—
20	Non-financial undertakings		0.26	—	0.02	0.04		0.01	—	0.01	0.70	0.27	—	0.02	0.05	1.06
21	Loans and advances		0.25	—	0.02	0.04		0.01	—	0.01	0.68	0.26	—	0.02	0.05	1.04
22	Debt securities, including UoP		0.01	—	—	—		—	—	—	0.02	0.01	—	—	—	0.02
23	Equity instruments		—		—	—		—		—	—	—		—	—	—
24	Households		—	—	—	—		—	—	—	7.83	—	—	—	—	3.73
25	– of which: loans collateralised by residential immovable property		—	—	—	—		—	—	—	7.83	—	—	—	—	3.73
26	– of which: building renovation loans		—	—	—	—		—	—	—	—	—	—	—	—	—

GAR KPI stock – Based on Counterparty CapEx (continued)

% (compared to total covered assets in the denominator)	2023														
	a	b	c	d	e	f	g	h	i	aa	ab	ac	ad	ae	af
	Disclosure reference date T-1														
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)					Proportion of total assets covered
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
			of which Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling			of which Use of Proceeds	of which transitional	of which enabling	
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
27 – of which: motor vehicle loans		—	—	—	—										
28 Local governments financing		—	—	—	—		—	—	—	0.10	—	—	—	—	0.05
29 Housing financing		—	—	—	—		—	—	—	—	—	—	—	—	—
30 Other local government financing		—	—	—	—		—	—	—	0.10	—	—	—	—	0.05
31 Collateral obtained by taking possession: residential and commercial immovable properties		—	—	—	—		—	—	—	—	—	—	—	—	—
32 Total GAR assets		0.26	—	0.02	0.04		0.01	—	0.01	8.84	0.27	—	0.02	0.05	47.69

GAR KPI flow (Template 4)

This table presents the flow of eligible and aligned exposures as a proportion of total new covered assets by Taxonomy environmental objective.

In accordance with the regulatory guidance, flow is defined as the gross carrying amount of newly incurred exposures (i.e. new loans and advances, debt securities, equity instruments) that have been incurred during the year, without deducting the amounts of loan repayments or disposals of debt securities or equity instruments that have occurred during the year. Institutions should therefore not compute the numerator and the denominator of the flow KPI as exposures on the disclosure reference date (T) minus exposures on the disclosure reference date (T-1).

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.

Due to data and operational limitations, the flow template for 2023 was not disclosed.

[1] The 'Total' column in the table includes exposures towards taxonomy relevant sectors (Taxonomy-eligible) for all six environmental objectives (CCM, CCA, WTR, CE, PPC and BIO) and includes environmentally sustainable exposures (Taxonomy-aligned) for the two climate objectives only (CCM and CCA).

GAR KPI Flow – Based on Counterparty Turnover

% (compared to total covered assets in the denominator)	2024																		
	a	b	c	d	e	f	g	h	i	j	n	r	v	aa	ab	ac	ad	ae	af
	Disclosure reference date T																		
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)	Circular economy (CE)	Pollution (PPC)	Biodiversity and Ecosystems (BIO)	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)[1]					
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)								Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
			of which Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling							of which Use of Proceeds	of which transitional	of which enabling	
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
GAR – Covered assets in both numerator and denominator																			
1 Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	**1.33**	**0.03**	—	—	**0.02**	**0.01**	—	—	—	—	**0.01**	—	—	**1.35**	**0.03**	—	—	**0.02**	**18.58**
2 **Financial undertakings**	**0.77**	—	—	—	—	**0.01**	—	—	—	—	—	—	—	**0.78**	—	—	—	—	**11.64**
3 Credit institutions	**0.77**	—	—	—	—	—	—	—	—	—	—	—	—	**0.77**	—	—	—	—	**10.54**
4 Loans and advances	**0.07**	—	—	—	—	—	—	—	—	—	—	—	—	**0.07**	—	—	—	—	**9.50**
5 Debt securities, including UoP	**0.70**	—	—	—	—	—	—	—	—	—	—	—	—	**0.70**	—	—	—	—	**1.04**
6 Equity instruments	—	—		—	—	—	—		—	—	—	—	—	—	—		—	—	—
7 Other financial corporations	—	—	—	—	—	**0.01**	—	—	—	—	—	—	—	**0.01**	—	—	—	—	**1.10**
8 – of which: investment firms	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9 Loans and advances	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10 Debt securities, including UoP	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

GAR KPI Flow – Based on Counterparty Turnover (continued)

% (compared to total covered assets in the denominator)	2024																		
	a	b	c	d	e	f	g	h	i	j	n	r	v	aa	ab	ac	ad	ae	af
	Disclosure reference date T																		
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)	Circular economy (CE)	Pollution (PPC)	Biodiversity and Ecosystems (BIO)	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)[1]					
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)								Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
			of which Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling							of which Use of Proceeds	of which transitional	of which enabling	
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
11 Equity instruments	—	—		—	—	—	—		—	—	—	—	—	—	—		—	—	—
12 – of which: management companies	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
13 Loans and advances	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
14 Debt securities, including UoP	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
15 Equity instruments	—	—		—	—	—	—		—	—	—	—	—	—	—		—	—	—
16 – of which: insurance undertakings	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1.01
17 Loans and advances	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1.01
18 Debt securities, including UoP	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
19 Equity instruments	—	—		—	—	—	—		—	—	—	—	—	—	—		—	—	—
20 **Non-financial undertakings**	**0.09**	**0.03**	—	—	**0.02**	—	—	—	—	—	**0.01**	—	—	**0.10**	**0.03**	—	—	**0.02**	**6.44**
21 Loans and advances	0.09	0.03	—	—	0.02	—	—	—	—	—	0.01	—	—	0.10	0.03	—	—	0.02	6.42
22 Debt securities, including UoP	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
23 Equity instruments	—	—		—	—	—	—		—	—	—	—	—	—	—		—	—	0.02
24 **Households**	**0.43**	—	—	—	—	—	—	—	—		—			**0.43**	—	—	—	—	**0.36**

GAR KPI Flow – Based on Counterparty Turnover (continued)

% (compared to total covered assets in the denominator)	2024																		
	a	b	c	d	e	f	g	h	i	j	n	r	v	aa	ab	ac	ad	ae	af
	Disclosure reference date T																		
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)	Circular economy (CE)	Pollution (PPC)	Biodiversity and Ecosystems (BIO)	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)[1]					
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)								Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
			of which Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling							of which Use of Proceeds	of which transitional	of which enabling	
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
25 – of which: loans collateralised by residential immovable property	0.41	—	—	—	—	—	—	—	—		—			0.41	—	—	—	—	0.35
26 – of which: building renovation loans	—	—	—	—	—	—	—	—	—		—			—	—	—	—	—	—
27 – of which: motor vehicle loans	0.02	—	—	—	—									0.02	—	—	—	—	0.01
28 **Local governments financing**	0.04	—	—	—	—	—	—	—	—	—	—	—	—	0.04	—	—	—	—	0.14
29 Housing financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
30 Other local government financing	0.04	—	—	—	—	—	—	—	—	—	—	—	—	0.04	—	—	—	—	0.14
31 **Collateral obtained by taking possession: residential and commercial immovable properties**	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
32 **Total GAR assets**	1.33	0.03	—	—	0.02	0.01	—	—	—	—	0.01	—	—	1.35	0.03	—	—	0.02	18.58

GAR KPI Flow – Based on Counterparty CapEx

% (compared to total covered assets in the denominator)	a	b	c	d	e	f	g	h	i	j	k	l	m	aa	ab	ac	ad	ae	af
	2024																		
	Disclosure reference date T																		
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)	Circular economy (CE)	Pollution (PPC)	Biodiversity and Ecosystems (BIO)	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)[1]					
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)								Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)								Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
			of which Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			of which Use of Proceeds	of which transitional	of which enabling	Proportion of total assets cove-red
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
GAR – Covered assets in both numerator and denominator																			
1 Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	**1.45**	**0.10**	**—**	**—**	**0.04**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1.45**	**0.10**	**—**	**—**	**0.04**	**18.58**
2 **Financial undertakings**	**0.77**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**0.77**	**—**	**—**	**—**	**—**	**11.63**
3 Credit institutions	**0.76**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**0.76**	**—**	**—**	**—**	**—**	**10.53**
4 Loans and advances	**0.07**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**0.07**	**—**	**—**	**—**	**—**	**9.49**
5 Debt securities, including UoP	**0.69**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**0.69**	**—**	**—**	**—**	**—**	**1.04**
6 Equity instruments	**—**	**—**		**—**	**—**	**—**	**—**		**—**	**—**	**—**	**—**	**—**	**—**	**—**		**—**	**—**	**—**
7 Other financial corporations	**0.01**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**0.01**	**—**	**—**	**—**	**—**	**1.10**
8 – of which: investment firms	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
9 Loans and advances	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
10 Debt securities, including UoP	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
11 Equity instruments	**—**	**—**		**—**	**—**	**—**	**—**		**—**	**—**	**—**	**—**	**—**	**—**	**—**		**—**	**—**	**—**

GAR KPI Flow – Based on Counterparty CapEx (continued)

% (compared to total covered assets in the denominator)	2024																		
	a	b	c	d	e	f	g	h	i	j	k	l	m	aa	ab	ac	ad	ae	af
	Disclosure reference date T																		
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)	Circular economy (CE)	Pollution (PPC)	Biodiversity and Ecosystems (BIO)	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)[1]					
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets cove-red
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)								Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
			of which Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling							of which Use of Proceeds	of which transitional	of which enabling	
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
12 – of which: management companies	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
13 Loans and advances	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
14 Debt securities, including UoP	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
15 Equity instruments	–	–		–	–	–	–		–	–	–	–	–	–	–		–	–	–
16 – of which: insurance undertakings	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1.01
17 Loans and advances	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1.01
18 Debt securities, including UoP	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
19 Equity instruments	–	–		–	–	–	–		–	–	–	–	–	–	–		–	–	–
20 **Non-financial undertakings**	0.21	0.10	–	–	0.04	–	–	–	–	–	–	–	–	0.21	0.10	–	–	0.04	6.45
21 Loans and advances	0.21	0.10	–	–	0.04	–	–	–	–	–	–	–	–	0.21	0.10	–	–	0.04	6.43
22 Debt securities, including UoP	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
23 Equity instruments	–	–		–	–	–	–		–	–	–	–	–	–	–		–	–	0.02
24 **Households**	0.43	–	–	–	–	–	–	–	–		–			0.43	–	–	–	–	0.36
25 – of which: loans collateralised by residential immovable property	0.41	–	–	–	–	–	–	–	–		–			0.41	–	–	–	–	0.35

GAR KPI Flow – Based on Counterparty CapEx (continued)

% (compared to total covered assets in the denominator)	a	b	c	d	e	f	g	h	i	j	k	l	m	aa	ab	ac	ad	ae	af
	2024																		
	Disclosure reference date T																		
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)	Circular economy (CE)	Pollution (PPC)	Biodiversity and Ecosystems (BIO)	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)[1]					
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets cove-red
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)								Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
			of which Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling							of which Use of Proceeds	of which transitional	of which enabling	
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
26 – of which: building renovation loans	–	–	–	–	–	–	–	–	–		–			–	–	–	–	–	–
27 – of which: motor vehicle loans	0.02	–	–	–	–									0.02	–	–	–	–	0.01
28 **Local governments financing**	0.04	–	–	–	–	–	–	–	–	–	–	–	–	0.04	–	–	–	–	0.14
29 Housing financing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
30 Other local government financing	0.04	–	–	–	–	–	–	–	–	–	–	–	–	0.04	–	–	–	–	0.14
31 **Collateral obtained by taking possession: residential and commercial immovable properties**	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
32 **Total GAR assets**	1.45	0.10	–	–	0.04	–	–	–	–	–	–	–	–	1.45	0.10	–	–	0.04	18.58

KPI off-balance sheet exposures (Template 5)

This table presents eligible and aligned off-balance sheet exposures as a proportion of all financial guarantees or total assets under management as applicable.

For these funds managed by HSBC Continental Europe, a look through to the underlying investments has been undertaken to identify those investments that are subject to NFRD where eligibility and alignment can be assessed. Where the underlying investments are themselves funds and where information regarding these funds has not been made available, these funds are treated as non-NFRD.

For the managed funds where possible, the proportion of debt and equity has been calculated, and the eligibility and alignment assessment performed, based on the underlying investments as at 31 December 2024. However, for some funds where this information is not yet available, the latest available 2024 data from September 2024 onwards has been used.

The KPI for assets under management includes assets where HSBC Continental Europe has delegated portfolio management of the assets to another financial undertaking. For these portfolios, limited data is available regarding the underlying instruments making up the funds. Assets for which the portfolio management has been delegated to the Bank by another financial undertaking are not included.

The table has been duplicated to present the information separately based on Turnover and CapEx KPIs as reported by the Bank's counterparties.

This table has also been duplicated to present the information separately based on the flow of financial guarantees and assets under management.

As for the on-balance sheet flow presented in Template 4, the methodology to calculate flow for assets under management aims to calculate new exposures by gross carrying amount, and not compute the flow as exposures on the disclosure reference date (T) minus exposures on the disclosure reference date (T-1). The methodology applied is dependent on data availability across the funds being managed by HSBC Continental Europe. For the majority of funds, where data availability allows, flow has been calculated as units purchased through the year by individual ISIN or legal entity identifier, multiplied by actual purchase price for each respective unit. Where this is not possible, the next approach applied is to calculate flow as total units purchased through the year by individual ISIN or legal entity identifier multiplied by a proxy price based on the year end market value. For a small number of funds, where the previous two approaches were not possible, flow has been calculated as number of units at (T) minus number of units at (T-1), multiplied by a proxy price based on the year end market value.

For funds where data for the full year was not available at the time of reporting, data was extrapolated by grossing up to 12 months of flow based on a minimum of 9 months actual flow data.

1 The 'Total' column in the table includes exposures towards taxonomy relevant sectors (Taxonomy-eligible) for all six environmental objectives (CCM, CCA, WTR, CE, PPC and BIO) and includes environmentally sustainable exposures (Taxonomy-aligned) for the two climate objectives only (CCM and CCA).

KPI off-balance sheet exposures – Based on Counterparty Turnover – (Stock)

	2024																	
	a	b	c	d	e	f	g	h	i	j	n	r	v	aa	ab	ac	ad	ae
	Disclosure reference date T																	
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)	Circular economy (CE)	Pollution (PPC)	Biodiversity and Ecosystems (BIO)	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)[1]				
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				
% (compared to total eligible off-balance sheet assets)		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)								Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
			of which Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling							of which Use of Proceeds	of which transitional	of which enabling
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
1 Financial guarantees (FinGuar KPI)	4.77	1.71	—	—	0.39	—	—	—	—	—	0.58	0.12	—	5.47	1.71	—	—	0.39
2 Assets under management (AuM KPI)	4.56	1.03	—	0.05	0.52	0.31	0.02	—	—	0.01	0.27	0.35	0.01	5.51	1.05	—	0.05	0.52

KPI off-balance sheet exposures – Based on Counterparty Turnover – (Stock) (continued)

% (compared to total eligible off-balance sheet assets)	a	b	c	d	e	f	g	h	i	aa	ab	ac	ad	ae
	2023													
	Disclosure reference date T													
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)				
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
			of which Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling			of which Use of Proceeds	of which transitional	of which enabling
	%	%	%	%	%	%	%	%	%	%	%	%	%	%
1 Financial guarantees (FinGuar KPI)		2.01	—	0.04	0.27		—	—	—	2.41	2.01	—	0.04	0.27
2 Assets under management (AuM KPI)		0.77	—	0.07	0.48		0.02	—	—	3.07	0.79	—	0.07	0.48

KPI off-balance sheet exposures – Based on Counterparty CapEx – (Stock)

% (compared to total eligible off-balance sheet assets)	**a**	**b**	**c**	**d**	**e**	**f**	**g**	**h**	**i**	**j**	**k**	**l**	**m**	**aa**	**ab**	**ac**	**ad**	**ae**
	2024																	
	Disclosure reference date T																	
	Climate Change Mitigation (CCM)					**Climate Change Adaptation (CCA)**				**Water and marine resources (WTR)**	**Circular economy (CE)**	**Pollution (PPC)**	**Biodiversity and Ecosystems (BIO)**	**TOTAL (CCM + CCA + WTR + CE + PPC + BIO)[1]**				
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					**Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)**				**Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)**	**Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)**	**Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)**	**Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)**	**Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)**				
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					**Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)**								**Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)**			
			of which Use of Proceeds	**of which transitional**	**of which enabling**			**of which Use of Proceeds**	**of which enabling**							**of which Use of Proceeds**	**of which transitional**	**of which enabling**
	%	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
1 Financial guarantees (FinGuar KPI)	**5.66**	**1.83**	**—**	**0.12**	**0.44**	**—**	**—**	**—**	**—**	**0.03**	**0.04**	**0.01**	**—**	**5.74**	**1.83**	**—**	**0.12**	**0.44**
2 Assets under management (AuM KPI)	**5.49**	**1.59**	**—**	**0.11**	**0.70**	**0.02**	**—**	**—**	**—**	**0.01**	**0.16**	**0.22**	**—**	**5.90**	**1.59**	**—**	**0.11**	**0.70**

KPI off-balance sheet exposures – Based on Counterparty CapEx – (Stock) (continued)

% (compared to total eligible off-balance sheet assets)		a	b	c	d	e	f	g	h	i	aa	ab	ac	ad	ae
		2023													
		Disclosure reference date T-1													
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)				
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
				of which Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling			of which Use of Proceeds	of which transitional	of which enabling
		%	%	%	%	%	%	%	%	%	%	%	%	%	%
1	Financial guarantees (FinGuar KPI)		1.59	—	0.04	0.23		—	—	—	2.87	1.59	—	0.04	0.23
2	Assets under management (AuM KPI)		1.35	—	0.10	0.70		0.07	—	—	4.12	1.42	—	0.10	0.70

KPI off-balance sheet exposures – Based on Counterparty Turnover – (Flow)

% (compared to total eligible off-balance sheet assets)		**a**	**b**	**c**	**d**	**e**	**f**	**g**	**h**	**i**	**j**	**k**	**l**	**m**	**aa**	**ab**	**ac**	**ad**	**ae**
		2024																	
		Disclosure reference date T																	
		Climate Change Mitigation (CCM)					**Climate Change Adaptation (CCA)**				**Water and marine resources (WTR)**	**Circular economy (CE)**	**Pollution (PPC)**	**Biodiversity and Ecosystems (BIO)**	**TOTAL (CCM + CCA + WTR + CE + PPC + BIO)[1]**				
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					**Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)**				**Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)**	**Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)**	**Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)**	**Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)**	**Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)**				
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					**Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)**								**Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)**			
				of which Use of Proceeds	**of which transitional**	**of which enabling**			**of which Use of Proceeds**	**of which enabling**							**of which Use of Proceeds**	**of which transitional**	**of which enabling**
		%	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
1	Financial guarantees (FinGuar KPI)	**6.23**	**1.10**	**—**	**0.00**	**0.44**	**—**	**—**	**—**	**—**	**—**	**1.06**	**—**	**—**	**7.29**	**1.10**	**—**	**0.00**	**0.44**
2	Assets under management (AuM KPI)	**0.74**	**0.23**	**—**	**0.01**	**0.11**	**0.01**	**—**	**—**	**—**	**—**	**0.02**	**0.01**	**—**	**0.78**	**0.23**	**—**	**0.01**	**0.11**

KPI off-balance sheet exposures – Based on Counterparty CapEx – (Flow)

		2024																
		a	b	c	d	e	f	g	h	i	j	k	l	m	aa	ab	ac	ad	ae
		Disclosure reference date T																	
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)	Circular economy (CE)	Pollution (PPC)	Biodiversity and Ecosystems (BIO)	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)[1]				
% (compared to total eligible off-balance sheet assets)		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	of which Use of Proceeds	of which transitional	of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	of which Use of Proceeds	of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	of which Use of Proceeds	of which transitional	of which enabling
		%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
1	Financial guarantees (FinGuar KPI)	7.58	1.50	—	0.21	0.52	—	—	—	—	0.05	0.08	0.01	—	7.72	1.50	—	0.21	0.52
2	Assets under management (AuM KPI)	0.81	0.29	—	0.02	0.12	—	—	—	—	—	0.01	0.01	—	0.83	0.29	—	0.02	0.12

Nuclear and fossil gas - related activities (Template 1)

This table presents HSBC Continental Europe’s exposures to Nuclear and Gas activities and has been prepared based on counterparties’ Nuclear and Gas disclosures.

This table has been duplicated to present information separately based on on-balance sheet exposures and off-balance sheet exposures. The off-balance sheet exposures comprise financial guarantees and assets under management.

Template 1 Nuclear and fossil gas related activities

Row	Nuclear energy related activities	2024 YES/NO
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	YES
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	YES
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	YES
	Fossil gas related activities	
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	YES
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	YES
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	YES

Template 1 Nuclear and fossil gas related activities – Assets under management and Financial guarantees

Row	Nuclear energy related activities	2024 YES/NO
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	**YES**
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	**YES**
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	**YES**
	Fossil gas related activities	
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	**YES**
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels	**YES**
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	**YES**

The following tables present HSBC Continental Europe's exposures to Nuclear and Gas activities 4.26 to 4.31, as defined in Commission Delegated Regulation (EU) 2022/1214, covering Taxonomy aligned activities (denominator and numerator) and Taxonomy eligible but not aligned activities respectively. They have been prepared based on the Bank's counterparties' Nuclear and Gas disclosures.

The tables have been duplicated to present the information separately based on Turnover and CapEx KPIs as reported by the Bank's counterparties.

The tables have also been duplicated to present information separately based on on-balance sheet exposures and assets under management.

Nuclear and fossil gas - related activities (Template 2)

Template 2 Taxonomy-aligned economic activities (denominator) – Based on Counterparty Turnover-On balance sheet Stock KPI

		2024					
		Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Row	Economic activities	Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	–	–	–	–	–	–
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	**1**	–	**1**	–	–	–
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	**1**	–	**1**	–	–	–
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	–	–	–	–	–	–
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	–	–	–	–	–	–
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	–	–	–	–	–	–
7	**Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	**438**	**0.40**	**431**	**0.39**	**7**	**0.01**
8	**Total applicable KPI**	**109,918**	**0.40**	**109,918**	**0.39**	**109,918**	**0.01**

Template 2 Taxonomy-aligned economic activities (denominator) – Based on Counterparty Capex-On balance sheet Stock KPI

		2024					
		Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Row	**Economic activities**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
7	**Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	**789**	**0.72**	**774**	**0.71**	**15**	**0.01**
8	**Total applicable KPI**	**109,918**	**0.72**	**109,918**	**0.71**	**109,918**	**0.01**

Template 2 Taxonomy-aligned economic activities (denominator) – Based on Counterparty Turnover- Assets under management-Stock

		2024					
		Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Row	**Economic activities**	**Amount (Mn EUR)**	**%**	**Amount (Mn EUR)**	**%**	**Amount (Mn EUR)**	**%**
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—		—
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	**1**	—	**1**	—	—	—
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	**142**	**0.04**	**142**	**0.04**	—	—
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	**1**	—	**1**	—	—	—
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	**1**	—	**1**	—	—	—
7	**Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	**3,232**	**1.01**	**3,165**	**0.99**	**67**	**0.02**
8	**Total applicable KPI**	**322,592**	**1.05**	**322,592**	**1.03**	**322,592**	**0.02**

Template 2 Taxonomy-aligned economic activities (denominator) – Based on Counterparty Capex- Assets under management-Stock

		2024					
		Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Row	**Economic activities**	**Amount (Mn EUR)**	**%**	**Amount (Mn EUR)**	**%**	**Amount (Mn EUR)**	**%**
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—		
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	**19**	**0.01**	**19**	**0.01**		
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	**115**	**0.04**	**115**	**0.04**		
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	**2**	—	**2**	—		
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	**7**	—	**7**	—		
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	**1**	—	**1**	—		
7	**Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	**4,987**	**1.54**	**4,983**	**1.54**	**4**	—
8	**Total applicable KPI**	**322,592**	**1.59**	**322,592**	**1.59**	**322,592**	—

Nuclear and fossil gas - related activities (Template 3)

Template 3 Taxonomy-aligned economic activities (numerator) – Based on Counterparty Turnover -On balance sheet Stock KPI

		2024					
		Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		(CCM + CCA)		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Row	**Economic activities**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	—	—	—	—	—	—
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	**1**	**0.22**	**1**	**0.22**	—	—
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	**1**	**0.23**	**1**	**0.23**	—	—
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	—	—	—	—	—	—
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	—	—	—	—	—	—
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	—	—	—	—	—	—
7	**Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI**	**438**	**99.55**	**431**	**99.55**	**7**	**100.00**
8	**Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI**	**440**	**100.00**	**433**	**100.00**	**7**	**100.00**

Template 3 Taxonomy-aligned economic activities (numerator) – Based on Counterparty Capex-On balance sheet Stock KPI

		2024					
		Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		(CCM + CCA)		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Row	Economic activities	Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	–	–	–	–	–	–
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	–	–	–	–	–	–
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	–	–	–	–	–	–
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	–	–	–	–	–	–
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	–	–	–	–	–	–
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	–	–	–	–	–	–
7	**Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI**	**790**	**100.00**	**775**	**100.00**	**15**	**100.00**
8	**Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI**	**790**	**100.00**	**775**	**100.00**	**15**	**100.00**

Template 3 Taxonomy-aligned economic activities (numerator) – Based on Counterparty Turnover- Assets under management-Stock

		2024					
		Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		(CCM + CCA)		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Row	Economic activities	Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	–	–	–	–		–
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	**1**	**0.03**	**1**	**0.03**	–	–
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	**142**	**4.21**	**142**	**4.29**	–	–
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	–	–	–	–	–	–
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	**1**	**0.03**	**1**	**0.03**	–	–
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	**1**	**0.03**	**1**	**0.03**	–	–
7	**Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI**	**3,233**	**95.70**	**3,165**	**95.62**	**67**	**100.00**
8	**Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI**	**3378**	**100.00**	**3310**	**100.00**	**67**	**100.00**

Template 3 Taxonomy-aligned economic activities (numerator) – Based on Counterparty Capex- Assets under management-Stock

		2024					
		Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		(CCM + CCA)		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Row	Economic activities	Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	—	—	—	—		—
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	**19**	**0.37**	**19**	**0.37**		—
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	**115**	**2.24**	**115**	**2.24**		—
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	**2**	**0.04**	**2**	**0.04**		—
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	**7**	**0.13**	**7**	**0.13**		—
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	**1**	**0.02**	**1**	**0.02**		—
7	**Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI**	**4,986**	**97.20**	**4,982**	**97.20**	**4**	**100**
8	**Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI**	**5,130**	**100.00**	**5,126**	**100.00**	**4**	**100**

Nuclear and fossil gas - related activities (Template 4)

Template 4 Taxonomy-eligible but not taxonomy-aligned economic activities – Based on Counterparty Turnover-On balance sheet Stock KPI

		2024					
		Proportion (the information is to be presented in monetary amounts and as percentages)					
		(CCM + CCA)		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Row	**Economic activities**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
1	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
2	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
3	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
4	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	**3**	—	**3**	—	—	—
5	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	**1**	—	**1**	—	—	—
6	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
7	**Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	**13,093**	**11.91**	**13,093**	**11.91**	**13,096**	**11.91**
8	**Total amount and proportion of taxonomy eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI**	**13,096**	**11.91**	**13,096**	**11.91**	**13,096**	**11.91**

Template 4 Taxonomy-eligible but not taxonomy-aligned economic activities – Based on Counterparty Capex-On balance sheet Stock KPI

		2024					
		Proportion (the information is to be presented in monetary amounts and as percentages)					
		(CCM + CCA)		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Row	**Economic activities**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
1	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
2	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
3	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
4	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	**3**	—	**3**	—	—	—
5	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	**1**	—	**1**	—	—	—
6	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
7	**Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	**13,024**	**11.85**	**13,024**	**11.85**	**13,028**	**11.85**
8	**Total amount and proportion of taxonomy eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI**	**13,028**	**11.85**	**13,028**	**11.85**	**13,028**	**11.85**

Template 4 Taxonomy-eligible but not taxonomy-aligned economic activities – Based on Counterparty Turnover- Assets under management-Stock

		2024					
		Proportion (the information is to be presented in monetary amounts and as percentages)					
		(CCM + CCA)		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Row	**Economic activities**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
1	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
2	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	1	—	1	—	—	—
3	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	2	—	2	—	—	—
4	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	103	0.03	103	0.03	—	—
5	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	23	0.01	23	0.01	—	—
6	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	1	—	1	—	—	—
7	**Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	14,264	4.42	11,277	3.50	937	0.29
8	**Total amount and proportion of taxonomy eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI**	14,394	4.46	11,407	3.54	937	0.29

Template 4 Taxonomy-eligible but not taxonomy-aligned economic activities – Based on Counterparty Capex- Assets under management-Stock

		2024					
		Proportion (the information is to be presented in monetary amounts and as percentages)					
		(CCM + CCA)		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Row	Economic activities	Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
2	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
3	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	**1**	—	**1**	—	—	—
4	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	**48**	**0.01**	**48**	**0.01**	—	—
5	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	**5**	—	**5**	—	—	—
6	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
7	**Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	**13,855**	**4.30**	**12,519**	**3.89**	**67**	**0.02**
8	**Total amount and proportion of taxonomy eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI**	**13,909**	**4.31**	**12,573**	**3.90**	**67**	**0.02**

Nuclear and fossil gas - related activities (Template 5)

This table presents HSBC Continental Europe’s exposures to non-eligible Nuclear and Gas activities.

The table has been duplicated to present the information separately based on Turnover and CapEx KPIs as reported by the Bank's counterparties.

The table has also been duplicated to present information separately based on on-balance sheet exposures and assets under management.

Template 5 Taxonomy non-eligible economic activities – Based on Counterparty Turnover-On balance sheet Stock KPI

		2024	
Row	Economic activities	Amount	%
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—
2	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	**1**	—
3	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—
4	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—
5	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—
6	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—
7	**Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	**6,941**	**6.32**
8	**Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI**	**6,942**	**6.32**

Template 5 Taxonomy non-eligible economic activities – Based on Counterparty Capex-On balance sheet Stock KPI

		2024	
Row	Economic activities	Amount	%
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	–	–
2	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	–	–
3	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	–	–
4	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	–	–
5	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	–	–
6	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	–	–
7	**Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	**6,660**	**6.06**
8	**Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI**	**6,660**	**6.06**

Template 5 Taxonomy non-eligible economic activities – Based on Counterparty Turnover- Assets under management-Stock

		2024	
Row	Economic activities	Amount	%
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	–	–
2	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	–	–
3	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	**33**	**0.01**
4	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	–	–
5	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	–	–
6	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	–	–
7	**Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	**304,788**	**94.48**
8	**Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI**	**304,821**	**94.49**

Template 5 Taxonomy non-eligible economic activities – Based on Counterparty Capex- Assets under management-Stock

Row	Economic activities	2024 Amount	2024 %
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—
2	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	**116**	**0.04**
3	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	**22**	**0.01**
4	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—
5	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—
6	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—
7	**Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	**303,415**	**94.05**
8	**Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI**	**303,553**	**94.10**

On balance sheet exposures to nuclear and gas activities as a proportion of total covered assets are deemed not material, therefore, negligible on-balance sheet flow is implied. Tables 2-5 related to the flow of newly incurred exposures have not been disclosed.

Assets under management for nuclear and gas activities as a proportion of total assets under management are deemed not material, therefore, a negligible flow is implied. Tables 2-5 related to the flow of newly incurred exposures have not been disclosed.

Financial guarantee exposures for nuclear and gas activities are deemed not material. Therefore tables 2-5 for both stock and flow have not been disclosed.

Risk

Contents

All Pillar 3 and regulatory documentation is available on the Internet.

Key highlights

Principal Regulatory Ratios (non audited)

	At	
	31 Dec 2024	31 Dec 2023[4]
	%	%
Capital Ratios		
Common equity tier 1	**18.8**	15.7
Total tier 1	**21.1**	18.2
Total capital	**23.5**	20.7
Leverage Ratio	**5.4**	4.2
Liquidity Ratios[1]		
Liquidity Coverage Ratio ("LCR")[1,2]	**150**	158
Net Stable Funding Ratio ("NSFR")[1,3]	**137**	141

1 In accordance with CRR II requirements, the LCR is disclosed as a 12 month average and the NSFR as at period-end.
2 The components of the LCR calculation have been represented to comply with EBA reporting requirements.
3 Dec 2023 includes the impact of the sale of our retail banking operations in France.
4 CET1 capital for Dec 2023 has been restated to reflect the payment of AT1 dividends.

Risk-Weighted Assets – by Risk Type (non audited)

	RWAs		Capital required	
	2024	2023	**2024**	2023
	€m	€m	**€m**	€m
Credit Risk	**46,008**	44,055	**3,680**	3,526
Counterparty Credit Risk	**6,815**	5,280	**545**	422
Market Risk	**3,786**	3,992	**302**	320
Operational Risk	**6,688**	6,188	**522**	495
Total Risk-Weighted Assets	**63,297**	59,515	**5,049**	4,763

Loan Impairment Charges/Impaired Loans

	At	
	31 Dec 2024	31 Dec 2023
(in million of euros/%)	**€m**	€m
Total Gross loans	**57,479**	56,701
Total Impaired loans (B)[1]	**1,613**	1,658
Impaired loans %	**2.81%**	2.92%
Total loan impairment charge at 31 December	**(97)**	(145)
Impairment allowances (A)[1]	**(362)**	(624)
Impairment ratio: A/B	**22.44%**	37.64%

1 Including only stage 3 and POCI.

Approach to managing risk

HSBC Continental Europe's risk appetite

HSBC Continental Europe’s risk appetite defines the level and types of risk that we are willing to take, while informing the financial planning process and guiding strategic decision making. HSBC Continental Europe's risk appetite is defined as the aggregate level of risk that the bank is comfortable to take to achieve its strategic objectives. The Risk Appetite also provides a mechanism for non-executive directors and executive directors to collectively establish the bank’s willingness to engage in certain activities and assess these activities.

Enterprise-wide application

HSBC Continental Europe's risk appetite is expressed holistically through various risk management mechanisms and activities, in both quantitative and qualitative terms.

The Board reviews and approves the risk appetite regularly to make sure it remains fit for purpose, The risk appetite is considered, developed and enhanced through the following principles:

- alignment with our strategy, purpose, values, external risk
- environment, reputational and customer needs;
- compliance with applicable laws, regulations and regulatory priorities;
- forward looking insights into future risk exposure;
- sufficiency of available capital, liquidity and balance sheet leverage to absorb the risks;
- capacity and capabilities of people to manage the landscape;
- functionality, capacity and resilience of available systems to manage the risk landscape;
- effectiveness of the applicable control environment to mitigate risk; and
- internally and externally disclosed commitments.

HSBC Continental Europe formally articulate its risk appetite through its risk appetite statement ('RAS').

Setting out HSBC Continental Europe's risk appetite ensures that the Bank agrees a suitable level of risk for its strategy. In this way, risk appetite permits the financial planning process and helps senior management of the bank to allocate capital to business activities, services and products.

The RAS consists of qualitative statements and quantitative metrics, covering financial and non-financial risks. It is fundamental to the development of business line strategies, strategic and business planning, and senior management balanced scorecards.

Performance against the RAS is reported to the Risk Management Meeting ('RMM') to support targeted insight and discussion on breaches of risk appetite and any associated mitigating actions. This reporting allows risks to be promptly identified and mitigated, and informs risk-adjusted remuneration to drive a strong risk culture.

Financial risks are defined as a risk of financial loss resulting from business activities. Non-financial risks are defined as the risk of loss resulting from people, inadequate or failed internal processes, data or systems, or external events. These risks arise during the day-to-day operations (including those undertaken by a third party of HSBC Continental Europe's behalf), while taking financial risks. Non-financial risks may have an impact on HSBC Continental Europe's management of financial risks, for example, inaccurate financial reporting may lead to unexpected capital or liquidity risk, or a trading process failure may result in higher market risk taking.

Risk management

HSBC Continental Europe recognises that the primary role of risk management is to protect its customers, business, colleagues, shareholders and the communities that it serves, while ensuring that HSBC Continental Europe is able to support its strategy and provide sustainable growth. This is supported through its three lines of defence model described on page 167.

In addition, HSBC Continental Europe recognises the importance of a strong risk culture, which refers to its shared attitudes, values and standards that shape behaviours including those related to risk awareness, risk taking and risk management. All HSBC Continental Europe's people are responsible for the management of risk, with ultimate supervisory oversight residing with the Board.

The implementation of HSBC Continental Europe’s business strategy remains a key focus. As HSBC Continental Europe’s implements change initiatives, it actively manages the execution risks. HSBC Continental Europe also performs periodic risk assessments, including against strategies, to help ensure retention of key personnel for its continued safe operation.

HSBC Continental Europe uses a comprehensive risk management framework across the organisation and across all risk types, underpinned by the HSBC Group’s culture and values. This framework outlines the key principles, policies and practices that the bank employs in managing material risks, both financial and non-financial.

The framework fosters continuous monitoring, promotes risk awareness and encourages a sound operational and strategic decision-making and escalation process. It also supports a consistent approach to identifying, assessing, managing and reporting the risks that HSBC Continental Europe accepts and incurs in its activities, with clear accountabilities.

HSBC Continental Europe actively reviews and enhances its risk management framework and its approach to managing risk, through its activities with regard to: people and capabilities; governance; reporting and management information; credit risk management models; and data.

The Risk function is led by the Chief Risk Officer, who is responsible for the risk management framework of HSBC Continental Europe. This responsibility includes establishing risk policy, monitoring risk profiles, and forward-looking risk identification and management. Risk is made up of sub-functions covering all risks of HSBC Continental Europe activities. The Risk function is part of the Second Line of Defence, and is independent from commercial activities.

Stress testing

HSBC Continental Europe operates a comprehensive stress testing program that supports its risk management and capital planning. It includes execution of stress tests mandated by its regulators to assess vulnerabilities in individual banks and/or the financial banking sector under hypothetical adverse scenarios. The stress testing program is supported by dedicated teams and infrastructure and is overseen at the most senior levels of the bank, as stress test outcomes are presented to the HSBC Continental Europe Risk Committee and Board.

Stress testing assesses the capital and liquidity strength of the bank through a rigorous examination of its resilience to external shocks. It also helps it understand and mitigate risks, inform its decisions about capital and liquidity levels (including the risk appetite statement) and confirm the strength of its strategic and financial plans. As well as undertaking regulatory-driven stress tests, HSBC Continental Europe conducts its own internal stress tests, such as macroeconomic and event-driven stress tests, concentration risk stress tests on specific portfolios, market risk stress tests or reverse stress tests implying potential extreme conditions that would make the business model of the bank non-viable. Some of these internal stress tests are included in the Recovery Plan that helps understand the likely outcomes of adverse business or economic conditions and in the identification of appropriate risk mitigating actions.

In 2024, HSBC Continental Europe performed a range of stress tests within the stress testing program,and reported the results of these stress tests to senior management. The macroeconomic internal stress tests, conducted throughout 2024, considered combinations of various potential impacts, in particular geopolitical tensions, financial instability, interest rate shocks, deep recession, supply chain disruption and operational risk.

Stress testing scenarios are usually centrally coordinated by HSBC Risk and Finance teams, and broken down into regional and country scenarios to ensure global consistency.

To have an appropriate coverage of the specific risks faced by HSBC Continental Europe, scenarios specific to Continental Europe are also developed by HSBC Continental Europe's Risk and Finance teams, with the support of expert panels.

Regulatory stress tests

Stress testing is also an important regulatory tool to assess the resilience of the banking sector and of individual banks to adverse economic or financial developments.

The results inform regulators of the capital adequacy of individual institutions and can have an effect on minimum capital requirements, and therefore the payment of dividends, going forward.

HSBC Continental Europe is subject to regulatory stress testing, including the EU-wide stress test coordinated by the European Banking Authority.

Risk management framework

The following diagram and descriptions summarise key aspects of the risk management framework, which applies to HSBC Continental Europe, including governance, structure, HSBC risk management tools and risk culture, which together help align employee behaviour with HSBC's risk appetite.

Key components of our risk management framework

HSBC Values and risk culture		
Risk governance	Non-executive risk governance	The HSBC Continental Europe Board approves the risk appetite, plans and performance targets. It sets the 'tone from the top' and is advised by the HSBC Continental Europe Risk Committee.
	Executive risk governance	The executive risk governance structure is responsible for the enterprise-wide management of all risks, including key policies and frameworks for the management of risk.
Roles and responsibilities	Three lines of defence model	The 'three lines of defence' model defines roles and responsibilities for risk management. An independent Risk function helps ensure the necessary balance in risk/return decisions).
Processes and tools	Risk appetite	HSBC Continental Europe has processes in place to identify/assess, monitor, manage and report risks to help ensure it remains within its risk appetite.
	Enterprise-wide risk management tools	
	Active risk management: identification/assessment, monitoring, management and reporting	
Internal controls	Policies and procedures	Policies and procedures define the minimum requirements for the controls required to manage the risks.
	Control activities	Operational and resilience risk management defines minimum standards and processes for managing operational risks and internal controls.
	Systems and infrastructure	HSBC Continental Europe has systems and/or processes that support the identification, capture and exchange of information to support risk management activities.

Risk governance

The HSBC Continental Europe Risk Committee focuses on risk governance and seeks to ensure a forward-looking view of risks and their mitigation.

The Risk Committee is a committee of the Board and has responsibility for oversight and advice to the Board in its supervision of, amongst other things, the Bank’s risk appetite, tolerance and strategy, systems of risk management, internal control and compliance. Additionally, members of the Risk Committee attend meetings of the bank’s Nomination, Remuneration and Governance Committee at which the alignment of the reward structures to risk appetite is considered.

In carrying out its responsibilities, the Risk Committee is closely supported by the Chief Risk Officer, the Chief Financial Officer, the Head of Internal Audit and the Chief Compliance Officer with other business/functions for risks within their respective areas of responsibility.

In addition to the role of the non-executive Risk Committee, the HSBC Continental Europe Risk Management Meeting, is the overarching executive management committee of both financial and non-financial risk management.

Chaired by the Chief Risk Officer, the Risk Management Meeting met 7 times in 2024 in order to examine the major risks faced by HSBC Continental Europe.

It reviews financial and non-financial risks for the HSBC Continental Europe perimeter, including the risks linked to Digital Business Services and the evolution of action plans put in place in order to mitigate identified risks. The HSBC Continental Europe Risk Management Meeting reports functionally to its European equivalent in the HSBC Group: the HSBC Europe Risk Management Meeting, and to the HSBC Continental Europe Risk Committee and Executive Committee.

This framework is completed by dedicated risk forums and working groups for specific risks in businesses and functions combining the various levels of internal control, in order to manage, monitor and control HSBC activities within HSBC Continental Europe.

Responsibility for managing both financial and non-financial risk, including regulatory compliance and financial crime, lies with HSBC Continental Europe employees. They are required to manage the risks of the business and operational activities for which they are responsible. HSBC Continental Europe maintains oversight of its risks through the various Risk Stewards, as well as the accountability held by the Chief Risk Officer.

HSBC Continental Europe has continued to strengthen the control environment and its approach to the management of risk, as set out in its risk management framework. HSBC Continental Europe’s ongoing focus is on helping to ensure more effective oversight and better end-to-end identification and management of financial and non-financial risks. This is overseen by the Enterprise Risk Management function.

Non-financial risk includes some of the most material risks HSBC Continental Europe faces, such as Technology, Cyber and Security Risks, Data Risk, Model Risk and the current geopolitical risks.

All of HSBC Continental Europe's activities are monitored and managed to be compliant with local regulations and Group standards and procedures.

The control framework

In compliance with the requirements of the French Order of 3 November 2014 modified on 25 February 2021 and the HSBC Group requirements, a permanent control and risk management framework has been established in HSBC Continental Europe.

The Chief Risk Officer and the Chief Compliance Officer of HSBC Continental Europe are responsible for the permanent control within HSBC Continental Europe's perimeter.

The key responsibility for control falls to the managers of the various businesses and functions and Digital Business Services who must ensure that primary controls are conducted in a proper manner.

Operational activities need to be covered by a second-level of permanent control.

The HSBC Group risk taxonomy

To help ensure consistency and comparability in risk categorisation across the Group, HSBC Continental Europe uses a standardised set of risk types known as the HSBC risk taxonomy.

These are categorised as financial risks and non-financial risks. Non-financial risk includes, but is not limited to, those risks captured under the Basel definition for Operational Risk.

HSBC Continental Europe has five level 1 financial risk types and seven level 1 non-financial risk types, as listed below:

Financial Risks	Non- Financial Risks
Treasury Risk	Financial Reporting and Tax Risk
Retail Credit Risk	Resilience Risk
Wholesale Credit Risk	Financial Crime Risk
Traded Risk	People Risk
Strategic Risk	Regulatory Compliance Risk
	Legal Risk
	Model Risk

Tools

In compliance with the French Order of 3 November 2014, modified on 25 February 2021, referring to bank's permanent control system, a framework is set up in each entity to monitor its risks.

Inherent and residual risks are assessed for each line of business, activities and functions and are documented in an RCA (Risk and Control Assessment) recorded in the HSBC Risk system (Helios). Assessments are undertaken on an ongoing basis and whenever a trigger event occurs requiring a reassessment of the risk and the related control coverage.

The risk profile of all HSBC Continental Europe's activities is presented formally at least annually by the First Line of Defence to the Chief Risk Officer in attendance of the concerned Risk Stewards, the Head of Operational and Resilience Risk function and Internal Audit.

The objective of the exercise is to ensure that assessment and management of non-financial risks is consistent across Businesses and Functions and in line with the HSBC Risk Management Framework as well as European and French regulation.

Three lines of defence

All of HSBC Continental Europe's people are responsible for identifying and managing risk within the scope of their roles. Roles are defined using the three lines of defence model, which takes into account our business and functional structures as described below.

To create a robust control environment to manage risks, HSBC Continental Europe uses an activity-based three lines of defence model, whereby the activity a member of staff undertakes drives which line they reside within. This model delineates management accountabilities and responsibilities for risk management and the control environment.

The model underpins the bank's approach to manage risk by clarifying responsibility, encouraging collaboration and enabling efficient coordination of risk and control activities.

The three lines are summarised below:

- The First Line of Defence ('1LoD') owns the risks and is responsible for identifying, recording, reporting and managing them in line with risk appetite, and ensuring that the right controls and assessments are in place to mitigate them.
- The Second Line of Defence ('2LoD') challenges the First Line of Defence on effective risk management, and provides advice and guidance and assurance of the First Line of Defence to ensure it is managing risk effectively.The 2LoD is independent of the risk-taking activities undertaken by the 1LoD as defined by the Article 14 of the French Order of 3 November 2014 modified on 25 February 2021. The 2LoD includes Assurance teams which are dedicated to second level of permanent control activities for all risks.
- the Third Line of Defence ('3LoD') is the Internal Audit function, which provides independent assessment to senior management and to the Audit Committee as to whether HSBC Continental Europe's management, governance and internal control processes are designed and operated effectively.

Permanent Control Activities

The permanent control activities are primarily based on first-level controls carried out by the 1LoD composed by the Businesses, Functions, and Digital Business Services ('DBS'), which are responsible for their day-today activities and processes, the management of the resulting non-financial risks, and the first-level controls to mitigate those risks. The purpose of these first-level controls is to ensure that all activities are conducted in accordance with all internal, external and regulatory requirements.

An independent control framework owned by the 2LoD completes this set of first-level controls. Key roles in the independent control framework include:

- Risk Stewards, acting as subject matter expert who set policies and oversee the 1LoD activities by risk type. They are responsible for ensuring that their risk type is managed effectively. They regularly review the « Risk and Control Assessment » through the "Review and Challenge" module documented in the Helios Risk Management Tool.
- Assurance teams implement and maintain an effective second level of permanent control environment over 1LoD risks related activities. They are responsible for developing an annual assurance (permanent control) plan across all HSBC Continental Europe risk types, to assess design and operating effectiveness of key controls, to assess the completeness, accuracy and reliability of the 1LoD RCAs, to perform independent deep dive reviews into key risk areas aiming to assess compliance with Group procedures and applicable regulations, to make recommendations for process improvement, to follow up and assess the effectiveness of corrective actions, and to report and escalate key concerns to governance forums.
- Enterprise Risk Management risk is a combined risk stewardship and oversight function, which ensures governance and management of operational risk, resilience risk and operational resilience through the delivery and embedding of effective frameworks, and continuous oversight and assurance of end-to-end processes, risks and controls. The effectiveness of 1LoD risk and control owners, and 2LoD Risk Stewards in managing non-financial risk processes and practices is reported through Risk Management Meeting.
- number of committees, forums and working groups that examine the results of controls and the main deficiencies.

To comply with the American Sarbanes-Oxley law ('SOX'), the HSBC Group has implemented since 2006 a framework for documenting and assessing internal controls, with regard to the processes and operations involved in drawing up financial statements.

HSBC Continental Europe's Finance Department is responsible for coordinating all SOX measures and summarising their results.

Twice a year, the 'SOX 4 Way Meeting', chaired by the Chief Financial Officer, reviews:

- any SOX deficiencies revealed by the three lines of defence;
- the results of tests run by the Statutory Auditors; and
- action plans progress and status.

On a regular basis, HSBC Continental Europe's Audit Committee and the Risk Committee are informed about the results of controls carried out for SOX compliance purposes and of progress made in the action plans.

Risk culture

Risk culture in HSBC Continental Europe is defined as the shared attitudes, beliefs, values and norms that shapes its behaviour. It is also rooted in HSBC Continental Europe's purpose and shaped by its values The behaviours underpinning HSBC Continental Europe's values are designed to support a wide range of outcomes – including a risk culture that is effective in managing risk and that leads to good conduct outcomes.

HSBC uses clear and consistent employee communication on risk to convey strategic messages and set the tone from senior management and the Board. Mandatory training is also deployed on risk and compliance topics, including conduct, to embed skills and understanding in order to strengthen the company's risk culture and reinforce the expected attitude to risk expected of all employees as described in HSBC's risk policies.

The Conduct framework, deployed in 2015 and updated in 2021, represents strong foundations for HSBC to deliver fair outcomes for customers and to maintain orderly and transparency on financial markets. The refreshed conduct framework was an opportunity to be aligned with the refreshed Purpose and Values defined by 'We take responsibility' to guide all stakeholders in acting appropriately in all circumstances and to recognise the individual impact from employees in relation to customers and financial markets in which HSBC operates. Training and communications are regularly deployed to improve the staff understanding and awareness in addition of the global mandatory training provided to all employees: 'Conduct matters' e-learning. Everyone involved in business with or on behalf of HSBC is required to act with high standards of personal integrity at all times.

In 2024, HSBC Continental Europe employees continued to deepen their knowledge and expertise on risk management through training programmes, awareness sessions and dedicated communications. These actions are key to ensure that all HSBC Continental Europe teams are able to identify and understand the current challenges against actual and emerging risks more globally such as ESG risks.

HSBC also developed and implemented a Risk Culture dashboard in 2024. This is a combined approach by Enterprise Risk Management, Compliance and Human Resources concerning culture insights. It includes the most important "Culture" metrics in one dashboard and is sourced from a variety of underlying dashboards and reports. The metrics are aligned to particular HSBC Values, with focus on "We take responsibility "covering accountability and active risk management, and "We value difference", covering speak-Up and Diversity and Inclusion. There is also a focus on "good customer outcomes" so that the impact to customers can be considered.

Key developments and risk profile

In 2024, HSBC Continental Europe has continued to manage risks related to macroeconomic and geopolitical uncertainties and develop risk management capabilities through the continued enhancement of the risk management framework.

HSBC Continental Europe has also retained its focus on risk transformation and financial crime and continued to assess the group's operational resilience capability whilst prioritising the most significant enterprise risks. HSBC Continental Europe has made progress with and continue to develop capabilities to address key risks. More specifically, it has sought to enhance its risk management in the following areas:

- HSBC Continental Europe continues to make progress with its comprehensive regulatory reporting programme in seeking to strengthen its processes,improve consistency and enhance controls across regulatory reports. This programme remains a top priority and continues to enhance data, transform the reporting systems and uplift the control environment over the report production process;
- Continued focus on HSBC Continental Europe's technology and cybersecurity controls to improve the resilience and security of its technology services in response to the heightened external threat environment.
- Changes in the credit risk organisation made in May 2024 to ensure full alignment with the European Banking Authority guidelines on internal governance to ensure that teams performing operationally tasks need to be fully independent from teams that perform risk management/control activities in the sense of control functions;
- Implementation of a new governance framework concerning the home loans portfolio (EUR 7.1 billion as of 31 December 2023 and now reduced to EUR 6.7 billion as of 31 December 2024) retained by HSBC Continental Europe which was originally part of the retail banking operation in France sale;
- The quality of HSBC Continental Europe's strategic change investment cases and control monitoring has improved, and are transitioning to value streams and an integrated future state architecture to enhance the delivery of complex transformation portfolios and initiatives in HSBC Continental Europe.
- The enhancement of HSBC Continental Europe's model risk framework in response to changes in regulation and external factors. AI and machine learning models remain a key focus.
- The enhancement of HSBC Continental Europe's processes, framework and controls to improve the oversight of its material third parties with respect to financial stability to better manage its supply chain and operational resilience. This also concerns the automation and standardisation of the process, the outsourcing register, the materiality and risk assessments, and the regulatory notifications. HSBC Continental Europe will continue to assess and manage its operational resilience;
- The enhancement of the Third-Party Risk Management Framework, to comply with the latest regulatory requirement such as the ongoing implementation of the Digital Operational Resilience Act.
- Improvement of climate and nature related risk considerations within HSBC Continental Europe risk management activities with the enhancement of the process and policies to identify the risks associated to climate and/or nature events, the strengthening of internal climate scenario analysis with the running of a scenario analysis on nature and the development of risk metrics to monitor and manage exposures. These improvements support CSRD deliverables related to the double materiality assessment of climate change and nature related topics.
- By deploying industry-leading technology and advanced analytics capabilities to improve its ability to identify suspicious activities and prevent financial crime. HSBC Continental Europe will continue to evaluate technological solutions to improve its capabilities in the detection and prevention of financial crime; and
- Embedding the regulatory management framework, with new State of Compliance reporting being implemented that leverages the Group-wide regulatory horizon scanning and regulation mapping capabilities;

Risk factors

HSBC Continental Europe has identified a series of risk factors that cover the broad range of risks its businesses are exposed to. A number of the risk factors have the potential to have a material adverse effect on its business, prospects, financial condition, capital position, reputation, results of operations and/or its customers. A summary of these are presented below:

1 – Macroeconomic and geopolitical risks	**2 - Prudential, regulatory and legal risks to the business model of HSBC Continental Europe**	**3 - Risks related to HSBC Continental Europe's operations**	**4 - Risks related to HSBC Continental Europe's governance and internal control**	**5 - Risks related to HSBC Continental Europe's business**	**6 - Risks related to HSBC Continental Europe's financial statements**
1.1 Current macroeconomic environment risk	2.1 Changing regulatory and legal landscape risk	3.1 Model risk	4.1 Data management risk	5.1 Credit quality risk	6.1 Financial statements risk
1.2 Liquidity risk	2.2 Tax risk	3.2 Information technology systems risk	4.2 Strategy risk	5.2 Counterparty credit risk	
1.3 Market risk		3.3 Cyber-security risk	4.3 Data Privacy risk	5.3 Insurance risk	
1.4 Environmental, Social and Governance risk		3.4 Third party risk	4.4 Financial crime risk	5.4 People risk	
			4.5 Risk management		

1 Macroeconomic and geopolitical risks

1.1 Economic and market conditions may adversely affect HSBC Continental Europe’s results.

Probability: Very Likely/Impact: High (unchanged from 1H24).

HSBC Continental Europe's earnings are affected by both global and local economic, financial and geopolitical changes. Uncertain economic conditions and volatile markets can create a challenging operating environment for financial institutions.

In particular, HSBC Continental Europe has faced and may continue to face the following challenges to its operations and operating model:

- The economic cycle: Deteriorating business, consumer or investor confidence and lower levels of investment and productivity growth, may lead to recession and lower client activity. Rapid changes to the economic environment can also create challenging operating conditions for financial institutions such as HSBC and may affect its earnings and profits. A key source of uncertainty for 2025 and beyond comes from the expected shift in economic and financial policies in the US under the administration of President Trump. US tariff policy and other countries’ responses are likely to have significant consequences for global growth outlook and global trade, and may risk higher inflation and interest rate expectations. Uncertainty over the extent and nature of Chinese efforts to stimulate domestic growth and support a rebalancing of the economy including property sector is also a source of potential risk. Economic uncertainty for HSBC Continental Europe could also be driven by the current political and economic situations in France and Germany;
- Inflation and monetary policy: High inflation and interest rates can have material impacts on HSBC Continental Europe's customers as real purchasing power is eroded. Higher interest rates may affect the credit rating of our customers and their ability to repay debt. This could negatively impact HSBC Continental Europe's risk-weighted assets (‘RWAs’) and capital position, resulting in increases in expected credit losses (“ECL”) charges and potential liquidity stresses due to, amongst other factors, increased customer drawdowns. There could be further adverse impacts on the HSBC Continental Europe's income if higher rates were to result in lower lending volumes and weaker insurance revenue. Across most of HSBC Continental Europe's markets, high headline inflation continued to subside through 2024 as the European Central Bank enacted monetary easing in the second half of 2024. However, uncertainty over US monetary policy trajectory, specifically around additional trade barriers/tariffs and immigration, has shifted the balance of risks around inflation and future interest rate trajectory.
- Financial stability: Changing economic conditions and shifting policy create a more uncertain and volatile environment for asset markets. Accommodative financial conditions in the aftermath of the pandemic may have increased vulnerabilities given the rise in asset price valuations and the increase in debt levels. Changes to asset prices can adversely affect HSBC by increasing the financial vulnerability of customers and decreasing the value of collateral and other claims.
- Fiscal policy and high levels of government debt: Through the pandemic period, government debt levels across both developed and emerging markets increased sharply, and in many cases left growth and employment dependent on continued deficit spending. Against the backdrop of higher interest rates, financial strains on highly indebted sovereigns have increased and could bring debt

sustainability into question. Where HSBC has exposure to such sovereigns or related parties, it could incur losses. At the same time, external sovereign ratings downgrades and/or a disorderly increase in long-term government funding costs, could increase the cost of funding for HSBC and/or limit access to market funding, resulting in an adverse impact on interest margins and liquidity.

– Geopolitical Risk : Geopolitical risks remain high. While supply chains have largely adapted to the Russia-Ukraine and Middle East conflicts, the disruption of key supply routes, particularly through the Red Sea continued to add costs to global supply cost in 2024. The risk of physical asset impairment, supply chain and market disruption continues to pose challenges for certain customers and certain businesses.

Adverse changes to economic, financial and geopolitical situation could result in:

– Idiosyncratic losses: Impairment estimates attempt to capture the effects of economic, financial and geopolitical risks in the aggregate, but credit losses on specific exposures, with idiosyncratic features that make them particularly susceptible to the risks described above, may not be fully captured.
– Sector-wide impairment: Changing economic conditions, policies and funding costs may give rise to a deterioration in specific industries and sectors. In addition, certain sectors in various countries may be targeted by material increases in trade tariffs, with industry wide implications.
– Reduced credit demand: The demand for borrowing from creditworthy customers may diminish during periods of recession or where economic activity slows or remains subdued;
– A tightening of financial market conditions: HSBC Continental Europe's ability to borrow from other financial institutions or to engage in funding transactions may be adversely affected by market disruption; and
– Goodwill and intangibles: There could also be adverse impacts on other assets, goodwill and other intangible assets.

Provisioning against credit loss is conducted under the IFRS 9 ‘Financial Instruments’ (IFRS 9) calculations of expected credit losses ('ECL'), which uses forward looking scenarios that incorporate the economic and financial risks detailed above.

For further details concerning HSBC Continental Europe's economic scenarios including the Central Scenario – see section "Measurement uncertainty and sensitivity analysis of ECL estimates" on page 191.

Central Banks are expected to continue to cut interest rates in 2025 as inflation converges towards Central bank targets.

Forecasts remain uncertain, and changing economic conditions and the materialisation of key risks could reduce the accuracy of the Central scenario. Forecasts in recent years have been sensitive to changing economic and financial policy, changing supply chain conditions, monetary policy expectations and the inflation outlook.

The relationship between economic factors and historical loss experience is also subject to uncertainty and inconsistency. This may require adjustments to modelled ECLs in cases where HSBC determines that the model was unable to capture material underlying risks.

For further details - see also Risk Factor 3.1 – "HSBC Continental Europe could incur losses or be required to hold additional capital as a result of model limitations or weaknesses" for additional details on how models have been impacted by higher inflation and interest rates.

HSBC Continental Europe continually assesses the impact of geopolitical and macroeconomic events.

For further details – see also sections ‘Economic background’ on page 11 and ‘Economic outlook’ on page 11.

Significant uncertainties remain in assessing the duration and impact of the current macroeconomic environment.

1.2 Liquidity, or ready access to funds, is essential to its businesses.

Probability: Unlikely/Impact: High (unchanged from 1H24).

HSBC Continental Europe's ability to borrow on a secured or unsecured basis, and the cost of doing so, can be affected by increases in interest rates or credit spreads, the availability of credit, regulatory requirements relating to liquidity or the market perceptions of risk relating to the wider HSBC Group, HSBC Continental Europe specifically or the banking sector, including our perceived or actual creditworthiness.

Current accounts and savings deposits payable on demand or at short notice form a significant part of the Bank's funding and HSBC Continental Europe places considerable importance on maintaining their stability. For deposits, stability depends upon preserving investor confidence in HSBC Continental Europe’s capital strength and liquidity, and on comparable and transparent pricing.

Deposits have historically been a stable source of funding, even in times of economic crisis, but under an extreme scenario this may not be the case.

HSBC Continental Europe also accesses wholesale markets in order to secure funding to align asset and liability balances, maturities and currencies, and to contribute to the financing of its lending and market activities.

An inability to obtain financing in the unsecured long-term or short-term debt capital markets, or to access the secured lending markets, could have a material adverse effect on our liquidity.

Non-favourable macroeconomic developments, market disruptions or regulatory developments may increase the funding costs or challenge the ability of HSBC Continental Europe to raise funds to support or expand its businesses.

If the Bank were unable to raise funds through deposits and/or in the capital markets, its liquidity position could be adversely affected. In such an extreme scenario, it could be unable to meet deposit withdrawals on demand or at their contractual maturity, to repay maturing debt, or to meet its obligations under committed financing facilities and insurance contracts or to fund new loans or investments. The Bank may need to liquidate unencumbered assets to meet its liabilities.

In a time of reduced liquidity, HSBC Continental Europe may be unable to sell some of its assets, or it may need to sell assets at reduced prices, which in either case could materially adversely affect its business, prospects, financial condition, capital position and results of operations. It is difficult to predict with any degree of accuracy changes in access to funds, and the extent of the potential consequences.

Nevertheless, a number of mitigating actions and procedures – including business actions and participation in the central bank refinancing operations are in place in HSBC Continental Europe, through its Contingency Funding Plan in order to address a potential liquidity crisis. This will materially reduce the impact of this risk in case of materialisation.

HSBC Continental Europe undertakes liquidity stress testing to test if its risk appetite is adequate, to validate that it can continue to operate under various stress scenarios that involve an analysis of the relevant probable or severe area of risk to HSBC Continental Europe, and to confirm that the stress assumptions within the Liquidity Coverage Ratio scenario are appropriate and conservative enough for the Group's business.

HSBC Continental Europe continues to rely on its daily internal stress test metric, complementing the Liquidity Coverage Ratio ('LCR'), for the operational day-to-day management of the Bank's liquidity position. Moreover, several other different stress tests are run of varying durations and nature, the assumptions and results of which are reviewed by the Asset, Liability, and Capital Management Committee ('ALCO') and presented through the Internal Liquidity Adequacy Assessment Process to the Board.

1.3 Market fluctuations may reduce HSBC Continental Europe's income or the value of its portfolios.
Probability: Likely/Impact: Medium (unchanged from 1H24)..

HSBC Continental Europe businesses are inherently subject to risks in financial markets and in the wider economy, including changes in, and increased volatility of, interest rates, inflation rates, credit spreads, foreign exchange rates, equity and bond prices, and the risk that customers act inconsistently with HSBC Continental Europe's business, pricing, and hedging assumptions.

Market pricing can be volatile and ongoing market movements could significantly affect a number of key areas. For example, banking and trading activities are subject to interest rate risk, foreign exchange risk, inflation risk and credit spread risk.

Changes in interest rate levels, interbank spreads over official rates and yield curves affect the interest rate spread realised between lending and borrowing costs. The risks of market volatility or changes in margin levels remain high.

Competitive pressures on fixed rates or product terms for existing loans and deposits sometimes restrict ability to change interest rates applying to customers in response to changes in wholesale market rates.

HSBC Continental Europe's insurance businesses are exposed to the risk that market fluctuations may cause mismatches to occur between product liabilities and the investment assets that back them. Market risks can affect our insurance products in a number of ways depending upon the product and associated contract. For example, mismatches between assets and liability yields and maturities give rise to interest rate risk. Some of these risks are borne directly by the customer and some are borne by the insurance businesses, with their excess capital invested in the markets. Moreover, some insurance contracts involve guarantees and options that increase in value in adverse investment markets. There is a risk that the insurance businesses could bear some of the cost of such guarantees and options. The performance of the investment markets could thus have a direct effect upon the value embedded in the insurance and investment contracts and our operating results, financial condition and prospects.

For further details - see also section 'Market risk in 2024' on page 208.

As at 31 December 2024, Market Risk RWAs were EUR 3.786 billion of which EUR 168 million were under the standardised approach and EUR 3.618 billion under the Internal Model Approach ('IMA').

The standardised RWAs include EUR 168 million of Foreign exchange risk. RWAs under IMA include EUR 565 million VaR RWAs, EUR 1.748 billion Stressed VaR RWAs, EUR 814 million of Incremental risk charge RWAs and EUR 491 million other.

For further details - see Market Risk tables in the HSBC Continental Europe Pillar 3 document.

1.4 HSBC Continental Europe is subject to financial and non-financial risks associated with Environmental, Social and Governance ('ESG') related matters, such as climate change, nature-related risk, and human rights issues.
Probability: Likely/Impact: Medium.(unchanged from 1H24).

ESG related matters such as climate change, society's impact on nature and human rights issues bring risks to HSBC Continental Europe's business and customers in addition to the wider society. In addition, if the Bank fails to meet evolving regulatory expectations or requirements relating to these matters, this could have regulatory compliance and reputational impacts.

Climate and nature-related risks could have both financial and non-financial impacts on HSBC Continental Europe either directly or indirectly through its business activities and relationships. Transition risk can arise from the move to a low-carbon economy, such as through policy, regulatory and technological changes. Physical risk can arise through increasing severity and/or frequency of severe weather or other climatic events, such as rising sea levels and flooding and chronic shifts in weather patterns, which could affect HSBC Continental Europe's ability to conduct its day-to-day operations.

HSBC Continental Europe seeks to manage environmental risk (including climate and nature related risks) across all its businesses and functions in line with the Group-wide risk management framework and the approaches developed to manage climate and nature-related risks.

HSBC Continental Europe annual environmental risk materiality assessment helps to understand how climate and/or nature risks may impact HSBC's risk taxonomy. The assessment considers short term, (up to 2026), medium term (between 2027 and 2035), and long term, (between 2036 and 2050). In summary, HSBC Continental Europe may face:

- Credit losses if climate-related regulatory, legislative or technological developments impact customers' business models or if extreme weather events disrupt or interrupt customers' operations, resulting in financial difficulty for customers and/or stranded assets, and impacting their ability to repay their debts. Customers may find that their business models fail to align to a net zero economy, or face disruption to their operations or a deterioration in their assets as a result of extreme weather or ecosystem services degradation.

- Trading losses if climate change results in changes to macroeconomic and financial variables that negatively impact our trading book exposures.
- Liquidity impacts in the form of deposit outflows due to changes in customer behaviours driven by impacts to profitability/wealth or due to reputational concerns relating to the progress made towards HSBC climate related ambitions and targets.
- Impacts to its real estate portfolios due to changes to the climate, the increase in the frequency and severity of extreme weather events and the chronic shifts in weather patterns, which could impact both property values and the ability of borrowers to afford their mortgage payments and lead to reduced availability or increased cost of insurance, including insurance that protects property pledged as collateral of HSBC Continental Europe mortgages.
- Increase in operational risk if extreme weather events impact critical operations and premises.
- Regulatory compliance risk resulting from the increasing pace, breadth and depth of climate and nature-related regulatory expectations, including on the management of climate and nature risks, and variations in climate-related reporting standards, requiring implementation in short timeframes.
- Conduct risks in association with the increasing demand for "green" or "sustainable" products where there are differing and developing standards or taxonomies.
- Reputational risks arising from how the Bank decides to support its customers in high-emitting sectors in their transition to net zero, the preferences of different stakeholders in relation to HSBC Group approach to the transition to net zero, and if insufficient progress is made in achieving HSBC climate-related ambitions and targets.
- Model risk, as the uncertain and evolving impacts of climate change and data and methodology limitations present challenges to creating reliable and accurate model outputs.
- increased reputational, regulatory compliance and legal risks as HSBC Group makes progress towards its ESG-related ambitions and targets, with stakeholders likely to place greater focus on its actions, such as the development of ESG-related policies, our disclosures and financing and investment decisions relating to its ESG-related ambitions and targets.

HSBC Continental Europe may be exposed to additional risks if the Bank:

- Fails to make sufficient progress towards HSBC ESG-related ambitions and targets.
- Does not set adequate plans to execute those plans or adapt those plans to changes in the external environment.
- Fails to manage the risks associated both with meeting and not meeting its ESG-related target and ambitions.
- Does not meet evolving regulatory expectations and requirements on the management of ESG risks.
- Knowingly or unknowingly, makes inaccurate, unclear, misleading, or unsubstantiated claims regarding sustainability to its stakeholders.

ESG-related litigation and regulatory enforcement risks may be also faced, either directly if stakeholders think that HSBC Continental Europe is not adequately managing climate, nature and broader ESG-related risks, or indirectly, if its clients and customers are themselves the subject of litigation, potentially resulting in the revaluation of client assets.

HSBC Continental Europe may face reporting risk in relation to ESG disclosures due to data and methodology limitations. Methodologies, data, scenarios and industry standards that HSBC Continental Europe has used may evolve over time in line with market practice, regulation or developments in science, where applicable. Any such developments in methodologies and scenarios, and changes in the availability, accuracy and verifiability of data over time and the ability to collect and process such data, exposes the Bank to financial reporting risk in relation to its climate and ESG disclosures and could result in revisions to its internal measurement frameworks as well as reported data going forward, including on financed emissions, meaning that such data may not be reconcilable or comparable year on year.

Regulation and disclosure requirements in relation to human rights, and environmental damage, are increasing. Businesses and third-parties are expected to be transparent about their efforts to identify and respond to the risk of negative human rights impacts and environmental damage arising from their activities and relationships. Failure to manage these risks may negatively impact people and communities, which in turn may result in reputational, regulatory compliance, financial or legal risks for HSBC Continental Europe.

In respect of all ESG-related risks, HSBC Continental Europe aims to ensure that its strategy, its business model (including the products and services provided to customers) and its risk management processes, (including processes to measure and manage the various financial and non-financial risks HSBC Continental Europe faced as a result of ESG-related matters) are adapted to meet regulatory requirements, stakeholder and market expectations, which continue to evolve significantly and at pace.

If any of the above risks materialise, this could have financial and non-financial impacts for HSBC Continental Europe which could, in turn, have a material adverse effect on its business, financial condition, results of operations, reputation, prospects, and strategy.

2 Prudential, regulatory and legal risks to the business model of HSBC Continental Europe

2.1 HSBC Continental Europe is subject to numerous new and existing legislative and regulatory requirements, and the risk of failure to comply with applicable regulations at least temporarily.

Probability: Very Likely/Impact: High (unchanged from 1H24).

HSBC Continental Europe's businesses are subject to ongoing regulation and the associated regulatory risks, including the effects of changes in the laws, regulations, policies, and voluntary codes of practice in the markets in which it operates. Many of these changes have an effect beyond the country in which they are enacted.

In recent years, regulators and governments have increasingly focused on reforming both the prudential regulation of the financial services industry and the ways in which the business of financial services is conducted. The measures taken include enhanced capital, liquidity and funding requirements, the separation or prohibition of certain activities by banks, changes in the operation of capital markets activities, the introduction of tax levies and transaction taxes and changes in compensation practices.

With regard to conduct, there is a focus on customers and markets, payments and e-money, digital and artificial intelligence ('AI'), and ESG, including governance and operational resilience.

This is all set against increased geopolitical tensions which may limit the development of consistent regulatory requirements, and the evolving regulatory response to the banking turmoil in 2023.

Specific areas where regulatory change and increased supervisory expectations could have a material effect on HSBC Continental Europe's business, financial condition, results of operations, prospects, capital position, reputation and strategy include, but are not limited to those listed below, grouped around prudential and non-prudential themes.

Prudential and related issues

- Implementation of the Basel Committee on Banking Supervision's reforms to the prudential framework, 'Basel 3.1', which includes changes to the RWA approaches to credit risk, market risk, operational risk, counterparty risk and credit valuation adjustments and the application of an RWA output floor;
- Increased supervisory expectations arising from expanding and increasingly complex regulatory reporting obligations, including expectations on data integrity and associated governance and controls;
- The possible impacts on some of our regulatory ratios, such as the CET1 ratio, LCR and NSFR, arising from the programme initiated to strengthen our global processes, improve consistency (through data enhancement, transformation of the reporting systems and an uplift to the control environment over the report production process) and enhance controls across regulatory reports;
- Changes to the prudential framework following the several third-party bank failures in 2023, for example in relation to liquidity or interest rate risk in the banking book ('IRRBB');
- Requirements flowing from arrangements for the resolution strategy of the Group and its individual operating entities that may have different effects in different countries;
- Financial effects of climate risk and other ESG related changes being incorporated within the global prudential framework, including physical risks from climate change and the transition risks resulting from a shift to a low carbon economy;
- Increasing regulatory expectations and requirements (for example, the EU's Digital Operational Resilience Act) relating to various aspects of operational resilience, including an increasing focus on the response of institutions to operational disruptions; and
- Reviews of regulatory frameworks applicable to the wholesale financial markets, in particular the reforms and other changes to securitisation requirements.

Non-prudential and related issues

- Increasing focus by regulators, international bodies and other policy makers, on how we conduct business, particularly around the delivery of fair outcomes for customers, promoting effective competition and ensuring the orderly and transparent operation of financial markets;
- Supervisory and regulatory change focus on technology adoption and digital delivery, underpinned by customer protection, including the use of digital assets and currencies and wider financial technology risks e.g. the EU's markets in Crypto-Assets Regulation, which introduces a framework for regulating crypto-assets;
- Increasing regulatory expectations and requirements around the use of artificial intelligence ('AI') for example, the proposed EU AI Act;
- Continuing supervisory and regulatory change focus globally on payment services and related infrastructure;
- Ongoing expectations with respect to managing emerging financial crime risks and its impact on customers, and implementing increasingly complex and less predictable sanctions and trade restrictions;
- Implementation of conduct and other measures as a result of regulators' focus on organisational culture, employee behaviour, whistleblowing and diversity and inclusion;
- Requirements regarding remuneration arrangements and senior management accountability;
- Changes in national or supra-national requirements regarding the management of third-party risk;
- Increasing regulatory expectations of firms in relation to ESG-related governance, risk management and disclosure frameworks (e.g. the EU Corporate Sustainability Reporting Directive), particularly relating to climate change, transition plans, greenwashing and supply chain due diligence; and
- Regulatory focus on policies and controls related to the unauthorised use by employees of electronic communications on non-business platforms.

2.2 HSBC Continental Europe, its subsidiaries and its branches are subject to tax-related risks in the countries in which they are established.
Probability: Likely/Impact: Medium (unchanged from 1H24).

HSBC Continental Europe, its subsidiaries and its branches are subject to the substance and interpretation of tax laws in all countries in which they are established and therefore are subject to routine reviews and audits by tax authorities in relation thereto.

The bank's interpretation or application of these tax laws may differ from those of the relevant tax authorities and HSBC Continental Europe, its subsidiaries and its branches record provisions for potential tax liabilities that may arise based on the amounts expected to be paid to the tax authorities. The amounts ultimately paid may differ materially from the amounts set aside in such provisions depending on the ultimate resolution of such matters.

Due to major restructuring and reorganisation over recent years, transfer pricing risk has increased for the Bank. In that respect, HSBC Continental Europe ensures compliance with the relevant transfer pricing rules in each location to mitigate the tax risk. However, transfer pricing remains a subject of particular focus by the tax authorities highlighted by the recent reforms which will further strengthen the tax authorities' powers. This requires monitoring in view of the practice of the tax authorities to systematically verify the principles applied by international groups carrying out intra-Group transactions.

In March 2023, the French National Prosecutor announced an investigation into a number of banks, including HSBC Continental Europe and HSBC Bank plc, Paris Branch, in connection with alleged tax fraud related to the dividend withholding tax treatment of certain trading activities. Based on the facts currently known, it is not practicable at this time for HSBC to predict the resolution of these matters, including the timing or any possible impact on HSBC, which could be significant.

For further details - see Note 32 (section Tax-related investigations).

HSBC Continental Europe continue to monitor recent developments in the French tax law to ensure it is able to comply with it in a timely manner. Therefore, HSBC Continental Europe continues notably to strengthen internal controls and to limit significantly activities on French equity to avoid any tax risk related to this area.

It is also worth noting that tax rules are becoming increasing complex and continue to evolve. Changes to international tax rules potentially create additional risks for all banks including HSBC Continental Europe.

On 20 June 2023, legislation was substantively enacted in the UK, the jurisdiction of HSBC Continental Europe's ultimate parent entity, HSBC Holdings plc, to introduce the 'Pillar Two' global minimum tax model rules of the OECD's Inclusive Framework on Base Erosion and Profit Shifting ('BEPS'), with effect from 1 January 2024. At the year-end 2023, legislation was also enacted in France to implement the model rules, as well as a qualified domestic minimum top-up tax, with effect from 1 January 2024. Similar rules have been also enacted across Continental Europe, and notably in the location where HSBC Continental Europe operates.

Under these rules, a top-up tax liability arises where the effective tax rate of the Group's operations in France, calculated based on principles set out in the OECD's Pillar Two model rules, is below 15 per cent.

Based on the outlook as of 31 December 2024, no top-up tax liabilities are expected to arise in France nor in other location where HSBC Continental Europe operates as a result of the effective tax rates being above 15 per cent, except in Ireland where the effective tax rate is below this minimum level of taxation. As a result, HSBC Continental Europe is expecting a non-significant financial consequence in Ireland.

3 Risks related to HSBC Continental Europe's operations

3.1 HSBC Continental Europe could incur losses or be required to hold additional capital as a result of model limitations or weaknesses.

Probability: Very Likely/Impact: High (unchanged from 1H24).

HSBC Continental Europe uses models for a range of purposes in managing its business, including regulatory capital calculations, financial reporting, calculation of ECLs on an IFRS 9 basis, credit approvals, stress testing, financial crime and fraud risk management.

HSBC could face adverse consequences as a result of decisions that may lead to actions by management based on models that are poorly developed, implemented or used, or as a result of the modelled outcome being misunderstood or the use of such information for purposes for which it was not designed or by limitations arising from the uncertainty inherent in predicting or estimating future outcomes.

Risks arising from the use of models could have a material adverse effect on HSBC Continental Europe's business, financial condition, results of operations, prospects, capital position and reputation.

Regulatory scrutiny and supervisory concerns over banks' use of models are considerable, particularly the internal models used in the calculation of regulatory capital. If regulatory approval for key capital models is not achieved in a timely manner or if those models are subject to negative feedback from regulators, HSBC Continental Europe could be required to hold additional capital.

Model risk remains a key area of focus given the regulatory scrutiny in this area with local regulatory examinations taking place and further developments in policy expected from the regulators.

The economic consequences of higher global inflation and significant increases in interest rates have impacted the reliability of model outputs beyond how IFRS 9 models have been built and calibrated to operate. Consequently, IFRS 9 models under the current economic conditions may generate outputs that do not accurately assess the actual level of credit quality in all cases. In order to calculate more realistic valuation of assets, compensating controls, such as post model management adjustments based on expert judgement may be required. Such compensating controls require a significant degree of management judgment and assumptions. There is a risk that future actual results may differ from such judgments and assumptions. Longer term, the models are likely to require redevelopment to consider the effects of changes in rates and financial markets.

For further details concerning risk weighted assets as at 31 December 2024 – see table: Overview of risk weighted exposure amounts in the HSBC Continental Europe Pillar 3 document. These numbers are for a large part computed using internal models.

Likewise, models are used to infer the fair value of some financial instruments, such as over-the-counter derivatives ('OTC'), whose price cannot be directly observed on trading platforms: in these cases, models compute a fair value by leveraging the prices of similar observable financial instruments. These may be based on observable inputs only ('Level 2' fair value accounting) or, in some cases, on some unobservable inputs that have to be prudently estimated ('Level 3' fair value accounting).

For further details concerning fair values of financial instruments carried at fair value as at 31 December 2024 – see Note 12 on page 289.

The adoption of more sophisticated modelling approaches including artificial intelligence related risks and technology by both HSBC Continental Europe and the financial services industry could also lead to increased model risk that will have to be managed in compliance with the EU AI Act.

HSBC Continental Europe's commitment to changes to business activities due to climate and sustainability challenges will also have an impact on model risk going forward. Models will play an important role in risk management and financial reporting of climate related risks. Challenges such as uncertainty of the long-dated impacts of climate change and lack of robust and high-quality climate related data present challenges to creating reliable and accurate model outputs for these models.

3.2 HSBC Continental Europe's operations are highly dependent on its information technology systems.

Probability: Likely/Impact: High (unchanged from 1H24).

HSBC Continental Europe operates in an extensive and complex technology landscape, which must remain resilient in order to support customers, the Group and markets globally. Risks arise where technology is not understood, maintained, or developed appropriately.

The reliability and security of HSBC Continental Europe’s information technology infrastructure is crucial to the bank's operations and the provision of financial services to its customers and protecting the HSBC brand.

The effective functioning of HSBC Continental Europe’s payment systems, financial control, risk management, credit analysis and reporting, accounting, customer service and other information technology systems, as well as the communication networks with the main data processing centres, are important to HSBC Continental Europe’s operations.

Critical system failure, extended service unavailability or a material breach of data security, particularly of confidential customer data, could compromise HSBC Continental Europe’s ability to serve its customers. This could lead to breaches of regulations and could cause long-term damage to its business and brand that could have a material adverse effect on its business, financial condition, results of operations, prospects and reputation.

In 2024, IT incidents with third parties were reported to local regulators.

For further details - see also Risk Factor: HSBC Continental Europe’s operations utilise third party and intra-Group suppliers and service providers.

HSBC is continuing to invest in strengthening the resilience of its technology infrastructure and the further alignment of IT systems across HSBC Continental Europe, ensuring an appropriate and consistent control environment across the IT landscape.

There were no net operational losses related to information technology in 2024 (EUR 0.4m in 2023).

3.3 HSBC Continental Europe remains susceptible to a wide range of cyber security risks that impact and/or are facilitated by technology.
Probability: Likely/Impact: High (unchanged from 1H24).

The threat of cyber incident remains a concern for HSBC Continental Europe, as it does across the financial sector and other industries. As cyber-threats continue to evolve, failure to protect HSBC Continental Europe’s operations may result in disruption for its customers, and its business, cause financial loss or loss of sensitive data. This could have a negative impact on the bank’s customers, and its own reputation, among other risks.

Adversaries attempt to achieve their objectives by compromising HSBC and related third party systems. They use techniques that include malware (including ransomware), exploitation of both known and unpublished (zero-day) vulnerabilities in software, phishing emails, distributed denial of service, as well as potentially physical compromise of premises, or coercion of staff. Customers may also be subject to these constantly evolving cyber-attack techniques. HSBC Continental Europe, like other financial institutions, experiences numerous attempts to compromise its cyber security. The Bank expects to continue to be the target of such attacks in the future.

Cyber security risks will continue to increase, due to continued increase of services delivered over the internet; increasing reliance on internet-based products, applications and data storage; and an increased use of hybrid working models by HSBC’s employees, contractors, third party service providers and their sub-contractors.

A failure in HSBC’s adherence to its cyber security policies, procedures or controls, employee wrongdoing, or human, governance or technological error could also compromise HSBC Continental Europe’s ability to defend against cyber-attacks. Should any of these cyber security risks materialise, they could have a material adverse effect on its customers, business, financial condition, results of operations, prospects and reputation.

There have been no material cyber-related breaches that impacted HSBC Continental Europe customers or operations in 2024 due to controls in place despite numerous attacks being observed on a daily basis. However, the risk remains that future cyber-related attacks, either directly or via one of its suppliers, will have a material adverse effect on HSBC Continental Europe's business, financial condition, results of operations, prospects and reputation.

3.4 HSBC Continental Europe’s operations use third party and intra-Group suppliers and service providers.
Probability: Likely/Impact: Medium (unchanged from 1H24).

In line with HSBC Continental Europe’s outsourcing and Information and Communication Technology ('ICT') Third Party risk strategy, there is reliance on external and intra-Group third parties to supply goods and services. The activities outsourced are diverse and relate, for example, to reporting, risk management and securities custody. Digital Business Services, which supports all Global Businesses and Global Functions, is the function with the highest number of material outsourced services, mainly concerning intra-Group services. Internal service providers are located on different continents which helps ensure business continuity between the different locations. Among the branches and subsidiaries of HSBC Continental Europe, France (including the French subsidiaries) is the country that outsources the most material services, followed by Malta and Luxembourg.

The use of third-party suppliers and service providers by financial institutions is a particular focus of the regulators. This includes how outsourcing decisions are made, how key relationships are managed and our understanding of third-party dependencies and their impact on service provision.

Risks arising from the use of third parties and from supply chains, such as risks related to operational incidents, financial stability, cyber-attacks and geopolitical tension are particularly important and challenging to manage. The threat of cyber-attacks on our providers and supply chain remains a concern for HSBC Continental Europe, as it does across the entire financial sector as cyber events may result in disruption for customers or impact the data shared.

The inadequate management of third party risk could impact HSBC Continental Europe's ability to meet strategic, regulatory and client expectations. This may lead to a range of impacts, including regulatory censure, penalties or damage both to shareholder value and to HSBC Continental Europe’s reputation. Any outsourcing of a material service needs to be validated in the HSBC Continental Europe Risk Management Meeting and then notified to regulators.

In 2024, HSBC Continental Europe continued to work on the improvement on its Third-Party Management, on automation and standardisation of the process with HSBC Group, covering the outsourcing register, the outsourcing determination, the materiality and risk assessments, and regulatory notification. From a regulatory perspective, HSBC Continental Europe has focused on the enhancement of its Third-Party Risk Management Framework, to comply with the latest regulatory requirements such as the implementation of the Digital Operational Resilience Act (‘DORA’).

4 Risks related to HSBC Continental Europe's governance and internal control

4.1 HSBC data management may not be robust enough to support the increasing data volume and evolving regulations.

Probability: Very Likely/Impact: High (unchanged from 1H24).

As the HSBC Continental Europe becomes more data-driven and its business processes move to digital channels, the volume of data that the bank relies on has increased.

As a result, management of data (including data retention and deletion, data quality, data privacy and data architecture) from creation to destruction must be robust and designed to identify quality and availability issues.

Inadequate data management could result in negative impacts to customer service, business processes, or require manual intervention to reduce the risk of errors in reporting to senior management, executives or regulators. This could have a material adverse effect on the Bank's business, prospects, financial results and reputation.

HSBC Continental Europe did not suffer any significant data-related incidents linked to increasing data volumes or evolving regulations in 2024.

Over recent years, the regulatory expectations related to data management and data architecture have increased considerably.

Primarily driven by BCBS 239 – Principles for effective risk data aggregation and risk reporting which sought to strengthen banks' risk data aggregation capabilities and internal risk reporting practices.

BCBS 239 has for objective to enhance the risk management and decision making processes at banks.

4.2 The delivery of HSBC Continental Europe's strategy is subject to execution risk

Probability: Likely/Impact: Medium.(unchanged from 1H24).

Effective management of transformation projects is required to deliver the Group's strategic priorities; both externally driven programmes and key business initiatives to deliver growth, operational resilience and efficiency outcomes.

The scale, complexity and, at times, concurrent demands of the projects required to meet these can result in heightened execution risk.

HSBC Continental Europe has a clear and focused strategy that is consistent with the HSBC Group's strategy.

For further details - see 'HSBC strategy implemented in Continental Europe' on page 6.

Within this framework, the strategy in Continental Europe is to focus on customers that value the HSBC network, leveraging its strengths in transaction banking, trade, capital markets and financing and increasing the cross-business and synergies between the HSBC Group's different entities across the globe, while ensuring an efficient operating model across HSBC Continental Europe's operations.

HSBC Continental Europe continues to adapt its operating model, implementing a number of programmes in support of the activities of HSBC Continental Europe while ensuring compliance with regulatory requirements.

The development and implementation of HSBC Continental Europe's strategy requires difficult, subjective and complex judgements, including forecasts of economic conditions in Continental Europe but also in other parts of the world. HSBC Continental Europe may fail to correctly identify the relevant factors in making decisions as to capital deployment and cost reduction.

HSBC Continental Europe may also encounter unpredictable changes in the external environment that are unfavourable to its strategy. The bank's ability to execute strategic change may be limited by its operational capacity, effectiveness of its change management controls and instituting and maintaining appropriate transitional arrangements and the potential for unforeseen changes in the market and/or regulatory environment in which it operates.

Robust management of critical time-sensitive and resource intensive projects is required to effectively deliver HSBC Continental Europe's strategic priorities. The cumulative impact of the collective change initiatives in progress within HSBC Continental Europe has been significant and has had a direct impact on HSBC Continental Europe's employees.

The global economic outlook also continues to remain uncertain. Therefore, there remains a risk that, in the absence of an improvement in economic conditions, HSBC Continental Europe's cost and investment actions may not be sufficient to achieve the expected benefits.

The failure to successfully deliver or achieve the expected benefits of the HSBC Continental Europe's key strategic initiatives could have a material adverse effect on its customers, the business it undertakes, financial results and future prospects, operational resilience and reputation.

Execution risk linked to ongoing projects is being managed and tracked by a dedicated committee.

4.3 The increasing volume of personal data processing activities and of cross-border data transfers may lead to significant data privacy breaches.

Probability: Likely/Impact: Medium (unchanged from 1H24).

HSBC Continental Europe 's businesses and functions rely on the processing of a large volume of personal data. These data are increasingly processed in non-EU jurisdictions so as to fulfil operational requirements.

Whilst the offshoring of personal data processing activities has notable benefits, it also considerably increases the risk that the personal data in question will be processed in a manner which is incompatible with the high standards imposed by the General Data Protection Regulation and the Schrems II judgment.

Whilst no significant incident relating to cross-border personal data processing activities occurred in 2024, the Schrems II and GDPR risks will remain topical in 2025.

Failure to comply with data privacy laws and other legislation in the jurisdictions in which HSBC Continental Europe operates may result in regulatory sanctions. Any of these failures could have a material adverse effect on its business, financial condition, results of operations, prospects, and reputation.

4.4 HSBC Continental Europe is subject to the risk of financial crime and third parties may use the bank as a conduit for illegal activities without its knowledge

Probability: Likely/Impact: Medium (unchanged from 1H24).

Financial crime risk is the risk that HSBC's products and services will be exploited for criminal activity. This includes fraud, bribery and corruption, tax evasion, sanctions and export control violations, money laundering, terrorist financing and proliferation financing. Financial crime risk arises from day-to-day banking operations involving customers, third parties and employees.

Financial institutions remain under considerable regulatory scrutiny regarding their ability to detect and prevent financial crime as we operate in an ever changing environment due to increasingly complex geopolitical tensions and macroeconomic factors as well as, evolving financial crime regulations. In addition, the accessibility and increasing sophistication of generative AI brings financial crime risks. While there is potential for the technology to support financial crime detection, there is also a risk that criminals use generative AI to perpetrate fraud, particularly scams.

HSBC Continental Europe’s ability to manage financial crime risk is dependent on the use and effectiveness of its financial crime risk assessments, systems and controls. Weak or ineffective financial crime processes and controls may risk HSBC inadvertently facilitating financial crime which may result in regulatory investigation, sanction, litigation, fines and reputational damage.

HSBC Continental Europe is required to comply with applicable financial crime laws and regulations, and has adopted various Financial Crime policies, procedures and controls aimed at preventing the exploitation of HSBC's products and services for criminal activity.

Furthermore, annual Global financial crime mandatory training is provided to all colleagues in HSBC Continental Europe, with additional targeted training tailored to certain individuals.

Lastly, HSBC Continental Europe continues to make progress with several key financial crime risk management initiatives such as with the deployment of our intelligence-led, dynamic risk assessment capability for customer account monitoring in France and Malta as well as deploying a next generation capability to increase monitoring coverage of correspondent banking activity. HSBC Continental Europe remains focused on embedding these new tools and processes to be operationally effective with an aim to decrease the time to detect potential risks.

Sanctions and trade restrictions are complex. In particular the significant sanctions and trade restrictions against Russia. In December 2023, the US established a new secondary sanctions regime, providing itself broad discretion to impose severe sanctions on non-US banks that are knowingly or even unknowingly engaged in certain transactions or services involving Russia’s military-industrial base. This creates challenges associated with the detection or prevention of third-party activities beyond HSBC’s control. The imposition of such sanctions against any non-US HSBC entity could result in significant adverse commercial, operational and reputational consequences for HSBC.

For further details concerning tax related investigations - see note 32 (section Tax related investigations). Based on the facts currently known, it is not practicable at this time for HSBC to predict the resolution of these matters, including the timing or any possible impact on HSBC, which could be significant.

4.5 HSBC Continental Europe's risk management measures may not be successful.
Probability: Likely/Impact: Medium (unchanged from 1H24).

Risk management is an integral part of HSBC Continental Europe’s activities. Risk represents the exposure to uncertainty and the resulting variability of return. Specifically, risk equates to the adverse effect on profitability or financial condition arising from different sources of uncertainty, including but non exhaustively credit risk, market risk, non-traded market risk, operational risk, insurance risk, concentration risk, liquidity and funding risk, litigation risk, reputational risk, strategic risk, pension risk and regulatory risk.

To manage its risks, HSBC Continental Europe uses a range of risk tools amongst which:

- The Risk Map is an integrated risk management tool used to assess, monitor and report current risk profile, including Risk Drivers and Top Risks, of the Bank. It provides a point-in-time view of the enterprise-wide risk profile across both financial and non-financial risks against the risk appetite approved by the Board. A Risk Driver is an issue or event that may cause risk to be outside of appetite and a Top Risk is a Risk Driver that the Bank is managing, which if not managed and mitigated has the potential to have a material impact. Thematic Issues are broad, overarching material matters that are driven by either internal (e.g. internal operating environment) or external (macroeconomic factors/regulatory demands) events or trends. They typically span multiple Level 1 risk categories;
- The Risk Appetite Statement.

For further details concerning the Risk Appetite Statement - see section "HSBC Continental Europe's risk appetite" on page 165.

Whilst HSBC Continental Europe employs a broad and diversified set of risk monitoring and mitigation techniques, such methods and the judgements that accompany their application cannot anticipate every unfavourable event or the specifics and timing of every outcome.

Failure to manage risks appropriately could have a material adverse effect on the businesses, financial condition, results of operations, prospects, capital position, strategy and reputation of the bank.

5 Risks related to HSBC Continental Europe's business

5.1 Risks concerning borrower credit quality are inherent in HSBC Continental Europe's businesses.
Probability: Likely/Impact: High (unchanged from 1H24).

Risks arising from changes in credit quality and the recoverability of loans and amounts due from borrowers and counterparties (e.g. reinsurers and counterparties in derivative transactions) are inherent in a wide range of HSBC Continental Europe's businesses.

Adverse changes in the credit quality of HSBC Continental Europe's borrowers and counterparties arising from a general deterioration in economic conditions or systemic risks in the financial systems could reduce the recoverability and value of HSBC Continental Europe's assets, and result in increased credit losses.

HSBC Continental Europe estimates and recognises ECLs in its credit exposure. This process, which is critical to HSBC Continental Europe's results and financial condition, requires difficult, subjective and complex judgements, including forecasts of how the economic and geopolitical conditions, including the impact of sanctions, and sector specific risks, might impair the ability of its borrowers to repay their loans and the ability of other counterparties to meet their obligations.

This assessment considers multiple alternative forward-looking economic conditions (including Gross Domestic Product estimates) and incorporates this into the ECL estimates to meet the measurement objective of IFRS 9.

As is the case with any such assessments, HSBC Continental Europe may fail to estimate accurately the effect of factors that are identified or fail to identify other relevant factors. Further, the information HSBC Continental Europe uses to assess the creditworthiness of its counterparties may be inaccurate or incorrect.

Any failure by HSBC Continental Europe to accurately estimate the ability of its counterparties to meet their obligations could have a material adverse effect on its business, financial condition, results of operations and prospects.

The level of any material adverse effect will depend on the number of borrowers and the size of the exposures involved.

HSBC Continental Europe also continues to make use of its risk identification and portfolio management processes, including an early warning system to identify and monitor the most vulnerable customers.

Refinancing risk and liquidity remain the key points of attention for the wholesale portfolio, in the current/recent higher rate and slower GDP growth environment. Extensive refinancing reviews and deep dive sector reviews have been undertaken to identify any vulnerable counterparties in order to establish specific actions where required.

A rolling program of sector reviews is in place. A refresh of the Refinancing Risk Review initiative has been completed.

Single name and sector concentrations are within appetite.

Following the sale of retail business, the retained portfolio is in run off. This portfolio is circa 95 per cent secured by Credit Logement and has reduced to EUR 6.7 billion as at the end of December 2024 (compared to EUR 7.1 billion as at the end of December 2023).

For further details concerning RWAs as at 31 December 2024 – see table: Overview of risk weighted exposure amounts in the HSBC Continental Europe Pillar 3 document.

Change in expected credit losses and other credit impairment charges was a net charge of EUR 97 million in 2024 compared to a net charge of EUR 145 million in 2023, The fall was primarily driven by lower stage 3 provisions.

5.2 HSBC Continental Europe has significant exposure to counterparty risk.

Probability: Likely/Impact: High (unchanged from 1H24).

HSBC Continental Europe is exposed to counterparties that are involved in virtually all major industries, and HSBC Continental Europe routinely executes transactions with counterparties in financial services, including central clearing counterparties, commercial banks, investment banks, mutual funds, and other institutional clients. Many of these transactions expose HSBC Continental Europe to credit risk in the event of default by a counterparty or client.

HSBC Continental Europe’s ability to engage in routine transactions to fund its operations and manage its risks could be materially adversely affected by the actions and commercial soundness of other financial services institutions. Financial institutions are necessarily interdependent because of trading, clearing, counterparty or other relationships. Consequently, a default by, or decline in market confidence in, individual institutions, or anxiety about the financial services industry generally, can lead to further individual and/or systemic difficulties, defaults and losses.

Mandatory central clearing of OTC derivatives, including under the EU’s European Market Infrastructure Regulation, poses risks to HSBC Continental Europe. As a clearing member, HSBC Continental Europe is required to underwrite losses incurred at a central counterparty by the default of other clearing members and their clients. Increased moves towards central clearing brings with it a further element of interconnectedness between clearing members and clients that HSBC Continental Europe believes may increase rather than reduce its exposure to systemic risk. At the same time, HSBC Continental Europe’s ability to manage such risk itself will be reduced because control has been largely outsourced to central counterparties, and it is unclear at present how, at a time of stress, regulators and resolution authorities will intervene.

Where bilateral counterparty risk has been mitigated by taking collateral, credit risk for HSBC Continental Europe may remain high if the collateral held cannot be realised or has to be liquidated at prices that are insufficient to recover the full amount of the transaction’s exposure. There is a risk that collateral cannot be realised, including situations where this arises by change of law that may influence HSBC Continental Europe’s ability to foreclose on collateral or otherwise enforce contractual rights.

Liquidity and concentration of the underlying market exposure or collateral along with their potential correlation with the credit quality of the counterparty (wrong way risk) are part of the keystones of counterparty credit risk.

HSBC Continental Europe also has credit exposure arising from mitigants, such as credit default swaps, and other credit derivatives, each of which is carried at fair value. The risk of default by counterparties to credit default swaps and other credit derivatives used as mitigants affects the fair value of these instruments depending on the valuation and the perceived credit risk of the underlying instrument against which protection has been purchased.

Any such adjustments or fair value changes may have a material adverse effect on the financial condition and results of operations of HSBC Continental Europe.

Market events (such as the impact of the French parliament dissolution in the summer of 2024) and their impacts on the portfolio are closely monitored as part of HSBC Continental Europe's counterparty credit risk management.

Stress testing is also a management tool used to review the HSBC Continental Europe portfolio.

Risk management actions focus on collateral disputes and failed payments.

As at 31 December 2024, Counterparty Risk RWAs were EUR 6.8 billion compared to EUR 5.3 billion as at 31 December 2023.

For further details - see RWAs as at 31 December 2024 – table: Overview of risk weighted exposure amounts in the HSBC Continental Europe Pillar 3 document.

5.3 HSBC Continental Europe's insurance businesses are subject to risks relating to insurance lapse risk and changes in insurance customer behaviour.

Probability: Likely/Impact: High (unchanged from 1H24).

HSBC Continental Europe provides various life insurance products. The cost of claims and benefits can be influenced by many factors, including mortality and morbidity rates, lapse and surrender rates and, if the policy has a savings element, the performance of assets to support the liabilities. Unfavourable developments in any of these factors could materially adversely affect HSBC Continental Europe's business, financial condition, results of operations and prospects.

In the current situation the main financial risk for HSBC Assurances Vie (France) consists in a reduction in inflows and an increase in lapses, which could result in negative net new money and liquidity risk. Moreover, in case of important level of negative net new money with the current level of interest rates, HSBC Assurances Vie (France) could have to sell a part of its bond portfolio and thus realise a part of its unrealised losses.

Mitigating actions are already in place in HSBC Assurances Vie (France) as these risks were previously identified. A competitive profit-sharing rate was delivered end of 2023 and commercial campaigns were launched to accelerate the resumption of the commercial activity. This risk was also mitigated thanks to the signing of a reinsurance contract in January 2024. The commercial performance recovered rapidly from the second quarter of 2024 and the level of gross written premium in 2024 is higher than it was in 2023.

The proportion of cash and of short-term investments of the HSBC Assurances Vie (France) portfolio were also managed accordingly and all the liquidity indicators remained within risk appetite in 2024.

HSBC Life Assurance (Malta) Ltd is also exposed to lapse risk, particularly to a one-event mass lapse. Lapses on the Protection business could be driven by the economic environment thus impacting HSBC Life Assurance (Malta) Ltd customer's behaviour toward allocating wealth toward insurance. The unit-linked book is more sensitive to the volatility of the market and low return. Mass lapses on this profitable business would reduce the expected profit.

There is also exposure to lower lapses on policies where the premium no longer covers the cost of the risk, in particular for the old policies and those with a long maturity.

5.4 HSBC Continental Europe relies on recruiting, retaining and developing appropriate senior management and skilled personnel .

Probability: Likely/Impact: Medium (Impact modified from High since 1H24).

HSBC Continental Europe businesses, functions and entities may be exposed to risks associated with capacity and capability combined with changing requirements of our workforce skills, as well as the need to comply with employment laws and regulations. Failure to proactively identify and manage potential capacity and / or capability risks may impact the delivery of the strategic objectives or lead to regulatory sanctions or legal claims, it may as well lead to poor customer outcomes. The risks are heightened during the current period of organisational change. While it is understood that this may potentially heighten the overall risk profile, controls are still deemed appropriate, and no material challenges have been identified for now. The risk will continue to be reviewed and assessed to identify challenges and implement relevant actions.

Meeting the demand to recruit, retain and develop appropriate senior management and skilled personnel remains subject to several potential challenges. These include rapidly changing skill requirements and ways of working and the evolving regulatory landscape. Ongoing talent shortages in key markets, businesses and capabilities, particularly where those with the scarce capabilities are globally mobile, add to the complexity of the supply challenge. HSBC Continental Europe's continued success and implementation of its growth strategy depend in part on the retention of key members of its management team and wider employee base, the availability of skilled management in each of its businesses and functions, and the ability to continue to attract, train, motivate and retain highly qualified professionals, each of which may depend on factors beyond the Bank's control, including economic, market and regulatory conditions. Furthermore, HSBC Continental Europe has ambition for greater representation of women in senior leadership roles. If the Bank fails to achieve this ambition, its ability to attract and retain qualified professionals may be affected.

Various initiatives have been set to enhance employees' engagement, convey a common and positive culture and enable growth in 2024, resulting in some improvements in HSBC Continental Europe's key indicators.

- HSBC Continental Europe's attrition rate has been on a downward trend since December 2022; however, it remains under close monitoring in certain businesses and/or areas where it could potentially lead to capacity and capability challenges. As of 31 December 2024, the overall annualised voluntary attrition rate stood at 4.6 per cent, down 3.2 points year on year.
- Since achieving its ambition of having 30 per cent of senior leadership positions held by women in 2020, HSBC Group set a new ambition to reach 35 per cent by 2025. HSBC Group is on track to meet its 2025 ambition, with 34.6 per cent of senior leadership roles held by women at the end of 2024. To contribute to HSBC Group's ambition, HSBC Continental Europe equally has an ambition for greater representation of women in senior leadership positions. In 2024, HSBC Continental Europe achieved 28.8 per cent representation of women in senior leadership roles, representing a year-on-year increase of 1.2 points, and exceeding its ambition by 0.7 points.

6 Risks related to HSBC Continental Europe's financial statements

6.1 HSBC Continental Europe's financial statements are based in part on judgements, estimates and assumptions that are subject to uncertainty.

Probability: Unlikely/Impact: Medium ((unchanged from 1H24).

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, particularly those involving the use of complex models, actual results reported in future periods could differ from those on which management's estimates are based.

Estimates, judgements, assumptions and models are continually evaluated, and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the prevailing circumstances.

The impacts of revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Accounting policies deemed critical to our results and financial position are those that involve a high degree of uncertainty and have a material impact on the financial statements. In 2024 these included expected credit losses, impairment of goodwill and non-financial assets, measurement of financial instruments, deferred tax assets, provisions, impairment of interests in associates, or in investments in subsidiaries. As well as held for sale classification and measurement.

The valuation of financial instruments measured at fair value can be subjective, in particular where models are used that include unobservable inputs. Given the uncertainty and subjectivity associated with measuring such instruments, future outcomes may differ materially from those assumed using information available at the reporting date.

The effect of these differences on the future results of operations and the future financial position of HSBC Continental Europe could be material. If the judgement, estimates and assumptions HSBC Continental Europe used in preparing its consolidated financial statements are subsequently found to be materially different from those assumed using information available at the reporting date, this could affect its business, prospects, financial condition and results of operations.

The measurement of expected credit losses requires the selection and calibration of complex models and the use of estimates and assumptions to incorporate relevant information about past events, current conditions and forecasts of economic conditions. In addition, significant judgement is involved in determining what is considered to be significant increases in credit risk.

The assessment of whether goodwill and non-financial assets are impaired, and the measurement of any impairment, involves the application of judgement in determining key assumptions, including discount rates, estimated cash flows for the periods for which detailed cash flows are available and projecting the long-term pattern of sustainable cash flows thereafter. The recognition and measurement of deferred tax assets involves significant judgement regarding the probability and sufficiency of future taxable profits, taking into account the future reversal of existing taxable temporary differences and tax planning strategies, including corporate reorganisations.

The recognition and measurement of provisions involve significant judgements due to the high degree of uncertainty in determining whether a present obligation exists, and in estimating the probability and amount of any outflows that may arise.

The assessment of the held for sale criteria involves significant judgement with regards to classifying a sale as highly probable and the anticipated timing for the sale to complete. The calculation of the fair value less cost to sell as well as any related impairment loss is subject to accounting estimates.

Financial risk

Credit & counterparty credit risk

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. Credit risk arises principally from direct lending, trade finance and leasing business, but also from certain other products, such as guarantees and derivatives.

Credit Risk Management

Key developments in 2024

There were no material changes to the policies and practices for the management of credit risk in 2024. We continued to apply the requirements of IFRS 9 'Financial Instruments' within the Credit Risk sub-function.

We actively managed the risks related to macroeconomic uncertainties, including interest rates, inflation, fiscal and monetary policy, broader geopolitical uncertainties and conflicts.

Governance and structure

We have established HSBC Group-wide credit risk management and related IFRS 9 processes. We continue to assess the impact of economic developments in key markets on specific customers, customer segments or portfolios. As credit conditions change, we take mitigating actions, including the revision of risk appetites or limits and tenors, as appropriate. In addition, we continue to evaluate the terms under which we provide credit facilities within the context of individual customer requirements, the quality of the relationship, local regulatory requirements, market practices and our local market position.

Credit risk sub-function

(Audited)

Credit approval authorities are delegated by the Board to the Chief Executive together with the authority to sub-delegate them. The Credit risk sub-function in Risk is responsible for the key policies and processes for managing credit risk, which include formulating credit policies and risk rating frameworks, guiding the appetite for credit risk exposures, undertaking independent reviews and objective assessment of credit risk, and monitoring performance and management of portfolios.

The principal objectives of our credit risk management are:

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

Key risk management process

IFRS 9 'Financial Instruments' process

The IFRS 9 process comprises three main areas: modelling and data; implementation; and governance.

Modelling, data and forward economic guidance

The HSBC Group has established IFRS 9 modelling and data processes in various geographies, which are subject to internal model risk governance including independent review of significant model developments.

We have a centralised process for generating unbiased and independent global economic scenarios. Scenarios are subject to a process of review and challenge by a dedicated central team, and individually for each region. Each quarter, the scenarios and probability weights are reviewed and checked for consistency with the economic conjuncture and current economic and financial risks. These are subject to final review and approval by senior management in a Forward Economic Guidance Global Business Impairment Committee.

Implementation

A centralised impairment engine performs the expected credit losses calculation using data, which is subject to a number of validation checks and enhancements, from a variety of client, finance and risk systems. Where possible, these checks and processes are performed in a globally consistent and centralised manner.

Governance

Management review forums are established in order to review and approve the impairment results. Regional management review forums have representatives from Credit Risk and Finance. Required members of the forums are the heads of Wholesale Credit, Market Risk, and Wealth and Personal Banking Risk, as well as the global business Chief Financial Officers and the Chief Accounting Officer.

Concentration of credit risk exposure

Concentrations of credit risk arise when a number of counterparties or exposures have comparable economic characteristics, or are engaged in similar activities, or operate in the same geographical areas/industry sectors, so that their collective ability to meet contractual obligations is uniformly affected by changes in economic, political or other conditions.

HSBC Continental Europe 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.

Credit quality of financial instruments

The HSBC Group's credit risk rating systems facilitates the internal ratings-based approach under the Basel framework adopted by the HSBC Group to support the calculation of our minimum credit regulatory capital requirement.

The five credit quality classifications encompass a range of more granular, internal credit rating grades assigned to wholesale and retail customers, and the external rating, attributed by external agencies to debt securities.

For debt securities and certain other financial instruments, external ratings have been aligned to the five quality classifications based upon the mapping of related Customer Risk Rating ('CRR') to external credit rating.

Wholesale lending

The CRR 10-grade scale summarises a more granular underlying 23-grade scale of obligor PD. All corporate customers are rated using the 10- or 23-grade scale, depending on the degree of sophistication of the Basel approach adopted for the exposure.

Each CRR band is associated with an external rating grade by reference to long-run default rates for that grade, represented by the average of issuer-weighted historical default rates. This mapping between internal and external ratings is indicative and may vary over time.

Retail lending

Retail lending credit quality is based on a 12-month point-in-time probability-weighted PD.

Credit quality classification

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

1 Customer risk rating ('CRR').
2 12-month point-in-time ('PIT') probability weighted probability of default ('PD').

Quality classification definitions

- 'Strong': exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default and/or low levels of expected loss.
- Good': exposures require closer monitoring and demonstrate a good capacity to meet financial commitments, with low default risk.
- 'Satisfactory': exposures require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with moderate default risk.
- 'Sub-standard': exposures require varying degrees of special attention and default risk is of greater concern.
- 'Credit Impaired': exposures have been assessed, individually or collectively, as impaired.

Distribution of financial instruments by credit quality

	Gross carrying/notional amount							
	Strong	Good	Satisfactory	Sub-standard	Credit impaired	Total	Provision for ECL	Net
	€m	€m	€m	€m	€m	€m	€m	€m
In-scope for IFRS 9								
Loans and advances to customers held at amortised cost	**18,103**	**11,526**	**18,331**	**2,202**	**1,613**	**51,775**	**(487)**	**51,288**
– personal[1]	**9,374**	**481**	**252**	**23**	**108**	**10,238**	**(45)**	**10,193**
– corporate and commercial	**6,624**	**9,422**	**14,107**	**2,088**	**1,496**	**33,737**	**(432)**	**33,305**
– non-bank financial institutions	**2,105**	**1,623**	**3,972**	**91**	**9**	**7,800**	**(10)**	**7,790**
Loans and advances to banks held at amortised cost	**4,682**	**127**	**895**	**—**	**—**	**5,704**	**(1)**	**5,703**
Cash and balances at central banks	**48,907**	**—**	**—**	**—**	**—**	**48,907**	**—**	**48,907**
Reverse repurchase agreements – non-trading	**22,742**	**2,929**	**93**	**—**	**—**	**25,764**	**—**	**25,764**
Financial investments	**2,141**	**—**	**1,197**	**—**	**—**	**3,338**	**—**	**3,338**
Assets held for sale[2]	**2,171**	**129**	**175**	**—**	**—**	**2,475**	**—**	**2,475**
Prepayments, accrued income and other assets	**15,570**	**622**	**1,019**	**4**	**9**	**17,224**	**—**	**17,224**
– endorsements and acceptances	**—**	**—**	**1**	**—**	**—**	**1**	**—**	**1**
– accrued income and other	**15,570**	**622**	**1,018**	**4**	**9**	**17,223**	**—**	**17,223**
Debt instruments measured at fair value through other comprehensive income[3,4]	**25,990**	**80**	**91**	**—**	**—**	**26,161**	**(5)**	**26,156**
Out-of-scope for IFRS 9								
Trading assets	**15,999**	**226**	**322**	**7**	**3**	**16,557**	**—**	**16,557**
Other financial assets designated and otherwise mandatorily measured at fair value through profit or loss	**217**	**43**	**30**	**—**	**—**	**290**	**—**	**290**
Derivatives	**41,315**	**1,046**	**847**	**31**	**12**	**43,251**	**—**	**43,251**
Assets held for sale	**2,900**	**—**	**—**	**—**	**—**	**2,900**	**—**	**2,900**
Total gross amount on balance sheet	**200,737**	**16,728**	**23,000**	**2,244**	**1,637**	**244,346**	**(493)**	**243,853**
Percentage of total credit quality (%)	**82.2**	**6.8**	**9.4**	**0.9**	**0.7**	**100.0**		
Loan and other credit related commitments	**61,962**	**23,486**	**17,074**	**2,004**	**130**	**104,656**	**(33)**	**104,623**
– loan and other credit related commitments for loans and advances to customers	**27,994**	**23,416**	**16,958**	**1,964**	**130**	**70,462**	**(33)**	**70,429**
– loan and other credit related commitments for loans and advances to banks	**33,968**	**70**	**116**	**40**	**—**	**34,194**	**—**	**34,194**
Financial guarantees	**1,011**	**473**	**384**	**38**	**44**	**1,950**	**(7)**	**1,943**
In-scope for IFRS 9: Irrecoverable loan commitments and financial guarantees	**62,973**	**23,959**	**17,458**	**2,042**	**174**	**106,606**	**(40)**	**106,566**
Loan and other credit related commitments	**2,817**	**2,376**	**910**	**53**	**8**	**6,164**	**—**	**6,164**
Performance and other guarantees	**7,386**	**5,274**	**3,796**	**287**	**157**	**16,900**	**(30)**	**16,870**
Out-of-scope for IFRS 9: Revocable loan commitments and non-financial guarantees	**10,203**	**7,650**	**4,706**	**340**	**165**	**23,064**	**(30)**	**23,034**
Total nominal amount off-balance sheet	**73,176**	**31,609**	**22,164**	**2,382**	**339**	**129,670**	**(70)**	**129,600**
At 31 Dec 2024	**273,913**	**48,337**	**45,164**	**4,626**	**1,976**	**374,016**	**(563)**	**373,453**

1 Includes retained portfolio of French home and other loans following the sale of retail banking operations in France, with carrying amount of EUR 6.7 billion as at 31 December 2024, of which EUR 6.3 billion guaranteed by Crédit Logement.
2 Includes planned sale of private banking business in Germany and life insurance business in France. For further details on gross carrying amounts and allowances for ECL related to assets held for sale, see 'Assets held for sale' on page 207.
3 Includes EUR 8.8 billion related to planned sale of the life insurance business in France classified as held for sale in 2024.
4 For the purposes of this disclosure gross carrying amount is defined as the amortised cost of a financial asset, before adjusting for any loss allowance. As such the gross carrying amount of debt instruments at FVOCI as presented above will not reconcile to the balance sheet as it excludes fair value gains and losses.

Distribution of financial instruments by credit quality (continued)

	Gross carrying/notional amount							
	Strong	Good	Satisfactory	Sub-standard	Credit impaired	Total	Provision for ECL	Net
	€m	€m	€m	€m	€m	€m	€m	€m
In-scope for IFRS 9								
Loans and advances to customers held at amortised cost	16,120	13,153	16,856	3,097	1,659	50,885	(758)	50,127
– personal[1]	7,781	2,414	337	124	96	10,752	(47)	10,705
– corporate and commercial	6,741	9,384	13,374	2,908	1,535	33,942	(693)	33,249
– non-bank financial institutions	1,598	1,355	3,145	65	28	6,191	(18)	6,173
Loans and advances to banks held at amortised cost	4,998	70	748	—	—	5,816	—	5,816
Cash and balances at central banks	56,894	—	—	—	—	56,894	—	56,894
Reverse repurchase agreements – non-trading	21,700	2,504	286	—	—	24,490	—	24,490
Financial investments	1,740	—	7	—	—	1,747	—	1,747
Assets held for sale[2,3]	22,305	1,419	981	109	180	24,994	(74)	24,920
Prepayments, accrued income and other assets	18,283	595	1,256	16	13	20,163	—	20,163
– endorsements and acceptances	7	—	—	—	—	7	—	7
– accrued income and other	18,276	595	1,256	16	13	20,156	—	20,156
Debt instruments measured at fair value through other comprehensive income[4]	19,147	2,348	188	—	—	21,683	(5)	21,678
Out-of-scope for IFRS 9								
Trading assets	13,897	195	347	2	—	14,441	—	14,441
Other financial assets designated and otherwise mandatorily measured at fair value through profit or loss	2,195	59	14	—	—	2,268	—	2,268
Derivatives	43,997	985	518	13	9	45,522	—	45,522
Assets held for sale	69	—	—	—	—	69	—	69
Total gross amount on balance sheet	221,345	21,328	21,201	3,237	1,861	268,972	(837)	268,135
Percentage of total credit quality (%)	82.3	7.9	7.9	1.2	0.7	100.0		
Loan and other credit related commitments	69,971	22,930	11,919	1,155	184	106,159	(24)	106,135
– loan and other credit related commitments for loans and advances to customers	29,134	22,627	11,758	1,155	184	64,858	(24)	64,834
– loan and other credit related commitments for loans and advances to banks	40,837	303	161	—	—	41,301	—	41,301
Financial guarantees	898	295	282	24	53	1,552	(7)	1,545
In-scope for IFRS 9: Irrecoverable loan commitments and financial guarantees	70,869	23,225	12,201	1,179	237	107,711	(31)	107,680
Loan and other credit related commitments	2,879	2,223	848	32	5	5,987	—	5,987
Performance and other guarantees	5,808	4,836	3,862	522	233	15,261	(27)	15,234
Out-of-scope for IFRS 9: Revocable loan commitments and non-financial guarantees	8,687	7,059	4,710	554	238	21,248	(27)	21,221
Total nominal amount off-balance sheet	79,556	30,284	16,911	1,733	475	128,959	(58)	128,901
At 31 Dec 2023	300,901	51,612	38,112	4,970	2,336	397,931	(895)	397,036

1 As part of the sale of the retail banking operations in France, HSBC Continental Europe retained a portfolio of EUR 7.1 billion at the time of sale consisting of home and certain other loans, of which EUR 6.7 billion guaranteed by Crédit Logement.
2 Of which EUR 9.5 billion guaranteed by Crédit Logement classified as held for sale as at 31 December 2023.
3 For further details on gross carrying amounts and allowances for ECL related to assets held for sale, see 'Assets held for sale' on page 207.
4 For the purposes of this disclosure gross carrying amount is defined as the amortised cost of a financial asset, before adjusting for any loss allowance. As such the gross carrying amount of debt instruments at FVOCI as presented above will not reconcile to the balance sheet as it excludes fair value gains and losses.

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

	Gross carrying/notional amount							
	Strong	Good	Satisfactory	Sub-standard	Credit impaired	Total	Provision for ECL	Net
	€m	€m	€m	€m	€m	€m	€m	€m
Loans and advances to customers at amortised cost	18,103	11,526	18,331	2,202	1,613	51,775	(487)	51,288
– stage 1	17,855	11,156	15,665	895	—	45,571	(40)	45,531
– stage 2	248	370	2,666	1,307	—	4,591	(85)	4,506
– stage 3	—	—	—	—	1,612	1,612	(362)	1,250
– POCI	—	—	—	—	1	1	—	1
Loans and advances to banks at amortised cost	4,682	127	895	—	—	5,704	(1)	5,703
– stage 1	4,660	126	893	—	—	5,679	(1)	5,678
– stage 2	22	1	2	—	—	25	—	25
– stage 3	—	—	—	—	—	—	—	—
– POCI	—	—	—	—	—	—	—	—
Other financial assets measured at amortised cost[1]	91,531	3,680	2,484	4	9	97,708	—	97,708
– stage 1	91,531	3,656	2,480	—	—	97,667	—	97,667
– stage 2	—	24	4	4	—	32	—	32
– stage 3	—	—	—	—	9	9	—	9
– POCI	—	—	—	—	—	—	—	—
Loan and other credit-related commitments	61,962	23,486	17,074	2,004	130	104,656	(33)	104,623
– stage 1	61,630	22,414	15,480	1,424	—	100,948	(9)	100,939
– stage 2	332	1,072	1,594	580	—	3,578	(14)	3,564
– stage 3	—	—	—	—	130	130	(10)	120
– POCI	—	—	—	—	—	—	—	—
Financial guarantees[2]	1,011	473	384	38	44	1,950	(7)	1,943
– stage 1	1,011	465	374	6	—	1,856	(1)	1,855
– stage 2	—	8	10	32	—	50	(2)	48
– stage 3	—	—	—	—	44	44	(4)	40
– POCI	—	—	—	—	—	—	—	—
Total on balance sheet and off balance sheet excluding debt instrument at FVOCI	177,289	39,292	39,168	4,248	1,796	261,793	(528)	261,265
Debt instruments at FVOCI[3,4]	25,990	80	91	—	—	26,161	(5)	26,156
– stage 1	25,943	80	91	—	—	26,114	(5)	26,109
– stage 2	47	—	—	—	—	47	—	47
– stage 3	—	—	—	—	—	—	—	—
– POCI	—	—	—	—	—	—	—	—
At 31 Dec 2024	203,279	39,372	39,259	4,248	1,796	287,954	(533)	287,421

1 Includes planned sale of private banking business in Germany and life insurance business in France. For further details on gross carrying amounts and allowances for ECL related to assets held for sale, see 'Assets held for sale' on page 207.
2 Excludes performance guarantee contracts to which the impairment requirements in IFRS 9 are not applied.
3 For the purposes of this disclosure gross carrying amount is defined as the amortised cost of a financial asset, before adjusting for any loss allowance. As such the gross carrying amount of debt instruments at FVOCI as presented above will not reconcile to the balance sheet as it excludes fair value gains and losses.
4 Includes EUR 8.8 billion related to planned sale of the life insurance business in France classified as held for sale in 2024.

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

	Gross carrying/notional amount							
	Strong	Good	Satisfactory	Sub-standard	Credit impaired	Total	Provision for ECL	Net
	€m	€m	€m	€m	€m	€m	€m	€m
Loans and advances to customers at amortised cost	16,120	13,153	16,856	3,097	1,659	50,885	(758)	50,127
– stage 1	15,889	12,620	14,419	1,210	—	44,138	(53)	44,085
– stage 2	231	533	2,437	1,887	—	5,088	(81)	5,007
– stage 3	—	—	—	—	1,651	1,651	(624)	1,027
– POCI	—	—	—	—	8	8	—	8
Loans and advances to banks at amortised cost	4,998	70	748	—	—	5,816	—	5,816
– stage 1	4,976	69	667	—	—	5,712	—	5,712
– stage 2	22	1	81	—	—	104	—	104
– stage 3	—	—	—	—	—	—	—	—
– POCI	—	—	—	—	—	—	—	—
Other financial assets measured at amortised cost[1]	120,922	4,518	2,530	125	193	128,288	(74)	128,214
– stage 1	120,714	4,204	2,043	24	—	126,985	(3)	126,982
– stage 2	208	314	487	101	—	1,110	(8)	1,102
– stage 3	—	—	—	—	193	193	(63)	130
– POCI	—	—	—	—	—	—	—	—
Loan and other credit-related commitments	69,971	22,930	11,919	1,155	184	106,159	(24)	106,135
– stage 1	69,369	22,270	10,600	789	—	103,028	(8)	103,020
– stage 2	602	660	1,319	366	—	2,947	(9)	2,938
– stage 3	—	—	—	—	184	184	(7)	177
– POCI	—	—	—	—	—	—	—	—
Financial guarantees[2]	898	295	282	24	53	1,552	(7)	1,545
– stage 1	898	294	236	4	—	1,432	(1)	1,431
– stage 2	—	1	46	20	—	67	(1)	66
– stage 3	—	—	—	—	53	53	(5)	48
– POCI	—	—	—	—	—	—	—	—
Total on balance sheet and off balance sheet excluding debt instrument at FVOCI	212,909	40,966	32,335	4,401	2,089	292,700	(863)	291,837
Debt instruments at FVOCI[3]	19,147	2,348	188	—	—	21,683	(5)	21,678
– stage 1	19,101	2,348	183	—	—	21,632	(5)	21,627
– stage 2	46	—	5	—	—	51	—	51
– stage 3	—	—	—	—	—	—	—	—
– POCI	—	—	—	—	—	—	—	—
At 31 Dec 2023	232,056	43,314	32,523	4,401	2,089	314,383	(868)	313,515

1 Includes held for sale exposures related to retail banking operations in France. For further details on gross carrying amounts and allowances for ECL related to assets held for sale, see 'Assets held for sale' on page 207.
2 Excludes performance guarantee contracts to which the impairment requirements in IFRS 9 are not applied.
3 For the purposes of this disclosure gross carrying amount is defined as the amortised cost of a financial asset, before adjusting for any loss allowance. As such the gross carrying amount of debt instruments at FVOCI as presented above will not reconcile to the balance sheet as it excludes fair value gains and losses.

Impairment assessment

Management regularly evaluates the adequacy of the established allowances for impaired loans by conducting a detailed review of the loan portfolio, comparing performance and delinquency statistics with historical trends and assessing the impact of current economic conditions.

Impaired loans – identification of loss events

The criteria used by HSBC Continental Europe to determine that a loan is impaired includes:

– known cash flow difficulties experienced by the borrower;

– contractual payments of either principal or interest being past due for more than 90 days;

– the probability that the borrower will enter bankruptcy or other financial distress procedure;

– a concession granted to the borrower for economic or legal reasons relating to the borrower's financial difficulty that results in forgiveness or postponement of principal, interest or fees; and

– a deterioration in the financial condition or outlook of the borrower such that its ability to repay is considered doubtful.

Impairment of loans and advances

For details of HSBC Continental Europe's policy concerning impairments of loans and advances, please refer to Note 1.2(i) on the financial statements.

Summary of credit risk

The disclosure below presents the gross carrying/nominal amount of financial instruments to which the impairment requirements in IFRS 9 are applied and the associated allowance for ECL. Due to the forward-looking nature of IFRS 9, the scope of financial instruments on which ECL are recognised is greater than the scope of IAS 39. The following tables show the allocation of loans and ECL allowance according to the kind of loans and nature of counterparties.

Summary of financial instruments to which the impairment requirements in IFRS 9 are applied

	At 31 Dec 2024		At 31 Dec 2023	
	Gross carrying/ nominal amount	**Provision for ECL[1]**	Gross carrying/ nominal amount	Provision for ECL[1]
	€m	**€m**	€m	€m
Loans and advances to customers at amortised cost[2]	**51,775**	**(487)**	50,885	(758)
Loans and advances to banks at amortised cost	**5,704**	**(1)**	5,816	—
Other financial assets measured at amortised costs:	**95,233**	**—**	103,294	—
– cash and balances at central banks	**48,907**	**—**	56,894	—
– reverse repurchase agreements – non-trading	**25,764**	**—**	24,490	—
– financial investments[3]	**3,338**	**—**	1,747	—
– prepayments, accrued income and other assets[4]	**17,224**	**—**	20,163	—
Assets held for sale[5]	**2,475**	**—**	24,994	(74)
Total gross carrying amount on balance sheet	**155,187**	**(488)**	184,989	(832)
Loans and other credit related commitments:	**104,656**	**(33)**	106,159	(24)
Financial guarantees[6]:	**1,950**	**(7)**	1,552	(7)
Total nominal amount off-balance sheet[7]	**106,606**	**(40)**	107,711	(31)
Total nominal amount on balance sheet and off-balance sheet	**261,793**	**(528)**	292,700	(863)

	Fair value	**Memorandum Provision for ECL[8]**	Fair value	Memorandum Provision for ECL[8]
	€m	**€m**	€m	€m
Debt instruments measured at Fair Value through Other Comprehensive Income ('FVOCI')[9]	**25,567**	**(5)**	20,832	(5)

1 The total ECL is recognised in the loss allowance for the financial asset unless the total ECL exceeds the gross carrying amount of the financial asset, in which case the ECL is recognised as a provision.
2 As part of the sale of the retail banking operations in France, HSBC Continental Europe retained a portfolio of EUR 7.1 billion at the time of sale consisting of home and certain other loans, of which EUR 6.7 billion guaranteed by Crédit Logement. This portfolio has reduced to EUR 6.7 billion as at 31 December 2024, of which EUR 6.3 billion are guaranteed by Crédit Logement.
3 Includes only financial investments measured at amortised cost. 'Financial investments' as presented within the consolidated balance sheet on page 243 includes financial assets measured at amortised cost and debt and equity instruments measured at fair value through other comprehensive income.
4 Includes only those financial instruments which are subject to the impairment requirements of IFRS 9. 'Prepayments, accrued income and other assets' as presented within the consolidated balance sheet on page 243 comprises both financial and non-financial assets, including cash collateral and settlement accounts. It also includes 'Items in the course of collection from other banks' which was presented separately in 2023.
5 Includes planned sale of private banking business in Germany and life insurance business in France .The comparatives includes EUR 9.5 billion guaranteed by Crédit Logement classified as held for sale as at 31 December 2023, the sale of retail banking operation has been completed. For further details on gross carrying amounts and allowances for ECL related to assets held for sale, see 'Assets held for sale' on page 207.
6 Excludes performance guarantee contracts to which the impairment requirements in IFRS 9 are not applied.
7 Represents the maximum amount at risk should the contracts be fully drawn upon and clients default.
8 Debt instruments measured at FVOCI continue to be measured at fair value with the allowance for ECL as a memorandum item. Change in ECL is recognised in 'Change in expected credit losses and other credit impairment charges' in the income statement.
9 Includes EUR 8.2 billion related to planned sale of the life insurance business in France classified as held for sale in 2024.

Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage by industry sector at 31 December 2024

	Gross carrying/nominal amount[1]					Provision for ECL					ECL coverage %				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	%	%	%	%	%
Loans and advances to customers at amortised cost	45,571	4,591	1,612	1	51,775	(40)	(85)	(362)	—	(487)	0.1	1.9	22.5	—	0.9
– personal[2]	9,840	290	108	—	10,238	(3)	(10)	(32)	—	(45)	—	3.4	29.6	—	0.4
– corporate and commercial	28,015	4,226	1,495	1	33,737	(34)	(74)	(324)	—	(432)	0.1	1.8	21.7	—	1.3
– non-bank financial institutions	7,716	75	9	—	7,800	(3)	(1)	(6)	—	(10)	—	1.3	66.7	—	0.1
Loans and advances to banks at amortised cost	5,679	25	—	—	5,704	(1)	—	—	—	(1)	—	—	—	—	—
Other financial assets measured at amortised cost	95,209	15	9	—	95,233	—	—	—	—	—	—	—	—	—	—
Assets held for sale[3]	2,458	17	—	—	2,475	—	—	—	—	—	—	—	—	—	—
Loan and other credit-related commitments	100,948	3,578	130	—	104,656	(9)	(14)	(10)	—	(33)	—	0.4	7.7	—	—
– personal	308	4	—	—	312	—	—	—	—	—	—	—	—	—	—
– corporate and commercial	50,394	3,545	130	—	54,069	(8)	(14)	(10)	—	(32)	—	0.4	7.7	—	0.1
– financial	50,246	29	—	—	50,275	(1)	—	—	—	(1)	—	—	—	—	—
Financial guarantees[4]	1,856	50	44	—	1,950	(1)	(2)	(4)	—	(7)	0.1	4.0	9.1	—	0.4
– personal	38	—	—	—	38	—	—	—	—	—	—	—	—	—	—
– corporate and commercial	837	46	44	—	927	(1)	(2)	(4)	—	(7)	0.1	4.3	9.1	—	0.8
– financial	981	4	—	—	985	—	—	—	—	—	—	—	—	—	—
At 31 Dec 2024	**251,721**	**8,276**	**1,795**	**1**	**261,793**	**(51)**	**(101)**	**(376)**	**—**	**(528)**	**—**	**1.2**	**20.9**	**—**	**0.2**

1 Represents the maximum amount at risk should the contracts be fully drawn upon and clients default.
2 Includes retained portfolio of French home and other loans following the sale of retail banking operations in France, with carrying amount of EUR 6.7 billion as at 31 December 2024, of which EUR 6.3 billion guaranteed by Crédit Logement.
3 Includes planned sale of private banking business in Germany and life insurance business in France. For further details on gross carrying amounts and allowances for ECL related to assets held for sale, see 'Assets held for sale' on page 207.
4 Excludes performance guarantee contracts to which the impairment requirements in IFRS 9 are not applied.

Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when they are 30 days past due and are transferred from stage 1 to stage 2.

The disclosure below presents the ageing of stage 2 financial assets by those less than 30 and greater than 30 days past due and therefore presents those financial assets classified as stage 2 due to ageing (30 days past due) and those identified at an earlier stage (less than 30 days past due).

Past due financial instruments are those loans where customers have failed to make payments in accordance with the contractual terms of their facilities.

Stage 2 days past due analysis at 31 December 2024

	Gross carrying amount			Provision for ECL			ECL coverage %		
		of which:	of which:		of which:	of which:		of which:	of which:
	Stage 2	1 to 29 DPD[1]	30 and > DPD[1]	Stage 2	1 to 29 DPD[1]	30 and > DPD[1]	Stage 2	1 to 29 DPD[1]	30 and > DPD[1]
	€m	€m	€m	€m	€m	€m	%	%	%
Loans and advances to customers at amortised cost	4,591	55	42	(85)	(2)	—	1.9	3.6	—
– personal	290	49	7	(10)	(2)	—	3.4	4.1	—
– corporate and commercial	4,226	5	34	(74)	—	—	1.8	—	—
– non-bank financial institutions	75	1	1	(1)	—	—	1.3	—	—
Loans and advances to banks at amortised cost	25	—	—	—	—	—	—	—	—
Other financial assets measured at amortised cost	15	—	—	—	—	—	—	—	—
Assets held for sale[2]	17	—	—	—	—	—	—	—	—

1 Days past due ('DPD'), amounts presented above are on contractual basis.
2 For further details on gross carrying amounts and allowances for ECL related to assets held for sale, see 'Assets held for sale' on page 207.

Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage by industry sector at 31 December 2023 (continued)

	Gross carrying/nominal amount[1]					Provision for ECL					ECL coverage %				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	%	%	%	%	%
Loans and advances to customers at amortised cost:	44,138	5,088	1,651	8	50,885	(53)	(81)	(624)	—	(758)	0.1	1.6	37.8	—	1.5
– personal[2]	10,129	526	97	—	10,752	(9)	(10)	(28)	—	(47)	0.1	1.9	28.9	—	0.4
– corporate and commercial	28,007	4,401	1,526	8	33,942	(42)	(67)	(584)	—	(693)	0.1	1.5	38.3	—	2.0
– non-bank financial institutions	6,002	161	28	—	6,191	(2)	(4)	(12)	—	(18)	—	2.5	42.9	—	0.3
Loans and advances to banks at amortised cost	5,712	104	—	—	5,816	—	—	—	—	—	—	—	—	—	—
Other financial assets measured at amortised cost	103,246	35	13	—	103,294	—	—	—	—	—	—	—	—	—	—
Assets held for sale[3,4]	23,739	1,075	180	—	24,994	(3)	(8)	(63)	—	(74)	—	0.7	35.0	—	0.3
Loan and other credit-related commitments	103,028	2,947	184	—	106,159	(8)	(9)	(7)	—	(24)	—	0.3	3.8	—	—
– personal	898	29	2	—	929	—	—	—	—	—	—	—	—	—	—
– corporate and commercial	49,962	2,767	172	—	52,901	(8)	(8)	(7)	—	(23)	—	0.3	4.1	—	—
– financial	52,168	151	10	—	52,329	—	(1)	—	—	(1)	—	0.7	—	—	—
Financial guarantees[5]	1,432	67	53	—	1,552	(1)	(1)	(5)	—	(7)	0.1	1.5	9.4	—	0.5
– personal	37	—	—	—	37	—	—	—	—	—	—	—	—	—	—
– corporate and commercial	613	66	53	—	732	(1)	(1)	(5)	—	(7)	0.2	1.5	9.4	—	1.0
– financial	782	1	—	—	783	—	—	—	—	—	—	—	—	—	—
At 31 Dec 2023	281,295	9,316	2,081	8	292,700	(65)	(99)	(699)	—	(863)	—	1.1	33.6	—	0.3

1 Represents the maximum amount at risk should the contracts be fully drawn upon and customers default.
2 As part of the sale of the retail banking operations in France, HSBC Continental Europe retained a portfolio of EUR 7.1 billion at the time of sale consisting of home and certain other loans, of which EUR 6.7 billion guaranteed by Crédit Logement.
3 Of which EUR 9.5 billion guaranteed by Crédit Logement classified as held for sale as at 31 December 2023.
4 For further details on gross carrying amounts and allowances for ECL related to assets held for sale, see 'Assets held for sale' on page 207.
5 Excludes performance guarantee contracts to which the impairment requirements in IFRS 9 are not applied.

Stage 2 days past due analysis at 31 December 2023 (continued)

	Gross carrying amount			Provision for ECL			ECL coverage %		
		of which:	of which:		of which:	of which:		of which:	of which:
	Stage 2	1 to 29 DPD[1]	30 and > DPD[1]	Stage 2	1 to 29 DPD[1]	30 and > DPD[1]	Stage 2	1 to 29 DPD[1]	30 and > DPD[1]
	€m	€m	€m	€m	€m	€m	%	%	%
Loans and advances to customers at amortised cost	5,088	76	245	(81)	(2)	(1)	1.6	2.6	0.4
– personal	526	18	5	(10)	(1)	(1)	1.9	5.6	20.0
– corporate and commercial	4,401	58	236	(67)	(1)	—	1.5	1.7	—
– non-bank financial institutions	161	—	4	(4)	—	—	2.5	—	—
Loans and advances to banks at amortised cost	104	—	12	—	—	—	—	—	—
Other financial assets measured at amortised cost	35	—	—	—	—	—	—	—	—
Assets held for sale[2]	1,075	16	11	(8)	—	(0.3)	0.7	—	—

1 Days past due ('DPD'), amounts presented above are on contractual basis.
2 For further details on gross carrying amounts and allowances for ECL related to assets held for sale, see 'Assets held for sale' on page 207.

Stage 2 Decomposition at 31 December 2024

The following disclosure presents the stage 2 decomposition of gross carrying amount and allowances for ECL for loans and advances to customers.

The table below discloses the reason why an exposure moved into stage 2 originally, and is therefore presented as a significant increase in credit risk since origination.

The quantitative classification shows when the relevant reporting date PD measure exceeds defined quantitative thresholds for retail and wholesale exposures, as set out in Note 1.2 'Summary of significant accounting policies',on page 249.

The Qualitative classification primarily accounts for CRR deterioration, watch & worry and retail management judgemental adjustments.

For further details on our approach to the assessment of significant increase in credit risk, see Note 1.2 'Summary of material accounting policies' on pages 249.

Stage 2 Decomposition at 31 December 2024

	Gross carrying amount				Provision for ECL				
Loans and advances to customers	**Personal**	**Corporate and commercial**	**Non-bank financial institutions**	**Total**	**Personal**	**Corporate and commercial**	**Non-bank financial institutions**	**Total**	**ECL Coverage % Total**
	€m	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**%**
Quantitative	**281**	**1,931**	**20**	**2,232**	**(10)**	**(31)**	**—**	**(41)**	**1.8**
Qualitative	**4**	**2,277**	**54**	**2,335**	**—**	**(43)**	**(1)**	**(44)**	**1.9**
30 days past due backstop	**5**	**18**	**1**	**24**	**—**	**—**	**—**	**—**	**—**
Total Stage 2	**290**	**4,226**	**75**	**4,591**	**(10)**	**(74)**	**(1)**	**(85)**	**1.9**

Stage 2 Decomposition at 31 December 2023

	Gross carrying amount				Provision for ECL				
Loans and advances to customers	Personal	Corporate and commercial	Non-bank financial institutions	Total	Personal	Corporate and commercial	Non-bank financial institutions	Total	ECL Coverage % Total
	€m	€m	€m	€m	€m	€m	€m	€m	%
Quantitative	471	1,956	39	2,466	(5)	(39)	(2)	(46)	1.9
Qualitative	55	2,208	117	2,380	(5)	(28)	(2)	(35)	1.5
30 days past due backstop	—	237	5	242	—	—	—	—	—
Total stage 2	526	4,401	161	5,088	(10)	(67)	(4)	(81)	1.6

Maximum exposure to credit risk

The following table presents our maximum exposure before taking account of any collateral held or other credit enhancements (unless such enhancements meet accounting offsetting requirements). The table excludes financial instruments whose carrying amount best represents the net exposure to credit risk and it excludes equity securities as they are not subject to credit risk. For the financial assets recognised on the balance sheet, the maximum exposure to credit risk equals their carrying amount; for financial guarantees and other guarantees granted, it is the maximum amount that we would have to pay if the guarantees were called upon. For loan commitments and other credit-related commitments, it is generally the full amount of the committed facilities.

The offset in the table relates to amounts where there is a legally enforceable right of offset in the event of counterparty default and where, as a result, there is a net exposure for credit risk purposes. However, as there is no intention to settle these balances on a net basis under normal circumstances, they do not qualify for net presentation for accounting purposes. No offset has been applied to off-balance sheet collateral. In the case of derivatives the offset column also includes collateral received in cash and other financial assets.

Maximum exposure to credit risk

	At 31 Dec 2024		
	Maximum exposure €m	**Offset €m**	**Net €m**
Loans and advances to customers held at amortised cost	**51,288**	**—**	**51,288**
– personal[1]	**10,193**	**—**	**10,193**
– corporate and commercial	**33,305**	**—**	**33,305**
– non-bank financial institutions	**7,790**	**—**	**7,790**
Loans and advances to banks at amortised cost	**5,703**	**—**	**5,703**
Other financial assets held at amortised cost	**95,437**	**(3,335)**	**92,102**
– cash and balances at central banks	**48,907**	**—**	**48,907**
– reverse repurchase agreements – non-trading	**25,764**	**(3,335)**	**22,429**
– financial investments	**3,338**	**—**	**3,338**
– prepayments, accrued income and other assets	**17,428**	**—**	**17,428**
Assets held for sale[2]	**25,477**	**—**	**25,477**
Derivatives	**43,251**	**(39,756)**	**3,495**
Total on-balance sheet exposure to credit risk	**221,156**	**(43,091)**	**178,065**
Total off-balance sheet	**129,600**	**—**	**129,600**
– financial and other guarantees[3]	**18,813**	**—**	**18,813**
– loan and other credit-related commitments	**110,787**	**—**	**110,787**
Total on and off-balance sheet amount	**350,756**	**(43,091)**	**307,665**

1 Includes retained portfolio of French home and other loans following the sale of retail banking operations in France, with carrying amount of EUR 6.7 billion as at 31 December 2024, of which EUR 6.3 billion guaranteed by Crédit Logement.
2 Includes planned sale of private banking business in Germany and life insurance business in France. For further details on gross carrying amounts and allowances for ECL related to assets held for sale, see 'Assets held for sale' on page 207.
3 'Financial and other guarantees' represents 'Financial guarantees' and 'Performance and other guarantees' as disclosed in Note 30.

Maximum exposure to credit risk (continued)

	At 31 Dec 2023		
	Maximum exposure €m	Offset €m	Net €m
Loans and advances to customers held at amortised cost	50,127	—	50,127
– personal[1]	10,705	—	10,705
– corporate and commercial	33,249	—	33,249
– non-bank financial institutions	6,173	—	6,173
Loans and advances to banks at amortised cost	5,816	(50)	5,766
Other financial assets held at amortised cost	103,546	(3,278)	100,268
– cash and balances at central banks	56,894	—	56,894
– reverse repurchase agreements – non-trading	24,490	(3,278)	21,212
– financial investments	1,747	—	1,747
– prepayments, accrued income and other assets	20,415	—	20,415
Assets held for sale[2,3]	23,211	—	23,211
Derivatives	45,522	(44,054)	1,468
Total on-balance sheet exposure to credit risk	228,222	(47,382)	180,840
Total off-balance sheet	128,901	—	128,901
– financial and other guarantees[4]	16,779	—	16,779
– loan and other credit-related commitments	112,122	—	112,122
Total on and off-balance sheet amount	357,123	(47,382)	309,741

1 As part of the sale of the retail banking operations in France, HSBC Continental Europe retained a portfolio of EUR 7.1 billion at the time of sale consisting of home and certain other loans, of which EUR 6.7 billion guaranteed by Crédit Logement.
2 Of which EUR 9.5 billion guaranteed by Crédit Logement classified as held for sale as at 31 December 2023.
3 For further details on gross carrying amounts and allowances for ECL related to assets held for sale, see 'Assets held for sale' on page 207.
4 Financial and other guarantees' represents 'Financial guarantees' and 'Performance and other guarantees' as disclosed in Note 30.

Measurement uncertainty and sensitivity analysis of ECL estimates

The recognition and measurement of ECL involves the use of judgement and estimation. HSBC Continental Europe forms multiple economic scenarios, apply these forecasts to credit risk models to estimate future credit losses and probability-weight the results to determine an unbiased ECL estimate.

Management assessed the current economic environment, reviewed the latest forecasts and discussed key risks before selecting the appropriate economic scenarios and their weightings.

The Central scenario is constructed to reflect the latest macroeconomic expectations. Outer scenario incorporate the crystallisation of economic and geopolitical risks.

In the fourth quarter of 2024, scenarios were modified to reflect heightened policy uncertainty following the US election. Due to the lagged nature of consensus estimates, a modelled adjustment factor was applied to the standard scenarios, with recent views on the economic landscape and the consequences of increased global tariffs and other policy changes. The effect was to lower growth expectations in our major markets, while the impact on inflation and interest rates was varied.

Management judgemental adjustments are used where modelled ECL does not fully reflect the identified risks and related uncertainty, or to capture significant late breaking events.

At 31 December 2024, there was an increase in management judgemental adjustments compared with 31 December 2023 as it was considered that ECL modelled outcomes did not fully reflect the key risks.

Methodology
At 31 December 2024, four scenarios were used to capture the latest economic environment and to articulate management's view of the range of potential outcomes. Each scenario is updated with the latest economic forecasts and distributional estimates each quarter.

Three scenarios, the Upside, Central and Downside, are drawn from external consensus forecasts, market data and distributional estimates of the entire range of economic outcomes. The fourth scenario, the Downside 2, represents management's view of severe downside risks.

The Central scenario is deemed the 'most likely' scenario, and usually attracts the largest probability weighting. It is created using consensus forecasts, which is the average of a panel of external forecasts.

The outer scenarios represent the tails of the distribution and are less likely to occur. The consensus Upside and Downside scenarios are created with reference to forecast probability distributions for select markets that capture economists' views of the entire range of outcomes. In the later years of these scenarios, projections revert to long-term consensus trend expectations. Reversion to trend is done with reference to historically observed quarterly changes in the values of macroeconomic variables.

The fourth scenario, the Downside 2, represents management's view of severe downside risks. It is a globally consistent, narrative-driven scenario, that explores a more extreme economic outcomes than those captured by the consensus scenarios. In this scenario, variables do not, by design, revert to long-term trend expectations and may instead explore alternative states of equilibrium, where economic variables move permanently away from past trends.

The consensus Downside and the consensus Upside scenarios are each calibrated to be consistent with a 10 per cent probability. The Downside 2 is calibrated to a 5 per cent probability. The Central scenario is assigned the remaining 75 per cent. This weighting scheme is deemed appropriate for the unbiased estimation of ECL in most circumstances. However, management may depart from this probability-based scenario weighting approach when the economic outlook and forecasts are determined to be particularly uncertain and risks are elevated.

For the fourth quarter of 2024, we assessed the consensus forecasts and distributional estimates did not inadequately reflect the consequences of the US election on the global economic outlook. Forecasts lag and there is increased uncertainty as to how economic policy will change and how tariffs will be implemented. As such, scenarios have been constructed using the described standard methodology and an adjustment, to account for policy changes applied. The adjustment is based on a modelled update to the Central scenario and incorporated a detailed narrative of US economic policy proposals, including specific tariff rates. The modelled results were then layered onto the Central scenario, which resulted in changes to most variables. To quantify,the adjustment reduces GDP growth in our key markets by between 30 and 50bps in the first two years of the Central scenario forecast. Outer scenarios have been shifted in parallel.

The scenario adjustment entailed no change in scenario probability weights, which remained in-line with the Forward Economic Guidance ('FEG') framework. Uncertainties relating to the policy outlook have been addressed in the scenarios directly. Measures of dispersion and uncertainty have remained low but may reflect lags in the consensus economic forecasting process.

Scenarios produced to calculate ECL are aligned to HSBC's top and emerging risks.

Description of economic scenarios
The economic assumptions presented in this section have been formed by HSBC with reference to external forecasts specifically for the purpose of calculating ECL.

Forecasts may change and remain subject to uncertainty. Outer scenarios are designed to capture the potential crystallisation of key economic and financial risks and alternative paths for economic variables.

In our key markets, the Central scenario incorporates potential impacts from anticipated changes to US economic and trade policy,including higher tariffs. The overall effect of the adjustment in our key markets is to lower GDP and raise inflation and unemployment estimates, relative to the consensus. Consequently, GDP growth and unemployment forecasts have deteriorated in the fourth quarter of 2024, compared with the fourth quarter of 2023. With regards to monetary policy, the expected path for interest rates in many of our markets is based on market futures. Interest rate expectations have increased relative to the fourth quarter of 2023, with fewer rate cuts forecast.

At the end of 2024, risks to the economic outlook included a number of significant geopolitical issues. Within our Downside scenarios, the economic consequences from the crystallisation of those risks are captured by higher commodity and goods prices, the re-acceleration of inflation, a further rise in interest rates and a global recession.

The scenarios used to calculate ECL are described below.

The consensus Central scenario
HSBC's Central scenario reflects expectations for slower growth and high inflation and unemployment across many of our key markets.

Expectation of lower GDP growth in many markets in 2025 are driven by the assumed effects of higher tariffs, which impede trade flows and deter investment. In the scenario, the US applies tariffs on key trading partners. As a direct consequence of tariffs, trade growth is reduced, which in turn weighs on GDP growth.Indirect consequences from tariffs dampen growth elsewhere. Tariffs, or the threat of them, increases uncertainty, leading to lower confidence and reduced investment.

Tighter restrictions on immigration into the US are also expected to reduce the size of the labour force, putting upward pressure on the wage growth. At the same time, higher tariff rate drive US inflation. In other markets higher inflation is also expected due to currency depreciation and central banks are expected to slow the pace of interest rate reduction as a result.

Global GDP is expected to grow by 2.6 per cent in 2025 in the Central scenario and the average rate of global GDP growth is forecast to be 2.6 per cent over the five-year forecast period. This is below the average growth rate over the five-year period prior to the onset of the pandemic of 2.9 per cent.

The key features of our Central scenario are:

- GDP growth rates across majority of our our main markets are expected to slow down in 2025 and 2026, due to the implementation of higher tariffs as well as underlying structural weaknesses in some economies. The most significant slowdowns in activity are expected to occur in the markets with the highest trade dependence with the US. Elevated interest rates and higher price levels are also expected to continue to weigh on some consumer and corporate segments.
- In most markets, unemployment is expected to rise moderately as economic activity slows, although it remains low by historical standards.
- Inflation is is forecast to increase in several of our main markets, as a result of tariffs, even as services price inflation is expected to ease as wage growth moderates. However, inflation largely remains within central banks' target ranges from 2025.
- Housing market conditions remain mixed, with more muted price growth in the UK and France.
- Challenging conditions are also forecasted to continue in certain segments of the commercial property sector in a number of our key markets. Structural changes to demand in the office segment in particular has driven lower valuations.
- Policy interest rates in key markets are forecasted to gradually decline further in 2025. In the longer term they are expected to remain at a higher level than in recent years.
- The Brent crude oil price is forecasted to average USD 70 per barrel over the projection period.

The Central scenario was first created with forecasts available in late November, and reviewed continually until the end of December 2024. In accordance with HSBC's scenario framework, a probability weight of 75 per cent has been assigned to the Central scenario for France.

The following table describes key macroeconomic variables in the consensus Central scenario.

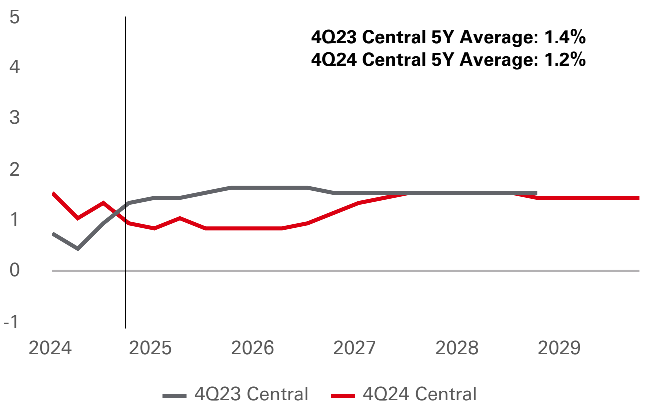
Consensus Central scenario 2025–2029 (as at 4Q24)

	France
GDP (annual average growth rate, %)	
2025	**0.9**
2026	**0.9**
2027	**1.4**
2028	**1.5**
2029	**1.4**
5-year average[1]	**1.2**
Unemployment rate (%)	
2025	**7.5**
2026	**7.3**
2027	**7.2**
2028	**7.0**
2029	**7.0**
5-year average[1]	**7.2**
House prices (annual average growth rate, %)	
2025	**2.1**
2026	**4.4**
2027	**4.4**
2028	**3.8**
2029	**3.1**
5-year average[1]	**3.6**
Inflation (annual average growth rate, %)	
2025	**1.2**
2026	**1.6**
2027	**2.0**
2028	**2.3**
2029	**2.2**
5-year average[1]	**1.9**
Central bank policy rate (annual average, %)[2]	
2025	**2.1**
2026	**1.8**
2027	**2.0**
2028	**2.0**
2029	**2.1**
5-year average[1]	**2.0**
Probability (%)	**75**

1 The five-year average is calculated over a projected period of 20 quarters from 1Q25 to 4Q29.

The graph compares the respective Central scenario at the year end 2023 with current economic expectations at the end of 2024.

GDP growth: Comparison of central scenarios
France



Note: Real GDP shown as year-on-year percentage change.

The consensus Upside scenario

Compared with the Central scenario, the consensus Upside scenario features stronger economic activity in the near term, before converging to long-run trend expectations. It also incorporates a faster fall in the rate of inflation than incorporated in the Central scenario.

The scenario is consistent with a number of key upside risk themes.

These include a faster fall in the rate of inflation that allows central banks to reduce interest rates more quickly, an easing in financial conditions, and a de-escalation in geopolitical tensions, as the Israel-Hamas and Russia-Ukraine wars move towards conclusions, and the US-China relationship improves.

The following table describes key macroeconomic variables for France in the consensus Upside scenario.

Consensus Upside scenario 2025-2029 (as at 4Q24)

	%	
GDP level (%, start-to-peak)[1]	**8.9**	**(4Q29)**
Unemployment rate (%, min)[2]	**6.4**	**(4Q26)**
House price index (%, start-to-peak)[1]	**22.8**	**(4Q29)**
Inflation rate (YoY % change, min)[3]	**0.1**	**(4Q25)**
Central bank policy rate (%, min)[2]	**1.4**	**(3Q25)**
Probability (%)	**10**	

1 Cumulative change to the highest level of the series during the 20-quarter projection.
2 The lowest projected unemployment/or policy interest rate in the scenario.
3 The lowest projected year-on-year percentage change in inflation in the scenario.

Downside scenarios

Downside scenarios explore the intensification and crystallisation of a number of key economic and financial risks. These include a more material escalation of tariff policies and geopolitical tensions which disrupt key commodity and goods markets, causing inflation and interest rates to rise and creating global recession.

As the geopolitical environment remains volatile and complex, risks include:

– an increase in protectionist policies, as countries increasingly impose retaliatory tariffs. This lowers investment, complicates international supply chains, and impedes trade flows;

– broader and more prolonged conflicts in the Middle East and between Russia and Ukraine, which further disrupts energy, fertiliser and food supplies; and

– continued differences between the US and mainland China, which could affect economic confidence and the global goods trade and supply chains for critical technologies.

High inflation and higher interest rates also remain key risks. Should tariffs increase significantly and geopolitical tensions escalate, energy and food prices could rise and increase pressure on household budgets and firms' costs.Higher inflation and labour supply shortages could also trigger a wage-price spiral and put sustained pressure on household incomes and corporate margins. In turn, it raises the risk that central banks react more forcefully leading to higher defaults and a deep economic recession.

The consensus Downside scenario

In the consensus Downside scenario, economic activity is weaker compared with the Central scenario. In this scenario, GDP declines, unemployment rates rise and asset prices fall.

The scenario features an increase in tariffs over and above those assumed in the Central scenario and an escalation of geopolitical tensions, which causes a rise in inflation, as supply chain constraints intensify and energy prices rise. The scenario also features a temporary increase in interest rates above the Central scenario, before the effects of weaker consumption demand begin to dominate and commodity prices and inflation fall again.

The following table describes key macroeconomic variables for France in the consensus Downside scenario.

Consensus Downside scenario 2025-2029 (as at 4Q24)

	%	
GDP level (%, start-to-peak)[1]	**(0.6)**	**(1Q26)**
Unemployment rate (%, min)[2]	**8.3**	**(3Q25)**
House price index (%, start-to-peak)[1]	**(0.3)**	**(1Q25)**
Inflation rate (YoY % change, min)[3]	**2.6**	**(3Q25)**
Central bank policy rate (%, min)[2]	**3.2**	**(1Q25)**
Probability (%)	**10**	

1 Cumulative change to the lowest level of the series during the 20-quarter projection.
2 The highest projected unemployment/or policy interest interest rate in the scenario.
3 The highest projected year-on-year percentage change in inflation in the scenario.

Downside 2 scenario

The Downside 2 scenario features a deep global recession and reflects management's view of the tail of the economic distribution. It incorporates the crystallisation of a number of risks simultaneously, including significant increases in tariffs globally and there is a further escalation of geopolitical crises, which creates severe supply disruptions to goods and energy markets. In the scenario, as inflation surges and central banks tighten monetary policy further, confidence evaporates.However, this impulse is assumed to prove short-lived, as recession takes hold, causing a sharp fall in demand, leading commodity prices to correct sharply and global price inflation to fall.

The following table describes key macroeconomic variables for France in the Downside 2 scenario.

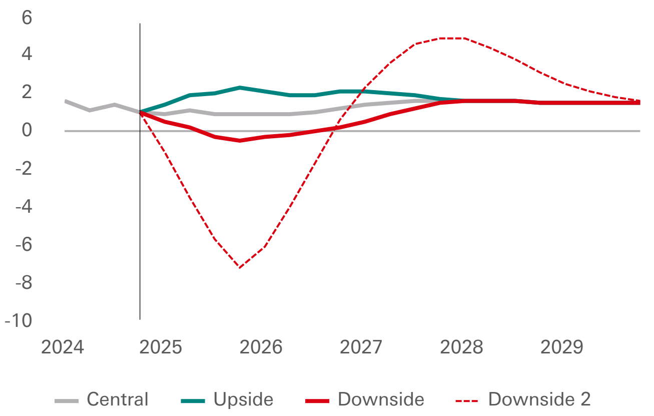
Downside 2 scenario 2025-2029 (as at 4Q24)

	%	
GDP level (%, start-to-peak)[1]	**(7.9)**	**(2Q26)**
Unemployment rate (%, min)[2]	**10.4**	**(1Q27)**
House price index (%, start-to-peak)[1]	**(14.0)**	**(2Q27)**
Inflation rate (YoY % change, min)[3]	**7.6**	**(2Q25)**
Central bank policy rate (%, min)[2]	**4.2**	**(1Q25)**
Probability (%)	**5**	

1 Cumulative change to the lowest level of the series during the 20-quarter projection.
2 The highest projected unemployment/or policy interest rate in the scenario.
3 The highest projected year-on-year percentage change in inflation in the scenario.

The following graphs show the historical and forecasted GDP growth rate for the various economic scenarios in France.

GDP growth: Comparison between scenarios France



Scenario weighting

Scenario weightings are calibrated to probabilities that are determined with reference to consensus probability distributions. Management may then choose to vary weights if they assess that the calibration lags more recent events, or does not reflects their view of the distribution of economic and geopolitical risk. Management's view of the scenarios and weights takes into consideration the relationship of the consensus scenarios to both internal and external assessments of risk.

In assessing the economic conjuncture, the level of risk and uncertainty, management has considered both global and country-specific factors.

In the fourth quarter of 2024, key consideration around uncertainty focused on:

– US import tariffs and bilateral tariff escalations globally, and the impact to trade and manufacturing supply chains;

– the impact of ongoing volatility in interest rate expectations on household finances and businesses and the implications of recent changes to monetary policy expectations on growth and employment; and

– risks of an asset price correction given already elevated valuations across different asset classes.

Although these factors are significant, management assessed that the adjusted central scenario reflected there most likely future outcome and the outer scenarios were sufficiently well calibrated to address the crystallisation of more severe risks.

This led management to assign scenario probabilities that are aligned to the standard scenario probability calibration framework. The Central scenario was assigned a 75 per cent probability weighting.The consensus Upside scenario was assigned a 10 per cent weighting, and the consensus Downside scenario was given 10 per cent. The Downside 2 was assigned a 5 per cent weighting.

In France, recent domestic political uncertainty is the main factor weighing on reduced growth prospects and as with other European markets, there are also assumed to be negative impacts stemming from higher US tariffs.

The following table describes the probabilities assigned in each scenario.

Scenario weigthings, %

4Q24	Standard weight	France
Upside	**10.0**	**10.0**
Central	**75.0**	**75.0**
Downside	**10.0**	**10.0**
Downside 2	**5.0**	**5.0**

At 31 December 2024, the consensus Upside and Central scenarios had a combined weighting of 85 per cent, unchanged as at 31 December 2023.

Critical estimates and judgements

The calculation of ECL under IFRS 9 involves significant judgements, assumptions and estimates at 31 December 2024. These included:

– the selection and configuration of economic scenarios, given the constant change in economic conditions and distribution of economic risks;

– the selection of scenarios to consider given the changing nature of macroeconomic and geopolitical risks that the Bank and wider economy face; and

– estimating the economic effects of those scenarios on ECL, where similar observable historical conditions cannot be captured by the credit risk models.

How economic scenarios are reflected in ECL calculations

Models are used to reflect economic scenarios on ECL estimates. As described above, modelled assumptions and linkages based on historical information could not alone produce relevant information under the conditions experienced in 2024, and management judgemental adjustments were still required to support modelled outcomes.

We have developed globally consistent methodologies for the application of forward economic guidance into the calculation of ECL for wholesale and retail credit risk. These standard approaches are described below, followed by the management judgemental adjustments made, including those to reflect the circumstances experienced in 2024.

For HSBC Continental Europe wholesale portfolios, a global methodology is used for the estimation of the term structure of probability of default ('PD') and loss given default ('LGD'). For PDs, we consider the correlation of forward economic guidance to default rates for a particular industry in a country. For LGD calculations, we consider the correlation of forward economic guidance to collateral values and realisation rates for a particular country and industry. PDs and LGDs are estimated for the entire term structure of each instrument.

For impaired loans, ECL estimates are derived based on discounted cash flow ('DCF') calculations for internal forward-looking scenarios specific to individual company circumstances (Note 1.2(i)). Probability-weighted outcomes are applied, and depending on materiality and status of the incorporate borrower, the number of scenarios considered will change. Where relevant for the case being assessed, forward economic Guidance is incorporated as part of these scenarios. LGD-driven proxy and modelled estimates are used for certain less material cases.

For HSBC Continental Europe retail portfolios, the models are predominantly based on historical observations and correlations with default rates and collateral values.

For PD, the impact of economic scenarios is modelled for each portfolio, using historical relationships between default rates and macro-economic variables. These are included within IFRS 9 ECL estimates using either economic response models or models that contain internal, external and macro-economic variables. The macroeconomic impact on PD is modelled over the period equal to the remaining maturity of the underlying assets.

For LGD, the impact is modelled for mortgage portfolios by forecasting future loan-to-value profiles for the remaining maturity of the asset, using national level house price index forecasts and applying the corresponding LGD expectation relative to the updated forecast collateral values.

For unsecured retail portfolios historically observed recovery rates are leveraged to measure loss. For both mortgages and unsecured, a limited number of portfolios utilise a macroeconomic dependent stressed LGD applied to the Alternative downside scenario.

Management judgemental adjustments

In the context of IFRS 9, management judgemental adjustments are typically short-term increases or decreases to the modelled ECL at either a customer, segment or portfolio level where management believes ECL results do not sufficiently reflect the credit risk / expected credit losses at the reporting date. These can relate to risks or uncertainties that are not reflected in the models and/or to any late breaking events with significant uncertainty, subject to management review and challenge.

This includes refining model inputs and outputs and using adjustments to ECL based on management judgement and higher level quantitative analysis for impacts that are difficult to model.

The effects of management judgemental adjustments are considered for both balances and ECLs when determining whether or not a significant increase in credit risk has occurred and is allocated to a stage where appropriate. This is in accordance with the internal adjustments framework.

Management judgemental adjustments are reviewed under the governance process for IFRS 9. Review and challenge focuses on the rationale and quantum of the adjustments with a further review carried out by the Second Line of Defence where significant. For some management judgemental adjustments, internal frameworks establish the conditions under which these adjustments should no longer be required and as such are considered as part of the governance process. This internal governance process allows management judgemental adjustments to be reviewed regularly and, where possible, to reduce the reliance on these through model recalibration or redevelopment, as appropriate.

The drivers of management judgemental adjustments continue to evolve with the economic environment, and as new risks emerge.

Management judgemental adjustments made in estimating the scenario-weighted reported ECL at 31 December 2023 are set out in the following table.

Management judgemental adjustments to ECL at 31 December 2024[1]

	Retail €m	Wholesale[2] €m	Total €m
Banks, sovereigns, government entities and low-risk counterparties	–	–	–
Corporate lending adjustments	–	30	30
Other macroeconomic-related adjustments	–	–	–
Other retail lending adjustments	–	–	–
Total	–	30	30

1 Management judgemental adjustments presented in the table reflect increases or (decreases) to ECL respectively.
2 The wholesale portfolio corresponds to adjustments to the performing portfolio (stage 1 and stage 2).

Management judgemental adjustments at 31 December 2024 are an increase to ECL of EUR 30 million, driven by corporate lending adjustments aiming to reflect heightened uncertainty to exposures in automotive and industrial sectors in Germany.

Economic scenarios sensitivity analysis of ECL estimates

Management considered the sensitivity of the ECL outcome against the economic forecasts as part of the ECL governance process by recalculating the ECL under each scenario described above for selected portfolios, applying a 100 per cent weighting to each scenario in turn. The weighting is reflected in both the determination of a significant increase in credit risk and the measurement of the resulting ECL.

The ECL calculated for the Upside and Downside scenarios should not be taken to represent the upper and lower limits of possible ECL outcomes. The impact of defaults that might occur in the future under different economic scenarios is captured by recalculating ECL for loans at the balance sheet date.

There is a particularly high degree of estimation uncertainty in numbers representing tail risk scenarios when assigned a 100 per cent weighting.

For wholesale credit risk exposures, the sensitivity analysis excludes ECL and financial instruments related to defaulted (stage 3) obligors. The measurement of stage 3 ECL is relatively more sensitive to credit factors specific to the obligor than future economic scenarios, and therefore effect of macroeconomic factors are not necessarily the key consideration when performing individual assessment of ECL for obligors in default. Loans to defaulted obligors are a small portion of the overall wholesale lending exposure, even if representing the majority of the allowance for ECL. Due to the range and specificity of the credit factors to which the ECL is sensitive, it is not possible to provide a meaningful alternative sensitivity analysis for a consistent set of risks across all defaulted obligors.

For retail mortgage exposures, the sensitivity analysis includes ECL for defaulted obligors of loans and advances. This is because the retail ECL for secured mortgage portfolios including loans in all stages is sensitive to macro-economic variables.

Wholesale and retail sensitivity

The wholesale and retail sensitivity tables present the 100 per cent weighted results for France. These exclude portfolios held by the insurance business and small portfolios, and as such cannot be directly compared with personal and wholesale lending presented in other credit risk tables. In both the wholesale and retail analysis, the comparative period results for Downside 2 scenarios are also not directly comparable with the current period, because they reflect different risks relative to the consensus scenarios for the period end.

The wholesale and retail sensitivity analysis is stated inclusive of management judgmental adjustments, as appropriate to each scenario.

For both retail and wholesale portfolios, the gross carrying amount of financial instruments are the same under each scenario. For exposures with similar risk profile and product characteristics, the sensitivity impact is therefore largely the result of changes in macroeconomic assumptions.

Wholesale analysis

IFRS9 ECL sensitivity to future economic conditions[1,2,3]

ECL of loans and advances to customers	At 31 Dec 2024 €m	At 31 Dec 2023 €m
Reported ECL	**77**	90
Consensus Scenarios		
Central scenario	**76**	93
Upside scenario	**67**	83
Downside scenario	**92**	114
Downside 2 scenario	**120**	129
Gross carrying amount[2]	**137,341**	163,956

1 ECL sensitivity includes off-balance sheet financial instruments. These are subject to significant measurement uncertainty.
2 Includes low credit-risk financial instruments such as debt instruments at FVOCI, which have high carrying amounts but low ECL under all the above scenarios.
3 Excludes defaulted obligors. For a detailed breakdown of performing and non-performing wholesale portfolio exposures, see page 202.

Retail analysis

IFRS9 ECL sensitivity to future economic conditions[1,2]

ECL of loans and advances to customers	At 31 Dec 2024 €m	At 31 Dec 2023 €m
Reported ECL	**—**	85
Consensus Scenarios		
Central scenario	**—**	85
Upside scenario	**—**	83
Downside scenario	**—**	86
Downside 2 scenario	**—**	90
Gross carrying amount[2]	**—**	19,790

1 ECL sensitivities exclude portfolio utilising less complex modelling approaches.
2 Included balances and ECL which have been reclassified from 'loans and advances to customers' to 'assets held for sale' in the balance-sheet at 31 December 2023. This also included any balances and ECL which continue to be reported as personal lending in 'loans and advances to customers' that are in accordance with the basis of inclusion for Retail sensitivity analysis. Disposal of our Retail banking operations in France completed on 1 January 2024.

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

The following disclosure provides a reconciliation of the Group's gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees. The transfers of financial instruments represents the impact of stage transfers upon the gross carrying/nominal amount and associated allowance for ECL.

The net remeasurement of ECL arising from stage transfers represents the variation in ECL due to these transfers.

Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees[1]

	Non-credit impaired				Credit impaired					
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying/ nominal amount	Provision for ECL	Gross carrying/ nominal amount	Provision for ECL	Gross carrying/ nominal amount	Provision for ECL	Gross carrying/ nominal amount	Provision for ECL	Gross carrying/ nominal amount	Provision for ECL
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
At 1 Jan 2024	**113,743**	**(61)**	**8,206**	**(91)**	**1,889**	**(637)**	**7**	**—**	**123,845**	**(789)**
Transfers of financial instruments	**(680)**	**(24)**	**301**	**28**	**380**	**(4)**	**—**	**—**	**1**	**—**
– Transfers from Stage 1 to Stage 2	**(5,036)**	**6**	**5,036**	**(6)**	**—**	**—**	**—**	**—**	**—**	**—**
– Transfers from Stage 2 to Stage 1	**4,346**	**(28)**	**(4,346)**	**28**	**—**	**—**	**—**	**—**	**—**	**—**
– Transfers to Stage 3	**(99)**	**—**	**(570)**	**8**	**670**	**(8)**	**—**	**—**	**1**	**—**
– Transfers from Stage 3	**109**	**(2)**	**181**	**(2)**	**(290)**	**4**	**—**	**—**	**—**	**—**
Net remeasurement of ECL arising from transfer of stage	**—**	**18**	**—**	**(18)**	**—**	**—**	**—**	**—**	**—**	**—**
New financial assets originated or purchased	**32,039**	**(31)**	**—**	**—**	**—**	**—**	**—**	**—**	**32,039**	**(31)**
Asset derecognised (including final repayments)	**(16,222)**	**5**	**(1,376)**	**8**	**(439)**	**143**	**—**	**—**	**(18,037)**	**156**
Changes to risk parameters – further lending/repayments	**(9,722)**	**28**	**1,131**	**(20)**	**303**	**113**	**(6)**	**—**	**(8,294)**	**121**
Changes to risk parameters – credit quality	**—**	**15**	**—**	**—**	**—**	**(357)**	**—**	**—**	**—**	**(342)**
Changes to model used for ECL calculation	**—**	**(3)**	**—**	**(7)**	**—**	**—**	**—**	**—**	**—**	**(10)**
Assets written off	**—**	**—**	**—**	**—**	**(224)**	**224**	**—**	**—**	**(224)**	**224**
Credit related modifications that resulted in derecognition	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Foreign exchange	**9**	**—**	**5**	**—**	**(2)**	**—**	**—**	**—**	**12**	**—**
Others	**179**	**2**	**(6)**	**(1)**	**(121)**	**142**	**—**	**—**	**52**	**143**
Assets classified as held for sale[2]	**(419)**	**—**	**(17)**	**—**	**—**	**—**	**—**	**—**	**(436)**	**—**
At 31 Dec 2024	**118,927**	**(51)**	**8,244**	**(101)**	**1,786**	**(376)**	**1**	**—**	**128,958**	**(528)**
ECL release/(charge) for the period		**32**		**(37)**		**(101)**		**—**		**(106)**
Recoveries										**—**
Others										**12**
Total ECL release/(charge) for the period										**(94)**

	At 31 Dec 2024		
	Gross carrying/ nominal amount	**Provision for ECL**	**ECL release/ (charge)**
	€m	**€m**	**€m**
As above	**128,958**	**(528)**	**(94)**
Other financial assets measured at amortised cost	**95,233**	**—**	**—**
Assets held for sale[3]	**2,475**	**—**	**—**
Non-trading reverse purchase agreement commitments	**35,127**	**—**	**—**
Performance and other guarantees not considered for IFRS 9			**(3)**
Summary of financial instruments to which the impairment requirements in IFRS 9 are applied/Summary consolidated income statement	**261,793**	**(528)**	**(97)**
Debt instruments measured at FVOCI[4]	**25,567**	**(5)**	**—**
Total Provision for ECL/total income statement ECL charge for the period	**287,360**	**(533)**	**(97)**

1 Excludes performance guarantee contracts to which the impairment requirements in IFRS 9 are not applied.
2 Includes planned sale of private banking business in Germany and life insurance business in France.
3 For further details on gross carrying amounts and allowances for ECL related to assets held for sale, see 'Assets held for sale' on page 207.
4 Includes EUR 8.2 billion related to planned sale of the life insurance business in France classified as held for sale in 2024.

Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees[1] (continued)

	Non-credit impaired				Credit impaired					
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying/ nominal amount	Provision for ECL	Gross carrying/ nominal amount	Provision for ECL	Gross carrying/ nominal amount	Provision for ECL	Gross carrying/ nominal amount	Provision for ECL	Gross carrying/ nominal amount	Provision for ECL
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
At 1 Jan 2023	102,710	(40)	13,075	(142)	1,888	(697)	2	—	117,675	(879)
Transfers of financial instruments	915	(38)	(1,583)	77	668	(39)	—	—	—	—
– Transfers from Stage 1 to Stage 2	(6,694)	7	6,694	(7)	—	—	—	—	—	—
– Transfers from Stage 2 to Stage 1	7,871	(44)	(7,871)	44	—	—	—	—	—	—
– Transfers to Stage 3	(281)	—	(471)	41	752	(41)	—	—	—	—
– Transfers from Stage 3	19	(1)	65	(1)	(84)	2	—	—	—	—
Net remeasurement of ECL arising from transfer of stage	—	33	—	(12)	—	—	—	—	—	21
New financial assets originated or purchased	25,408	(15)	—	—	—	—	6	—	25,414	(15)
Asset derecognised (including final repayments)	(18,678)	2	(1,741)	7	(256)	43	—	—	(20,675)	52
Changes to risk parameters – further lending/repayments	5,816	6	(2,961)	(19)	(233)	44	(1)	—	2,621	31
Changes to risk parameters – credit quality	—	(5)	—	6	—	(223)	—	—	—	(222)
Changes to model used for ECL calculation	—	—	—	—	—	—	—	—	—	—
Assets written off	—	—	—	—	(238)	238	—	—	(238)	238
Credit related modifications that resulted in derecognition	—	—	—	—	(6)	—	—	—	(6)	—
Foreign exchange	62	—	3	—	(5)	1	—	—	60	1
Others[2]	291	(1)	287	—	27	(4)	—	—	605	(5)
Assets classified as held for sale[3]	(2,781)	(3)	1,126	(8)	44	—	—	—	(1,611)	(11)
At 31 Dec 2023	113,743	(61)	8,206	(91)	1,889	(637)	7	—	123,845	(789)
ECL release/(charge) for the period		21		(18)		(136)		—		(133)
Add: Recoveries										3
Add/(less): Others										(8)
Total ECL release/(charge) for the period										(138)

Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees[1] (continued)

	At 31 Dec 2023		
	Gross carrying/ nominal amount	Provision for ECL	ECL release/ (charge)
	€m	€m	€m
As above	123,845	(789)	(138)
Other financial assets measured at amortised cost	103,294	—	—
Assets held for sale[4]	24,994	(74)	—
Non-trading reverse purchase agreement commitments	40,567	—	—
Performance and other guarantees not considered for IFRS 9			(13)
Summary of financial instruments to which the impairment requirements in IFRS 9 are applied/ Summary consolidated income statement	292,700	(863)	(151)
Debt instruments measured at FVOCI	20,832	(5)	6
Total Provision for ECL/total income statement ECL charge for the period	313,532	(868)	(145)

1 Excludes performance guarantee contracts to which the impairment requirements in IFRS 9 are not applied.
2 Others- includes contribution related to the acquisition of HSBC Private Bank (Luxembourg) S.A. on 2 November 2023.
3 Includes re-classification to held for sale related to retail banking operations in France.
4 For further details on gross carrying amounts and allowances for ECL related to assets held for sale, see 'Assets held for sale' on page 207.

Credit impaired loans

HSBC determines that a financial instrument is credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are past due for more than 90 days; and
- there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition.

The loan is then considered to be in default. If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due, even where regulatory rules permit default to be defined based on 180 days past due. Therefore the definitions of credit-impaired and default are aligned as far as possible so that Stage 3 represents all loans which are considered defaulted or otherwise credit-impaired.

Forborne loans and forbearance

A range of forbearance strategies is employed in order to improve the management of customer relationships by avoiding default, of the customer where possible or the calling of guarantees obtained whilst maximising the recoveries of the amounts due. They include extended payment terms, a reduction in interest or principal repayments, approved external debt management plans, debt consolidations, the deferral of foreclosures and other forms of loan modifications and re-ageing.

HSBC Continental Europe's policies and practices are based on criteria which seek to enable wherever possible that the repayment is likely to continue. These typically involve the granting of revised loan terms and conditions.

Loan forbearance is only granted in situations where the customer has showed a willingness to repay their loan and is expected to be able to meet the revised obligations.

The contractual terms of a loan may be modified for a number of reasons, including changes in market conditions, customer retention and other factors not related to the current or potential credit deterioration of a customer. 'Forbearance' describes concessions made on the contractual terms of a loan in response to an obligor's financial difficulties. We classify and report loans on which such concessions have been granted as 'forborne loans' when their contractual payment terms have been modified as a result of serious concerns on the capacity of the borrower to repay their contractual outstandings.

Identifying forborne loans

Concessions, on loans made to customers, which do not affect the payment structure or basis of repayment, such as temporary or permanent waivers granted by the bank to take advantage of the non-respect of financial or security covenants, do not directly provide concessionary relief to customers in terms of their ability to service obligations as they fall due and are therefore not included in this classification.

For retail lending, our credit risk management policy sets out restrictions on the number and frequency of forbearance, the minimum period an account must have been opened before any forbearance can be considered and the number of qualifying payments that must be received. The application of this policy varies according to the nature of the market, the product and the management of customer relationships through the occurrence of exceptional events.

Credit quality classification of forborne loans

Under IFRS, an entity is required to assess whether there is objective evidence that financial assets are impaired at the end of each reporting period. A loan is impaired and an impairment allowance is recognised when there is objective evidence of a loss event that has an effect on the cash flows of the loan which can be reliably estimated.

A forborne loan is presented as impaired when:

- there has been a change in contractual cash flows as a result of a concession which the lender would otherwise not consider; and
- it is probable that without the concession, the borrower would be unable to meet contractual payment obligations in full.

This presentation applies unless the concession is insignificant and there are no other indicators of impairment. The forborne loan will continue to be disclosed as impaired, for at least one year and until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows, and there are no other indicators of impairment. For loans that are assessed for impairment on a collective basis, the evidence typically comprises a history of payment performance against the original or revised terms, as appropriate to the circumstances. For loans that are assessed for impairment on an individual basis, all available evidence is assessed on a case-by-case basis.

For retail lending the minimum period of payment performance required depends on the nature of loans in the portfolio, but is typically not less than 12 months. Where portfolios have more significant levels of forbearance activity the minimum repayment performance period required may be substantially more.

Forborne loans and recognition of impairment allowances

For retail lending, forborne loans are segregated from other parts of the loan portfolio for collective impairment assessment to reflect the higher rates of losses often encountered in these segments.

In the corporate and commercial sectors, forborne loans are typically assessed individually. Credit risk ratings are intrinsic to the impairment assessment. A distressed restructuring is classified as an impaired loan. The individual impairment assessment takes into account the higher risk of the non-payment of future cash flows inherent in forborne loans.

Forborne loans and advances to customers at amortised costs by stage allocation

	Performing Forborne		Non-Performing Forborne		Total
	Stage 1	Stage 2	Stage 3	POCI	
	€m	€m	€m	€m	€m
Gross carrying amount					
Personal	—	61	22	—	83
– first lien residential mortgages	—	29	17	—	46
– guaranteed loans in respect of residential property	—	32	5	—	37
– other personal lending which is secured	—	—	—	—	—
Wholesale	—	1,357	1,034	—	2,391
– corporate and commercial	—	1,352	1,030	—	2,382
– non-bank financial institutions	—	5	4	—	9
At 31 Dec 2024	—	1,418	1,056	—	2,474
Provision for ECL					—
Personal	—	(2)	(3)	—	(5)
– first lien residential mortgages	—	(1)	(2)	—	(3)
– guaranteed loans in respect of residential property	—	(1)	(1)	—	(2)
– other personal lending which is secured	—	—	—	—	—
– other personal lending which is unsecured	—	—	—	—	—
Wholesale	—	(30)	(186)	—	(216)
– corporate and commercial	—	(30)	(186)	—	(216)
– non-bank financial institutions	—	—	—	—	—
At 31 Dec 2024	—	(32)	(189)	—	(221)

Forborne loans and advances to customers at amortised costs by stage allocation (continued)

	Stage 1	Stage 2	Stage 3	POCI	Total
	€m	€m	€m	€m	€m
Gross carrying amount					
Personal	—	56	28	—	84
– first lien residential mortgages	—	33	21	—	54
– guaranteed loans in respect of residential property	—	22	7	—	29
– other personal lending which is secured	—	1	—	—	1
Wholesale	—	1,595	591	—	2,186
– corporate and commercial	—	1,554	583	—	2,137
– non-bank financial institutions	—	41	8	—	49
At 31 Dec 2023	—	1,651	619	—	2,270
Provision for ECL					—
Personal	—	(2)	(2)	—	(4)
– first lien residential mortgages	—	(2)	(2)	—	(4)
– other personal lending which is secured	—	—	—	—	—
– other personal lending which is unsecured	—	—	—	—	—
Wholesale	—	(12)	(155)	—	(167)
– corporate and commercial	—	(11)	(154)	—	(165)
– non-bank financial institutions	—	(1)	(1)	—	(2)
At 31 Dec 2023	—	(14)	(157)	—	(171)

Wholesale lending

This section presents further disclosures related to wholesale lending. It provides details of the major countries, industries and customer classification that are driving the change observed in wholesale loans and advances to banks and customers.

Further granularity is also provided by stage, with data for our main countries presented for gross loans and advances to banks and customers, loan and other credit-related commitments and financial guarantees.

The table below provides a breakdown by industry sector and stage of the group's gross carrying amount and allowances for ECL for wholesale loans and advances to banks and customers.

Counterparties or exposures are classified when presenting comparable economic characteristics, or engaged in similar activities so that their collective ability to meet contractual obligations is uniformly affected by changes in economic, political or other conditions. Therefore, the industry classification does not adhere to Nomenclature des Activités Économiques dans la Communauté Européenne ('NACE'), which is applicable to other financial regulatory reporting.

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

	Gross carrying amount					Provision for ECL				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Corporate and commercial	28,015	4,226	1,495	1	33,737	(34)	(74)	(324)	—	(432)
– Industrial	7,421	741	470	—	8,632	(7)	(30)	(56)	—	(93)
– Commercial, international trade	14,415	2,878	788	1	18,082	(19)	(35)	(234)	—	(288)
– Construction and real estate	4,159	342	229	—	4,730	(6)	(8)	(31)	—	(45)
– Governments	1,084	38	—	—	1,122	—	—	—	—	—
– Others	936	227	8	—	1,171	(2)	(1)	(3)	—	(6)
Non-bank financial institutions	7,716	75	9	—	7,800	(3)	(1)	(6)	—	(10)
Loans and advances to banks	5,679	25	—	—	5,704	(1)	—	—	—	(1)
At 31 Dec 2024	41,410	4,326	1,504	1	47,241	(38)	(75)	(330)	—	(443)
By geography										
Continental Europe										
– of which: France	30,631	3,147	1,030	1	34,809	(24)	(38)	(185)	—	(247)
– of which: Germany	5,770	872	355	—	6,997	(4)	(35)	(109)	—	(148)
– of which: Other Countries	5,009	307	119	—	5,435	(10)	(2)	(36)	—	(48)

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

	Gross carrying amount[1]					Provision for ECL				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Corporate and commercial	28,007	4,401	1,526	8	33,942	(42)	(67)	(584)	—	(693)
– Industrial	6,531	694	502	—	7,727	(6)	(9)	(131)	—	(146)
– Commercial, international trade	15,138	2,887	767	8	18,800	(23)	(45)	(394)	—	(462)
– Construction and real estate	4,493	447	173	—	5,113	(11)	(9)	(34)	—	(54)
– Governments	671	42	—	—	713	—	—	—	—	—
– Others	1,174	331	84	—	1,589	(2)	(4)	(25)	—	(31)
Non-bank financial institutions	6,002	161	28	—	6,191	(2)	(4)	(12)	—	(18)
Loans and advances to banks	5,712	104	—	—	5,816	—	—	—	—	—
At 31 Dec 2023	39,721	4,666	1,554	8	45,949	(44)	(71)	(596)	—	(711)
By geography[1]										
Continental Europe										
– of which: France	27,684	2,957	1,256	8	31,905	(31)	(47)	(498)	—	(576)
– of which: Germany	6,488	1,052	140	—	7,680	(3)	(18)	(46)	—	(67)
– of which: Other Countries	5,549	657	158	—	6,364	(10)	(6)	(52)	—	(68)

1 Includes contribution related to the acquisition of HSBC Private Bank (Luxembourg) S.A. on 2 November 2023.

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

	Nominal amount					Provision for ECL				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Corporate and commercial	51,231	3,591	174	—	54,996	(9)	(16)	(14)	—	(39)
Financial	51,227	33	—	—	51,260	(1)	—	—	—	(1)
At 31 Dec 2024	102,458	3,624	174	—	106,256	(10)	(16)	(14)	—	(40)
By geography										
Continental Europe										
– of which: France	89,808	2,362	69	—	92,239	(5)	(5)	(11)	—	(21)
– of which: Germany	9,857	838	89	—	10,784	(4)	(9)	—	—	(13)
– of which: Other Countries	2,793	424	16	—	3,233	(1)	(2)	(3)	—	(6)

1 Excludes performance guarantee contracts to which the impairment requirements in IFRS 9 are not applied.

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

	Nominal amount[2]					Provision for ECL				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Corporate and commercial	50,575	2,833	225	—	53,633	(9)	(9)	(12)	—	(30)
Financial	52,950	152	10	—	53,112	—	(1)	—	—	(1)
At 31 Dec 2023	103,525	2,985	235	—	106,745	(9)	(10)	(12)	—	(31)
By geography[2]										
Continental Europe										
– of which: France	94,460	1,617	88	—	96,165	(6)	(4)	(7)	—	(17)
– of which: Germany	6,914	1,053	128	—	8,095	(2)	(5)	—	—	(7)
– of which: Other Countries	2,151	315	19	—	2,485	(1)	(1)	(5)	—	(7)

1 Excludes performance guarantee contracts to which the impairment requirements in IFRS 9 are not applied.
2 Includes contribution related to the acquisition of HSBC Private Bank (Luxembourg) S.A. on 2 November 2023.

Wholesale lending: other corporate, commercial and financial (non-bank) loans and advances including loan commitments by level of collateral by stage

	2024			
			of which:	
	Total		**France**	
	Gross carrying/ nominal amount	**ECL coverage**	**Gross carrying/ nominal amount**	**ECL coverage**
	€m	**%**	**€m**	**%**
Stage 1				
Not collateralised	**90,322**	**–**	**70,059**	**–**
Fully collateralised	**7,622**	**(0.1)**	**4,148**	**–**
LTV ratio:				
– less than 50%	**3,696**	**(0.1)**	**2,303**	**0.0**
– 51% to 75%	**1,695**	**(0.1)**	**1,254**	**(0.1)**
– 76% to 90%	**760**	**(0.2)**	**287**	**(0.1)**
– 91% to 100%	**1,471**	**(0.1)**	**304**	**0.0**
Partially collateralised (A):	**4,679**	**–**	**3,455**	**–**
– collateral value on A	**3,736**	**–**	**2,707**	**–**
Total	**102,623**	**–**	**77,662**	**–**
Stage 2				
Not collateralised	**6,197**	**(1.0)**	**4,247**	**(0.8)**
Fully collateralised	**702**	**(1.0)**	**207**	**(0.8)**
LTV ratio:				
– less than 50%	**250**	**(0.8)**	**129**	**(0.5)**
– 51% to 75%	**60**	**(1.3)**	**54**	**(1.1)**
– 76% to 90%	**38**	**(0.8)**	**18**	**(1.6)**
– 91% to 100%	**354**	**(1.1)**	**6**	**(1.9)**
Partially collateralised (B):	**908**	**(1.8)**	**778**	**(0.3)**
– collateral value on B	**506**	**–**	**477**	**–**
Total	**7,807**	**(1.1)**	**5,232**	**(0.7)**
Stage 3				
Not collateralised	**754**	**(35.2)**	**384**	**(38.5)**
Fully collateralised	**128**	**(7.8)**	**100**	**(2.2)**
LTV ratio:				
– less than 50%	**20**	**(22.3)**	**4**	**(16.0)**
– 51% to 75%	**15**	**(27.4)**	**5**	**(13.2)**
– 76% to 90%	**3**	**(47.9)**	**2**	**(41.8)**
– 91% to 100%	**90**	**(0.1)**	**89**	**0.0**
Partially collateralised (C):	**559**	**(6.2)**	**439**	**(3.8)**
– collateral value on C	**174**	**–**	**91**	**–**
Total	**1,441**	**(21.5)**	**923**	**(18.0)**
POCI				
Not collateralised	**1**	**(0.1)**	**1**	**(0.1)**
Fully collateralised	**–**	**–**	**–**	**–**
LTV ratio:				
– less than 50%	**–**	**–**	**–**	**–**
– 51% to 75%	**–**	**–**	**–**	**–**
– 76% to 90%	**–**	**–**	**–**	**–**
– 91% to 100%	**–**	**–**	**–**	**–**
Partially collateralised (D):	**–**	**–**	**–**	**–**
– collateral value on D	**–**	**–**	**–**	**–**
Total	**1**	**(0.1)**	**1**	**(0.1)**
At 31 Dec 2024	**111,872**	**(0.4)**	**83,818**	**(0.3)**

Wholesale lending: other corporate, commercial and financial (non-bank) loans and advances including loan commitments by level of collateral by stage (continued)[1]

	2023			
			of which:	
	Total[2]		France	
	Gross carrying/ nominal amount	ECL coverage	Gross carrying/ nominal amount	ECL coverage
	€m	%	€m	%
Stage 1				
Not collateralised	85,938	—	67,951	—
Fully collateralised	5,174	(0.1)	2,430	(0.1)
LTV ratio:				
– less than 50%	2,268	(0.2)	1,205	(0.1)
– 51% to 75%	1,162	(0.1)	707	(0.1)
– 76% to 90%	557	—	100	—
– 91% to 100%	1,187	(0.1)	417	—
Partially collateralised (A):	4,286	—	3,498	—
– collateral value on A	3,358		2,784	
Total	95,398	—	73,879	—
Stage 2				
Not collateralised	5,120	(1.1)	2,915	(1.2)
Fully collateralised	1,027	(1.0)	392	(1.3)
LTV ratio:				
– less than 50%	303	(1.2)	169	(0.6)
– 51% to 75%	179	(1.0)	132	(0.8)
– 76% to 90%	182	(0.3)	22	—
– 91% to 100%	363	(1.2)	70	(4.3)
Partially collateralised (B):	1,339	(0.3)	907	(0.4)
– collateral value on B	1,045		672	
Total	7,486	(1.0)	4,214	(1.0)
Stage 3				
Not collateralised	1,067	(47.7)	821	(53.8)
Fully collateralised	82	(23.7)	30	(16.7)
LTV ratio:				
– less than 50%	30	(23.3)	13	(15.4)
– 51% to 75%	33	(19.2)	4	(25.0)
– 76% to 90%	12	(16.7)	10	(10.0)
– 91% to 100%	7	(71.4)	2	(50.0)
Partially collateralised (C):	461	(9.9)	387	(8.3)
– collateral value on C	153		98	
Total	1,610	(35.6)	1,237	(38.7)
POCI				
Not collateralised	7	—	7	—
Fully collateralised	—	—	—	—
LTV ratio:				
– less than 50%	—	—	—	—
– 51% to 75%	—	—	—	—
– 76% to 90%	—	—	—	—
– 91% to 100%	—	—	—	—
Partially collateralised (D):	1	—	1	—
– collateral value on D	1		1	—
Total	8	—	8	—
At 31 Dec 2023	104,502	(0.7)	79,338	(0.7)

1 Includes contribution related to the acquisition of HSBC Private Bank (Luxembourg) S.A. on 2 November 2023.
2 The year end 2023 comparatives have been restated to correctly reflect the collateralised buckets.

Personal lending

Total personal lending

Personal lending mainly includes advances to individual customers for asset purchases such as residential property where the loans in France are secured by Crédit Logement Guarantee or by the assets being acquired notably in Malta. We also offer in Malta consumer lending products such as overdrafts and personal loans which are mainly unsecured.

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

	Gross carrying amount					Provision for ECL				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
	€m	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**
First lien residential mortgages	**2,747**	**121**	**77**	**—**	**2,945**	**(2)**	**(8)**	**(22)**	**—**	**(32)**
Other personal lending	**7,093**	**169**	**31**	**—**	**7,293**	**(1)**	**(2)**	**(10)**	**—**	**(13)**
– second lien residential mortgages	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
– guaranteed loans in respect of residential property	**6,142**	**167**	**17**	**—**	**6,326**	**(1)**	**(2)**	**(3)**	**—**	**(6)**
– other personal lending which is secured	**873**	**—**	**6**	**—**	**879**	**—**	**—**	**—**	**—**	**—**
– credit cards	**25**	**1**	**—**	**—**	**26**	**—**	**—**	**—**	**—**	**—**
– other personal lending which is unsecured	**53**	**1**	**8**	**—**	**62**	**—**	**—**	**(7)**	**—**	**(7)**
– motor vehicle finance	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
At 31 Dec 2024	**9,840**	**290**	**108**	**—**	**10,238**	**(3)**	**(10)**	**(32)**	**—**	**(45)**

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

	Gross carrying amount					Provision for ECL				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
	€m	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**
Personal lending										
At 31 Dec 2024	**346**	**4**	**—**	**—**	**350**	**—**	**—**	**—**	**—**	**—**

1 Excludes performance guarantee contracts to which the impairment requirements in IFRS 9 are not applied.

Total personal lending for loans and advances to customers at amortised costs by stage distribution[1,2]

	Gross carrying amount					Provision for ECL				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
First lien residential mortgages	2,857	142	77	—	3,076	(8)	(8)	(22)	—	(38)
Other personal lending	7,272	384	20	—	7,676	(1)	(2)	(6)	—	(9)
– second lien residential mortgages	—	—	—	—	—	—	—	—	—	—
– guaranteed loans in respect of residential property	6,331	361	11	—	6,703	—	(1)	—	—	(1)
– other personal lending which is secured	858	21	1	—	880	(1)	—	—	—	(1)
– credit cards	26	1	—	—	27	—	(1)	—	—	(1)
– other personal lending which is unsecured	57	1	8	—	66	—	—	(6)	—	(6)
– motor vehicle finance	—	—	—	—	—	—	—	—	—	—
At 31 Dec 2023	10,129	526	97	—	10,752	(9)	(10)	(28)	—	(47)

Total personal lending for loans and other credit-related commitments and financial guarantees[3] by stage distribution

	Gross carrying amount					Provision for ECL				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Personal lending										
At 31 Dec 2023	935	29	2	—	966	—	—	—	—	—

1 Balances at 31 December exclude amount classified as held for sale related to retail banking operations in France during the year. For further details on gross carrying amounts and allowances for ECL related to assets held for sale, see 'Assets held for sale' on page 207.
2 Includes contribution related to the acquisition of HSBC Private Bank (Luxembourg) S.A. on 2 November 2023.
3 Excludes performance guarantee contracts to which the impairment requirements in IFRS 9 are not applied.

Mortgage lending

We offer a wide range of mortgage products designed to meet customer needs, including capital repayment, bridge loans and regulated loans. HSBC Continental Europe has specific LTV thresholds and debt-to-income ratios in place for this type of lending, which are compliant with the overall Group policy, strategy and risk appetite.

Collateral and other credit enhancements held

The most common method of mitigating credit risk for personal lending is to take collateral. For HSBC Continental Europe a mortgage over the property is often taken to help secure claims. Another common form of security is guarantees provided by a third-party company; Crédit Logement (a Société de Financement regulated by the French Regulator ACPR). Crédit Logement guarantees 100 per cent of the amount of the residential real estate loan in case of default. Loans may also be made against a pledge of eligible marketable securities or cash.

The tables below show residential mortgage lending including off-balance sheet loan commitments by level of collateral. They provide a quantification of the value of fixed charges we hold over borrowers' specific assets in the event of the borrower failing to meet its contractual obligations.

The LTV ratio is calculated as the gross on-balance sheet carrying amount of the loan and any off-balance sheet loan commitment at the balance sheet date divided by the value of collateral.

The value of mortgage collateral is updated on a monthly basis using the notary price index ('INSEE'). In addition professional valuations are obtained for high value mortgage loans (>EUR 3m) annually. Valuations of financial collateral are updated on a daily basis for those portfolios held by HSBC Continental Europe and on annual basis for those held externally.

The collateral valuation excludes any cost adjustments linked to obtaining and selling the collateral and, in particular, loans shown as not collateralised or partly collateralised may also benefit from other forms of credit mitigants.

Personal lending: residential mortgage loans including loan commitments by level of collateral

	2024		2023	
	Gross carrying/ nominal amount	**ECL coverage**	Gross carrying/ nominal amount[1]	ECL coverage
	€m	**%**	€m	%
Stage 1				
Fully collateralised	**2,860**	**(0.1)**	2,989	(0.2)
LTV ratio:				
– less than 50%	**1,520**	**—**	1,455	(0.2)
– 51% to 60%	**644**	**(0.1)**	642	(0.3)
– 61% to 70%	**422**	**(0.1)**	473	(0.2)
– 71% to 80%	**203**	**(0.1)**	293	(0.3)
– 81% to 90%	**65**	**(0.1)**	123	—
– 91% to 100%	**6**	**(0.6)**	3	—
Partially collateralised (A):	**11**	**(0.1)**	7	—
LTV ratio:				
– 101% to 110%	**2**	**(0.1)**	2	—
– 111% to 120%	**2**	**(0.2)**	2	—
– greater than 120%	**7**	**(0.1)**	3	—
– collateral value on A	**6**		6	
Total	**2,871**	**(0.1)**	2,996	(0.2)
Stage 2				
Fully collateralised	**124**	**(5.0)**	140	(5.7)
LTV ratio:				
– less than 50%	**87**	**(4.7)**	89	(4.5)
– 51% to 60%	**20**	**(1.7)**	26	(7.7)
– 61% to 70%	**10**	**(10.6)**	15	(6.7)
– 71% to 80%	**6**	**(9.2)**	8	(12.5)
– 81% to 90%	**1**	**(13.3)**	2	—
– 91% to 100%	**—**	**—**	—	—
Partially collateralised (B):	**—**	**—**	—	—
LTV ratio:				
– 101% to 110%	**—**	**—**	—	—
– 111% to 120%	**—**	**—**	—	—
– greater than 120%	**—**	**—**	—	—
– collateral value on B	**—**		—	
Total	**124**	**(5.0)**	140	(5.7)
Stage 3				
Fully collateralised	**61**	**(18.7)**	61	(18.0)
LTV ratio:				
– less than 50%	**37**	**(14.1)**	46	(15.2)
– 51% to 60%	**20**	**(19.4)**	7	(14.3)
– 61% to 70%	**1**	**(45.8)**	3	(33.3)
– 71% to 80%	**2**	**(44.5)**	2	(50.0)
– 81% to 90%	**—**	**—**	1	—
– 91% to 100%	**1**	**(89.1)**	2	(50.0)
Partially collateralised (C):	**15**	**(66.5)**	16	(68.8)
LTV ratio:				
– 101% to 110%	**—**	**—**	—	—
– 111% to 120%	**—**	**—**	—	—
– greater than 120%	**15**	**(66.9)**	16	(68.8)
– collateral value on C	**—**		16	
Total	**76**	**(28.1)**	77	(28.6)
At 31 Dec	**3,071**	**(1.0)**	3,213	(1.2)

1 Includes contribution related to the acquisition of HSBC Private Bank (Luxembourg) S.A. on 2 November 2023.

Financial assets at amortised cost classified as "Assets held for sale[1]"

	Gross carrying amount €m	Provision for ECL €m	Net €m
Loans and advances to customers at amortised cost	298	—	298
– stage 1	281	—	281
– stage 2	17	—	17
– stage 3	—	—	—
– POCI	—	—	—
Loans and advances to banks at amortised cost	139	—	139
– stage 1	139	—	139
– stage 2	—	—	—
– stage 3	—	—	—
– POCI	—	—	—
Other financial assets measured at amortised cost	2,038	—	2,038
– stage 1	2,038	—	2,038
– stage 2	—	—	—
– stage 3	—	—	—
– POCI	—	—	—
At 31 Dec 2024	**2,475**	**—**	**2,475**

1 Includes planned sale of private banking business in Germany and life insurance business in France.

Financial assets at amortised cost classified as "Assets held for sale[1]"

	Gross carrying amount €m	Provision for ECL €m	Net €m
Loans and advances to customers at amortised cost	12,765	(74)	12,691
– stage 1	11,512	(3)	11,509
– stage 2	1,074	(8)	1,066
– stage 3	179	(63)	116
– POCI	—	—	—
Loans and advances to banks at amortised cost	11,900	—	11,900
– stage 1	11,900	—	11,900
– stage 2	—	—	—
– stage 3	—	—	—
– POCI	—	—	—
Other financial assets measured at amortised cost	329	—	329
– stage 1	327	—	327
– stage 2	2	—	2
– stage 3	—	—	—
– POCI	—	—	—
At 31 Dec 2023	24,994	(74)	24,920

1 Includes re-classification to held for sale related to retail banking operations in France.

Counterparty credit risk

Overview

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. Whenever there is a chance that a counterparty will not pay an amount of money owed, live up to a financial commitment or honour a claim, there is credit risk. Many types of transactions present credit risk, counterparty credit risk tackles the case of an indirect exposure via an Over-The-Counter or Secured Financing Transaction ('OTC/SFT'): both parties commit to make future payments, the amounts of which are dependent on the market value of an underlying product (for example the exchange rate between the U.S. dollar and the Japanese yen).

Key developments in 2024

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

Governance and Structure

Traded Risk has a specific team responsible for the measurement, control and management of counterparty risk primarily as a Second Line of Defence function. Traded Risk reports to the Chief Risk Officer of HSBC Continental Europe.

The risk appetite framework for counterparty credit risk relies on two types of limits:

- Counterparty-level limits which are approved by the Wholesale Credit Officers; and
- Portfolio level limits which are established to monitor risk at an aggregate level. HSBC Continental Europe has portfolio limits on Wrong Way Risk, CVA, Financing and CCPs related metrics.

Key risk management processes

The Traded Credit Risk Management Meeting is the backbone of CCR's governance structure. During this monthly meeting, the different CCR events per client and portfolio are discussed and reviewed for further escalation to the HSBC Continental Europe RMM as necessary. Outstanding issues are also reported to sales/ relationship managers, credit officers and to the Traded Risk Europe/ Group representatives.

Market risk

Overview

Market risk is the risk that movements in market factors, including foreign exchange rates, interest rates, credit spreads and equity prices will reduce HSBC Continental Europe's income or the value of its portfolios.

Exposure to market risk is separated into two portfolios.

Trading portfolios comprise positions arising from market-making and warehousing of customer-derived positions.

Non-trading portfolios including Markets Treasury comprise positions that primarily arise from the interest rate management of commercial banking assets and liabilities, and financial investments designated as Held-To-Collect-and-Sale ('HTCS').

Key developments in 2024

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

Market risk governance

The following diagram summarizes the main business areas where trading and non-trading market risks reside, and the market risk measures used to monitor and limit exposures.

	Trading Risk	**Non-trading Risk**
Risk types	– Foreign exchange – Interest rates – Credit spreads – Equities	– Interest rates – Credit spreads – Foreign exchange
Risk measure	Value at Risk | Sensitivity | Stress testing	Value at Risk | Sensitivity | Stress testing

Where appropriate, similar risk management policies and measurement techniques are applied to both trading and non-trading portfolios. The objective is to manage and control market risk exposures to optimise return on risk while maintaining a market profile consistent with the established risk appetite.

At the HSBC Group level, market risk is managed and controlled through limits approved by the Risk Management Meeting for HSBC Holdings plc. These limits are allocated across business lines and to the HSBC Group's legal entities. Each major operating entity, including HSBC Continental Europe, has an independent market risk management and control sub-function which is responsible for measuring market risk exposures, monitoring and reporting these exposures against the prescribed limits on a daily basis.

For HSBC Continental Europe, the Chief Risk Officer is responsible for the management of the HSBC Continental Europe market risks limits, the business lines it operates as well as its subsidiaries. The risks mandates are also approved by the Chief Risk Officer within the risk appetite limits approved by the HSBC Continental Europe Board.

Each operating entity is required to assess the market risks arising in its business and to transfer them either to its local Markets and Securities Services or Markets Treasury unit for management, or to separate books managed under the supervision of the Asset Liability Committees. The Traded Risk function enforces the controls around trading in permissible instruments approved for each site as well as following completion of the new product approval process. Traded Risk also restricts trading in the more complex derivative products to offices with appropriate levels of product expertise and robust control systems.

Market risk in 2024

2024 was another intense year for financial markets. After a period of a restrictive monetary policy and despite signs of a persisting inflation in the first quarter of 2024 and increasing geopolitical tensions, the Central Banks triggered a cycle of rates cut with both the Federal Reserve and the European Central Bank decreasing their key rates by 100bps. While rates decreased over the year, European credit spreads suffered under an increasing political uncertainty and a gloomier economic outlook. The French snap election, in July, sent the French spread against Germany to level unseen since the European debt crisis. The outcome of the US election then drove the credit spreads up across all European countries, driven by fears of increasing deficits and debts in the year to come, in light of a potential trade war. In the US, the brighter economic picture, with a robust growth and positive employment numbers, and considering the inflationary policy of Trump's administration, led the Federal Reserve to reconsider its rate trajectory for 2025. In that context the US dollar performed against other currencies, especially in the last quarter of 2024, while American equity indexes remained resilient and overall performed over the year, with the technology industry driving the upward trend.

Market risk measures

Market risk monitoring system

The objective is to manage and control market risk exposures while maintaining a market profile consistent with our risk appetite. HSBC Continental Europe uses a range of tools to monitor and limit market risk exposures including sensitivity analysis, Value at Risk and stress testing.

Sensitivity analysis

Sensitivity analysis measures the impact of individual market factor movements on specific instruments or portfolios, including interest rates, foreign exchange rates and equity prices, such as the effect of a one basis point change in yield. HSBC uses sensitivity measures to monitor the market risk positions within each risk type. Sensitivity limits are set for portfolios, products and risk types, with the depth of the market being one of the principal factors in determining the level of limits set.

Value at risk

VaR is a technique that estimates the potential losses on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The use of VaR is integrated into market risk management and is calculated for all trading positions regardless of how HSBC Continental Europe capitalises those exposures. Where there is not an approved internal model, HSBC Continental Europe uses the rules prescribed by the regulator to capitalise exposures.

In addition, HSBC Continental Europe calculates VaR for non-trading portfolios in order to have a complete picture of risk. VaR is calculated at a 99 per cent confidence level for a one-day holding period. Where VaR is not explicitly computed, alternative tools like Stress Testing are at use.

The VaR models are based predominantly on historical simulation. These models derive plausible future scenarios from past series of recorded market rates and prices, taking into account inter-relationships between different markets and rates such as interest rates and foreign exchange rates. The models also incorporate the effect of option features on the underlying exposures.

The historical simulation models used incorporate the following features:

– Historical market rates and prices are calculated with reference to foreign exchange rates, interest rates, equity prices and the associated volatilities;
– Potential market movements utilised for VaR are calculated with reference to data from the past two years; and
– VaR measures are calculated to a 99 per cent confidence level and use a one-day holding period.

The nature of the VaR models means that an increase in observed market volatility will most likely lead to an increase in VaR without any changes in the underlying positions.

Although a valuable guide to risk, VaR should always be viewed in the context of its limitations. For example:

– Use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature;
– Use of a holding period assumes that all positions can be liquidated or the risks offset during that period. This may not fully reflect the market risk arising at times of severe illiquidity, when the holding period may be insufficient to liquidate or hedge all positions fully;
– Use of a 99 per cent confidence level by definition does not take into account losses that might occur beyond this level of confidence; and
– VaR is calculated on the basis of exposures outstanding at the close of business and therefore does not necessarily reflect intra-day exposures.

Stressed VaR

HSBC Continental Europe calculates a Stressed VaR. Like VaR, it is calculated using historical simulations and a 99 per cent confidence level. However, unlike VaR, Stressed VaR is based on a 10 day period and a stressed period historical dataset. Stressed VaR can be rescaled to a one-day equivalent holding period by dividing it by the square root of 10.

Stress Testing

Stress testing is an important procedure that is integrated into the market risk management toolkit to evaluate the potential impact on portfolio values of more extreme, although plausible, events or movements in a set of financial variables. In such scenarios, losses can be much greater than those predicted by VaR modelling.

Market risk reverse stress tests are undertaken on the premise that there is a fixed loss. The stress testing process identifies which scenarios lead to this loss. The rationale behind the reverse stress test is to understand scenarios which are beyond normal business settings that could have contagion and systemic implications.

Stressed VaR and stress testing, together with reverse stress testing and the management of gap risk, provide management with insights regarding the 'tail risk' beyond VaR for which local appetite is limited.

Back-testing

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

The number of back-testing exceptions is used to gauge how well the models are performing. It is considered as enhanced internal monitoring of a VaR model if more than five profit exceptions or more than five loss exceptions occur in a 250-day period.

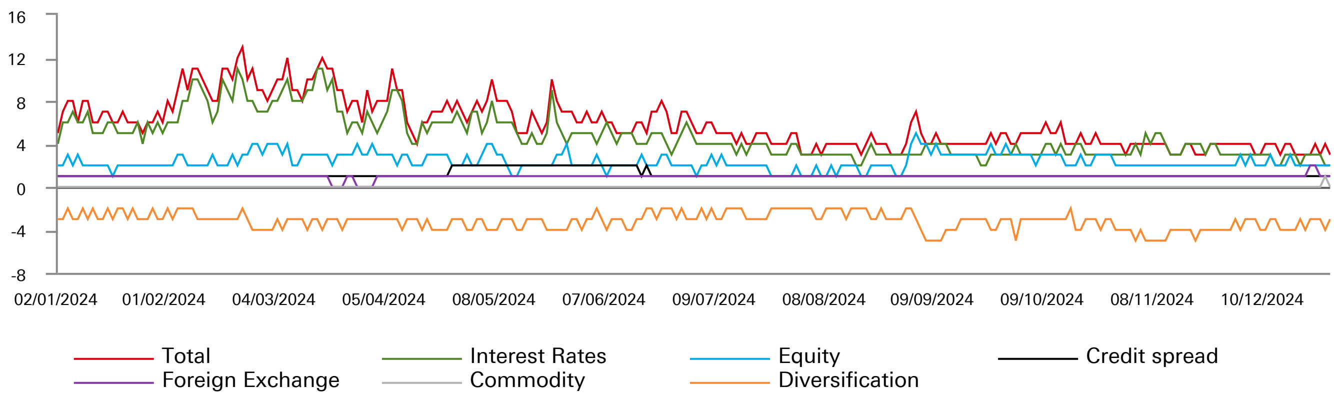
Back-testing the VaR is performed at set levels of local entity hierarchy.

Trading portfolios

Value at risk of the trading portfolios

The majority of HSBC Continental Europe total Value at Risk ('VaR') and almost all trading VaR reside in Global Banking and Markets with an amount of EUR 3.4 million as of 31 December 2024 compared with EUR 5.3 million at 29 December 2023.

HSBC Continental Europe Trading VaR by risk type (mEUR)



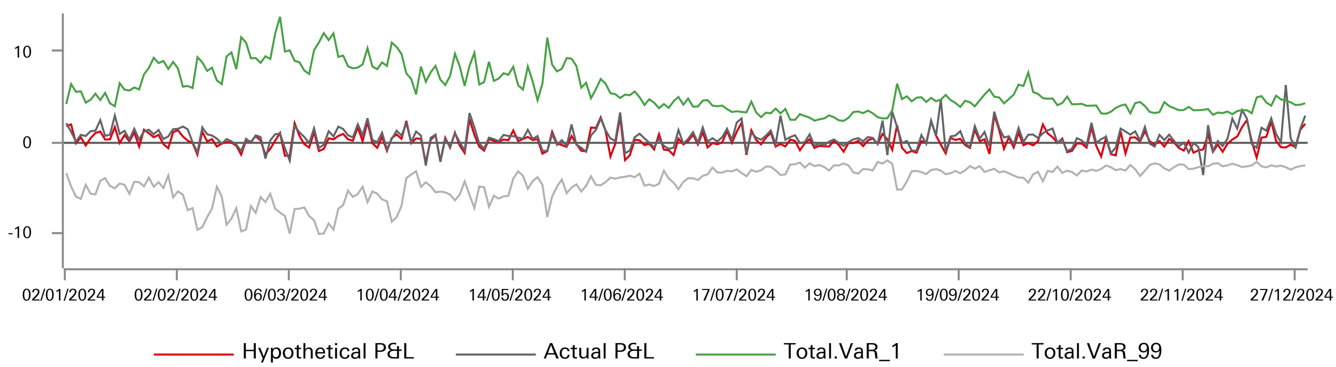
HSBC Continental Europe Trading VaR by risk type

	Foreign exchange ('FX') and commodity	Interest rate ('IR')	Equity ('EQ')	Credit Spread ('CS')	Commodity	Portfolio Diversification	Total
	€m	€m	€m	€m	€m	€m	€m
Balance at 31 Dec 2024	**1.36**	**2.20**	**1.91**	**0.91**	**0.37**	**(3.33)**	**3.41**
Average	**0.78**	**4.74**	**2.35**	**1.11**	**0.07**	**(3.16)**	**5.88**
Maximum	**1.55**	**11.11**	**4.59**	**1.86**	**0.54**	**(5.33)**	**12.94**
Balance at 29 Dec 2023	0.84	4.61	1.88	0.60	0.04	(2.71)	5.26
Average	0.98	5.98	2.16	1.14	0.07	(3.34)	6.92
Maximum	1.92	9.56	3.87	2.07	0.25	(6.58)	11.79

HSBC Continental Europe 1D SVaR of the Trading portfolio

	€m
Average	**12.73**
Maximum	**28.48**
Minimum	**6.65**
At 31 Dec 2024	**10.69**

HSBC Continental Europe solo Backtesting (mEUR)



Non-Trading portfolios

Non-trading VaR of HSBC Continental Europe includes the interest rate risk of non-trading financial instruments held by the global businesses and transferred into portfolios managed by Markets Treasury or Asset, Liability and Capital Management functions. In measuring, monitoring and managing risk in non-trading portfolios, VaR is just one of the tools used. The management of interest rate risk in the banking book is described further in 'Non-trading interest rate risk' below, including the role of Markets Treasury. The local control of market risk in the non-trading portfolios is based on transferring the assessed market risk of non-trading assets and liabilities created outside Markets Treasury or Markets, to the books managed by Markets Treasury, provided the market risk can be neutralised. The net exposure is typically managed by Markets Treasury through the use interest rate swaps. Interest rate swaps used by Markets Treasury are typically classified as either a fair value hedge or a cash flow hedge and included within the local non-trading VaR.

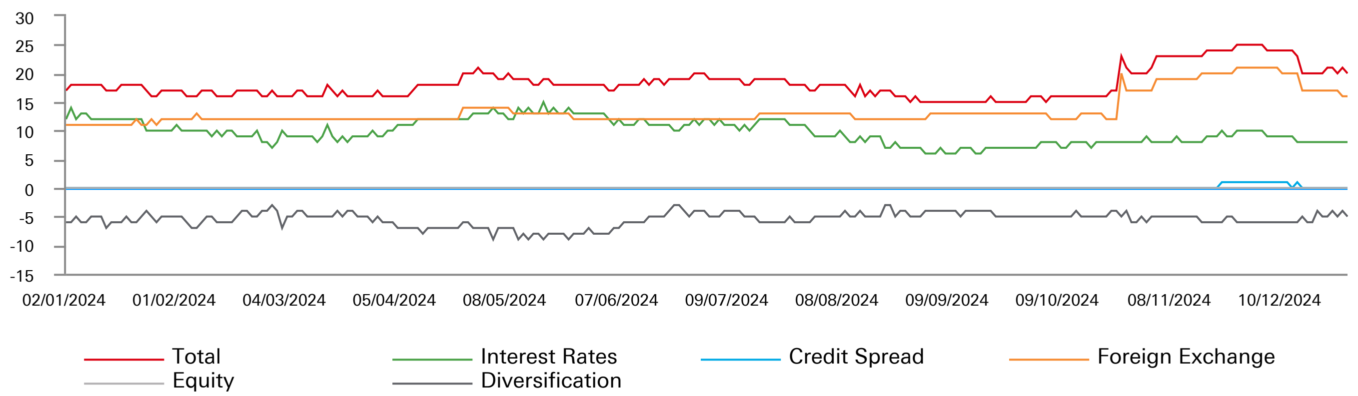
Any market risk that cannot be neutralised in the market is managed by HSBC Continental Europe in segregated ALCO books.

HSBC Continental Europe Value at Risk of the non-trading portfolio

HSBC Continental Europe Total accrual VaR by risk type

	Foreign Exchange	Interest Rate	Equity	Credit Spread	Portfolio diversification	Total
	€m	€m	€m	€m	€m	€m
Balance at 31 Dec 2024	**0.01**	**8.22**	**0.48**	**16.41**	**(4.64)**	**20.49**
Average	**0.01**	**9.81**	**0.34**	**13.52**	**(5.51)**	**18.17**
Maximum	**0.17**	**14.70**	**0.62**	**20.72**	**(9.15)**	**24.92**
Balance at 29 Dec 2023	0.02	12.19	0.03	10.48	(6.46)	16.25
Average	0.01	9.50	0.03	9.83	(5.14)	14.22
Maximum	0.05	13.58	0.10	14.93	(8.07)	18.03

HSBC Continental Europe solo non-trading VaR by risk type (mEUR)



Treasury risk

Overview

Treasury risk is the risk of having insufficient capital, liquidity or funding resources to meet financial obligations and satisfy regulatory requirements. Treasury risk also includes the risk to our earnings or capital due to structural foreign exchange exposures and changes in market interest rates.

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

Approach and policy

Our objective in the management of treasury risk is to maintain appropriate levels of capital, liquidity and funding to support our business strategy, and meet our regulatory and stress testing-related requirements.This includes business as usual management as well as recovery and resolution planning.

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

Our policy is underpinned by our risk management framework, our Internal Capital Adequacy Assessment Process and our Internal Liquidity Adequacy Assessment Process. The risk framework incorporates a number of measures aligned to our assessment of risks for both internal and regulatory purposes.

These risks include credit, market, operational, pensions, structural foreign exchange and interest rate risk in the banking book.

The ECB is the lead supervisor of the bank and sets the consolidated regulatory capital requirements and receives information on the capital and liquidity adequacy as well as on recovery planning. The Single Resolution Board ('SRB') and the ACPR set the resolvability requirements including the consolidated Minimum Required Eligible Liabilities ('MREL') / Total Loss Absorbing Capacity ('TLAC') targets.

Governance

Capital, liquidity, interest rate risk in the banking book and non-trading book foreign exchange risk are actively managed by the Treasury function as the First Line of Defence. The Chief Financial Officer is the risk owner for Treasury Risks. In this role, the Chief Financial Officer is supported by the Asset and Liability Management Committee. The Head of Treasury Risk Management is the accountable Second Line of Defence risk steward for all Treasury Risks. Ultimately, Treasury Risks are within the responsibility of the Board and its Risk Committee.

Capital

Key metrics (KM1) (non audited)

		At	
		31 Dec 2024	31 Dec 2023[2]
		€m	€m
	Available own funds (amounts)		
1	Common Equity Tier 1 ('CET1') capital	**11,916**	9,373
2	Tier 1 capital	**13,359**	10,819
3	Total capital	**14,848**	12,305
	Risk-weighted exposure amounts		
4	Total risk-weighted exposure amount	**63,297**	59,515
	Capital ratios (as a percentage of risk-weighted exposure amount) (%)		
5	Common Equity Tier 1 ratio	**18.8**	15.7
6	Tier 1 ratio	**21.1**	18.2
7	Total capital ratio	**23.5**	20.7
	Additional own funds requirements to address risks other than the risk of excessive leverage (%) (as a percentage of risk-weighted exposure amount) (%)		
EU-7a	Additional own funds requirements to address risks other than the risk of excessive leverage	**3.0**	3.4
EU-7b	– of which: to be made up of CET1 capital (percentage points)	**1.7**	1.9
EU-7c	to be made up of Tier 1 capital (percentage points)	**2.3**	2.6
EU-7d	Supervisory review and evaluation process ('SREP') own funds requirements	**11.0**	11.4
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount) (%)		
8	Capital conservation buffer	**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	**0.88**	0.62
EU-9a	Systemic risk buffer	**0.02**	—
10	Global Systemically Important Institution buffer		—
EU-10a	Other Systemically Important Institution buffer	**0.25**	0.25
11	Combined buffer requirement	**3.7**	3.4
EU-11a	Overall capital requirements	**14.7**	14.8
12	CET1 available after meeting the total SREP own funds requirements	**12.5**	8.3
	Leverage ratio		
13	Total exposure measure	**245,648**	257,480
14	Leverage ratio (%)	**5.4**	4.2
	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount) (%)		
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
	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 requirements	**3.0**	3.0
	Liquidity Coverage Ratio ('LCR')[1,3]		
15	Total high-quality liquid assets ('HQLA') (Weighted value-average)	**75,513**	76,282
EU-16a	Cash outflows – Total weighted value	**82,826**	78,490
EU-16b	Cash inflows – Total weighted value	**32,299**	30,152
16	Total net cash outflows (adjusted value)	**50,527**	48,339
17	Liquidity coverage ratio (%)	**150**	158
	Net Stable Funding Ratio ('NSFR')[1,4]		
18	Total available stable funding	**86,928**	81,311
19	Total required stable funding	**63,448**	57,468
20	NSFR ratio (%)	**137**	141

* The references identify the lines prescribed in the EBA template that are applicable and where there is a value.
1 In line with CRR requirements LCR is disclosed as an average over 12 months, whereas NSFR is disclosed as at reporting date.
2 CET1 capital for Dec 23 has been restated to reflect the payment of AT1 dividends.
3 The components of the LCR calculation have been represented to comply with EBA reporting requirements.
4 For Dec 23, this includes the impact of the sale of our retail banking operations in France.

Capital Management

HSBC Continental Europe's objective in managing the Bank's capital is to maintain appropriate levels of capital to support its business strategy and meet regulatory requirements at all times.

HSBC Continental Europe manages its capital to ensure that it exceeds current and expected future requirements. Throughout 2024, HSBC Continental Europe complied with the ECB regulatory capital adequacy requirements.

To achieve this, HSBC Continental Europe manages its capital within the context of an annual capital plan, which is approved by the Board and which determines the appropriate amount and mix of capital. Complementing this capital plan regular forecasts of capital, leverage, RWAs positions are produced throughout the year.

The policy on capital management is underpinned by the HSBC Group capital management framework, which enables a consistent management of the capital.

Each of HSBC Continental Europe's subsidiaries subject to individual regulatory capital requirements manages its own capital to support its planned business growth and meet its local regulatory requirements.

Capital Measurement

HSBC Continental Europe is supervised by the Joint Supervisory Team of the ECB and the ACPR. The ECB sets HSBC Continental Europe's capital requirements, in line with the regulatory framework.

The Basel III framework, like Basel II, is structured around three 'pillars': minimum capital requirements, supervisory review process and market discipline. Basel III also introduces a number of capital buffers, including the Capital Conservation Buffer ('CCB'), Countercyclical Buffer ('CCyB'), 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.

The capital management framework defines regulatory capital and economic capital as the two primary measures for the management and control of capital.

Capital measures:

- Regulatory capital is the capital which HSBC Continental Europe is required to hold in accordance with the rules established by regulators; and
- Economic capital is the internally calculated capital requirement to support risks to which HSBC Continental Europe is exposed and forms a core part of the internal capital adequacy assessment process.

Regulatory Capital

HSBC Continental Europe's capital base is divided into three main categories, namely Common Equity Tier 1, Additional Tier 1 and Tier 2, depending on their characteristics.

CET1 capital is the highest quality form of capital, comprising shareholders' equity and related non-controlling interests (subject to limits). Under CRD/CRR various capital deductions and regulatory adjustments are made against these items – these include deductions for goodwill and intangible assets, deferred tax assets that rely on future profitability as well as negative amounts resulting from the calculation of expected loss amounts under IRB.

Additional Tier 1 capital comprises eligible non-common equity capital securities such as Additional Tier 1 eligible subordinated debt as per CRR, and any related share premium. Holdings of additional Tier 1 securities of financial sector entities are deducted from additional Tier 1 capital.

Tier 2 capital comprises eligible subordinated debt and any related share premiums. Holdings of Tier 2 capital of financial sector entities are deducted.

Regulatory Requirements

At the end of 2024, HSBC Continental Europe is required to meet on a consolidated basis a minimum total capital ratio of at least 14.65 per cent. This Overall Capital Requirement ('OCR') is composed of the 8 per cent minimum capital in respect of article 92.1 of the 575/2013 Regulation, the 2.5 per cent for the Capital Conservation Buffer (CCB) in respect of article 129 of the 2013/36 Directive, the 0.9 per cent weighted Countercyclical Buffer (CCyB), the 0.25 per cent Other Systematically Important Institution buffer ('O-SII') in force since 1 January 2022 as per the decision from the ACPR and the 3.0 per cent Pillar 2 Requirement ('P2R').

The minimum capital requirement under Pillar 2 ('P2R') for HSBC Continental Europe on a consolidated basis has been set at 3.0 per cent Under CRD, the P2R should be held in the form of 56.25 per cent of CET1 and 75 per cent of Tier 1, as a minimum.

As at 31 December 2024, the requirement in respect of Common equity tier 1 is 9.84 per cent, excluding Pillar 2 guidance ('P2G').

Leverage Ratio

The leverage ratio was introduced into the Basel III framework as a non-risk-based metric, to supplement risk-based capital requirements. It aims to constrain the build-up of excessive leverage in the banking sector, introducing additional safeguards against model risk and measurement errors. The Basel III leverage ratio is a volume-based measure calculated as Tier 1 capital divided by total on- and weighted off-balance sheet exposures, allowing the exclusions of certain exposures and the netting of exposures on certain market instruments.

This ratio has been implemented in the EU for reporting and disclosure purposes and has been set as a binding requirement since June 2021.

Pillar 3 market discipline

Pillar 3 of the Basel regulatory framework is related to market discipline and aims to make financial services firms more transparent by requiring publication of wide-ranging information on their risks, capital and management. HSBC Continental Europe's Pillar 3 Disclosure is published on HSBC's website, www.hsbc.com, under 'Investors' section.

Minimum Requirement for own funds and Eligible Liabilities ('MREL') – Total Loss Absorbing Capacity ('TLAC')

HSBC Continental Europe became subject to MREL requirements for the first time on 30 March 2020 following receipt of decision from the ACPR.

Following the end of the UK withdrawal from the European Union transition period, HSBC Continental Europe became from 1 January 2021 a material subsidiary (CRR article 4.1.135) of a third-country G-SII and therefore bound by internal TLAC requirements (CRR article 92b). In order to meet both the internal TLAC and MREL requirements, HSBC Continental Europe has issued internal Senior Non-Preferred bonds.

Overview of changes of own funds ratios

Composition of regulatory own funds ('CC1')[1] (non audited)

		At	
		31 Dec 2024	31 Dec 2023[2]
Ref*		**€m**	€m
	Common equity tier 1 ('CET1') capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	**8,075**	6,327
	– of which: share premium account	**6,747**	5,264
2	Retained earnings	**2,927**	2,133
3	Accumulated other comprehensive income (and other reserves)	**1,642**	1,566
5	Minority interests (amount allowed in consolidated CET1)	**103**	90
5a	Independently reviewed interim net profits net of any foreseeable charge or dividend	**568**	883
6	Common equity tier 1 capital before regulatory adjustments	**13,315**	10,999
28	Total regulatory adjustments to Common Equity Tier 1 ('CET1')	**(1,399)**	(1,625)
29	Common Equity Tier 1 ('CET1') capital	**11,916**	9,373
36	Additional tier 1 capital before regulatory adjustments	**1,443**	1,445
43	Total regulatory adjustments to Additional Tier 1 ('AT1') capital	**—**	—
44	Additional Tier 1 (AT1) capital	**1,443**	1,445
45	Tier 1 capital (T1 = CET1 + AT1)	**13,359**	10,819
51	Tier 2 capital before regulatory adjustments	**1,908**	1,906
57	Total regulatory adjustments to tier 2 capital	**(420)**	(420)
58	Tier 2 capital	**1,488**	1,486
59	Total capital (TC = T1 + T2)	**14,848**	12,305

* The references identify the lines prescribed in the EBA template that are applicable and where there is a value.
1 This row includes losses that have been recognised and deducted as they arose and were therefore not subject to an independent review.
2 CET1 capital for Dec 23 has been restated to reflect the payment of AT1 dividends.

The main movements of the own funds are detailed on the Note 1.3 'Significant events during the year' of the HSBC Continental Europe's Universal Registration Document 2024.

RWA movement by global business by key driver (non audited)

	Total RWA
	€m
RWAs at 1 Jan 2024[1]	**59,515**
Asset size	**476**
Asset quality	**953**
Model updates	**4,230**
Methodology and policy	**(1,863)**
Foreign exchange movement	**(14)**
Total RWA movement	**3,782**
RWAs at 31 Dec 2024	**63,297**
RWAs by global business	
Markets & Securities Services	**11,515**
Global Banking	**13,457**
Global Banking and Markets Others	**3,929**
Commercial Banking	**24,211**
Wealth and Personal Banking	**6,563**
Corporate Centre	**3,622**

1 CET1 capital for Dec 2023 has been restated to reflect the payment of AT1 dividends.

Leverage Ratio at 31 December (non audited)

	At	
	31 Dec 2024	31 Dec 2023
	€m	€m
Tier 1 Capital	**13,359**	10,819
Leverage Exposure	**245,648**	257,480
Leverage ratio %	**5.4**	4.2

Tier 1 capital increased from EUR 10,819 million to EUR 13,356 million during 2024. The Leverage exposure decreased from EUR 257.5 billion to EUR 245.1 billion as a result of the disposal of the retail banking operations.

Liquidity and funding risk management

Liquidity and funding risk management framework

Liquidity risk is the risk that HSBC Continental Europe 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.

HSBC Group has an internal liquidity and funding risk management framework which aims to allow it to withstand liquidity stresses. It is designed to be adaptable to changing business models, markets and regulations. The management of liquidity and funding is undertaken in compliance with the HSBC Group's framework and with practices and limits set through by the RMM and approved by the Board.

The elements of this framework are underpinned by a robust governance framework, the two major elements of which are ALCO and ILAAP.

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 risk is managed by HSBC Continental Europe on a standalone basis with no implicit reliance assumed on any other Group entity unless pre-committed.

HSBC Continental Europe's policy is it should be self-sufficient in funding its own activities.

The Liquidity Coverage Ratio, the Internal Liquidity Metric and the Net Stable Funding Ratio are key components of the Liquidity and Funding Risk Framework.

Liquidity and funding risk profile

Liquidity Coverage Ratio ('LCR')

The LCR aims to ensure that a bank has sufficient unencumbered High Quality Liquid Asset ('HQLA') to meet its liquidity needs in a 30 calendar day liquidity stress scenario. At 31 December 2024, HSBC Continental Europe remained within the LCR risk limits established by the Board and above the regulatory minimum.

The following table displays the average 12 month LCR levels for HSBC Continental Europe consolidated on the European Commission LCR Delegated Regulation basis.

Liquidity coverage ratio (non audited)

	At	
	31 Dec 2024	31 Dec 2023
	%	%
HSBC Continental Europe	**150**	158

Net Stable Funding Ratio ('NSFR')

The NSFR is defined as the ratio between the amount of stable funding available and the amount of stable funding required. HSBC Continental Europe's calibration of the NSFR is based on the CRR II (Regulation EU 2019/876).

At 31 December 2024, HSBC Continental Europe's NSFR was within the risk limits established by the Board and above the regulatory minimum.

The table below displays the NSFR levels for HSBC Continental Europe consolidated.

Net stable funding ratio (non audited)

	At	
	31 Dec 2024	31 Dec 2023
	%	%
HSBC Continental Europe[1]	**137**	141

1 December 2023 NSFR included the impact of the sale of retail banking operations in France.Both NSFR are value at reporting date.

Liquid assets

The table below shows the weighted liquidity value of assets categorised as liquid, which is used for the purposes of calculating the LCR. This reflects the stock of unencumbered liquid assets at the reporting date, using the regulatory definition of liquid assets.

Liquid assets (non audited)

	Estimated liquidity value at	
	31 Dec 2024	31 Dec 2023
	€m	€m
Level 1	**77,234**	71,837
Level 2a	**2,366**	938
Level 2b	**2,519**	575

Level 1 liquid assets include HSBC Continental Europe balances with its central banks (excluding non-withdrawable reserves) and notes and coins.

Sources of funding

Our primary sources of funding are customer accounts, repo and wholesale issuances and capital instruments.

The following table analyses HSBC Continental Europe's consolidated balance sheet according to the assets that primarily arise from operating activities and the sources of funding primarily supporting these activities. Assets and liabilities that do not arise from operating activities are presented as a net balancing source or deployment of funds.

Wholesale funding markets are accessed by issuing senior debt securities (publicly and privately) and borrowing from secured repo markets against high-quality collateral, to align asset and liability maturities, currency mismatches and to maintain a presence in local wholesale markets.

The main financing transactions in 2024 are presented in the Significant events during the year section on page 261.

Funding sources and uses

	2024 €m	2023 €m		2024 €m	2023 €m
Sources			**Uses**		
Customer accounts[1]	**97,065**	93,890	Loans and advances to customers	**51,288**	50,127
Deposits by banks[1]	**11,820**	10,261	Loans and advances to banks	**5,703**	5,816
Repurchase agreements – non-trading	**12,344**	11,153	Reverse repurchase agreements – non-trading	**25,764**	24,490
Debt securities in issue	**15,257**	12,909	Assets held for sale	**25,477**	23,211
Cash collateral, margin, settlement accounts and Items in the course of transmission to other banks	**14,775**	17,011	Cash collateral, margin, settlement accounts and Items in the course of collection from other banks	**15,321**	17,985
Liabilities of disposal groups held for sale	**24,718**	23,817	Trading assets	**22,853**	17,249
Subordinated liabilities	**1,941**	1,951	– reverse repos	**39**	53
Financial liabilities designated at fair value	**9,906**	9,696	– stock borrowing	**186**	61
Liabilities under insurance contracts	**518**	21,035	– other trading assets	**22,628**	17,135
Trading liabilities	**16,480**	19,877	Financial investments	**20,740**	22,608
– repos	**—**	2	Cash and balances with central banks	**48,907**	56,894
– stock lending	**1**	5	Other balance sheet assets	**48,955**	64,597
– other trading liabilities	**16,479**	19,870			
Total equity	**14,831**	12,508			
Other balance sheet liabilities	**45,353**	48,869			
At 31 Dec	**265,008**	282,977	**At 31 Dec**	**265,008**	282,977

1 Following a customer classification error, the comparatives as at 31 December 2023 have been represented by EUR 1.4 billion between 'Deposits by banks' and 'Customer accounts'.

Contingent liquidity risk arising from committed lending facilities

HSBC Continental Europe provides committed facilities such as standby facilities and committed backstop lines to its customers. Undrawn commitments provided to conduits or external customers are accounted for in the LCR and NSFR in line with the applicable regulations, and are taken into account in the internal stress testing of liquidity.

HSBC Continental Europe's contractual exposures as at 31 December monitored under the contingent liquidity risk structure

	At	
	31 Dec 2024 €m	31 Dec 2023 €m
Commitments to customers		
– 5 largest[1]	**4,680**	3,850

1 Sum of the undrawn balance of the five largest facilities excluding conduits.

Asset encumbrance and collateral management

An asset is defined as encumbered if it has been pledged as collateral against an existing liability and, as a result, is no longer available to the bank to secure funding, satisfy collateral needs or be sold to reduce the funding requirement. Collateral is managed on an HSBC Continental Europe basis consistent with the approach to managing liquidity and funding. Available collateral held in an operating entity is managed as a single consistent collateral pool from which the operating entity will seek to optimise the use of the available collateral. The objective of this disclosure is to facilitate an understanding of instantly available and unrestricted assets that could be used to support potential future funding and collateral needs. The disclosure is not designed to identify assets which would be available to meet the claims of creditors or to predict assets that would be available to creditors in the event of a resolution or bankruptcy.

Summary of assets available to support potential future funding and collateral needs (on- and off-balance sheet)

	2024 €m	2023 €m
Total on balance sheet assets as at 31 Dec	**265,008**	282,977
Less:		
– reverse repo/stock borrowing receivables and derivatives assets	**(69,239)**	(70,126)
– other assets that cannot be pledged as collateral	**(40,888)**	(49,973)
Total on-balance sheet assets that can support funding and collateral needs as at 31 Dec	**154,881**	162,878
Add: off-balance sheet assets		
– fair value of collateral received in relation to reverse repo/stock borrowing/derivatives that is available to sell or repledge	**61,419**	48,999
Total assets that can support funding and collateral needs as at 31 Dec	**216,300**	211,877
Less:		
– on-balance sheet assets pledged	**(30,156)**	(31,327)
– re-pledging of off-balance sheet collateral received in relation to reverse repo/stock borrowing/derivatives	**(43,830)**	(39,400)
Total assets available to support funding and collateral needs as at 31 Dec	**142,314**	141,150

Interest-rate risk of the banking book

Overview

Interest rate risk in the banking book is the risk of an adverse impact to earnings or capital due to changes in market interest rates 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. Interest rate risk that can be economically hedged may be transferred to the Markets Treasury. Hedging is generally executed through interest rate derivatives or fixed-rate government bonds. Any interest rate risk that Markets Treasury cannot economically hedge is not transferred and will remain within the global business where the risks originate. Key metrics to monitor and control IRRBB are projected Banking Net Interest Income ('BNII') and Economic Value of Equity ('EVE') sensitivities under varying interest rate scenarios.

Governance

Treasury monitors and controls interest rate risk in banking book. This includes reviewing and challenging the global businesses prior to the release of new products and proposed behavioural assumptions used for hedging activities. Treasury 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. Treasury and ALCO perform oversight over the management of IRRBB. IRRBB is also subject to independent oversight and challenge from Treasury Risk, Internal Audit and Model governance.

Key risk Drivers

The bank's interest rate risk in the banking book can be segregated into the following drivers:

- Gap risk – also known as Duration Risk or Repricing Risk – arises from the term structure of banking book instruments, and describes the risk arising from the timing of instruments' rate changes. The extent of gap risk depends on whether changes to the term structure of interest rates occur consistently across the yield curve (parallel risk) or differentially by period (non-parallel risk);
- Basis risk describes the impact of relative changes in interest rates for financial instruments that have similar tenors but are priced using different interest rate indices; and
- Option risk arises from option derivative positions or from optional elements embedded in a bank's assets, liabilities and/or off-balance sheet items, where the bank or its customer can alter the level and timing of their cash flows.

Banking Net Interest Income sensitivity

Banking NII Sensitivity analyses the sensitivity of our banking net interest income to interest rate shocks. This metric, which was introduced in our Annual Report and Accounts 2023, includes the sensitivity coming from trading book assets funded by banking book liabilities or vice versa. Banking NII Sensitivity is therefore a more comprehensive measure than NII Sensitivity which was disclosed previously and is aligned with the presentation of banking net interest income as an alternative performance measure intended to approximate the bank's banking revenue that is directly impacted by changes in interest rates.

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

A principal part of our management of non-traded interest rate risk is to monitor the sensitivity of expected Banking Net Interest Income under varying interest rate scenarios (simulation modelling), where all other economic variables are held constant.

The sensitivity analysis performed in the case of a down-shock does not include floors to market rates, and it does not include floors on some wholesale assets and liabilities. However, floors have been maintained for deposits and loans to customers where this is contractual or where negative rates would not be applied.

Economic value of equity sensitivity

EVE represents the present value of the future banking book cash flows that could be distributed to equity holders under a 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. An EVE sensitivity represents the expected movement in EVE due to pre-specified interest rate shocks, where all other economic variables are held constant. HSBC Continental Europe is required to monitor EVE sensitivities as a percentage of capital resources.

Structural foreign exchange risk

Structural foreign exchange (SFX) risk arises from the capital invested or net assets in a foreign operation (SFX exposure) together with any associated hedging. A foreign operation is defined as a subsidiary, associate, joint arrangement or branch of a reporting entity, the activities of which are conducted in a currency other than that of the reporting entity.

Unrealised gains or losses due to revaluations of structural foreign exchange exposures are recognised in other comprehensive income, whereas other unrealised gains or losses arising from revaluations of foreign exchange positions are reflected in the income statement.

HSBC Continental Europe's structural foreign exchange exposures are managed with the primary objective of ensuring, where practical, its consolidated capital ratios and the capital ratios of individual banking subsidiaries are largely protected from the effect of changes in exchange rates.

Pension risk

Overview

HSBC provides future pension benefits on both defined contribution basis and defined benefit basis in its European operations. Pension risk refers to the financial and non-financial risk from the pension plans offered to employees.

Most of the plans in HSBC Continental Europe are defined contribution pension plans. In these plans the contributions that HSBC is required to make are known, while the ultimate pension benefit will vary, typically with investment returns achieved by investment choices made by the employee. While the market risk to HSBC of defined contribution plans is low, it is still exposed to operational and reputational risk.

In defined benefit pension plans, the level of pension benefit is known. Therefore, the level of contributions required by HSBC will vary due to a number of parameters, including:

- Investments delivering a return below that required to provide the projected plan benefits;
- Prevailing economic environment leading to corporate failures, thus triggering write-downs in asset values (both equity and debt);
- Change in interest rates, credit spreads or inflation, causing an increase in the value of the plan liabilities; and
- Plan members living longer than expected (known as longevity risk).

The most material pension plan in terms of risk exposure is the defined benefit pension scheme run for the operations in Germany. The scheme is separated via a Contractual Trust Arrangement. The liabilities of the plan are covered by assets held in a pension fund.

Key Developments in 2024

There were no major changes regarding the pension risk management processes in 2024.

Governance and Structure

Pension plans are run by local fiduciaries in line with local legislative requirements and HSBC policies. As this is the case for the other types of risk, pension risk follows the HSBC Risk Management Framework, based on a three lines of defence model.

Funded defined benefit plans invest contributions in a range of investments designed to limit the risk of assets failing to meet a plan’s liabilities. Any changes in expected returns from the investments may also change future contribution requirements. In pursuit of these long-term objectives, an overall target allocation of the defined benefit plan assets between asset classes is established. In addition, each permitted asset class has its own benchmarks, such as stock market or property valuation indices or liability characteristics. The asset allocation and benchmarks are reviewed at least once every three to five years and more frequently if required by local legislation or circumstances. The process generally involves an extensive asset and liability review.

Key Risk management processes

The financial risk from material defined benefit plans is subject to risk indicators regarding the actual surplus or shortfall of assets versus liabilities and the potential shortfall from future market movements.

The latter risk is assessed using an economic capital model that takes into account potential variations on both pension assets and pension liabilities in a one-in-200-year stress test. Scenario analysis and other stress tests are also used to support pension risk management.

Non financial risk

Operational risk

Overview

In accordance with the French Order of 3 November 2014 modified the 25 February 2021, operational risk is defined within the HSBC Group as a risk event which materialises within HSBC due to:

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

This risk includes notably external or internal fraud risk (article 324 of EU regulation No. 575/2013), non-authorised activities, errors and omissions (including events characterised by a low probability but with a high operational loss in case of occurrence), and risks related to models.

The risk of loss could be materialised under the seven risk categories as defined in the HSBC Group taxonomy: Financial Reporting and Tax Risk, Financial Crime and Fraud Risk, Regulatory Compliance Risk, Legal Risk, Resilience Risk, Model Risk and People Risk.

Regulatory framework

Basel II regulatory dispositions require that banking institutions take into account the operational risk management on three levels in terms of:

- Capital requirements to take into account all banking risks and their economic reality (Pillar I);
- Operational risk framework, meaning an implementation of an internal framework to manage risks which should enhance the prudential supervision by the national supervisors (Pillar II); and
- Information and financial communication on the matter, intended to administrators, supervisory authorities and shareholders (Pillar III).

Beyond regulatory requirements, managing operational risks and the permanent evolution of the control framework depending on changing activities and regulations to reduce losses is a priority for HSBC Continental Europe and also improves customer experience in its daily activities.

Operational Risk Management – Methodology defined by the regulator

Regulators have defined three methods to calculate Operational Risk capital requirements which are the following:

- Basic approach;
- Standardised approach; and
- Advanced approach.

Each method is linked to specific requirements in terms of risk management and external information on the framework of which implementation is a condition for the approach application.

Like HSBC Group, HSBC Continental Europe currently uses the standardised approach for the calculation of operational risks.

This approach is based on the application of different ratios (beta-factors which are 12 per cent, 15 per cent and 18 per cent) to the average gross income (over three years) of each one of the eight business lines defined by the CRR (Capital Requirement Regulation).

It implies that a method has to be determined to allocate the global gross income to Basel business lines defined by the regulator. Among qualitative criteria used for this method, the implementation of an internal operational risk framework is required and needs to include the following aspects:

- Regular inventory of operational losses;
- Potential operational risks identification for all entities;

- Implementation of risk management processes, by defining and implementing action plans to mitigate the risks and by monitoring risk indicators;
- Implementation of an independent structure to manage those risks; and
- Regular communication of information about the evolution of these risks to the executive management.

Quantitative aspects (non audited)

The Finance department is in charge of calculating the capital requirements related to operational risks and communicates it to the Autorité de contrôle prudentiel et de résolution and the European Central Bank.

First, the Net Banking Income ('NBI') is allocated to the eight business lines defined by the CRR. Then, the capital requirement for each business line is calculate using the relevant beta-factor. This task involves splitting the NBI by activity.

	Regulatory Capital Charge %
Basel Lines of Business	
Corporate Finance	18
Trading and Sales	18
Retail Banking	12
Commercial Banking	15
Payments and Settlement	18
Agency Services	15
Asset Management	12
Retail Brokerage	12

Qualitative aspects

Enterprise Risk management tasks include the following activities:

- Definition and maintenance of risk appetite, policies and frameworks;
- Day-to-day advice, guidance and review and challenge;
- Ongoing assurance activities, analysis and aggregation;
- Periodic assurance activities – targeted and specific reviews, and deep-dives; and
- Operating Non-Financial Risk processes and controls.

Key developments in 2024

In 2024, Enterprise Risk Management supported the safe transformation of HSBC Continental Europe, by monitoring closely strategic change execution, while supporting businesses and functions in managing the operational risk profile within appetite. Risk culture and awareness has continued to be strengthened by non-financial risk training and regular forums.

2024 has also been punctuated by the implementation of DORA requirements including a revised incident reporting process, testing framework and risk management requirements for Information and Communication Technology ('ICT') and the Third Party Framework.

In addition, in 2024, an enhancement programme (RMFe: Risk Management Framework enhancements) was put in place within HSBC Continental Europe in order to extend the existing framework on non-financial risks on financial risks. This programme was established across 4 Financial Risk areas, including Treasury Risk, focusing on review and documentation of front to back processes at an appropriate level to allow for identification of material risks and mapping of key controls.

Key deliverables for this RMFe programme for financial risks are:

- The Risk Taxonomy and Control Library ('RTCL'),
- A target operating model including definition of roles and responsibilities,
- Implementation of Risk and Control assessment processes to ensure ongoing monitoring and adequacy of controls.

Governance and structure

The Enterprise Risk Management function provides direction, insight and challenge on the management of non-financial risks, along with an overall assessment of the non-financial risk exposure versus Board appetite.

It is supervised directly by the Chief Risk Officer, brings a holistic vision of risks and it has a consolidation and harmonisation role and provides an overview of the main operational risks to the executive management, the Risk Committee and the HSBC Group, collaborating with the other Risk Stewards in the Second Line of Defence on critical subjects, such as risk maps reviews, the design and monitoring of action plans, incident reporting, risk indicators and control plans.

To ensure consistent monitoring of operational risks across the bank, the Enterprise Risk Management function hosts at least 3 times a year the HSBC Continental Europe Operational and Resilience Risk forum. The purpose of this forum is to provide guidance and supervision of non-financial risk management and permanent control. Within this framework, it is responsible to:

- Examine transversal issues related to operational risk management or methodological issues;
- Promote the risk culture and knowledge of operational risks by facilitating exchanges between the stakeholders in the First, Second and third lines of defence;
- Review the results of the analytical work carried out by the Enterprise Risk Management function, such as Review and Challenges, transversal risk tracking and reviews, or RCA and incidents analysis; and
- Challenge significant First Line of Defence Incidents and Issues.

This framework is supported by forums and committees related to permanent control and operational risks in businesses and functions, that oversee oeprational risk management across all HSBC Continental Europe.

The main deficiencies identified in those fora are escalated to the HSBC Continental Europe Risk Management Meeting, which provides a transverse vision of risks to the Chief Risk Officer (Chair of the RMM), and to the other members of the HSBC Continental Europe senior management.

Key risk management processes

Risk and Control Assessment

The implementation of Risk and Control Assessment is under the responsibility of risk and control owners. The Chief Control Officer teams coordinate the implementation and regular update of Risk and Control Assessment.

The Risk and Control Assessment is based on an inherent risk assessment, which corresponds to the most significant risk scenario that can occur in the next 12 months without considering the control in place, and the residual risk assessment, which corresponds to the level of risk remaining considering the control system in place.

The Risk Prioritisation Matrix ('RPM') is used for the assessment of inherent and residual risks considering the likelihood and impacts (financial, reputational, financial and customer).

Mapped risks are assessed on a scale of four levels: Very High, High, Medium, and Low. This hierarchy of risks is a steering and decision-making tool for senior management, as it supports the prioritisation of plans for strengthening or modifying the framework. It is also used by Assurance teams to develop second-level permanent control plans as part of a risk-based approach.

The Risk and Control Assessment covers non-financial risks to which entities are exposed and reflects key controls from the first level along with the second level control framework that enable the bank to mitigate the most significant risks. Updated are performed on a continuous basis and based on triggers such as:

- Results of controls performed by operational teams;
- Results of independent controls done by Assurance teams from the Second Line of defence;
- Recommendations and Review and Challenges from Risk Stewards;
- Recommendations from periodic control reports, or third parties reports (including regulators); and
- Internal or external events.

The Enterprise Risk Management function conducts regularly quality reviews of material risks identified in RCAs. These reviews include notably challenge of risk and control assessments and related remediation actions.

Risk and Control Assessment for non-financial risks, for each business and function are formally presented to the HSBC Continental Europe Chief Risk Officer on an annual basis, in presence of the risk owners, risk stewards and audit.

Incidents management and escalation

Major operational incidents linked to HSBC activities are reported to the HSBC Continental Europe Risk Management Meeting on the basis of information stored in the operational risk management system, Helios. Helios manages in a centralised manner identification and updating processes, operational losses reports and the follow-up of action plans that aim to mitigate the main risks.

The Functional Instruction Manual categorises operational incidents with respect to different natures and distinguishes the various impact types associated with them. Following a significant incident, the root cause is investigated through detailed analysis. This is to establish if there are links between similar processes or controls and the cause, or causes, of the original incident.

Operational risk losses: quantitative data starting from 2015

Operational losses from 2015 to end of 2024 per risk category[1] (in EUR million) (non audited)

	Accounting risk	Building Unavailability and workplace safety event[3]	People Risk	Fraud (External + Internal)[2]	Failure in other principal risk processing	Information, technology, and cyber security risk	Legal risk	Transaction processing[3]	Regulatory compliance risk	Security of people and physical assets event	Data risk[4]	Financial reporting and tax risk	Breach of fiduciary obligations	Financial Crime event	Model risk	Resilience risk[3]	Total
2015	0.10	—	1.10	4.90	1.80	—	0.60	4.60	3.40	—	0.50	—	—	—	—	—	17.00
2016	—	—	0.60	11.10	(0.20)	—	0.10	(15.70)	36.20	—	0.30	—	—	—	—	—	32.40
2017	—	0.10	0.90	3.10	1.40	—	—	3.40	0.70	—	0.10	1.00	—	—	—	—	10.70
2018	7.83	—	(0.07)	2.40	0.68	—	0.70	3.36	2.00	—	0.10	0.40	—	—	—	—	17.40
2019	—	0.02	0.99	2.50	1.68	1.22	(0.04)	8.09	(1.19)	—	—	1.80	0.02	—	—	—	15.08
2020	—	0.04	0.27	2.32	1.35	0.22	—	54.32	2.70	—	—	0.09	0.01	—	17.11	3.28	81.70
2021	—	—	0.62	2.00	1.73	—	(0.02)	2.96	1.05	—	—	11.08	—	2.07	—	2.97	19.49
2022	—	—	(0.02)	0.51	5.85	0.07	—	4.09	4.04	—	—	(10.77)	—	0.60	0.05	3.95	3.70
2023	—	0.16	0.50	31.15	1.24	0.14	(8.90)	3.96	(0.48)	—	—	2.70	—	31.15	—	4.18	30.40
2024	**—**	**—**	**(0.94)**	**(0.50)**	**1.33**	**(0.89)**	**(4.16)**	**8.83**	**2.62**	—	**0.46**	**2.06**	—	**(0.46)**	**—**	**8.59**	**9.04**

1 Figures Source: Operational risk system Helios
2 Fraud (External and Internal) External and Internal Fraud included in financial crime since 2021.
3 Resilience risk include Building unavailability and work- place safety, Safety and Security, Information, technology, and cyber security risk, Data risk, Transaction processing since 2021.
4 Data risk (previously: Systems and data integrity event)

Number of financial impacts linked to internal events, per risk category[(1)] (non audited)

	Accounting risk	Building Unavailability and workplace safety event[3]	People Risk	Fraud (External + Internal)[2]	Failure in other principal risk processing	Information, technology, and cyber security risk	Legal risk	Transaction processing[3]	Regulatory compliance risk	Security of people and physical assets event	Data risk[4]	Financial reporting and tax risk	Breach of fiduciary obligations	Financial Crime event	Model risk	Resilience risk[3]	Total
2015	1	—	57	158	40	—	17	149	56	—	7	2	—	—	—	—	487
2016	—	—	26	136	41	—	19	140	51	—	10	—	—	—	—	—	423
2017	1	1	33	117	32	1	5	248	41	—	7	3	—	—	—	—	489
2018	4	—	34	112	35	—	8	276	26	—	17	6	—	—	—	—	518
2019	—	1	38	103	63	8	2	194	27	—	—	9	10	—	—	—	455
2020	—	1	35	73	42	8	—	183	38	—	—	2	6	—	2	27	417
2021	—	—	34	66	52	—	8	170	68	—	—	6	—	68	—	171	407
2022	—	—	29	103	57	3	0	241	56	—	—	17	—	104	7	251	521
2023	—	5	33	240	37	10	9	352	70	—	—	13	—	240	—	380	782
2024	**—**	**1**	**88**	**84**	**3**	**15**	**10**	**359**	**83**	**—**	**10**	**24**	**—**	**85**	**—**	**388**	**681**

1 Figures Source: Operational risk system Helios
2 Fraud (External and Internal) External and Internal Fraud included in financial crime since 2021.
3 Resilience risk include Building unavailability and work- place safety, Safety and Security, Information, technology, and cyber security risk, Data risk, Transaction processing since 2021.
4 Data risk (previously: Systems and data integrity event).

RWA and capital requirements related to operational risk to the end of 2024 (non audited)

(in EUR million)	RWAs	Capital requirements
HSBC Continental Europe	**6,688**	**535**

Resilience risk

Overview

Resilience risk is the risk that the bank is unable to provide critical services to its customers, affiliates and counterparties, as a result of sustained and significant operational disruption. Resilience risk arises from failures or inadequacies in processes, people, systems or external events.

The main resilience risks for HSBC Continental Europe in 2024 are, technology and cyber security, third party and data risks.

Technology and cyber security risk is the risk associated with disruption to a business service as a result of error or failure of an IT asset / IT service, or as a result of malicious activity impacting an IT asset, IT service, or data (including cyber-attack).

Third party risk is the risk of failure to manage Internal and External Third Parties through the engagement lifecycle leading to a failure to meet our operational business requirements, impacting HSBC customers and/or HSBC employees or causing regulatory breaches, civil or monetary penalties or damage to shareholder value and reputation.

Data risks include risk of failure in the processing of data by the bank and its third parties (either on behalf of the bank or to deliver services to the bank), that could lead to breach of applicable laws and regulations, including Data Privacy Laws, and/or affect our ability to provide services to our customers or protect their rights.

Key Developments in 2024

During 2024, the Enterprise Risk Management function, in the Second Line of Defense, provided enhanced non-financial risk steward oversight and independent challenges across the legal entity.

HSBC Group and HSBC Continental Europe carried out initiatives to strengthen the management of resilience risks, notably via:

- Updated material risk taxonomy and control libraries and assessments;
- Further embedded its governance and oversight of third party, technology and cyber security as well as data risk management including remediation programs in these areas;
- Enhanced focus on data risk to mature the control environment in managing personal data and business data, as part of a multi-year data strategy program; and

Specifically for third party risk and technology and cyber security risk:

- Enhanced focus on third party risk with the implementation of DORA requirements on the third party framework, revised incident reporting process, DORA testing framework and risk management requirements for information and communication technology.
- Continued work with HSBC Continental Europe's suppliers, financial infrastructure bodies and other non-traditional third parties, in an effort to help reduce the threat of cyber-attacks impacting its business services.

– Strengthened the way third-party risk is overseen and managed across all non-financial risks and enhanced processes, framework and reporting capabilities to improve the control and oversight of material third parties by global businesses and functions.

Specifically for data risk:

– Enhanced the control environment for risk data aggregation and risk reporting and for the Artificial Intelligence services to meet European Artificial Intelligence Act requirements.

Governance and structure

The Enterprise Risk Management function provides a Second Line of Defense view across resilience risks: data, change execution, third parties and supply chains; information, technology and cybersecurity; payments and manual processing; physical security; business interruption and incident response; facility availability, security and safety.

All these risks are monitored through dedicated First Line of Defense committees with an escalation path to the HSBC Continental Europe Risk Management Meeting ('RMM').

The RMM chaired by the HSBC Continental Europe Chief Risk Officer is the overarching committee to govern all risks in HSBC Continental Europe with an escalation path to its counterpart at Regional level, and to the Executive Committee and the Risk Committee of HSBC Continental Europe.

Key risk management process

Operational resilience is our ability to anticipate, prevent, adapt, respond to, recover and learn from operational disruption while minimising customer and market impact. Resilience is determined by assessing whether we are able to continue to provide our important business services, within an agreed level.

HSBC Continental Europe achieves this by adopting and implementing the HSBC Risk Management Framework. This includes policies and procedures that define the control environment implemented across the three lines of defense to manage resilience risks ensuring the right balance of risk and return, through informed decision-making and controlled risk-taking.

The bank manages the Resilience risks, through amongst other, the Risk Appetite Statement and Risk Map. The Risk Appetite Statement defines the level of risk, the bank would accept to take. It is defined via qualitative and quantitative indicators with appetite and tolerance thresholds.

The Risk map gives the aggregated Second Line of Defence opinion at the entity level of the most material risks and how they are being managed.

Training and awareness

HSBC Continental Europe understands the important role its people play in protecting against cybersecurity, data management and third party risks.

HSBC Continental Europe's mission is to equip every colleague with the appropriate tools and behaviours they need to keep the organisation and customers' data safe. HSBC Continental Europe provides cybersecurity training and awareness to its people, ranging from its top executives to IT developers to front-line relationship managers, and understands the important role of data management, quality and protection, in order to meet regulatory expectations, prevent harm to customers and unlock business opportunities via digital initiatives. In 2024, all staff have been trained on data protection and Artificial Intelligence.

HSBC Continental Europe has also provided training regarding the new regulatory requirements concerning DORA.

Model risk

Overview

Model risk is the potential for adverse consequences from business decisions informed by models, which can be exacerbated by errors in methodology, design or the way they are used. Model risk arises in both financial and non-financial contexts whenever business decision making includes reliance on models.

Key developments in 2024

In 2024, HSBC Continental Europe continued to make improvements in model risk management processes, amid regulatory changes in model requirements. Key initiatives during the year included:

– Regulatory approval has been granted for key internal ratings-based ('IRB') models used for credit risk, with some limitations imposed by the ECB;

– The redevelopment, validation and regulatory submission of internal model method ('IMM') models for counterparty credit risk. These new models have been built to enhanced standards using improved data as a result of investment in processes and systems;

– HSBC Continental Europe continued the remediation of regulatory measures, in particular for internal model approach ('IMA'), internal model method ('IMM') and prudent valuation models;

– The models impacted by changes to alternative rate setting mechanisms due to the Ibor transition were redeveloped, validated and put into production;

– HSBC Continental Europe continued to embed, the governance and oversight around model adjustments and related processes for IFRS Accounting Standards models and Sarbanes-Oxley controls; and

– HSBC Continental Europe continued to enhancing its model risk management framework, including by strengthening staffing in the areas of model development and model validation.

Governance and structure

The Model Risk Management function provides oversight to model risk in HSBC Continental Europe by performing the following key activities:

– Ensuring that model risk is managed within the approved appetite levels;

– Providing assurance on the implementation of the model risk policy;

– Monitoring regulatory developments impacting model risk; and

– Independently validating models, providing an objective, unbiased and critical opinion on the suitability and soundness of models for their intended use and the accuracy, relevance and completeness of outputs used to inform business decisions..

Key risk management processes

Through its model risk management framework HSBC Continental Europe aims to ensure that:

– All models used are identified and recorded in the central model inventory.

- Models are designed to be fit-for-purpose by understanding the business requirements, applying appropriate modelling and documentation standards, and through effective review and challenge.
- Models are implemented accurately into the systems and properly deployed to model users, enabling the identification and management of risks from model usage.
- Models remain fit-for-purpose through ongoing monitoring, assessments and independent validations. Change management and model overlays are carried out in a controlled manner.
- Models that have reached the end of their useful life are properly decommissioned.

Model Risk Management regularly reports on model risk matters to the HSBC Continental Europe Risk Management Meeting and the Risk Committee via the risk map, risk appetite metrics and dedicated papers. Model Risk Management regularly reviews the effectiveness of these processes to help ensure appropriate understanding and ownership of model risk is embedded in the businesses and functions.

Legal risks and litigation management

Overview

The HSBC Continental Europe Legal Department is responsible for HSBC Continental Europe's legal risk oversight as a Second Line of Defence in helping HSBC Continental Europe businesses and functions to prevent and control legal risk. As a First Line of Defence, the Legal Department manages and controls its operational risks.

The Legal Department is in charge of litigation follow-up. The HSBC Continental Europe Legal Department also supervises legal teams in the HSBC Continental Europe subsidiaries and branches.

Key developments: Litigation monitoring with regard to HSBC Continental Europe entities

The status of the risks arising from significant litigation in progress against HSBC Continental Europe is examined monthly by a committee run by the Financial Controller, chaired by the Chief Financial Officer and the Chief Risk Officer and is made up notably of representatives of the Finance Department, the Credit Department and the Legal Department. This committee decides the amount of any litigation risk provision to be charged or written back.

Cases in progress as at 31 December 2024 involving legal risks likely to have a significant effect on the financial situation of HSBC Continental Europe are set out below.

The Apollonia case

As was the case for around 20 other banks, HSBC worked during a limited period of time (from early 2006 to April 2007), and mainly in one branch, with a financial adviser and estate agent, known as Apollonia. The latter offered its clients (mainly independent professionals) 'turnkey' tax efficient products of the Loueur Meublé Professionnel ('LMP') (professional lessor of furnished accommodations) type and for a small number of investors 'Loi Robien' type tax efficient products.

Between April 2006 and April 2007, 184 property loan applications were approved, for a total of EUR 29 million, bearing in mind that different media have said the total amount of operations by Apollonia with all banks purportedly reached around EUR 2 billion.

At the end of September 2008, HSBC Continental Europe became aware of the use of inappropriate marketing methods by Apollonia.

Moreover, it appeared that most of the borrowers took out several loans through Apollonia from various banks without notifying HSBC Continental Europe.

HSBC Continental Europe is involved in the litigation as a civil law party, giving it access to the criminal file. From this, it has become apparent that a very large proportion of the authorisations signed by the various buyers giving authority to sign purchase and sales deeds, were not properly prepared by notaries, thereby giving rise to counterclaims against loan reimbursement..

HSBC Continental Europe systematically files proceedings against investors with loan repayments due but the hearings are often held in abeyance because of the criminal proceedings underway, against third parties (and not including HSBC Continental Europe). However, in order to settle the financial aspects of the matter, without waiting for the outcome of criminal proceedings, out-of-court settlements have already been reached with some borrowers and talks are continuing with other borrowers. Proceedings have also been commenced against the notaries involved and their insurer MMA. These proceedings have also been adjourned for the time being.

HSBC Bank Polska S.A.: ACTION Case

On 29 June 2018, HSBC Continental Europe acquired from HSBC Bank plc 100 per cent of the shares of HSBC Bank Polska S.A. Pursuant to the terms of the Sale and Purchase Agreement, HSBC Continental Europe and/or its subsidiaries will be indemnified by HSBC Bank plc in respect of certain liabilities relating to the activities of HSBC Bank Polska S.A. prior to the acquisition of HSBC Bank Polska S.A. including the following legal proceeding. In April 2017, ACTION brought an action against HSBC Bank Polska S.A. alleging, among other things, breach of a facility agreement and claiming damages and indemnification for lost profits. The proceeding is ongoing.

European interbank offered rates investigations and litigation

See Note 32 of the consolidated financial statements with regard to other significant legal proceedings and regulatory matters relating to HSBC Group entities generally, including HSBC Continental Europe.

Tax-related investigations

See Note 32 of the consolidated financial statements with regard to other significant legal proceedings and regulatory matters relating to HSBC Group entities generally, including HSBC Continental Europe.

Other regulatory, civil law or arbitration proceedings

To date, as far as HSBC Continental Europe is aware, it is not threatened by any other regulatory, civil law or arbitration proceedings that are in progress or threatened against it that might have, or over the last 12 months have had, any significant effect on the financial situation or the profitability of the company and/or of the HSBC Group.

Governance

The Legal Department is responsible for running the Legal Risks Forum which meets quarterly with representatives of all business lines and functions to examine situations likely to give rise to specific and significant legal risks. The Legal Department participates in the Product Approval Committee, in the Enterprise Risk Management Forum, the Regulatory Change Forum and in the Risk Management Meeting of HSBC Continental Europe, and is involved in due diligence procedures for market operations, structured transactions and any new acquisition (or disposal) of an entity or business by HSBC Continental Europe.

The Legal Department is also responsible for managing risks, directly or indirectly, connected with defence litigation matters. It is involved in dealing with credit files requiring special management or in default. The Legal Department monitors other risks that might have a legal impact.

Key risk management processes

The Legal Risks Forum is chaired by the HSBC Continental Europe General Counsel and ensures that the risk framework for legal risks remains adequate in the face of changes in laws, regulations and group organisation.

The Forum also examines the monitoring of incidents raised previously, the results of implemented legal risk controls, along with any new incidents and measures and actions taken.

This framework is effective and a detailed description of it is given in an internal procedure.

A legal risk taxonomy has been defined to harmonise the identification and control of legal risks within the HSBC Group. The Legal Department is involved in the review and control of the legal risks and controls assessed by the businesses and functions in their various Risk and Control Assessments.

Compliance

Regulatory Compliance

Overview

Regulatory compliance risk is the risk associated with breaching our duty to clients and other counterparties, inappropriate market conduct and breaching related financial services regulatory standards. Regulatory compliance risk arises from the failure to observe relevant laws, codes, rules and regulations and can manifest itself in poor market or customer outcomes and lead to fines, penalties and reputational damage to our business.

Key developments in 2024

Regulatory horizon scanning and mapping capabilities continue to evolve with the focus on enhanced connectivity to risk management systems to support better traceability of regulatory obligations. Climate risk has been integrated into regulatory compliance policies and processes, with enhancements being made to the Product Governance Framework and to controls, in order to ensure the effective consideration of Climate risk, in particular Greenwashing risk.

Governance and structure

The Chief Compliance Officer of HSBC Continental Europe reports directly to the HSBC Continental Europe Chief Executive Officer and Executive Committee as well as the supervisory body through the Risk Committee and the Board of Directors in accordance with Articles 30 and 31 of the French Order of 3 November 2014 modified on 25 February 2021.

The Chief Compliance Officer carries out the roles of Head of Compliance for Investment Services ('RCSI') for HSBC Continental Europe in respect of Articles 312-1 and 312-2 of the General Regulation of the AMF. The Heads of Compliance for Investment Services (RCSI) for HSBC Continental Europe's three Lines of Business (Global Banking and Markets, Commercial Banking and Wealth and Personal Banking) in respect of Articles 312-1 and 312-2 of the General Regulation of the AMF, as well as the different 'RCSI' or Heads of Compliance and Internal Control ('RCCI') for the legal entities of HSBC Continental Europe, fall under the HSBC Continental Europe Chief Compliance Officer's responsibility. For the EU branches of HSBC Continental Europe, the organisation principles described above apply in a similar way.

The main formal risk governance body is the HSBC Continental Europe Risk Management Meeting (RMM). The Continental Europe Chief Compliance Officer is a member, and provides updates for noting, discussion and approval. Conduct continues to be a key area of focus for ensuring behavioural expectations and good conduct outcomes are being achieved with multiple initiatives. Conduct-related performance is covered by the quarterly Conduct and Values Committee (CVC) chaired by the Chief Executive Officer and attended by Executive Committee members. It is responsible for carrying out decisions and for ensuring that the issues are appropriately tracked within the Quarterly Conduct and Values Committee structure. The Quarterly Conduct and Values Committee provides decision-making and guidance in respect of conduct and regulatory compliance risk and takes responsibility for the tracking of escalated issues.

Key risk management processes

HSBC Continental Europe has specific compliance examination procedures, in accordance with the provisions of Articles 35 to 38 of the French Order of 3 November 2014 modified on 25 February 2021 relating to the internal control systems of banks, as well as tools for detecting and preventing non-compliance risks. These procedures and tools are the subject of regular updates.

The Compliance function is engaged in setting policies, standards and risk appetite to guide the management of regulatory compliance risks. It also devises clear frameworks and support processes to mitigate regulatory compliance risks. The function provides oversight, review and challenge to the country Chief Compliance Officers and their teams to help them identify, assess and mitigate regulatory compliance risks, where required. The regulatory compliance risk policies are regularly reviewed. Policies and procedures require the prompt identification and escalation of any actual or potential regulatory breach. Relevant reportable events are escalated to the HSBC Continental Europe RMM and Risk Committee, as appropriate.

Staff training and awareness

The Compliance function of HSBC, in conjunction with the training department, draws up an annual mandatory staff training programme covering compliance-related risks. Training sessions, classroom-based or in the form of e-learning, are organised in the different businesses and functions. These training activities include notably a focus on the requirements of regulators and supervision authorities and the importance of effective relationships with them.

In 2024 three mandatory training courses for all employees have been delivered. Topics included a risk management, sustainable development and carbon-neutral strategy, health and safety, wellbeing, financial crime risk, cybersecurity, data management, and destructive behaviours such as bullying or retaliation, in addition to Conduct and integrity training. Mandatory training was rolled out to all HSBC staff and had to be carried out within a given time frame. They are part of the staff performance assessment.

Regulators and governments

HSBC Continental Europe proactively engages with regulators and governments to facilitate strong relationships through virtual and in-person meetings and by responding to consultations individually and jointly via industry bodies. Under the consolidated approach to non-compliance risks, the Compliance function ensures centralised monitoring of regulatory engagements within entities of HSBC through the Regulatory Affairs team. HSBC Continental Europe records the material regulatory engagements between HSBC, its regulators and supervision authorities in a tool dedicated to the supervision.

Financial Crime

Overview

Financial crime risk is the risk of knowingly or unknowingly helping parties to commit or to further illegal activity through HSBC, notably Money Laundering, terrorist, and proliferation of weapons of massive destruction financing, tax evasion, bribery and corruption, non-respect of international sanctions, fraud, and market abuse. Financial crime risk arises from day-to-day banking operations involving customers, third parties and employees.

Key developments in 2024

During 2024, HSBC Continental Europe has continued its efforts to combat financial crime and reduce the impact of such crimes on the organisation, customers, and communities. The Bank has been committed to working in partnership with the wider industry and the public sector in managing financial crime risk, protecting the integrity of the financial system. HSBC has participated in numerous public-private partnerships and information-sharing initiatives around the Europe region.

There have also been several key regulatory developments. The EU AML package proposed by the European Commission in 2021, consisted of four material regulatory developments that have various implementation dates and are being monitored:

- The creation of the new EU Anti-Money Laundering Authority (AMLA), which will have supervisory powers over certain obliged entities. On 13 December 2023, the Council and Parliament reached an agreement on the creation of this new authority;
- A regulation 2023/1113 replacing EU regulation 2015/847 regulation on transfer of funds, includes transfers of crypto-assets. The regulation was published in 2023 with an implementation date of 31 December 2024;
- The Anti-Money Laundering Regulation (AMLR), which was published 31 May 2024 and requires implementation by July 2027;
- A directive on anti-money-laundering mechanisms (the "AML Directive").

The previous 12 months saw increased regulatory focus on sanctions, sanctions evasion and controls employed by financial institutions (in particular screening). The dynamic and complex external sanctions environment has created challenges for financial institutions and their customers to navigate; this contributes to the sanctions risk to HSBC Continental Europe, which includes indirect risk from the activity of customers. HSBC Continental Europe has a robust and embedded sanctions compliance programme which is operationally effective. The developments related to sanctions against Russia continued to be a key area of attention during 2024. Up to fifteen packages of sanctions (commercial and financial restrictions) have been implemented. Their number and complexity raised the need to set up continuous exchanges and discussion with the French Treasury and Banking Federation. HSBC has enhanced its screening and non-screening controls to aid the identification of potential sanctions risk related to Russia, as well as risk arising from export control restrictions. Notwithstanding the above, where necessary, HSBC has enhanced existing sanctions policies, procedures, and controls in order to mitigate the risk associated with Russia-related sanctions. The external sanctions environment remains volatile and is being closely monitored by the bank.

Governance and structure

The HSBC Continental Europe Head of Financial Crime and Money Laundering Reporting Officer ('MLRO') reports directly to the Chief Compliance Officer, who reports directly to the HSBC Continental Europe Chief Executive Officer and Executive Committee as well as the supervisory body through the Risk Committee and the Board of Directors. The Chief Compliance Officer is a member of the HSBC Continental Europe Risk Management Meeting (main formal risk governance body) and the MLRO/Head of Financial Crime provides updates for noting, discussion and approval.

Key risk management processes

HSBC Continental Europe has specific compliance examination procedures, in accordance with the provisions of Articles 35 to 38 of the French Order of 3 November 2014 modified on 25 February 2021 relating to the internal control systems of banks, as well as tools for detecting and preventing non-compliance risks. These procedures and tools are the subject of regular updates and upgrades. HSBC Continental Europe is committed to acting with integrity and has built a strong financial crime risk management framework across all its businesses and the EU countries in which it operates. The Bank complies with the law and regulation of all the markets in which it operates applying consistently high financial crime prevention rules. In cases where material differences exist between the law and regulation, its policy adopts the highest standard while acknowledging the primacy of local law. The Bank continues to assess the effectiveness of its end-to-end financial crime risk management framework and invest in enhancing its operational control capabilities and technology solutions to deter and detect criminal activity. Finally, the Bank also further strengthened its financial crime risk taxonomy, control libraries, investigative and monitoring capabilities through technology deployments.

The HSBC Continental Europe financial crime is engaged in setting up standards, policies, and risk appetite to guide the management of financial crime risks and support processes to mitigate them. The HSBC Continental Europe financial crime provides oversight, review and challenge to the Chief Compliance Officers and their teams in the EU locations to help them identify, assess, and mitigate complex financial crime matters, where required. The financial crime risk policies are periodically reviewed and updated. They require a prompt identification and escalation of any actual or potential regulatory breach. Relevant reportable events are escalated to the HSBC Continental Europe RMM and Risk Committee, as appropriate.

Staff training and awareness.

In 2024, three mandatory training courses for all employees have been delivered and included (among others) topics related to financial crime risk management, money laundering, tax evasion, sanctions, fraud, bribery and corruption, terrorist financing and proliferation financing.

Climate and environmental risks management

Overview

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

HSBC climate risk approach identifies two primary drivers of climate risk:

– Physical risk - risk arising from the increased frequency and severity of extreme weather events or perils, such as hurricanes and floods, or chronic gradual shifts in weather patterns or sea level rise; and
– 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 drivers of climate risk, there are 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
– The risk of greenwashing, which arises from the act of knowingly or unknowingly making inaccurate, unclear, misleading or unsubstantiated claims regarding sustainability to stakeholders of the Bank.

Climate risk capabilities are developed across HSBC Continental Europe's businesses, by prioritising sectors, portfolios and counterparties with the highest impacts. HSBC Continental Europe continues to make progress in enhancing its climate risk capabilities, and recognises it is a long-term iterative process.

HSBC Continental Europe may also be exposed to nature-related risks beyond climate change.

Nature-related risk is defined as a potential threat posed to HSBC Continental Europe linked to its organisation´s dependencies on nature and its 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; and
– 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.

Approach

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 Continental Europe 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.

HSBC Continental Europe's climate and nature-related risk approach aims to effectively manage material climate and nature-related risks that could impact HSBC Continental Europe's operations, financial performance and stability, and reputation. It is informed by the evolving expectations of the regulatory banking environment.

HSBC climate risk approach and HSBC Continental Europe nature-related risk approach are aligned to HSBC Group-wide risk management framework and three lines of defence model, which sets out how risks are identified, assessed and managed.

For further details of the three lines of defence framework, see page 167.

The table below provides an overview of the climate and nature risk drivers and thematic issues considered within the HSBC Group climate risk approach and HSBC Continental Europe nature-related risk approach.

Risk drivers		Details	Potential Impacts	Time horizons
Physical	**Climate - Acute**	Increased frequency and severity of weather events causing disruption to business operations	– Decreased real estate values – Decreased household income and wealth – Increased costs of legal and compliance – Increased public scrutiny – Decreased profitability – Lower asset performance	Short term Medium term Long term
	Climate - Chronic	Longer-term shifts in climate patterns (e.g. sustained higher temperatures, sea level rise, shifting monsoons or chronic heat waves)		
	Nature- Acute	Increased severity of sudden and event-driven disruptions in natural systems (e.g. leak, accidental discharges such as oil spill, pest outbreaks) affecting loss of key species and crop productivity		
	Nature - Chronic	Gradual and long-term degradation of ecosystems causing reduced supply of natural stocks (e.g. crop yield) and quality of ecosystem services (e.g. clean water)		
Transition	**Policy and legal**	Mandates on, and regulation of, existing products and services. Litigation from parties who have suffered from the effects of climate change and nature degradation		
	Technology	Replacement of existing products with lower emission options		
	End-demand (market)	Changing consumer demand from individuals and corporates		
	Reputational	Increased scrutiny following a change in stakeholder perceptions of climate and nature-related action or inaction		

Thematic issues		
Net zero alignment risk	**Net zero ambition risk**	Failing to set or adapt HSBC net zero ambition and broader business strategy in alignment with key stakeholder expectations, latest scientific understanding and commercial objectives.
	Net zero execution risk	Failing to meet HSBC net zero targets due to taking insufficient or ineffective actions, or due to the actions of clients, suppliers and other stakeholders.
Risk of greenwashing	**Net zero reporting risk**	Failing to report emissions baselines and targets, and performance against these accurately due to data, methodology and model limitations.
	Firm	Making inaccurate, unclear, misleading, or unsubstantiated claims in relation to HSBC sustainability commitments and targets, as well as the reporting of its performance towards them.
	Product	Making inaccurate, unclear, misleading or unsubstantiated claims in relation to products or services offered to clients that have stated sustainability objectives, characteristics, impacts or features.
	Client	Making inaccurate, unclear, misleading or unsubstantiated claims as a consequence of bank's relationships with clients or transactions HSBC undertake with them, where their sustainability commitments or related performance are misrepresented or are not aligned to HSBC own commitments.

Climate and nature risk annual materiality assessment helps HSBC Continental Europe to understand how climate and nature-related risks may impact HSBC's risk taxonomy. The assessment considers short-term (up to 2026), medium-term (2027 – 2035) and long-term (2036 – 2050) periods. The table below provides a summary of how climate and nature risks may impact a subset of HSBC Continental Europe's principal risks.

In addition to this assessment, climate and nature-related risks are considered in the risk factors reporting and scenario analysis

For further details, see 'Environmental, Social and Governance ('ESG')' on page 172 and the section "Resilience of the strategy and business model" in Sustainability Statement, page 68.

Climate/Nature risk drivers	Credit risk	Traded risk	Strategic risk including Reputational risk[1]	Regulatory compliance risk[1]	Resilience risk	Other financial and non-financial risk types
Physical risk	◆	◆			◆	◆
Transition risk	◆	◆	◆	◆	◆	◆

◆ Relevant risk driver

1 HSBC climate risk approach identifies thematic risk issues such as HSBC net zero alignment risk and the risk of greenwashing, which could materialise in the form of reputational, regulatory and litigation risks.

Key developments in 2024

ESG risk management capabilities have been enhanced over the year and in particular for climate and nature.

The following outlines key developments in 2024:

- Nature-related risks management approach has been implemented in addition to the climate risk one with specific guidance to support the understanding of the risks associated to nature.
- Approach for managing HSBC net zero commitment in its wholesale portfolio have started to be enhanced, through developing portfolio steering capabilities and revenue assessments.
- Approach for assessing the impact of climate change on capital, focusing on credit, market and operational risks has been enhanced.
- Internal climate scenario analysis has been enhanced, including through improvements to input data and models (e.g. power generation). For further details of scenario analysis, see section 'Resilience of the strategy and business model' on page 59 under Sustainability Statement.
- First internal nature scenario analysis has been developed, building up nature-related risks knowledge development and a foundational modelling approach.
- Approach for managing and mitigating the risk of greenwashing has been enhanced.
- Development of climate risk guidelines for relationship managers to further embed climate risk considerations into credit risk assessments.

Governance

ESG risk is considered within the existing HSBC Continental Europe governance structure to ensure that Board and Senior management have adequate oversight of ESG risk issues.

For further details on the HSBC Continental Europe's ESG governance structure, see Sustainability Statement page 55.

Risk appetite

Climate risk indicators form part of the HSBC Continental Europe's risk appetite statement and support the business in delivering HSBC net zero ambition effectively and sustainably.

The climate risk appetite statement is approved and overseen by the Board. Additional climate Key Management Information metrics ('KMI') are defined. Climate risk indicators are reported on a quarterly basis for oversight by the CESGROF and the HSBC Continental Europe SEG. Both RAS and KMI metrics are reported on a bi-annual basis for oversight by HSBC Continental Europe Risk Management Meeting and Risk Committee.

Policies, processes and controls

HSBC Continental Europe continues to integrate climate and Nature risks into policies, processes and controls across many areas of the organisation and will continue to be updated as its climate and nature-related risk management capabilities mature over time.

For further details on how environmental risk is managed in HSBC Continental Europe, see Sustainability Statement – section 'Managing climate-related risks' page 77 and 'Managing nature-related risks' Page 84.

Embedding climate and nature-related risk approaches

Climate and nature-related risks are cross cutting risks which may have far-reaching, complex, and nuanced impacts across the risk taxonomy.

The table below provides further details on how the management of climate and nature-related risks have been embedded over key risk types.

Risk type	Approach
Wholesale Credit Risk	Similar to previous years, various tools and supporting information are used for the identification and assessment of climate risks (transition and physical risks) for HSBC Continental Europe's wholesale corporate population at client and portfolio level. A key update for 2024 is the integration of nature risk in the materiality assessment for the wholesale corporate population. Although climate and nature are intrinsically linked, the approach is to start to isolate Nature specific effects by focusing on drivers and transmission channels that are not captured in the climate model. HSBC Continental Europe relationship managers engage with wholesale corporate customers with the highest climate risk characteristics through a Transition Engagement Questionnaire to assess the alignment of their business models to net zero and their exposure to transition and physical risks. The responses in the questionnaire are used to create a climate score for key corporate customers. A dedicated section on nature has been added to the Transition Engagement Questionnaire to capture information and data related to nature risks. This allows for the calculation of a nature score in addition to the climate score for HSBC Continental Europe key corporate customers. However, information and data on nature are still in the early stages. This is an initial approach that will need to be refined over time as data on nature becomes more granular. Credit policies require that relationship managers comment on climate risk factors in credit applications for new money requests and annual credit reviews. Therefore, climate risk guidelines have been developed to further embed climate risk considerations into credit risk assessments. HSBC credit policies also require manual credit risk rating overrides if climate and/or nature is deemed to have a material impact on credit risk, if not already captured under the original credit risk rating. Quarterly climate RAS metrics are in place to monitor the exposure of HSBC Continental Europe corporate lending portfolio to 6 high risk sectors. These metrics aim to balance HSBC Continental Europe strategy to support clients in transition while also ensuring that the overall portfolio climate profile does not deteriorate.

Risk type	Approach
Retail Credit Risk	Climate and nature risks may impact retail credit risk through an increase in credit losses on HSBC Continental Europe's retail mortgage portfolio in France, primarily due to the impact of physical risk. The current climate and nature assessments, indicate that the France retail mortgage portfolio remains resilient to climate risk, with insurance coverage being a key loan covenant with 95 per cent of the portfolio secured by Credit Logement. Within the Retail mortgage portfolios (including France, Luxembourg and Malta), properties or areas with potentially heightened physical risk are identified and assessed locally with exposure monitored using risk indicators. A reduction in property value, higher insurance costs and insurance availability are potential future negative financial impacts for higher physical risk properties. Retail France Mortgage portfolio – Run off portfolio Physical Risk: assessment of the exposure to six natural hazards: subsidence, wildfire, flood, wind, sea level rise and temperature Subsidence represents the most significant hazard for the French territory and HSBC Continental Europe's retail portfolio. It was assessed that 16 per cent of the portfolio has high exposure to subsidence. Considering that 95 per cent of the portfolio is secured by Crédit Logement, it is finally assessed that only 2 per cent of the portfolio has high subsidence risk. For wildfire risk, 8 per cent of the portfolio is located in areas with high exposure (south-east of France mainly). When considering the guarantee associated with Crédit Logement, the proportion of the portfolio with high risk decreases to 2 per cent. Regarding flood risk, both marine submersion and river overflow were analysed. For both types, less than 1 per cent of the portfolio is located in areas with high exposure. When accounting for the Crédit Logement guarantee, the portfolio proportion at high risk reduces to less than 0.1 per cent. Transition Risk: Energy Performance Certificate ('EPC') ratings of individual properties from A (highest efficiency) through to G (least efficient) are commonly used as an indicator of transition risk in the France mortgage book.. The ratings were obtained through a third-party vendor estimate at the end of 2021. From 2022, the EPCs were obtained from origination system. 18 per cent of the properties' rating remain unknown. 19.6 per cent of properties have a rating between A and C. The most common rating is D with a 35 per cent proportion of the portfolio. Finally, circa 27 per cent of properties are rated E, F, or G.
Treasury Risk	**Treasury Risk** Climate and nature risks could impact treasury-related risks through increased regulatory requirements or from changes to customer behaviour. From a liquidity and funding perspective, climate and nature risks could result in increased liquidity outflows in the immediate term (as the result of a natural disaster or reputational event, for example), or over the longer-term horizon, lower levels of stable funding from clients in sectors that are exposed to transition risks, for example. As part of the annual ICAAP, HSBC Continental Europe assesses the impact of climate change on capital, focusing on credit risk, market risk and operational risk and perform sensitivity analysis on the Internal Capital Planning Buffer. As part of the annual ILAAP, HSBC Continental Europe assesses how climate and nature risks could impact the entity's liquidity position. As part of the Internal Climate Scenario Analysis ('ICSA'), an exploratory scenario has been developed to understand the impact of a potential greenwashing event on the entity's liquidity position impacting notably deposits and undrawn commitments from high risk sectors. HSBC Continental Europe also monitors its deposit base by sector to assess its funding exposure to high risk sectors. Climate-related topics that may impact Global Treasury are discussed at climate-related governance forums, including the Treasury Risk Management Climate Risk Oversight Forum and the Group Treasury Sustainability Committee. **Insurance risk** Climate risk could result in losses on HSBC Continental Europe insurance assets due to changes in macroeconomic parameters. HSBC has an evolving programme to support the identification and management of climate risk. To improve the assessment of the impact of climate risk on the profitability and the solvency of the company, a climate stress scenario was included in the ORSA process (Own Risk and Solvency Assessment). This scenario assesses the impact on the value of the assets of the company of an orderly transition scenario as this scenario appears to be the worst case scenario for the company due to the high level of exposure of our assets to the transition risk. This scenario also includes evolutions on the behaviour of the clients, with an increase in lapses. **Pensions risk** Climate risk could result in additional costs within HSBC's defined benefit pension plans due to changes in the investment performance of the assets held to cover pension liabilities or through having to meet evolving regulatory requirements. Climate considerations are explicitly reflected in HSBC's policies regarding the oversight of pension asset investments. HSBC also conducts an annual exercise to estimate the exposure of largest pension plans to climate risk.
Traded Risk	Climate risk may result in trading losses due to increases in market volatility and widening spreads from the macro and microeconomic impacts of transition and physical risks. Climate risks limits have been implemented in trading mandates at entity and desk levels to monitor exposure to climate-sensitive sectors and countries across different asset classes in the Markets and Securities Services ('MSS') business. The market risk policies include specific climate risk control requirements, which ensure that climate risk limits and utilisations are monitored in the same way as market and traded credit risk exposures. Monthly stress testing is conducted to understand the vulnerabilities of the trading portfolio to various climate scenarios, which are refined on an annual basis, with the results reported to senior management. A specific scenario is used for quarterly economic capital assessment and to ensure the sufficient Pillar1 capital. The nature risk framework is following the same Risk Appetite Framework. The first Stress Testing result on Nature risk was made available at the end of 2024.
Reputational Risk	HSBC Continental Europe manages the reputational impact of climate risk through its broader reputational risk framework supported by sustainability risk policies and metrics. HSBC sustainability risk policies set out the Group's appetite for financing activities in certain sectors. HSBC's thermal coal phase out policy and energy policy both aim to drive down greenhouse emissions while supporting a just transition. HSBC Continental Europe's network of sustainability managers provide local policy guidance to relationship managers for the oversight of policy compliance and implementation over wholesale banking activities. HSBC Continental Europe supports the HSBC Group in achieving its financed emissions targets and has implemented key management indicators to monitor its contribution.

Risk type	Approach
Regulatory Compliance Risk	Regulatory Compliance is responsible for the oversight and management of climate-related risks that could cause breaches of HSBC Continental Europe's regulatory duties to customers and inappropriate market conduct, ensuring fair customer outcomes are achieved. Policies to incorporate considerations for ESG and climate risks have been updated, particularly in relation to new and ongoing product management, sales outcomes, and product marketing. To support key policies, the underlying control frameworks and processes have been enhanced. This includes the integration of greenwashing risk and controls considerations in the design of new products and product changes, as well as in relation to marketing materials. From a product sales perspective, key control principles have been established and desired outcomes throughout the sales lifecycle, encompassing the sales journey design, training and competence, supervision, sales quality, and governance. HSBC Continental Europe is also monitoring regulatory and legislative developments related to the ESG and climate agenda.
Resilience Risk	Resilience risks may potentially crystallise through physical climate risk impacts to HSBC Continental Europe buildings supporting service provision, or through physical and/or transition disruption to HSBC Continental Europe's third party supply chain relationships. Metrics to assess how physical risk may impact HSBC Continental Europe critical properties and to monitor progress against its contribution to HSBC Group own operations net zero ambitions have been implemented. Resilience risk policies, for example Information Technology and cyber security risk, are subject to continuous improvement to remain relevant to evolving climate risks.
Model Risk	Model risk in the ESG context refers to the uncertainties and complexities inherent in the modelling of the financial impact translation of climate-related changes and scenarios. Climate risk models are used for climate scenario analysis, risk management, and emissions reporting among other use cases. Climate risk modelling is at a nascent stage, with challenges - including limitations in data availability, consistency and quality - shared across the industry. HSBC Group has developed model risk procedures, applicable to HSBC Continental Europe, that set out the minimum control requirements for identifying, measuring and managing model risk for climate-related models. All identified climate-related models are subject to the internal model lifecycle controls and policy.
Financial Reporting Risk	The increase of ESG-related regulatory reporting requirements has an impact on financial reporting risk. The scope of financial reporting risk includes the accuracy and completeness of ESG and climate reporting. HSBC Continental Europe has no appetite for material errors in ESG disclosures,to be weighted with the evolving requirements and data availability. In addition, HSBC Continental Europe internal controls incorporate requirements for addressing the risk of misstatement in ESG and climate reporting. To support this, a framework is used to provide guidance on control implementation over ESG and climate reporting and disclosures, which includes areas such as process and data governance, and risk assessment. Financial Reporting Risk oversight activity for HSBC Continental Europe is increasing in response to the new requirements where the Framework has been applied over new disclosures such as the Corporate Sustainability Reporting Directive ('CSRD').

Challenges

Key challenges include:

- Diverse range of data sources and data structures needed for climate and environmental related reporting creates data accuracy and reliability risks.
- Data limitations on customer assets and supply chains, and methodology gaps, which hinder HSBC Continental Europe’s ability to assess physical risks accurately.
- Absence of industry-defined quantified nature scenarios on the market with lack of relevant, accurate and granular data for many nature-related effects.
- Guidance and methodologies around modelling nature-related risks are still at an early stage.
- Industry-wide data gaps on customer emissions and transition plan and methodology gaps, which limit HSBC Continental Europe’s ability to assess transition risks accurately.
- Limitation of HSBC ‘s management of net zero alignment risk due to known and unknown factors, including the limited accuracy and reliability of data, emerging methodologies, and the need to develop new tools to better inform decision making.

France ‘Duty of Care’ act

Definition of HSBC Continental Europe's Duty of Care plan

A Duty of Care vigilance plan ('Plan') containing reasonable measures to identify relevant risks and prevent serious human rights violations, serious bodily injury, and environmental damage has been defined in HSBC Continental Europe and implemented in accordance with French law entered into force on 29 March 2017.

The Plan is supported by

- HSBC Group policies and statements, including:
  - Diversity and Inclusion policy
  - Health and Safety policy
  - Mental Health policy
  - Statement on Human Rights
  - Modern Slavery and Human Trafficking statement
  - Whistleblowing statement
  - HSBC statement on Nature
  - Net Zero Transition Plan 2024
- HSBC Group Frameworks, including:
  - HSBC Book
  - Risk Management Framework
  - Purpose-led Conduct Approach
  - HSBC Purpose and Value
- Specific policies and statements, including:
  - Supplier code of conduct
  - Sustainability risk policies covering agricultural commodities, energy, forestry, mining and metals, thermal coal and UNESCO World heritage sites and Ramsar-designated wetlands; Equator Principles also applied when financing relevant projects.

HSBC’s Principles for the Ethical Use of Data and Artificial Intelligence include how the Bank seeks to respect the right to privacy while making use of these technologies.

For further details of HSBC policies, see https://www.hsbc.com/who-we-are/esg-and-responsible-business/managing-risk/sustainability-risk.

The HSBC Continental Europe Plan is reviewed regularly to ensure its accuracy with HSBC's Purpose and Value and with how HSBC Continental Europe aims to manage and mitigate risks and prevent serious infringements of human rights and fundamental freedoms, to safeguard the health and safety of individuals and to protect the environment.

The Plan is monitored by the HSBC Continental Europe Duty of Care Steering Committee chaired by HSBC Continental Europe's Chief Risk Officer with the involvement of HSBC Continental Europe's Legal, Regulatory Compliance, Human Resources, Procurement, Corporate Sustainability and ESG Risk functions.

Within that geographical scope, the Plan covers risks related to HSBC Continental Europe’s employees, banking activities (including customers), as well as suppliers and subcontractors.

The risk associated with Duty of Care is incorporated within HSBC Continental Europe existing policies, risks, and related controls in place. The risk associated with Duty of Care law is assessed at least annually, and where needed for material risk areas identified, HSBC Continental Europe will take reasonable and proportionate steps to address and enhance relevant policies and controls to manage this risk.

The 2024 risk mapping exercise performed has not identified any material deficiencies in this perimeter.

Duty of Care plan includes the assessment of the risk related to the following key themes:

Human rights and fundamental freedom

Salient human rights

HSBC's approach is guided by the UN Guiding Principles on Business and Human Rights ('UNGPs') and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct. As defined in HSBC Group’s Human Rights Statement, HSBC Continental Europe is committed to safeguard human rights of its workforce, across its activities and those of its business partners.

An extensive review of HSBC salient human rights issues conducted in 2022 identified five human rights-related risks inherent to HSBC’s business globally, and five types of activity through which such risks might arise.

		HSBC activities				
				Provider of products and services		
Inherent human rights risks		**Employer**	**Buyer**	**Personal customers**	**Business customers**	**Investors[1]**
Right to decent work	Freedom from forced labour		◆		◆	◆
	Just and favourable conditions of work	◆	◆		◆	◆
	Right to health and safety at work	◆	◆		◆	◆
Right to equality and freedom from discrimination		◆	◆	◆	◆	◆
Right to privacy		◆		◆		◆
Cultural and land rights			◆		◆	◆
Right to dignity and justice		◆	◆	◆	◆	◆

These areas of potential human rights risks identified are considered in HSBC Continental Europe risk analysis.

In 2023, building on this assessment, practical guidance and training, where relevant, was provided to colleagues within HSBC Continental Europe on how to identify and manage human rights risk.

In 2024, focus was given to HSBC approach to human rights risk management relating to the goods and services the Bank buy from third parties and in respect of its business customers. Human rights due diligence good practice guidance has been issued tailored to procurement and corresponding high-level guidance for staff who manage relationships with business customers.

In 2024, HSBC Group continued the process of adapting its risk management procedures to reflect what has been learned from the work on salient human rights issues and began embedding the related guidance documents described above.

A human rights due diligence operating procedure for procurement globally has been developed. The procedure describes the due diligence process undertaken to identify suppliers where the risk of adverse human rights impact is considered higher and the process to be followed to review and mitigate the risk.

In-house capability on human rights continues to be developed with the launch of further online resources for all staff and bespoke human rights training for key colleagues, including those managing relationships with suppliers and business customers, and those with responsibility for overseeing risk management processes.

Sustainability risk policies support the management of human rights risks linked to HSBC Continental Europe business customers operating in sectors in which the risk of adverse human rights impact is considered greater. HSBC sustainability risk policies consider human rights issues such as forced labour, harmful or exploitative child labour and land rights. They also consider workers' rights, and the health and safety of communities. Through HSBC membership of international certification schemes, such as the Forestry Stewardship Council, the Roundtable on Sustainable Palm Oil and the Equator Principles, HSBC supports standards aimed at respecting human rights.

HSBC's sustainability risk policies are reviewed periodically to ensure they reflect the Bank's priorities, and continue to review their implementation as they are applied in practice.

More information, see HSBC sustainability risk policies at http://www.hsbc.com/who-we-are/esg-and-responsible-business/managing-risk/.

More information on the actions taken to respect the right to decent work, see HSBC 2024 Annual Statement under the UK Modern Slavery Act at www.hsbc.com/who-we-are/esg-andresponsible-business/modern-slavery-act.

Employee inclusion

To help create long-term value for its stakeholders, HSBC focuses on fostering inclusion and building resilience for its colleagues.

HSBC Continental Europe equally recognises the importance of an inclusive culture in empowering the organisation to enable the Bank's strategic ambition and a lasting societal impact.

Since achieving its ambition of having 30 per cent of senior leadership positions held by women in 2020, HSBC Group set a new ambition to reach 35 per cent by 2025. HSBC Group is on track to meet its 2025 ambition, with 34.6 per cent of senior leadership roles held by women at the end of 2024.

To contribute to HSBC Group's ambition, HSBC Continental Europe equally has an ambition for greater representation of women in senior leadership positions. In 2024, HSBC Continental Europe achieved 28.8 per cent representation of women in senior leadership roles, representing a year-on-year increase of 1.2 points, and exceeding its ambition by 0.7 points. HSBC Continental Europe also achieved a 2-point increase in its employee inclusion index (to 73 per cent) in 2024, as measured by the annual Snapshot survey.

Customer's voice

HSBC believes that financial services, when accessible and fair, can reduce inequality and help more people access opportunities. HSBC plays an active role in opening up a world of opportunity for customers and communities, by supporting their financial well-being, and removing barriers to accessing financial services.

HSBC Continental Europe remains committed to improving customers' experiences. In 2024, HSBC gathered feedback from over one million customers across its three global businesses to help understand its strengths and the areas the Bank needs to focus on.

HSBC has continued to embed its feedback system to better listen, learn and act on its customers' feedback and uses a net promoter score ('NPS') and customer satisfaction to provide a consistent measure of HSBC performance. NPS is measured by subtracting the percentage of 'detractors' from the percentage of 'promoters'. 'Detractors' are customers who provide a score of 0 to 6, and 'promoters' are customers who provide a score of 9 to 10 to the question: 'On a scale on 0 to 10, how likely is it that you would recommend HSBC to a friend or colleague?'.

The complaint handing process was deployed in HSBC Continental Europe registered in the Reclamation Service Tool and the Customer Feedback Tool and identifies complaints related to ESG topics. The sensitive claims associated to Duty of Care Law are failure to provide advice concerning a product or a portfolio managed by the Bank, which entail a regulatory risk, implicate an employee, a discrimination concern, or a breach of confidentiality. In 2023 HSBC Continental Europe implemented an ESG flag in order to identify and monitor all complaints relating to Environmental, Social and Governance topics.

Health and safety

HSBC Continental Europe is committed to providing a safe working environment for its employees, contractors, customers and visitors to its premises as outlined in HSBC Health and Safety Policy. HSBC Continental Europe is also committed to protect and ensure the physical and mental health of its employees at their workplace or when travelling for business purposes.

HSBC Group also follows several procedures to ensure health and safety in the workplace:

- complies with regulatory requirements.
- identifies key risks through a risk assessment.
- conducts workplace inspections to ensure workplace safety.
- manages accidents and incidents and looks to mitigate risks to reduce recurrence.
- provides training and awareness on key risks at HSBC Group.
- sets out clear roles and responsibilities for all stakeholders involved in health and safety.
- consults with relevant parties on health and safety arrangements, as appropriate.

Together with the Health and Safety Policy, they form a framework for a structured risk management approach to the assessment, management, monitoring and review of health and safety risks.

More information, please refer to the Sustainability Statement page 55

Environmental impact

HSBC prevents, mitigates and controls its material impacts on the environment in accordance with its sustainability risk policies and statements.

This includes complying with regulations concerning waste management, handling of hazardous materials and sourcing of raw materials. Particular attention is risks relating to climate change and its impacts on nature considering that nature and climate go hand in hand.

The finance sector can help to counter the decline in biodiversity, scaling up nature-related finance, implementing policies to help eliminate commodity-driven deforestation, and investing in the sustainable food and agricultural systems needed for net zero. To get this right, HSBC is embedding nature considerations alongside net zero.

Around one third of the emissions reductions required to limit global warming in line with the Paris Agreement are linked to the land use system and nature. HSBC is developing an approach to nature built on the outline that was set out in HSBC net zero transition plan. This includes considering how to: understand exposure to nature, manage nature-related risks and impacts, support customers including financing and investing in nature related solution; and build nature-related skills, data capacities and partnerships. HSBC is taking step to embed its approach to nature alongside delivery of its net zero implementation plan.

Nature based solutions will play an important role in removing carbon from the atmosphere. These methods include conserving and restoring natural ecosystems and managing forests and agricultural lands more sustainably. Such solutions can also help counter key drivers of the biodiversity loss currently underway, and support action to tackle wider drivers of nature loss, including deforestation, overfishing, and waste.

In 2024, HSBC Continental Europe made progress in the consideration of nature related risk in addition to climate risk by implementing its nature-related risk management approach. HSBC Continental Europe identified and assessed the materiality of climate and nature-related risks across its activities and risks.

The management of environmental risk is also supported by:

- Imposing restriction through HSBC sustainability risk policies, on certain financing activities that may have material negative impacts on nature. Forestry and agricultural commodities policies, focus specifically on the upstream impacts of the key agricultural commodities of palm oil, timber, soy and cattle. These policies require customers involved with these commodities to operate in accordance with sustainable business principles. It is also required to palm oil customers to obtain certification under the Roundtable on Sustainability Palm Oil.
- Embedding nature into decision-making and customer engagement: nature-related questions were included in 2024 into HSBC Continental Europe’s client transition engagement questionnaire to cover topics including pollution, water, biodiversity, resource use and circular economy.
- Engaging with investee companies on biodiversity and natural resources via HSBC Asset Management Group.
- Exploring how nature safeguarding mechanisms could be incorporated into decision-making.
- Financing and investing in nature-related solutions. HSBC is testing and scaling approaches to investing in biodiversity and nature.
- Managing HSBC Continental Europe's impacts on nature for its own operations by being responsible steward and consumer of natural resources.
- HSBC environmental and sustainability management policies seek to ensure that HSBC properties including the HSBC Continental Europe ones, continually reduce their overall direct impact on the environment. Detailed design considerations documented in HSBC Global Engineering Standards aim to reduce or avoid depletion of critical resources such as energy, water, land and raw materials.

Suppliers and subcontractors’ risks assessment

HSBC and HSBC Continental Europe are committed to the fair treatment of the businesses who supply goods and services to HSBC and expect them to operate with accountability, in line with HSBC values.

HSBC has developed an approach for engaging with its 300 highest emitting suppliers (covering 70 per cent of its supply chain emissions) focusing on collaboration and identifying emission reduction opportunities based on supplier maturity levels. A first Supply Chain Decarbonisation Day has been convened in October 2024, to facilitate in-depth discussion and the development of joint action plans with HSBC highest emitting suppliers in technology, professional services, and real estate sectors.

HSBC Continental Europe suppliers are required to meet the Bank’s compliance and financial stability requirements, as well as to adhere to strict environmental management principles and reduce their impact on the environment in which they operate and to comply with HSBC supplier code of conduct.

HSBC established Sustainable Procurement Mandatory Procedures to help in identifying and escalating, where appropriate, human rights issues in its supply chain, and to ensure that its suppliers observe the human rights elements of HSBC code of conduct. This includes enhanced procedures for human rights risk identification through the introduction of a human rights residual risk questionnaire for suppliers, and human rights supplier audit pilots to assess the potential need for further supplier audits in the future.

HSBC supplier code of conduct was refreshed in 2024, setting out ambitions and targets on the environment, diversity and human rights, and outlines the minimum standards the Bank expects of its suppliers on these issues. HSBC Continental Europe continues to formalise adherence to the code with clauses in its supplier contracts, which support the right to audit and act if a breach is discovered. At the end of 2024, 97.8 per cent of HSBC Continental Europe’ contracted suppliers had either confirmed adherence to the supplier code of conduct, or provided their own alternative that was accepted by HSBC Global Procurement function.

In addition, during the onboarding process the supplier is submitted to a prequalification with an ESG questionnaire and a Reputational Risk

Index. The supplier which poses potential reputational risk in regards of ESG criteria should be triggered into the relevant (local, regional, or global business) Reputational Risk and Client Selection Committee (RRCSC) to determine whether supplier can be engaged.

HSBC also defined an ESG questionnaire covering 3 main themes: Environment Social Governance ('ESG') – General Data Protection Regulation – Contractual Conditions – with 21 questions including 7 covering Duty of Care and human rights considerations.

Read more about the principles HSBC applies and HSBC supplier code of conduct: www.hsbc.com/who-we-are/esg-and-responsible-business/working-with-suppliers

More information, please refer to the Sustainability Statement page 55

Alert monitoring framework

Whistleblowing system

HSBC encourages a speak-up culture where individuals can raise any concerns about wrongdoing or unethical conduct through the normal reporting channels without fear of reprisal or retaliation. HSBC provides several channels to speak-up, however it is recognised that in certain circumstances it may be necessary for individuals to raise concerns through more targeted and confidential channels.

HSBC strives to create a working environment in which people feel free to share their concerns. Aware that certain circumstances require specific discretion, it simplified its whistleblowing system in 2015 by creating 'HSBC Confidential'. The arrangements are open to all people in relationship with HSBC as required by the EU Directive 2019/137 of 23 October 2019 reinforcing whistleblower protection.

The arrangements can be used anonymously by the whistleblower and are accessible, at any time. Since December 2020, concerns can now be raised through an independent third party offering 24/7 hotlines and a web portal in multiple languages, including local language and English. The arrangements are managed and supervised by an independent team within the Compliance function locally or at global level depending on countries.

It can be notably used to report facts or behaviours constituting a violation of human rights and fundamental freedoms, the health and safety of persons as well as the environment resulting from the activities of HSBC Continental Europe as well as those of their subcontractors or suppliers, in accordance with Law N° 2017-399 of 27 March 2017 relating to the duty of care of parent companies and ordering companies.

Investigations are conducted confidentially, in depth and independently by investigators who are trained and made aware of the legislation/regulations applicable to whistleblowing arrangements.

Alerts received in three countries – France, Germany and Malta – are managed locally while alerts sent by employees in other HSBC Continental Europe branches are captured and processed by HSBC Group in accordance with the processes in place.

There were 21 alerts received and admitted to the HSBC Confidential alert system in 2024. This compares to 40 received in 2023. The decrease in the volume of whistleblowing cases is primarily related to the fall of the number of staff in France after the sale of the French retail banking operations on 1 January 2024. The main theme emerging from the alerts admitted was linked to Poor Management Practices, Employee Behaviour Issues, and Bullying and Harassment in the work environment.

Communication and awareness initiatives for employees are sent periodically to encourage a "speak-up" culture within HSBC. In November 2024, awareness sessions on HSBC Speaking Up and Whistleblowing were delivered in France with a 48 per cent participation rate. Other sessions are planned across HSBC Continental Europe's countries. Refresh training is delivered annually to the Investigation teams who managed investigations related to whistleblowing cases.

In accordance with the Law, all eligible persons can use the whistleblowing channel, in addition to the usual channels, for raising concerns without fear of retaliation, relating to the following matters:

- a crime or an offence (e.g. corruption, fraud, embezzlement, harassment, discrimination, etc..).
- a violation or attempt to conceal a violation of an international standard, law or settlement.
- a threat or serious prejudice to the general interest.
- a violation of human rights and fundamental freedoms, human health and safety of the environment.
- any situation likely to generate a significant financial or reputational risk for the Bank.

The whistleblowing oversight team for HSBC Continental Europe is based in France within the HSBC Continental Europe Compliance team which monitors activities relating to the whistleblowing arrangements across the overall HSBC Continental Europe perimeter.

In France, HSBC Confidential is placed under the responsibility of Compliance and under the supervision of the Audit Committee. Investigations on raised cases are conducted, in a confidential, in depth, and independent manner by investigators from different departments, mainly from Compliance and Human Resources. Controls are in place to maintain confidentiality and to protect whistleblowers from the risk of retaliation.

In Malta, a local whistleblowing reporting policy is in place, which provides an official and confidential channel for whistleblowing. The whistleblowing channels, HSBC Confidential and HSBC Confidential Malta are opened 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. The oversight of the policy and arrangements falls within the remit of the HSBC Bank Malta's Audit Committee.

In Germany, HSBC Confidential as well as a local Ombudsman in accordance with local law (Hinweisgeberschutzgesetz) are used. The Ombudsman is an independent and impartial external attorney and is available to all employees of HSBC Germany. Employees can raise any concerns especially about breaches of legal/regulatory or internal requirements through these channels, besides normal reporting channels. Concerns can be raised anonymously. The alerts are forwarded to the local Whistleblowing Team which is settled in Compliance. Investigations are conducted in a confidential and independent manner and actions are taken where necessary.

Employee conduct and harassment

HSBC encourages colleagues to speak up about poor behaviour or things that do not seem right. HSBC Continental Europe measures

confidence to speak up via its Snapshot Speak Up Index, which is at 73 per cent in 2024, up by four points from 2023.

Mandatory procedures for handling and investigating employee concerns are deployed, which include those for bullying and harassment. Cases are continually monitored from HSBC speak-up channels, and data is reported to management committees to ensure there is visibility at leadership level.

HSBC strive to improve awareness and education around poor behaviours and strengthen its understanding and response to these issues across all levels of the organisation. In 2024, to ensure continued high-quality investigations into conduct concerns, six new investigator training modules which aimed at the Human Resources investigator community, have been introduced.

Training on bullying, harassment, discrimination and retaliation continue to be delivered at least every other year in HSBC Global Mandatory Training curriculum and as part of other learning resources, including in People Manager training.

Between 2022 and 2024, there was a continuous decline in the number of Personal Code of Conduct ('PCC') cases at HSBC Continental Europe, from 99 in 2022 to 25 in 2024, with a stabilisation in the number of cases related to Duty of Vigilance (only 1 each year since 2022). The significant drop in the number of PCC cases in 2024 was mainly explained by the sale of the Retail Business in France.

Monitoring measures

Employee feedback

HSBC Continental Europe encourages employees to speak up directly and collectively about their experiences working at the organisation.

The Bank aims to capture employee feedback in a variety of ways to understand how colleagues feel about HSBC and to help to improve the employee experience.

More information, please refer to the Sustainability Statement page 55.

Individual breaches identifications

HSBC Continental Europe has adopted a process for managing inappropriate individual breaches . The process aims to identify all situations in which rules and procedures are not complied with, and to ensure that cases are treated consistently.

The breaches that HSBC Continental Europe seeks to identify include cases of money laundering – which may involve activities such as terrorist financing, human trafficking, or slavery – as well as cases where the physical safety of staff members is jeopardised and cases of harassment.

To deal with such situations, each of HSBC Continental Europe's business lines and main functions holds breach committee meetings. For smaller functions and branches, ad-hoc committee meetings are held if a breach occurs. The aim of these meetings is to assess the risk level, the circumstances in which the breach occurred and the level of the breach. If appropriate, sanctions are applied; remedial action may also be taken to prevent the situation from recurring. Monitoring indicators have also been adopted.

In 2024, one breach was dealt with in relation to the Duty of Care Act. All credible allegations of human rights violations are investigated through engagement with stakeholders when reported. They are then raised directly with the client company by the Relationship Manager and, if necessary, escalated to Senior Management both within HSBC and at the client, up to the senior executive level. Where required, individual customer relationships are referred to and reviewed by Reputational Risk and Client Selection Committees on a case-by-case basis. These reviews may decide to restrict or end a customer relationship where it is unwilling or unable to meet HSBC's standards, including those relating to modern slavery and human trafficking.

Metrics & Regulatory Watch's Triggers

Key Risk Indicators have been developed, including litigations losses, provision amounts and the number of litigation cases. These indicators are integrated in a quarterly report in order to be monitored by Legal Department.

A new ESG-related indicator, the number of litigation cases with ESG consideration, is being developed to be implemented in 2025 and reported in the HSBC Continental Europe Climate and ESG Risk Oversight Forum.

The regulatory watch on litigation cases related to Duty of Care includes emails alerts and regular updates from the international law firm, on ESG litigation for Financial Institutions. This supports the identification of trigger events to be considered when the reported ESG litigations may apply across HSBC Continental Europe risk cartography.

Other risks

Reputational risk management

Overview

HSBC defines reputational risk as the failure to meet stakeholders expectations as a result of any event, behaviour, action or inaction, either by HSBC itself, its employees or those with whom the Group is associated, that might cause stakeholders to form a negative view of HSBC including HSBC Continental Europe. Some drivers of reputational risk are inherent to HSBC Continental Europe business activities and decisions. This risk must be considered, managed, and/or accepted in line with the HSBC Continental Europe's strategy. The main drivers of reputational risk may include, enterprise actions or decisions, customers transactions and products, and third parties and partnerships.

Stakeholders' perceptions are key to reputational risk and may vary between geographical regions and groups of stakeholders.

Key developments in 2024

In 2024, HSBC Continental Europe strengthened its reputational risk management by extending the role of the senior reputational risk manager who is responsible for reviewing and challenging First Line of Defense activities, providing advice and guidance as a subject matter expert.

Governance and structure

Reputational risk is managed in compliance with HSBC's Risk Management Framework and is governed through the Executive committee.

The Reputational Risk and Client Selection Committees ('RRCSC') are the decisioning fora which manage reputational risk across the Bank, with escalation paths to counterparts at Group level and to the HSBC Continental Europe Risk Management Meeting.

Businesses and functions own and are responsible for managing and mitigating reputational risks associated with their respective activity. This responsibility includes setting procedures in line with the HSBC Group policy and escalating matters to the relevant RRCSC. HSBC Continental Europe RRCSCs provide guidance, in respect of reputational risk and customer selection matters, facilitate decision making and ensure that issues are appropriately tracked and solved. RRCSCs have an escalation path to the HSBC Continental Europe Risk Management Meeting and to the HSBC Group Reputational Risk Committee (GRRC).

Reputational risk is linked to Strategic Risk as a level 2 financial risk in HSBC' Risk Taxonomy and may occur across both non-financial and financial risk types. Within HSBC Continental Europe's perimeter, some operational procedures have been implemented utilising a reputational risk lens, including financial crime prevention, regulatory compliance, conduct-related concerns, environmental impacts, human rights matters and employee relations. In the Second Line of Defence, given that reputational risks may arise from numerous risk types in HSBC's Risk Taxonomy, all risk stewards are ultimately accountable for the oversight of any reputational risk for their respective risk type. risk stewards are responsible for defining and implementing, as necessary, the day-to-day management of reputational risk for the risks under their responsibility with support from the reputational risk teams.

Internal Audit provides independent assurance to management and to the non-executive Risk and Audit Committees that reputational risk management, governance and internal control processes are designed and operating effectively.

Everyone at HSBC has the responsibility to identify potential reputational risk and escalate as appropriate. HSBC Continental Europe' Chief Risk Officer is accountable for assessing and deciding reputational risk cases within the HSBC Continental Europe legal perimeter, and the Chief Executive Officer owns and is accountable for the management and mitigation of any residual reputational risk, including escalation to the Region or HSBC Group Reputational Risk Committee ('GRRC'), as appropriate.

Insurable risk coverage

Overview

In certain circumstances, insurance can be used to reduce the financial impact of residual risks belonging to an HSBC entity, or the HSBC Group as a whole, should the risk materialise.

Risks that are capable of being insured are called 'Insurable risks' and would typically include some of the Non-Financial Risks, mainly People and Operational risks.

HSBC Continental Europe is covered through HSBC Group global insurance programs placed by HSBC Holdings plc for major insurable risks, to protect people, infrastructures and assets.

Main programmes include Directors and Officers liability insurance, Civil and Cyber liability, Crime (theft or fraud from an employee or a third-party), Property damages and business interruption.

Regulatory required local insurance policies are in place in each country (such as, civil liability for licensed activities, employer's liability, construction works, or third-party liability motor insurance).

As a principle, levels of coverage and deductibles/retentions are in line with:

- insurance market conditions, business practices and regulations;
- assets values; and
- potential impact on HSBC Continental Europe and HSBC Holdings plc balance sheets, and risk appetite.

The total amount of insurance premiums paid in 2024 for Non-Financial risks represents 0.26 per cent of HSBC Continental Europe net operating income.

Key developments in 2024

In 2024, insured cover limit amounts continue to be set on an 'extreme' loss assumption, aiming to mitigate major financial impacts on the Bank's activities.

Key initiatives during this year included,

- HSBC Continental Europe property damage and business interruption insurance, HSBC Continental Europe cover limits have been adjusted based on the reinstatement value of the portfolio exposure.

- Under the Corporate Services (Real Estate) function's coordination and with the support of the Group insurance broker, the HSBC Group continued to investigate and identify locations that may experience potential climate change impacts, using total sums insured, including HSBC Continental Europe sites.
- Regarding crime, civil and cyber liability insurance, entities can adjust their own deductible levels per loss should the HSBC Group's deductible exceed the local entity's risk appetite. An annual review is taken, and in 2024, some HSBC Continental Europe entities have adjusted their deductibles.

Governance and structure

At the HSBC Group level, the Insurable Risk Team is a Risk sub-function who:

- Set the control framework for how insurance solutions are sourced including the use of insurance intermediaries, and determine where and how the HSBC Group's Reinsurance Captive should be involved.
- Purchase global insurance policies on HSBC Group's and entities' behalf, with the approval from the HSBC Group Board of Directors and other relevant governance committees.

The function includes regional insurable risk managers, responsible to cascade and embed the HSBC Group's strategy in their geographies.

The Risk Management Meeting is updated on an annual basis, concerning all applicable insurance policies and associated costs for them to opine on the relevance of insurance covers in regard to their risks.

Key risk management processes

Third parties, such as brokers, insurers and partners are chosen in accordance with their expertise, financial strength and international network, according to the HSBC Group's procurement policies and principles, and managed through the HSBC Group's Third parties risk management framework.

The key risk management processes developed by Insurable Risk to minimise the risk of inappropriate global programme purchasing are:

- Engagement with key stakeholders on strategy and priorities and ultimately structure, placement and binding concurrence.
- Receipt of professional advice prior to binding and post-renewal reporting from the HSBC Group's brokers.
- Placement options and renewal proposals are formally approved by two individuals of appropriate seniority in all cases before binding instructions are given to the broker.

Periodic control

Overview

In accordance with French ministerial order of 3 November 2014 (the "Order"), significantly updated on 25 February 2021, concerning internal control within financial institutions, and payment and investment service providers, the role of Internal Audit is to provide Executive Management and HSBC Continental Europe Board of Directors objective assurance on risk management and the internal control system implemented by the bank. Periodic controls on HSBC Continental Europe aim to ascertain the compliance of operations, the levels of risk actually incurred by the institution, due observance of the procedures and the effectiveness and appropriateness of the control frameworks, by means of independent investigations conducted centrally by staff qualified for this purpose.

As part of HSBC Group's risk management framework, Global Internal Audit constitutes the Third Line of Defence, coming successively behind the businesses and functions' own First Line of Defence (Risk Owners, Control Owners and Chief Control Officers) and the Second Line of Defence teams (Enterprise Risk Management, Assurance Teams and Risk Stewards). Whilst the First and Second Lines of Defence are taken into account, Global Internal Audit has unlimited scope to define its own programme of work. This freedom is based on the fact that Internal Audit is responsible for providing Executive Management and Board of Directors of the bank, independent assurance on the risk exposure and level of control by management.

As such, Internal Audit pays attention, in the first instance, to the evaluation of the compliance with the legislation applicable to the audited area, secondly, to the correct application of rules and procedures in force within HSBC Group and finally, that audited activities remain within the defined appetite for exposure to the associated risks.

In accordance with article 27 of the Order, the periodic control framework applies to the entire HSBC Continental Europe company, including its European branches and subsidiaries, as well as to companies under exclusive or joint control.

Key developments in 2024

The purpose of Global Internal Audit is to find significant issues in the bank, escalate them quickly and be heard in its messaging to influence change.

All audit work is performed in accordance with HSBC Group's audit standards, as set out in the Audit Instruction Manual, which is updated on a regular basis.

Different methodological changes have been introduced:

- Global Internal Audit should be proactive in understanding the plans and activities of other HSBC assurance functions. Global Internal Audit may also discuss appropriate parts of the annual audit plan with relevant assurance functions to drive coordination and ongoing review, so that stakeholders do not face multiple audits / assurance reviews simultaneously.
- Relevant audits should incorporate conduct considerations with reference to the Group's Purpose Led Conduct Approach. This is to enable Global Internal Audit to provide an independent view on the embeddedness of conduct and whether good conduct outcomes are being achieved across the Group.
- Medium Risk Audit Identified Issue (AII) should be validated at the time of the closure request through a desktop review of closure evidence.
- An enhanced risk assessment guidance for the audit entities, based on the financial materiality and the other key risk drivers (change, regulatory compliance, complexity, reputation and conduct, and culture).
- Every AII must have a thematic root cause allocated in the Strategic Audit Management System ('SAMS'), in accordance with the HSBC taxonomy.

Governance and structure

Global Internal Audit is comprised of six global audit teams whose role is to provide expert coverage of HSBC Group’s businesses and functions:

- Wealth and Personal Banking ('WPB') audit;
- Commercial Banking ('CMB') audit;
- Global Banking and Markets ('GBM') audit;
- Risk and Finance audit;
- Compliance audit; and
- Digital and Business Services ('DBS') audit.

Global Internal Audit is also comprised of five regional audit teams:

- United Kingdom;
- Asia Pacific;
- Middle East North Africa and Turkey (‘MENAT’);
- Europe; and
- Americas.

The regional audit teams include country audit teams. Global Internal Audit Continental Europe is of these teams, whose responsibility is to cover the risks within the HSBC Continental Europe legal perimeter (Belgium, Czech Republic, France, Germany, Ireland, Italy, Luxembourg, Malta, Netherlands, Poland, Spain and Sweden), supported by local teams in Germany, Luxembourg and Malta.

HSBC Continental Europe periodic control is therefore covered jointly by different Global Internal Audit entities, functionally linked and coordinated:

- Global Internal Audit Continental Europe, a general audit team based in France, mainly auditing central functions, commercial banking, banking operations, Information Technology and strategically important projects. Global Internal Audit Continental Europe is mainly split between business auditors and IT auditors;
- Local audit teams in Germany, Luxembourg and Malta; and
- The global teams, specialised by business and/or function, based principally in London and in Hong Kong. Members of these global teams are also located in Paris, for Global Banking and Markets audit, Insurance audit, Asset Management audit, Model Risk audit and Traded Risk audit.

Country audit teams have the detailed knowledge of local regulations and environment enabling coverage to be adapted as appropriate, and functionally reporting to the global audit function strengthens their independence and ensures consistency between teams, all of whom are held to the high standards defined and regularly updated in the Audit Instruction Manual. The fact that all teams share a reporting line into a global function helps collaboration and the sharing of best practices.

Periodic controls on HSBC Continental Europe in 2024 have thus been assured jointly by Global Internal Audit directly, by Global Internal Audit Continental Europe or by both in concert, in accordance with the service agreement, which is effective since April 2017.

The scopes of local audit and global audit converge and are consolidated in the HSBC Continental Europe audit plan. In all cases, as defined in the aforementioned Order, all audits on HSBC Continental Europe are managed in coordination with the Head of Global Internal Audit Continental Europe (Inspector General), who oversees their consistency and efficiency.

The Head of Global Internal Audit Continental Europe reports to the Head of Global Banking and Markets ('GBM') and Europe Internal Audit and HSBC Continental Europe Audit Committee, and administratively to the HSBC Continental Europe Chief Executive Officer. Since 2017, in accordance with the Solvency II requirements, one independent Senior Audit Manager is in charge of periodic control for the insurance subsidiary of HSBC Continental Europe.

Finally, the HSBC Continental Europe Internal Audit function is a member of the Inter-Audit Committee (“Comité Inter-Inspections Générales”), which assembles eight French banks together to undertake common audits of vendors providing services to at least four members, as required by title V, chapter II of the Order. This approach to jointly audit common service providers is also mentioned in the European Banking Authority) guidelines on outsourcing arrangements that were issued in February 2019.

Key risk management processes

In addition to regular discussions held with Global Internal Audit, other elements contribute to maintaining an independent and up to date view of key risks within HSBC Continental Europe, in particular:

- The Inspector General participates in the HSBC Continental Europe Executive Committee, the HSBC Continental Europe Risk Management Meeting and the HSBC Continental Europe Audit Committee and those of its subsidiaries in France;
- The Senior Audit Managers participate in the risk committees of the different businesses and functions;
- Regular bilateral meetings, usually quarterly, are held between the Inspector General, Global Internal Audit Continental Europe senior management and the different heads of businesses and functions; and
- Quarterly meetings are held between the Inspector General, Global Internal Audit Continental Europe senior management and the external auditors.

Audit reports are sent to the accountable executive, who is ultimately responsible for ensuring that all findings are timely and properly remediated. The HSBC Continental Europe Chief Executive Officer, the HSBC Continental Europe Chief Risk Officer, the HSBC Continental Europe Chief Operating Officer, the HSBC Continental Europe Chief Compliance Officer and the HSBC Continental Europe Head of Enterprise Risk Management receive a copy of all audit reports.

Audit reports relating to HSBC Continental Europe and subject to an adverse rating are always presented and commented by the Inspector General during the HSBC Continental Europe Audit Committee.

This Committee also monitors outstanding action plans resulting from very high, high and medium risk audit issues.

Global Internal Audit is validating the closure of the issues and the actions. The level of validation that is needed will vary based on the issue rating.

Tax risk

Overview

The HSBC Group seeks to apply the spirit and the letter of the law in all territories where it operates. In line with the Group's principles and its own, HSBC Continental Europe ensures compliance with applicable tax regulations across Continental Europe and payment of a fair share of tax in the countries where it operates.

Therefore, HSBC Continental Europe does not undertake transactions whose sole purpose is to abuse the tax system or otherwise employ tax avoidance strategies, for example by artificially diverting profits to low tax jurisdictions.

HSBC Continental Europe does not deal with customers who are not tax transparent or who may want to use its products to avoid taxation.

HSBC Continental Europe will use tax incentives or opportunities for obtaining tax efficiencies where these:

- Are aligned with the intended policy objectives of the relevant government; and
- Are aligned with business or operational objectives.

Moreover, within the framework of intra-group transactions, HSBC Continental Europe ensures that all the prices applied are in line with arm's length principles, as defined by the OECD rules.

Key developments in 2024

HSBC continues to apply global initiatives to improve tax transparency such as:

- The OECD Standard for Automatic Exchange of Financial Account Information (also known as the Common Reporting Standard);
- The Foreign Account tax compliance Act (also known as FATCA);
- The Capital Requirements Directive IV ('CRD IV') Country by Country reporting;
- The OECD Base Erosion and Profit Shifting ('BEPS') initiative pillars 1 and 2;
- DAC6 disclosure of aggressive operations;
- The Global Electronic system of Payment information (CESOP) reporting; and
- The e-invoicing for VAT purposes.

Governance and structure

The Tax Department ("Direction des Affaires Fiscales") is composed by tax experts located both in France and in Germany including a local senior management, under the supervision of the head of Tax for Continental Europe.The Tax Department oversees tax risk as a Second Line of Defence across Continental Europe, relying on local tax experts and/or businesses.

In order to ensure a coherent tax policy and a risk management, the Tax Department:

- defines the tax guidelines that businesses must follow to limit risk, in line with the risk appetite;
- ensures that procedures and proper controls are in place to mitigate tax risk;
- ensures that recommendations from Third Line of Defense and/or any regulator relating to tax are followed; and
- has a proper information of all the major transactions and projects to assess any potential tax implication/risk.

The Tax Department also assists different committees where tax approval is requested and is part of due diligence process for new products.

Key risk management process

Tax risk is managed in accordance with HSBC Continental Europe Risk Management Framework which defines minimum standards and processes, and the governance structure for the risk management across HSBC Continental Europe.

Responsibility for minimising operational risk lies with all HSBC employees. Specifically, all staff are required to manage operational risks, including tax risks of the business and operational activities for which they are responsible.

The Tax Policy covers three key risks:

- Tax payments – risk of failure to withhold, charge or pay taxes;
- Tax compliance – risk of failure to report and file accurate tax returns including customer information; and
- Tax avoidance – risk that HSBC Continental Europe enters into transactions on its own account or promotes products and services to customers that are not consistent with the spirit of the law (tax avoidance).

HSBC Continental Europe manages the three key tax risks by:

- Identifying the risks;
- Ensuring that the right controls are in place to prevent, manage and reduce risk;
- Setting policy and guidelines for managing tax risks;
- Providing support and guidance to support the above policies; and
- Employing an experienced, professionally qualified in-house tax team. The in-house tax team is supported by advice from external advisers whenever in-house expertise is not available.

Global Internal Audit is responsible for providing independent assurance that HSBC is managing tax risk effectively.

Consolidated financial statements

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Notes on the consolidated financial statements

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Consolidated income statement

for the year ended 31 December

	Notes	2024 €m	2023[1] €m
Continuing operations			
Net interest income		**1,498**	2,191
– interest income		**8,288**	7,307
– interest expense		**(6,790)**	(5,116)
Net fee income	3	**1,214**	1,194
– fee income	3	**1,755**	1,588
– fee expense	3	**(541)**	(394)
Net income/(expense) from financial instruments held for trading or managed on a fair value basis	4	**484**	259
Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	4	**40**	36
Changes in fair value of designated debt and related derivatives	4	**3**	16
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	4	**63**	14
Gains less losses from financial investments		**(2)**	1
Insurance finance income/(expense)	5	**(38)**	(31)
Insurance service result		**18**	11
– insurance service revenue		**26**	19
– insurance service expense		**(8)**	(8)
Gains/(losses) recognised on assets held for sale		**(11)**	—
Other operating income/(expense)		**80**	29
Net operating income before change in expected credit losses and other credit impairment charges		**3,349**	3,720
Change in expected credit losses and other credit impairment charges		**(97)**	(145)
Net operating income		**3,252**	3,575
Total operating expenses		**(2,322)**	(2,250)
– employee compensation and benefits	6	**(1,008)**	(1,001)
– general and administrative expenses		**(1,218)**	(1,214)
– depreciation and impairment of property, plant and equipment and right of use assets		**(61)**	(12)
– amortisation and impairment of intangible assets and goodwill impairment	20	**(35)**	(23)
Profit/(loss) before tax		**930**	1,325
Tax expense	8	**(406)**	(346)
Profit/(loss) after tax in respect of continuing operations		**524**	979
Profit/(loss) after tax in respect of discontinued operations	2	**79**	(71)
Profit/(loss) for the year		**603**	908
Attributable to:			
– shareholders of the parent company		**568**	883
– non-controlling interests in respect of continuing operations		**35**	25
– non-controlling interests in respect of discontinued operations	2	**—**	—
Basic earnings per ordinary share	10	**2.65**	4.17
Diluted earnings per ordinary share	10	**2.65**	4.17
Dividends per ordinary share	9	**—**	—

1 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the planned sale of the life insurance business in France. This also includes discontinued operations related to the sale of the retail banking operations in France.

Consolidated statement of comprehensive income

for the year ended 31 December

	Notes	2024 €m	2023[1] €m
Profit/(loss) for the period from continuing operations		**524**	979
Other comprehensive income/(expense)			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Debt instruments at fair value though other comprehensive income:		**3**	15
– fair value gains/(losses)		**3**	25
– fair value (gains)/losses transferred to the income statement on disposal		**4**	(1)
– expected credit losses recognised in income statement		**—**	(1)
– income taxes		**(4)**	(8)
Cash flow hedges:		**86**	168
– fair value gains/(losses)[2]	15	**(111)**	106
– fair value (gains)/losses reclassified to the income statement[2]	15	**228**	121
– income taxes	15	**(31)**	(59)
Finance income/(expenses) from insurance contracts		**—**	—
– before income taxes		**—**	—
– income taxes		**—**	—
Exchange differences and other		**2**	9
Items that will not be reclassified subsequently to profit or loss:			—
Remeasurement of defined benefit asset/liability:		**3**	(20)
– before income taxes	6	**5**	(30)
– income taxes		**(2)**	10
Changes in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk:		**(20)**	(67)
– before income taxes	23	**(26)**	(84)
– income taxes		**6**	17
Equity instruments designated at fair value through other comprehensive income:		**(4)**	(2)
– fair value gains/(losses)		**(4)**	(2)
– income taxes		**—**	—
Other comprehensive income/(expense) for the period, net of tax		**70**	103
Total comprehensive income/(expense) for the period from continuing operations		**594**	1,082
Total comprehensive income/(expense) for the period from discontinued operations	2	**90**	(41)
Attributable to:			—
– shareholders of the parent company		**648**	1,013
– non-controlling interests in respect of continuing operations		**36**	28
– non-controlling interests in respect of discontinued operations		**—**	—
Total comprehensive income/(expense) for the period		**684**	1,041

1 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the planned sale of the life insurance business in France. This also includes discontinued operations related to the sale of the retail banking operations in France.

2 Following a presentation error in the consolidated statement of comprehensive income, the cash flow hedge reserve for the period ending 31 December 2023, have been represented by EUR 119 million to reflect the net interest income on swaps in cash flow hedge. This representation does not impact the net interest income for the period in the consolidated income statement and the presentation of the cash flow hedge reserve for the period and at the beginning or end of the year in the consolidated statement of changes in equity.

Consolidated balance sheet

at 31 December

	Notes	2024 €m	2023 €m
Assets			
Cash and balances at central banks		**48,907**	56,894
Trading assets	11	**22,853**	17,249
Financial assets designated and otherwise mandatorily measured at fair value through profit and loss	14	**1,563**	13,590
Derivatives	15	**43,251**	45,522
Loans and advances to banks[1]		**5,703**	5,816
Loans and advances to customers[1]		**51,288**	50,127
Reverse repurchase agreements – non-trading		**25,764**	24,490
Financial investments	16	**20,740**	22,608
Assets held for sale	2	**25,477**	23,211
Prepayments, accrued income and other assets[2]	21	**17,998**	21,726
Current tax assets		**595**	599
Goodwill and intangible assets	20	**219**	188
Deferred tax assets	8	**650**	957
Total assets		**265,008**	282,977
Liabilities			
Deposits by banks[3]		**11,820**	10,261
Customer accounts[3]		**97,065**	93,890
Repurchase agreements – non-trading		**12,344**	11,153
Trading liabilities	22	**16,480**	19,877
Financial liabilities designated at fair value	23	**9,906**	9,696
Derivatives	15	**41,857**	43,630
Debt securities in issue		**15,257**	12,909
Liabilities of disposal groups held for sale	2	**24,718**	23,817
Accruals, deferred income and other liabilities[2]	24	**17,848**	21,789
Current tax liabilities		**236**	211
Insurance Contract Liabilities	5	**518**	21,035
Provisions	25	**184**	245
Deferred tax liabilities	8	**3**	5
Subordinated liabilities	26	**1,941**	1,951
Total liabilities		**250,177**	270,469
Equity			
Called up share capital	29	**1,328**	1,062
Share premium account	29	**6,747**	5,264
Other equity instruments	9	**1,430**	1,433
Other reserves		**1,574**	1,480
Retained earnings		**3,563**	3,103
Total shareholders' equity		**14,642**	12,342
Non-controlling interests		**189**	166
Total equity		**14,831**	12,508
Total liabilities and equity		**265,008**	282,977

1 The loans and advances to banks and customers include expected credit losses provided under IFRS 9. Further analysis of expected credit losses is disclosed in the table 'Summary of financial instruments to which the impairment requirements in IFRS 9 are applied' under section 'Credit Risk'.
2 In 2023 'Items in the course of collection from other banks' EUR 273 million were presented on the face of the balance sheet but are now reported within 'Prepayments, accrued income and other assets' in the Universal Registration Document and Annual Financial Report 2024. Similarly, 'Items in the course of transmission to other banks' EUR 320 million are presented within 'Accruals, deferred income and other liabilities'.
3 Following a customer classification error, the comparatives as at 31 December 2023 have been represented by EUR 1.4 billion between 'Deposits by banks' and 'Customer accounts'.

Consolidated statement of changes in equity

for the year ended 31 December

				Other reserves							
	Called up share capital and share premium	Other equity instru-ments	Retained earnings	Financial assets at Fair Value through OCI reserve	Cash flow hedging reserve	Foreign exchange reserve	Merger reserve and other reserves	Insurance finance reserve	Total share-holders' equity	Non-controlling interests	Total equity
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
At 1 Jan 2024	**6,326**	**1,433**	**3,103**	**(763)**	**(63)**	**(6)**	**1,603**	**709**	**12,342**	**166**	**12,508**
Profit/(loss) for the period from continuing operations	**—**	**—**	**489**	**—**	**—**	**—**	**—**	**—**	**489**	**35**	**524**
Other comprehensive income/(expense) (net of tax)	**—**	**—**	**(17)**	**(3)**	**86**	**3**	**—**	**—**	**69**	**1**	**70**
– debt instruments at fair value through other comprehensive income	**—**	**—**	**—**	**2**	**—**	**—**	**—**	**—**	**2**	**1**	**3**
– equity instruments designated at fair value through other comprehensive income	**—**	**—**	**—**	**(4)**	**—**	**—**	**—**	**—**	**(4)**	**—**	**(4)**
– cash flow hedges	**—**	**—**	**—**	**—**	**86**	**—**	**—**	**—**	**86**	**—**	**86**
– re-measurement of defined benefit asset/liability	**—**	**—**	**3**	**—**	**—**	**—**	**—**	**—**	**3**	**—**	**3**
– changes in fair value of financial liabilities designated at fair value due to movement in own credit risk	**—**	**—**	**(20)**	**—**	**—**	**—**	**—**	**—**	**(20)**	**—**	**(20)**
– 'Insurance finance income/(expense) recognised in other comprehensive income	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
– exchange differences	**—**	**—**	**—**	**(1)**	**—**	**3**	**—**	**—**	**2**	**—**	**2**
Total comprehensive income/(expense) for the period from continuing operations	**—**	**—**	**472**	**(3)**	**86**	**3**	**—**	**—**	**558**	**36**	**594**
Total comprehensive income/(expense) for the period from discontinued operations	**—**	**—**	**79**	**138**	**—**	**2**	**—**	**(129)**	**90**	**—**	**90**
– capital securities issued during the period	**1,749**	**(3)**	**—**	**—**	**—**	**—**	**—**	**—**	**1,746**	**—**	**1,746**
– dividends to shareholders[1]	**—**	**—**	**(83)**	**—**	**—**	**—**	**—**	**—**	**(83)**	**(13)**	**(96)**
– net impact of equity-settled share-based payments	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
– change in business combination and other movements	**—**	**—**	**(8)**	**(10)**	**—**	**1**	**6**	**—**	**(11)**	**—**	**(11)**
Total Other	**1,749**	**(3)**	**(91)**	**(10)**	**—**	**1**	**6**	**—**	**1,652**	**(13)**	**1,639**
At 31 Dec 2024	**8,075**	**1,430**	**3,563**	**(638)**	**23**	**—**	**1,609**	**580**	**14,642**	**189**	**14,831**

1 Dividends corresponds to coupon payment on other equity instrument (AT1 capital) amounting to EUR 83 million.

Consolidated statement of changes in equity (continued)

for the year ended 31 December[1]

				Other reserves							
	Called up share capital and share premium	Other equity instru-ments	Retained earnings	Financial assets at Fair Value through OCI reserve	Cash flow hedging reserve	Foreign exchange reserve	Merger reserve and other reserves	Insurance finance reserve	Total share-holders' equity	Non-controlling interests	Total equity
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
At 1 Jan 2023	6,326	1,433	2,338	(1,136)	(231)	(13)	1,592	1,049	11,358	146	11,504
Profit/(loss) for the period from continuing operations	—	—	954	—	—	—	—	—	954	25	979
Other comprehensive income/(expense) (net of tax)	—	—	(87)	10	168	9	—	—	100	3	103
– debt instruments at fair value through other comprehensive income	—	—	—	12	—	—	—	—	12	3	15
– equity instruments designated at fair value through other comprehensive income	—	—	—	(2)	—	—	—	—	(2)	—	(2)
– cash flow hedges	—	—	—	—	168	—	—	—	168	—	168
– re-measurement of defined benefit asset/ liability	—	—	(20)	—	—	—	—	—	(20)	—	(20)
– changes in fair value of financial liabilities designated at fair value due to movement in own credit risk	—	—	(67)	—	—	—	—	—	(67)	—	(67)
– 'Insurance finance income/(expense) recognised in other comprehensive income	—	—	—	—	—	—	—	—	—	—	—
– exchange differences and other	—	—	—	—	—	9	—	—	9	—	9
Total comprehensive income/(expenses) for the period from continuing operations	—	—	867	10	168	9	—	—	1,054	28	1,082
Total comprehensive income/(expense) for the period from discontinued operations	—	—	(65)	366	—	(2)	—	(340)	(41)	—	(41)
– capital securities issued	—	—	—	—	—	—	—	—	—	—	—
– dividends to shareholders[1]	—	—	(78)	—	—	—	—	—	(78)	(8)	(86)
– net impact of equity-settled share-based payments	—	—	—	—	—	—	—	—	—		—
– change in business combination and other movements[2]	—	—	41	(3)	—	—	11	—	49	—	49
Total Other	—	—	(37)	(3)	—	—	11	—	(29)	(8)	(37)
At 31 Dec 2023	6,326	1,433	3,103	(763)	(63)	(6)	1,603	709	12,342	166	12,508

1 Dividends corresponds to coupon payment on other equity instrument (AT1 capital) amounting to EUR 78 million.
2 Change in business combination and other movements include EUR 51 million capital contribution related to the acquisition of HSBC Private Bank (Luxembourg) S.A. on 2 November 2023 and towards allocation of profit for mandatory legal reserve EUR 11 million.

Consolidated statement of cash flows

for the year ended 31 December

	Notes	2024 €m	2023[1] €m
Continuing operations			
Profit/(loss) before tax		**930**	1,325
Adjustments for non-cash items:		**(337)**	438
– depreciation, amortisation and impairment of property plant and equipment, right of use and intangibles		**96**	35
– net gain from investing activities		**(1)**	(1)
– change in expected credit losses gross of recoveries and other credit impairment charges		**107**	145
– provisions including pensions		**9**	33
– share-based payment expense	6	**22**	15
– other non-cash items included in profit before tax		**(80)**	(31)
– elimination of exchange differences[2]		**(490)**	242
Changes in operating assets and liabilities		**(6,102)**	(567)
– change in net trading securities and derivatives		**(8,424)**	1,301
– change in loans and advances to banks and customers		**(1,732)**	2,796
– change in reverse repurchase agreements – non-trading		**(3,931)**	(5,921)
– change in financial assets designated at fair value and otherwise mandatorily measured at fair value		**(629)**	225
– change in other assets		**900**	(8,862)
– change in deposits by banks and customer accounts		**6,668**	4,965
– change in repurchase agreements – non-trading		**1,191**	4,498
– change in debt securities in issue		**2,348**	6,048
– change in financial liabilities designated at fair value		**309**	571
– change in other liabilities		**(2,613)**	(5,760)
– tax paid		**(189)**	(428)
Net cash from operating activities		**(5,509)**	1,196
Purchase of financial investments		**(9,956)**	(6,990)
Proceeds from the sale and maturity of financial investments		**3,658**	3,828
Net cash flows from the purchase and sale of property plant and equipment		**(13)**	(21)
Net investment in intangible assets		**(69)**	(53)
Net cash flow from business combination[3]		**—**	611
Net cash flow on disposal of subsidiaries, business, associates and joint ventures[4]		**(430)**	(777)
Net cash from investing activities		**(6,810)**	(3,402)
Issue of ordinary share capital and other equity instruments	29	**1,745**	—
Subordinated loan capital issued	26	**500**	—
Subordinated loan capital repaid	26	**(510)**	(72)
Dividends paid to shareholders of the parent company	9	**(83)**	(78)
Dividends paid to non-controlling interests		**(13)**	(8)
Net cash from financing activities		**1,639**	(158)
Net cash from discontinued operations	2	**(9,679)**	9,401
Net increase/(decrease) in cash and cash equivalents		**(20,359)**	7,037
Cash and cash equivalents at beginning of the period		**95,623**	88,749
Exchange differences in respect of cash and cash equivalents		**213**	(163)
Cash and cash equivalents at 31 Dec		**75,477**	95,623

Consolidated statement of cash flows (continued)

for the year ended 31 December

	Notes	2024 €m	2023[1] €m
Cash and cash equivalents comprise of:[5]			
– cash and balances at central banks[6]		**48,907**	56,894
– loans and advances to banks of one month or less		**4,572**	5,001
– reverse repurchase agreement with banks of one month or less		**13,498**	16,155
– cash collateral, net settlement accounts and items in course of collection from/transition to other banks		**6,534**	8,042
– cash and cash equivalents held for sale/discontinued operations[4,7]		**1,966**	9,531
Cash and cash equivalents at 31 Dec		**75,477**	95,623

1 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the planned sale of the life insurance business in France. This also includes discontinued operations related to the sale of the retail banking operations in France.
2 Adjustment to bring changes between opening and closing balance sheet amounts to average rates. This is not done on a line-by-line basis, as details cannot be determined without unreasonable expense.
3 EUR 195 million was paid in consideration for the acquisition of HSBC Private Bank (Luxembourg) S.A. on 2 November 2023. The cash and cash equivalent in the subsidiary over which control was obtained, was EUR 0.8 billion.
4 Net cash flow on disposal for 2024 represents the net impact of EUR 0.4 billion additional cash paid on sale of retail banking operations in France in January 2024 (Out of the total sale proceeds of EUR 9.9 billion, EUR 9.5 billion was reclassified as held for sale at 31 December 2023 of which 'Loans and advances to banks' for EUR 9.3 billion and 'Cash and balances at central banks' for EUR 0.2 billion) and EUR 38 million net on sale of HSBC Epargne Enterprise to Natixis Interépargne in November 2024. Net cash flow on disposal for 2023 represents EUR 0.8 billion on sale of branch operations in Greece to Pancreta Bank SA on 28 July 2023.
5 Cash and cash equivalents as of 31 December 2023 includes EUR 287 million in respect of the planned sale of the life insurance business in France (loans and advances to banks of one month or less EUR 265 million, net settlement accounts and cash collateral EUR 22 million).
6 At 31 December 2024, EUR 7.8 billion (2023: EUR 6.0 billion) was not available for use by HSBC Continental Europe due to a range of restrictions including mandatory deposits and other restrictions.
7 At 31 December 2024, includes EUR 1.8 billion related to planned sale of Private Banking business in Germany (cash and balances at central banks EUR 1.8 billion) and EUR 139 million related to the planned sale of the life insurance business in France (loans and advances to banks of one month or less EUR 139 million).

Interest received was EUR 8,932 million of which discontinued operations was EUR 357 million (2023: EUR 7,898 million of which discontinued operations was EUR 530 million). Interest paid was EUR 7,530 million of which discontinued operations was EUR 25 million) (2023: EUR 5,658 million of which discontinued operations was EUR 318 million). Dividends received EUR 43 million (2023: EUR 30 million).

Notes on the consolidated financial statements

1 Basis of preparation and material accounting policies

The consolidated financial statements of HSBC Continental Europe are available upon request from the HSBC Continental Europe registered office at 38 Avenue Kléber – 75116 Paris or on the websites www.hsbc.com and www.hsbc.fr.

These consolidated financial statements were approved by the Board of Directors on 18 February 2025.

1.1 Basis of preparation

(a) Compliance with International Financial Reporting Standards

The consolidated financial statements of HSBC Continental Europe have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ('IASB'), including interpretations issued by the IFRS Interpretations Committee, and as endorsed by the European Union ('EU'). There were no unendorsed standards effective for the year ended 31 December 2024 affecting these consolidated financial statements.

IFRS Accounting Standards adopted during the year ended 31 December 2024

There were no new standards, amendments to standards or interpretations that had an effect on these financial statements. Accounting policies have been applied consistently.

(b) Future accounting developments

Minor amendments to IFRS Accounting Standards

The IASB has published a number of minor amendments to IFRS Accounting Standards that are effective from 1 January 2025. HSBC Continental Europe expects they will have an insignificant effect, when adopted, on the consolidated financial statements.

Other amendments and new IFRS Accounting Standards

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

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

IFRS 18 'Presentation and Disclosure in Financial Statements'

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

While IFRS 18 will not change recognition criteria or measurement bases, it may have an impact on presenting information in the financial statements, in particular the income statement and to a lesser extent the cash flow statement. The HSBC Group is currently assessing impacts and data readiness before developing a more detailed implementation plan.

(c) Foreign currencies

The functional currency of HSBC Continental Europe is euros which is also the presentational currency of HSBC Continental Europe's consolidated financial statements.

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date except non-monetary assets and liabilities measured at historical cost, which are translated using the rate of exchange at the initial transaction date. Exchange differences are included in other comprehensive income or in the income statement depending on where the gain or loss on the underlying item is recognised.

In the consolidated financial statements, the assets and liabilities of branches, subsidiaries, joint ventures and associates whose functional currency is not euros are translated into HSBC Continental Europe's presentation currency at the rate of exchange at the balance sheet date, while their results are translated into euros at the average rates of exchange for the reporting period.

Exchange differences arising are recognised in other comprehensive income. On disposal of a foreign operation, exchange differences previously recognised in other comprehensive income are reclassified to the income statement.

(d) Presentation of information

Certain disclosures required by IFRS Accounting Standards have been included in the audited sections of this Universal Registration Document 2024 as follows:

- disclosures concerning the nature and extent of risks relating to financial instruments other than insurance risk are included in the 'Risk' section on pages 164 to 239 and the insurance risk in Note 5 'Insurance business' on pages 267 to 279; and
- the 'Own funds' disclosure is included in the 'Capital' section on page 212.

Information related to results by business segments ('IFRS 8') are disclosed in the management report on pages 13 to 18.

(e) Critical estimates and judgements

The preparation of financial information requires the use of estimates and judgements about future conditions. In view of the inherent uncertainties and the high level of subjectivity involved in the recognition or measurement of items, highlighted as the 'critical estimates and judgements' in section 1.2 below, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based. This could result in materially different estimates and judgements from those reached by management for the purposes of these financial statements. Management's selection of HSBC Continental Europe's accounting policies that contain critical estimates and judgements reflects the materiality of the items to which the policies are applied and the high degree of judgement and estimation uncertainty involved.

Management has considered the impact of climate-related risks on HSBC Continental Europe's financial position and performance. While the effects of climate change are a source of uncertainty, as at 31 December 2024 management did not consider there to be a material impact on our critical judgements and estimates from the physical, transition and other climate-related risks in the short to medium term. In particular management has considered the known and observable potential impacts of climate-related risks of associated judgements and estimates in our value in use calculations.

(f) Going concern

The financial statements are prepared on a going concern basis, as the Directors are satisfied that HSBC Continental Europe and parent company have the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, liquidity, capital requirements and capital resources.

These considerations include stressed scenarios that reflect the uncertainty in the macroeconomic environment following, uncertain inflation, rapidly changing interest rates, and disrupted supply chains as a result of the Russia-Ukraine war, conflict in the Middle East and US-China tensions. They also included other top and emerging risks, including climate change, as well as the related impacts on profitability, capital and liquidity.

1.2 Summary of material accounting policies

(a) Consolidation and related policies

Investments in subsidiaries

Where an entity is governed by voting rights, HSBC Continental Europe consolidates when it holds, directly or indirectly, the necessary voting rights to pass resolutions by the governing body. In all other cases, the assessment of control is more complex and requires judgement of other factors, including having exposure to variability of returns, power to direct relevant activities and whether power is held as agent or principal.

Business combinations are accounted for using the acquisition method. The amount of non-controlling interest is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. This election is made for each business combination.

The investments in subsidiaries are stated at cost less impairment losses.

Impairment testing is performed where there is an indication of impairment, by comparing the recoverable amount of a cash-generating unit with its carrying amount.

Critical estimates and judgements

Investments in subsidiaries are tested for impairment when there is an indication that the investment may be impaired, which involves estimations of value in use reflecting management's best estimate of the future cash flows of the investment and the rates used to discount these cash flows, both of which are subject to uncertain factors as follows:

Judgements	Estimates
– The accuracy of forecast cash flows is subject to a high degree of uncertainty in volatile market conditions. Where such circumstances are determined to exist, management re-tests for impairment more frequently than once a year when indicators of impairment exist. This ensures that the assumptions on which the cash flow forecasts are based continue to reflect current market conditions and management's best estimate of future business prospects.	– The future cash flows of each investment are sensitive to the cash flows projected for the periods for which detailed forecasts are available and to assumptions regarding the long-term pattern of sustainable cash flows thereafter. Forecasts are compared with actual performance and verifiable economic data, but they reflect management's view of future business prospects at the time of the assessment. – The rates used to discount future expected cash flows can have a significant effect on their valuation, and are based on the costs of equity assigned to the investment. The cost of equity percentage is generally derived from a capital asset pricing model and the market implied cost of equity, which incorporates inputs reflecting a number of financial and economic variables, including the risk-free interest rate in the country concerned and a premium for the risk of the business being evaluated. These variables are subject to fluctuations in external market rates and economic conditions beyond management's control.

Goodwill

Goodwill is allocated to cash-generating units ('CGUs') for the purpose of impairment testing, which is undertaken at the lowest level at which goodwill is monitored for internal management purposes. HSBC Continental Europe's CGUs are the global businesses within principal operating entities. Impairment testing is performed once a year, or whenever there is an indication of impairment, by comparing the recoverable amount of a CGU with its carrying amount.

Goodwill is included in a disposal group if the disposal group is a CGU to which goodwill has been allocated or it is an operation within such a CGU.

Critical estimates and judgements

The review of goodwill and non-financial assets (see Note 1.2(n)) for impairment reflects management's best estimate of the future cash flows of the CGUs and the rates used to discount these cash flows, both of which are subject to uncertain factors as follows:

Judgements	Estimates
– The accuracy of forecast cash flows is subject to a high degree of uncertainty in volatile market conditions. Where such circumstances are determined to exist, management re-tests goodwill for impairment more frequently than once a year when indicators of impairment exist. This ensures that the assumptions on which the cash flow forecasts are based continue to reflect current market conditions and management's best estimate of future business prospects.	– The future cash flows of the CGUs are sensitive to the cash flows projected for the periods for which detailed forecasts are available and to assumptions regarding the long-term pattern of sustainable cash flows thereafter. Forecasts are compared with actual performance and verifiable economic data, but they reflect management's view of future business prospects at the time of the assessment. – The rates used to discount future expected cash flows can have a significant effect on their valuation, and are based on the costs of capital assigned to individual CGUs. The cost of capital percentage is generally derived from a capital asset pricing model, which incorporates inputs reflecting a number of financial and economic variables, including the risk-free interest rate in the country concerned and a premium for the risk of the business being evaluated. These variables are subject to fluctuations in external market rates and economic conditions beyond management's control. – Key assumptions used in estimating goodwill impairment and non-financial assets are described in Note 20.

HSBC Continental Europe sponsored structured entities

HSBC Continental Europe is considered to sponsor another entity if, in addition to ongoing involvement with the entity, it had a key role in establishing that entity or in bringing together relevant counterparties so the transaction that is the purpose of the entity could occur. HSBC Continental Europe is generally not considered a sponsor if the only involvement with the entity is merely administrative.

Interests in associates and joint arrangements

Joint arrangements are investments in which HSBC Continental Europe, together with one or more parties, has joint control. Depending on HSBC Continental Europe's rights and obligations, the joint arrangement is classified as either a joint operation or a joint venture. HSBC Continental Europe classifies investments in entities over which it has significant influence, and those that are neither subsidiaries nor joint arrangements, as associates.

HSBC Continental Europe recognises its share of the assets, liabilities and results in a joint operation. Investments in associates and interests in joint ventures are recognised using the equity method. The attributable share of the results and reserves of joint ventures and associates is included in the consolidated financial statements of HSBC Continental Europe based on either financial statements made up to 31 December or pro-rated amounts adjusted for any material transactions or events occurring between the date the financial statements are available and 31 December.

Investments in associates and joint ventures are assessed at each reporting date and tested for impairment when there is an indication that the investment may be impaired, by comparing the recoverable amount of the relevant investment to its carrying amount. Goodwill on acquisition of interests in joint ventures and associates is not tested separately for impairment, but is assessed as part of the carrying amount of the investment.

(b) Income and expense

Operating income

Interest income and expense

Interest income and expense for all financial instruments, excluding those classified as held for trading or designated at fair value are recognised in 'interest income' and 'interest expense' in the income statement using the effective interest method. However, as an exception to this, interest on debt instruments issued by HSBC Continental Europe for funding purposes that are designated under the fair value option to reduce an accounting mismatch and on derivatives managed in conjunction with those debt instruments is included in interest expense.

Interest on credit-impaired financial assets is recognised by applying the effective interest rate to the amortised cost (i.e. gross carrying amount of the asset less allowance for ECL).

Non-interest income and expense

HSBC Continental Europe generates fee income from services provided over time, such as account service and card fees, or when HSBC Continental Europe delivers a specific transaction at a point in time such as broking services and import/export services. With the exception of certain fund management and performance fees, all other fees are generated at a fixed price. Fund management and performance fees can be variable depending on the size of the customer portfolio and HSBC Continental Europe performance as fund manager. Variable fees are recognised when all uncertainties are resolved. Fee income is generally earned from short-term contracts with payment terms that do not include a significant financing component.

HSBC Continental Europe acts as principal in the majority of contracts with customers, with the exception of broking services. For most brokerage trades HSBC Continental Europe acts as agent in the transaction and recognises broking income net of fees payable to other parties in the arrangement.

HSBC Continental Europe recognises fees earned on transaction-based arrangements at a point in time when it has fully provided the service to the customer. Where the contract requires services to be provided over time, income is recognised on a systematic basis over the life of the agreement.

Where HSBC Continental Europe offers a package of services that contains multiple non-distinct performance obligations, such as those included in account service packages, the promised services are treated as a single performance obligation. If a package of services contains distinct performance obligations, the corresponding transaction price is allocated to each performance obligation based on the estimated stand-alone selling prices.

Dividend income is recognised when the right to receive payment is established.

Net income/(expense) from financial instruments measured at fair value through profit or loss includes the following:

- 'Net income from financial instruments held for trading or managed on a fair value basis'. This comprises net trading activities, which includes all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading and other financial instruments managed on a fair value basis, together with the related interest income, interest expense and dividend income, excluding the effect of changes in the credit risk of liabilities managed on a fair value basis. It also includes all gains and losses from changes in the fair value of derivatives that are managed in conjunction with financial assets and liabilities measured at fair value through profit or loss.
- 'Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss'. This includes all gains and losses from changes in the fair value, together with related interest income, interest expense and dividend income in respect of financial assets and liabilities measured at fair value through profit or loss; and those derivatives managed in conjunction with the above that can be separately identifiable from other trading derivatives.
- 'Changes in fair value of designated debt instruments and related derivatives'. Interest paid on the debt instruments and interest cash flows on related derivatives is presented in interest expense where doing so reduces an accounting mismatch.
- 'Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss'. This includes interest on instruments that fail the SPPI test. See (d) below.

The accounting policies for insurance service result and insurance finance income/(expense) are disclosed in Note 1.2(j).

(c) Valuation of financial instruments

All financial instruments are initially recognised at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a financial instrument on initial recognition is generally its transaction price (that is, the fair value of the consideration given or received). However, if there is a difference between the transaction price and the fair value of financial instruments whose fair value is based on a quoted price in an active market or a valuation technique that uses only data from observable markets, HSBC Continental Europe recognises the difference as a trading gain or loss at inception (a 'day 1 gain or loss'). In all other cases, the entire day 1 gain or loss is deferred and recognised in the income statement over the life of the transaction until the transaction matures, is closed out, the valuation inputs become observable or HSBC Continental Europe enters into an offsetting transaction.

The fair value of financial instruments is generally measured on an individual basis. However, in cases where HSBC Continental Europe manages a group of financial assets and liabilities according to its net market or credit risk exposure, the fair value of the group of financial instruments is measured on a net basis but the underlying financial assets and liabilities are presented separately in the financial statements, unless they satisfy the IFRS offsetting criteria. Financial instruments are classified into one of three fair value hierarchy levels, described in Note 12, 'Fair values of financial instruments carried at fair value'.

Critical estimates and judgements

The majority of valuation techniques employ only observable market data. However, certain financial instruments are classified on the basis of valuation techniques that feature one or more significant market inputs that are unobservable, and for them, the measurement of fair value is more judgemental:

Judgements	Estimates
– An instrument in its entirety is classified as valued using significant unobservable inputs if, in the opinion of management, greater than 5 per cent of the instrument's valuation is driven by unobservable inputs. – Unobservable' in this context means that there is little or no current market data available from which to determine the price at which an arm's length transaction would be likely to occur. It generally does not mean that there is no data available at all upon which to base a determination of fair value (consensus pricing data may, for example, be used).	– Details on HSBC Continental Europe's level 3 financial instruments and the sensitivity of their valuation to the effect of applying reasonably possible alternative assumptions in determining their fair value are set out in Note 12.

(d) Financial instruments measured at amortised cost

Financial assets that are held to collect the contractual cash flows and which contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at amortised cost. Such financial assets include most loans and advances to banks and customers and some debt securities. In addition, most financial liabilities are measured at amortised cost. HSBC Continental Europe accounts for regular way amortised cost financial instruments using trade date accounting. The carrying amount of these financial assets at initial recognition includes any directly attributable transactions costs.

HSBC Continental Europe may commit to underwriting loans on fixed contractual terms for specified periods of time. When the loan arising from the lending commitment is expected to be sold shortly after origination, the commitment to lend is recorded as a derivative. When HSBC Continental Europe intends to hold the loan, the loan commitment is included in the impairment calculations set out below.

Financial assets are reclassified only when the business model for their management changes. Such changes, which are expected to be infrequent, are determined by senior management as a result of external or internal changes and must be significant to operations and demonstrable to external parties. Reclassifications are applied prospectively from the first day of the first reporting period following the change of business model. Where a financial asset is reclassified out of the amortised cost measurement category and into the fair value through other comprehensive income measurement category its fair value is measured at the date of reclassification. Any gain or loss arising from a difference between the previous amortised cost and fair value is recognised in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

Non-trading reverse repurchase, repurchase and similar agreements
When debt securities are sold subject to a commitment to repurchase them at a predetermined price ('repos'), they remain on the balance sheet and a liability is recorded in respect of the consideration received. Securities purchased under commitments to resell ('reverse repos') are not recognised on the balance sheet and an asset is recorded in respect of the initial consideration paid. Non-trading repos and reverse repos are measured at amortised cost. The difference between the sale and repurchase price or between the purchase and resale price is treated as interest and recognised in net interest income over the life of the agreement.

Contracts that are economically equivalent to reverse repurchase or repurchase agreements (such as sales or purchases of debt securities entered into together with total return swaps with the same counterparty) are accounted for similarly to, and presented together with, reverse repurchase or repurchase agreements.

(e) Financial assets measured at fair value through other comprehensive income ('FVOCI')

Financial assets managed within a business model that is achieved by both collecting contractual cash flows and selling and which contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI. These comprise primarily debt securities. They are recognised on the trade date when HSBC enters into contractual arrangements to purchase and are generally derecognised when they are either sold or redeemed. They are subsequently remeasured at fair value with changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold. Upon disposal, the cumulative gains or losses in other comprehensive income are recognised in the income statement as 'Gains less losses from financial investments'. Financial assets measured at FVOCI are included in the impairment calculations set out below and impairment is recognised in profit or loss.

(f) Equity securities measured at fair value with fair value movements presented in other comprehensive income ('OCI')

The equity securities for which fair value movements are shown in other comprehensive income are business facilitation and other similar investments where HSBC holds the investments other than to generate a capital return. Dividends from such investments are recognised in profit or loss. Gains or losses on the derecognition of these equity securities are not transferred to profit or loss. Otherwise, equity securities are measured at fair value through profit or loss.

(g) Financial instruments designated at fair value through profit or loss

Financial instruments, other than those held for trading, are classified in this category if they meet one or more of the criteria set out below and are so designated irrevocably at inception:

- The use of the designation removes or significantly reduces an accounting mismatch;
- A group of financial assets and liabilities or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; and
- The financial liability contains one or more non-closely related embedded derivatives.

Designated financial assets are recognised when HSBC Continental Europe enters into contracts with counterparties, which is generally on trade date, and are normally derecognised when the rights to the cash flows expire or are transferred. Designated financial liabilities are recognised when HSBC Continental Europe enters into contracts with counterparties, which is generally on settlement date, and are normally derecognised when extinguished.

Subsequent changes in fair values are recognised in the income statement in 'Net income from financial instruments held for trading or managed on a fair value basis' or 'Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss' or 'Changes in fair value of designated debt and related derivatives' except for the effect of changes in the liabilities' credit risk, which is presented in 'Other comprehensive income', unless that treatment would create or enlarge an accounting mismatch in profit or loss.

Under the above criteria, the main classes of financial instruments designated by HSBC Continental Europe are:

- Debt instruments for funding purposes that are designated to reduce an accounting mismatch: The interest and/or foreign exchange exposure on certain fixed-rate debt securities issued has been matched with the interest and/or foreign exchange exposure on certain swaps as part of a documented risk management strategy.
- Financial assets and financial liabilities under unit-linked and non-linked investment contracts: A contract under which HSBC does not accept significant insurance risk from another party is not classified as an insurance contract, other than investment contracts with discretionary participation features ('DPF'), but is accounted for as a financial liability. Customer liabilities under linked and certain non-linked investment contracts issued by insurance subsidiaries are determined based on the fair value of the assets held in the linked funds or by a valuation method. The related financial assets and liabilities are managed and reported to management on a fair value basis.

- Designation at fair value of the financial assets and related liabilities allows changes in fair values to be recorded in the income statement and presented in the same line.
- Financial liabilities that contain both deposit and derivative components: These financial liabilities are managed and their performance evaluated on a fair value basis.

(h) Derivatives

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, interest rates or other indices. Derivatives are recognised initially and are subsequently measured at fair value through profit or loss. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. This includes embedded derivatives in financial liabilities which are bifurcated from the host contract when they meet the definition of a derivative on a stand-alone basis. Where the derivatives are managed with debt securities issued by HSBC Continental Europe that are designated at fair value where doing so reduces an accounting mismatch, the contractual interest is shown in 'Interest expense' together with the interest payable on the issued debt.

Hedge accounting
When derivatives are not part of fair value designated relationships, if held for risk management purposes they are designated in hedge accounting relationships where the required criteria for documentation and hedge effectiveness are met. HSBC Continental Europe uses these derivatives or, where allowed, other non-derivative hedging instruments in fair value hedges, cash flow hedges or hedges of net investments in foreign operations as appropriate to the risk being hedged.

Fair value hedge
Fair value hedge accounting does not change the recording of gains and losses on derivatives and other hedging instruments, but results in recognising changes in the fair value of the hedged assets or liabilities attributable to the hedged risk that would not otherwise be recognised in the income statement. If a hedge relationship no longer meets the criteria for hedge accounting, hedge accounting is discontinued, and the cumulative adjustment to the carrying amount of a hedged item for which the effective interest rate method is used is amortised to the income statement on a recalculated effective interest rate, unless the hedged item has been derecognised, in which case it is recognised in the income statement immediately.

Cash flow hedge
The effective portion of gains and losses on hedging instruments is recognised in other comprehensive income and the ineffective portion of the change in fair value of derivative hedging instruments that are part of a cash flow hedge relationship is recognised immediately in the income statement within 'Net income from financial instruments held for trading or managed on a fair value basis'. The accumulated gains and losses recognised in other comprehensive income are reclassified to the income statement in the same periods in which the hedged item affects profit or loss. When a hedge relationship is discontinued, or partially discontinued, any cumulative gain or loss recognised in other comprehensive income remains in equity until the forecast transaction is recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss previously recognised in other comprehensive income is immediately reclassified to the income statement.

Derivatives that do not qualify for hedge accounting
Non-qualifying hedges are derivatives entered into as economic hedges of assets and liabilities for which hedge accounting was not applied.

(i) Impairment of amortised cost and FVOCI financial assets

Expected credit losses are recognised for loans and advances to banks and customers, non-trading reverse repurchase agreements, other financial assets held at amortised cost, debt instruments measured at fair value through other comprehensive income, and certain loan commitments and financial guarantee contracts. At initial recognition, an allowance (or provision in the case of some loan commitments and financial guarantees) is recognised for ECL resulting from possible default events within the next 12 months, or less, where the remaining life is less than 12 months, ('12-month ECL'). In the event of a significant increase in credit risk, an allowance (or provision) is recognised for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment, and so are considered to be in default or otherwise credit-impaired are in 'stage 3'. Purchased or originated credit-impaired financial assets ('POCI') are treated differently as set out below.

Credit-impaired (Stage 3)
HSBC Continental Europe determines that a financial instrument is credit-impaired and in Stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are past due for more than 90 days;
- there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; or
- the loan is otherwise considered to be in default.

If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due. Therefore, the definitions of credit-impaired and default are aligned as far as possible so that stage 3 represents all loans that are considered defaulted or otherwise credit-impaired.

Interest income is recognised by applying the effective interest rate to the amortised cost (i.e. gross carrying amount less allowance for ECL).

Write-off

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

Forbearance

Loans are identified as forborne and classified as either performing or non-performing when HSBC Continental Europe modifies the contractual terms due to financial difficulty of the borrower. Non-performing forborne loans are stage 3 and classified as non-performing until they meet the curing criteria, as specified by applicable credit risk policy (for example, when the loan is no longer in default and no other indicators of default have been present for at least 12 months). Any amount written off as a result of any modification of contractual terms upon entering forbearance would not be reversed.

HSBC Continental Europe applies the EBA Guidelines on the application of definition of default for our retail portfolios, which affect credit risk policies and our reporting in respect of the status of loans as credit impaired principally due to forbearance (or curing thereof). Further details are provided under 'Forborne loans and advances' on pages 200 – 201.

Performing forborne loans are initially stage 2 and remain classified as forborne until they meet applicable curing criteria (for example, they continue to not be in default and no other indicators of default are present for a period of at least 24 months). At this point, the loan is either stage 1 or stage 2 as determined by comparing the risk of a default occurring at the reporting date (based on the modified contractual terms) and the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

A forborne loan is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms, or if the terms of an existing agreement are modified such that the forborne loan is a substantially different financial instrument. Any new loans that arise following derecognition events in these circumstances would generally be classified as POCI and will continue to be disclosed as forborne.

Loan modifications other than forborne loans

Loan modifications that are not identified as forborne are considered to be commercial restructurings. Where a commercial restructuring results in a modification (whether legalised through an amendment to the existing terms or the issuance of a new loan contract) such that HSBC’s rights to the cash flows under the original contract have expired, the old loan is derecognised and the new loan is recognised at fair value. The rights to cash flows are generally considered to have expired if the commercial restructuring is at market rates and no payment-related concession has been provided. Modifications of certain higher credit risk wholesale loans are assessed for derecognition having regard to changes in contractual terms that either individually or in combination are judged to result in a substantially different financial instrument.

Mandatory and general offer loan modifications that are not borrower-specific, for example market-wide customer relief programmes, generally do not result in derecognition, but their stage allocation is determined considering all available and supportable information under our ECL impairment policy. Changes made to these financial instruments that are economically equivalent and required by interest rate benchmark reform do not result in the derecognition or a change in the carrying amount of the financial instrument, but instead require the effective interest rate to be updated to reflect the change of the interest rate benchmark.

Significant increase in credit risk (Stage 2)

An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument.

The assessment explicitly or implicitly compares the risk of default occurring at the reporting date compared with that at initial recognition, taking into account reasonable and supportable information, including information about past events, current conditions and future economic conditions. The assessment is unbiased, probability-weighted, and to the extent relevant, uses forward-looking information consistent with that used in the measurement of ECL. The analysis of credit risk is multifactor. The determination of whether a specific factor is relevant and its weight compared with other factors depends on the type of product, the characteristics of the financial instrument and the borrower, and the geographical region. Therefore, it is not possible to provide a single set of criteria that will determine what is considered to be a significant increase in credit risk and these criteria will differ for different types of lending, particularly between retail and wholesale.

However, unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due. In addition, wholesale loans that are individually assessed, which are typically corporate and commercial customers, and included on a watch or worry list are included in stage 2.

For wholesale portfolios, the quantitative comparison assesses default risk using a lifetime probability of default ('PD'), which encompasses a wide range of information including the obligor’s customer risk rating (‘CRR’), macro-economic condition forecasts and credit transition probabilities. For origination CRRs up to 3.3, significant increase in credit risk is measured by comparing the average PD for the remaining term estimated at origination with the equivalent estimation at reporting date. The quantitative measure of significance varies depending on the credit quality at origination as follows:

Origination CRR	Significance trigger – PD to increase by
0.1–1.2	15 bps
2.1–3.3	30 bps

For CRRs greater than 3.3 that are not impaired, a significant increase in credit risk is considered to have occurred when the origination PD has doubled. The significance of changes in PD was informed by expert credit risk judgement, referenced to historical credit migrations and to relative changes in external market rates.

For loans originated prior to the implementation of IFRS 9, the origination PD does not include adjustments to reflect expectations of future macroeconomic conditions since these are not available without the use of hindsight. In the absence of this data, origination PD must be approximated assuming through-the-cycle PDs and through-the-cycle migration probabilities, consistent with the instrument's underlying modelling approach and the CRR at origination.

For these loans, the quantitative comparison is supplemented with additional CRR deterioration based thresholds as set out in the table below:

Origination CRR	Additional significance criteria – Number of CRR grade notches deterioration required to identify as significant credit deterioration (stage 2) (> or equal to)
0.1	5 notches
1.1–4.2	4 notches
4.3–5.1	3 notches
5.2–7.1	2 notches
7.2–8.2	1 notch

Further information about the 23-grade scale used for CRR can be found on page 182.

For retail portfolios, default risk is assessed using a reporting date 12-month PD derived from internal models, which incorporate all available information about the customer. This PD is adjusted for the effect of macroeconomic forecasts for periods longer than 12 months and is considered to be a reasonable approximation of a lifetime PD measure. Retail exposures are first segmented into homogenous portfolios, generally by country, product and brand. Within each portfolio, the stage 2 accounts are defined as accounts with an adjusted 12-month PD greater than the average 12-month PD of loans in that portfolio 12 months before they become 30 days past due. The expert credit risk judgement is that no prior increase in credit risk is significant. This portfolio-specific threshold therefore identifies loans with a PD higher than would be expected from loans that are performing as originally expected and higher than that which would have been acceptable at origination. It therefore approximates a comparison of origination to reporting date PDs.

HSBC Continental Europe continues to refine the retail transfer criteria approach for certain portfolios, as additional data becomes available, in order to utilise a more relative approach. These enhancements take advantage of the increase in origination related data in the assessment of significant increases in credit risk by comparing remaining lifetime PD to the comparable remaining term lifetime PD at origination based on portfolio-specific origination segments.

Unimpaired and without significant increase in credit risk – (stage 1)

ECL resulting from default events that are possible within the next 12 months ('12-month ECL') are recognised for financial instruments that remain in stage 1.

Purchased or originated credit-impaired

Financial assets that are purchased or originated at a deep discount that reflects the incurred credit losses are considered to be POCI. This population includes new financial instruments recognised in most cases following the derecognition of forborne loans. The amount of change in lifetime ECL for a POCI loan is recognised in profit or loss until the POCI loan is derecognised, even if the lifetime ECL are less than the amount of ECL included in the estimated cash flows on initial recognition.

Movement between stages

Financial assets can be transferred between the different categories (other than POCI) depending on their relative increase in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments described above. In the case of non-performing forborne loans such financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment and meet the curing criteria as described above.

Measurement of ECL

The assessment of credit risk, and the estimation of ECL, are unbiased and probability-weighted, and incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money and considers other factors such as climate-related risks.

In general, HSBC Continental Europe calculates ECL using three main components, a probability of default ('PD'), a loss given default ('LGD') and the exposure at default ('EAD').

The 12-month ECL is calculated by multiplying the 12-month PD, LGD and EAD. Lifetime ECL is calculated using the lifetime PD instead. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument respectively.

The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdowns of committed facilities. The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money.

HSBC Continental Europe makes use of the IRB framework where possible, with recalibration to meet the differing IFRS 9 requirements as set out in the following table:

Model	Regulatory capital	IFRS 9
PD	– Represents long-run average PD throughout a full economic cycle (for mortgage portfolios a hybrid approach, which sits between the extremes of point in time and through the cycle, is used for calculating long-run averages as required by the PRA) – Default backstop of 90+ days past due for all portfolios (includes unlikely to pay ('UTP') criteria in line with internal policy) – May be subject to a sovereign cap	– Represents current portfolio quality and performance, adjusted for the impact of multiple forward-looking macroeconomic scenarios – Default backstop of 90+ days past due for all portfolios (includes UTP criteria in line with internal policy)
EAD	– Cannot be lower than current balance	– Amortisation captured for term products – Future drawdown captured for revolving products
LGD	– Downturn LGD (consistent with losses HSBC Continental Europe would expect to suffer during a severe but plausible economic downturn) – Regulatory floors may apply to mitigate risk of underestimating downturn LGD due to lack of historical data – Discounted using appropriate index (minimum 9 per cent) – All collection costs included	– LGD based on recent portfolio performance data and includes the expected impact of future economic conditions such as change in the value of collateral – No floors applied, discounted using the original effective interest rate – Only costs associated with selling collateral and certain third-party costs are included
Other		– Discounted back from point of default to balance sheet date

While 12-month PDs are recalibrated from IRB models where possible, the lifetime PDs are determined by projecting the 12-month PD using a term structure. For the wholesale methodology, the lifetime PD also takes into account credit migration, i.e. a customer migrating through the CRR bands over its life.

The ECL for wholesale stage 3 is determined primarily on an individual basis using a discounted cash flow ('DCF') methodology. The expected future cash flows are based on estimates as of the reporting date, reflecting reasonable and supportable assumptions and projections of future recoveries and expected future receipts of interest.

Collateral is taken into account if it is likely that the recovery of the outstanding amount will include realisation of collateral based on its estimated fair value of collateral at the time of expected realisation, less costs for obtaining and selling the collateral.

The cash flows are discounted at a reasonable approximation of the original effective interest rate. For significant cases, cash flows under up to four different scenarios are probability-weighted by reference to the status of the borrower, economic scenarios applied more generally by HSBC Continental Europe and judgement of in relation to the likelihood of the workout strategy succeeding or receivership being required. For less significant cases where an individual assessment is undertaken, the effect of different economic scenarios and work-out strategies results in an ECL calculation based on a most likely outcome which is adjusted to capture losses resulting from less likely but possible outcomes. For certain less significant cases, the bank may use an LGD-based modelled approach to ECL assessment, which factors in a range of economic scenarios.

Period over which ECL is measured

Expected credit loss is measured from the initial recognition of the financial asset. The maximum period considered when measuring ECL (be it 12-month or lifetime ECL) is the maximum contractual period over which HSBC Continental Europe is exposed to credit risk. However, where the financial instrument includes both a drawn and undrawn commitment and the contractual ability to demand repayment and cancel the undrawn commitment does not serve to limit HSBC Continental Europe exposure to credit risk to the contractual notice period, the contractual period does not determine the maximum period considered. Instead, ECL is measured over the period HSBC Continental Europe remains exposed to credit risk that is not mitigated by credit risk management actions. This applies to retail overdrafts and credit cards, where the period is the average time taken for stage 2 exposures to default or close as performing accounts, determined on a portfolio basis and ranging from between two and six years. In addition, for these facilities it is not possible to identify the ECL on the loan commitment component separately from the financial asset component.

As a result, the total ECL is recognised in the loss allowance for the financial asset unless the total ECL exceeds the gross carrying amount of the financial asset, in which case the ECL is recognised as a provision. For wholesale overdraft facilities, credit risk management actions are taken no less frequently than on an annual basis.

Forward-looking economic inputs

HSBC Continental Europe applies multiple forward-looking global economic scenarios determined with reference to external forecast distributions representative of its view of forecast economic conditions. This approach is considered sufficient to calculate unbiased expected credit loss in most economic environments. In certain economic environments, additional analysis may be necessary and may result in additional scenarios or adjustments, to reflect a range of possible economic outcomes sufficient for an unbiased estimate. The detailed methodology is disclosed in 'Measurement uncertainty and sensitivity analysis of ECL estimates' on page 191.

Critical estimates and judgements

The calculation of ECL under IFRS 9 requires HSBC Continental Europe to make a number of judgements, assumptions and estimates. The most significant are set out below:

JUDGEMENTS
- Defining what is considered to be a significant increase in credit risk.
- Selecting and calibrating the PD, LGD and EAD models, which support the calculations, including making reasonable and supportable judgements about how models react to current and future economic conditions.
- Selecting model inputs and economic forecasts, including determining whether sufficient and appropriately weighted economic forecasts are incorporated to calculate unbiased expected credit loss.
- Making management judgemental adjustments to account for late breaking events, model and data limitations and deficiencies, and expert credit judgements.
- Selecting applicable recovery strategies for certain wholesale credit-impaired loans.

ESTIMATES
- The section 'Measurement uncertainty and sensitivity analysis of ECL estimates' on page 191 sets out the assumptions used in determining ECL and provides an indication of the sensitivity of the result to the application of different weightings being applied to different economic assumptions.

(j) Insurance contracts

A contract is classified as an insurance contract where the entity accepts significant insurance risk from another party by agreeing to compensate that party if it is adversely affected by a specified uncertain future event. An insurance contract may also transfer financial risk, but is accounted for as an insurance contract if the insurance risk is significant. In addition, HSBC Continental Europe issues investment contracts with discretionary participation features ('DPF') which are also accounted under IFRS 17 'Insurance Contracts'.

Aggregation of insurance contracts

Individual insurance contracts that are managed together and subject to similar risks are identified as a portfolio. Contracts that are managed together usually belong to the same product group, and have similar characteristics such as being subject to a similar pricing framework or similar product management, and are issued by the same legal entity. If a contract is exposed to more than one risk, the dominant risk of the contract is used to assess whether the contract features similar risks. Each portfolio is further separated by the contract's expected profitability. The portfolios are split by their profitability into: (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and (iii) the remaining contracts. These profitability groups are then divided by issue date, with most contracts the HSBC Group issues after the transition date being grouped into calendar quarter or annual cohorts. For multi-currency groups of contracts, the HSBC Group considers its groups of contracts as being denominated in a single currency. HSBC Continental Europe did not elect to apply the annual cohorts exemption.

The measurement of the insurance contract liability is based on groups of insurance contracts as established at initial recognition, and will include fulfilment cash flows as well as the CSM representing the unearned profit. The HSBC Group's accounting policy to update the estimates used in the measurement on a year-to-date basis.

Fulfilment cash flows

The fulfilment cash flows comprise the following:

(i) Best estimates of future cash flows

The cash flows within the contract boundary of each contract in the HSBC Group include amounts expected to be collected from premiums and payouts for claims, benefits and expenses, and are projected using a range of scenarios and assumptions in an unbiased way based on the HSBC Group's demographic and operating experience along with external mortality data where the HSBC Group's own experience data is not sufficiently large in size to be credible.

(ii) Adjustment for the time value of money and financial risks associated with the future cash flows

The estimates of future cash flows are adjusted to reflect the time value of money (i.e discounting) and the financial risks to derive an expected present value. The HSBC Group generally makes use of stochastic modelling techniques in the estimation for products with options and guarantees. A bottom-up approach is used to determine the discount rate to be applied to a given set of expected future cash flows. This is derived as the sum of the risk-free yield and an illiquidity premium. The risk-free yield is determined based on observable market data, where such markets are considered to be deep, liquid and transparent. When information is not available, management judgement is applied to determine the appropriate risk-free yield. Illiquidity premiums reflect the liquidity characteristics of the associated insurance contracts.

(iii) Risk adjustment for non-financial risk

The risk adjustment reflects the compensation required for bearing the uncertainty about the amount and timing of future cash flows that arises from non-financial risk. It is calculated as a 75th percentile level of stress over a one year period. The level of the stress is determined with reference to external regulatory stresses and internal economic capital stresses. Furthermore, the risk adjustment calculated using a multi-year approach will be published.

For the main insurance manufacturing entity in the HSBC Group, the one-year 75th percentile level of stress corresponds to the 60th percentile (2023: 60th percentile) based on an ultimate view of risk over all future years.

The HSBC Group does not disaggregate changes in the risk adjustment between insurance service result (comprising insurance revenue and insurance service expense) and insurance finance income or expenses. All changes are included in the insurance service result.

Measurement models

The variable fee approach ('VFA') measurement model is used for most of the contracts issued by the HSBC Group, which is mandatory upon meeting the following eligibility criteria at inception:

i. the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;

ii. the HSBC Group expects to pay to the policyholder a substantial share of the fair value returns on the underlying items. The HSBC Group considers that a substantial share is a majority of returns; and

iii. the HSBC Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items. The HSBC Group considers that a substantial proportion is a majority proportion of change on a present value probability weighted average of all scenarios.

For contracts measured under VFA, the other comprehensive income ('OCI') option is used. The OCI option is applied where the underlying items held by the HSBC Group are not accounted for at fair value through profit or loss. Under this option, only the amount that matches income or expenses recognised in profit or loss on underlying items is included in finance income or expenses for these insurance contracts, and hence results in the elimination of accounting mismatches. The remaining amount of finance income or expenses for these insurance contracts issued for the period is recognised in OCI. In addition, the risk mitigation option is used for a number of economic offsets against the instruments that meet specific requirements.

The remaining contracts issued and the reinsurance contracts held are accounted for under the general measurement model ('GMM').

CSM and coverage units

The CSM represents the unearned profit and results in no income or expense at initial recognition when the group of contracts is profitable. The CSM is adjusted at each subsequent reporting period for changes in fulfilment cash flows relating to future service (e.g. changes in non-economic assumptions, including mortality and morbidity rates). For initial recognition of onerous groups of contracts and when groups of contracts become onerous subsequently, losses are recognised in insurance service expense immediately.

For groups of contracts measured using the VFA, changes in the HSBC Group's share of the underlying items, and economic experience and economic assumption changes adjust the CSM, whereas these changes do not adjust the CSM under the GMM, but are recognised in profit or loss as they arise. However, under the risk mitigation option for VFA contracts, the changes in the fulfilment cash flows and the changes in the HSBC Group's share in the fair value return on underlying items that the instruments mitigate are not adjusted in CSM but recognised in profit or loss. The risk mitigating instruments are primarily reinsurance contracts held.

The CSM is systematically recognised in insurance revenue to reflect the insurance contract services provided, based on the coverage units of the group of contracts. Coverage units are determined by the quantity of benefits and the expected coverage period of the contracts.

The HSBC Group identifies the quantity of the benefits provided as follows:

– Insurance coverage: this is based on the expected net policyholder insurance benefit at each period after allowance for decrements, where net policyholder insurance benefit refers to the amount of sum assured less the fund value or surrender value.

– Investment services (including both investment-return service and investment-related service): this is based on a constant measure basis which reflects the provision of access for the policyholder to the facility, the coverage unit being the number of insurance contracts.

For contracts that provide both insurance coverage and investment services, coverage units are weighted according to the expected present value of the future cash outflows for each service.

Insurance service result

Insurance revenue reflects the consideration to which the HSBC Group expects to be entitled in exchange for the provision of coverage and other insurance contract services (excluding any investment components). Insurance service expenses comprise the incurred claims and other incurred insurance service expenses (excluding any investment components), and losses on onerous groups of contracts and reversals of such losses.

Insurance finance income and expenses

Insurance finance income and expenses comprise the change in the carrying amount of the group of insurance contracts arising from the effects of the time value of money, financial risk and changes therein. For VFA contracts, changes in the fair value of underlying items (excluding additions and withdrawals) are recognised in insurance finance income or expenses, except where the OCI option applies as described above.

(k) Employee compensation and benefits

Share-based payments

HSBC Continental Europe enters into equity-settled share-based payment arrangements with its employees as compensation for the provision of their services.

The vesting period for these schemes may commence before the legal grant date if the employees have started to render services in respect of the award before the legal grant date, where there is a shared understanding of the terms and conditions of the arrangement. Expenses are recognised when the employee starts to render service to which the award relates.

Cancellations result from the failure to meet a non-vesting condition during the vesting period, and are treated as an acceleration of vesting recognised immediately in the income statement. Failure to meet a vesting condition by the employee is not treated as a cancellation, and the amount of expense recognised for the award is adjusted to reflect the number of awards expected to vest.

Post-employment benefit plans

HSBC Continental Europe operates a number of pension schemes including defined benefit, defined contribution and other post-employment benefit schemes.

Payments to defined contribution schemes are charged as an expense as the employees render service.

Defined benefit pension obligations are calculated using the projected unit credit method. The net charge to the income statement mainly comprises the service cost and the net interest on the net defined benefit asset or liability, and is presented in operating expenses.

Remeasurements of the net defined benefit asset or liability, which comprise actuarial gains and losses, return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The net defined benefit asset or liability represents the present value of defined benefit obligations reduced by the fair value of plan assets, after applying the asset ceiling test, where the net defined benefit surplus is limited to the present value of available refunds and reductions in future contributions to the plan.

The costs of obligations arising from other post-employment plans are accounted for on the same basis as defined benefit pension plans.

(l) Tax

Income tax comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is recognised in the same statement in which the related item appears.

Current tax is the tax expected to be payable on the taxable profit for the year and on any adjustment to tax payable in respect of previous years. The HSBC Group provides for potential current tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet, and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax is calculated using the tax rates expected to apply in the periods as the assets will be realised or the liabilities settled.

In assessing the probability and sufficiency of future taxable profit, HSBC Continental Europe consider the availability of evidence to support the recognition of deferred tax assets. Taking into account the inherent risks in long-term forecasting, including climate change-related, and drivers of recent history of tax losses where applicable. HSBC Continental Europe also consider the future reversal of existing taxable temporary differences and tax planning strategies, including corporate reorganisations.

Current and deferred tax are calculated based on tax rates and laws enacted, or substantively enacted, by the balance sheet date.

Critical estimates and judgements

The recognition of deferred tax assets depends on judgements and estimates.

JUDGEMENTS

– Assessing the probability and sufficiency of future taxable profits, considering the availability of evidence to support the recognition of deferred tax assets taking into account the inherent risk in long term forecasting and drivers of recent history of tax losses where applicable taking into account the future reversal of existing taxable temporary differences and tax planning strategies including corporate reorganisations. Specific judgements supporting deferred tax assets are described in Note 8.

ESTIMATES

– The recognition of deferred tax assets is sensitive to estimates of future cash flows projected for periods for which detailed forecasts are available and to assumptions regarding the long-term pattern of cash flows thereafter, on which forecasts of future taxable profit are based, and which affect the expected recovery periods and the pattern of utilisation of tax losses and tax credits.

(m) Provisions, contingent liabilities and guarantees

Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation that has arisen as a result of past events and for which a reliable estimate can be made.

Critical estimates and judgements

The recognition and measurement of provisions requires the HSBC Continental Europe to make a number of judgements, assumptions and estimates. The most significant are set out below:

JUDGEMENTS

- Determining whether a present obligation exists. Professional advice is taken on the assessment of litigation and similar obligations.
- Provisions for legal proceedings and regulatory matters typically require a higher degree of judgement than other types of provisions. When matters are at an early stage, accounting judgements can be difficult because of the high degree of uncertainty associated with determining whether a present obligation exists, and estimating the probability and amount of any outflows that may arise. As matters progress, management and legal advisers evaluate on an ongoing basis whether provisions should be recognised, revising previous estimates as appropriate. At more advanced stages, it is typically easier to make estimates around a better defined set of possible outcomes.

ESTIMATES

- Provisions for legal proceedings and regulatory matters remain very sensitive to the assumptions used in the estimate. There could be a wider range of possible outcomes for any pending legal proceedings, investigations or inquiries. As a result, it is often not practicable to quantify a range of possible outcomes for individual matters. It is also not practicable to meaningfully quantify ranges of potential outcomes in aggregate for these types of provisions because of the diverse nature and circumstances of such matters and the wide range of uncertainties involved.

Contingent liabilities, contractual commitments and guarantees

Contingent liabilities

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, and contingent liabilities related to legal proceedings or regulatory matters, are not recognised in the financial statements but are disclosed unless the probability of settlement is remote.

Financial guarantee contracts

Liabilities under financial guarantee contracts that are not classified as insurance contracts are recorded initially at their fair value, which is generally the fee received or present value of the fee receivable.

(n) Impairment of non-financial assets

Software under development is tested for impairment at least annually. Other non-financial assets are property, plant and equipment, intangible assets (excluding goodwill) and right-of-use assets. They are tested for impairment at the individual asset level when there is indication of impairment at that level, or at the CGU level for assets that do not have a recoverable amount at the individual asset level. In addition, impairment is also tested at the CGU level when there is indication of impairment at that level. For this purpose, CGUs are considered to be the principal operating legal entities divided by global business.

Impairment testing compares the carrying amount of the non-financial asset or CGU with its recoverable amount, which is the higher of the fair value less costs of disposal or the value in use. The carrying amount of a CGU comprises the carrying amount of its assets and liabilities, including non-financial assets that are directly attributable to it and non-financial assets that can be allocated to it on a reasonable and consistent basis. Non-financial assets that cannot be allocated to an individual CGU are tested for impairment at an appropriate grouping of CGUs.

The recoverable amount of the CGU is the higher of the fair value less costs of disposal of the CGU, which is determined by independent and qualified valuers where relevant, and the value in use, which is calculated based on appropriate inputs (see Note 21). When the recoverable amount of a CGU is less than its carrying amount, an impairment loss is recognised in the income statement to the extent that the impairment can be allocated on a pro-rata basis to the non-financial assets by reducing their carrying amounts to the higher of their respective individual recoverable amount or nil. Impairment is not allocated to the financial assets in a CGU.

Impairment losses recognised in prior periods for non-financial assets are reversed when there has been a change in the estimate used to determine the recoverable amount. The impairment loss is reversed to the extent that the carrying amount of the non-financial assets would not exceed the amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised in prior periods.

(o) Government grants

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. The benefit of a government loan at a below market rate of interest is treated as a government grant. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan recognised and the proceeds received. When identifying the costs for which the benefit of the loan is intended to compensate, the conditions and obligations that have been, or must be, met are considered. Government grants are recognised when there is reasonable assurance that the conditions attached with them will be complied with and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognise as expense the related costs for which the grants are intended to compensate.

Critical estimates and judgements

JUDGEMENTS

- Determining whether there is reasonable assurance that the conditions attached with government grants will be complied with and that the grants will be received.

(p) Non current assets and disposal groups held for sale and discontinued operations

HSBC Continental Europe classifies non-current assets or disposal groups (including assets and liabilities) as held for sale when their carrying amounts will be recovered principally through sale rather than through continuing use. To be classified as held for sale, the non-current asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets or disposal groups, and the sale must be highly probable. For a sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group) and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Held-for-sale assets and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell except for those assets and liabilities that are not within the scope of the measurement requirements of IFRS 5. If the carrying amount of the non-current asset (or disposal group) is greater than the fair value less costs to sell, an impairment loss for any initial or subsequent write down of the asset or disposal group to fair value less costs to sell is recognised. Any such impairment loss is first allocated against the non-current assets that are in scope of IFRS 5 for measurement. This first reduces the carrying amount of any goodwill allocated to the disposal group and then to the other non-current assets of the disposal group pro rata on the basis of the carrying amount of each asset in the disposal group. Thereafter, any impairment loss in excess of the carrying amount of the non-current assets in scope of IFRS 5 for measurement is recognised against the total assets of the disposal group.

HSBC Continental Europe classifies a component of an entity as discontinued operation when it either has been disposed of or is classified as held for sale and

– represents a separate major line of business or geographical area of operations;
– is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
– is a subsidiary acquired exclusively with a view to resale.

After operations have been classified as discontinued, results will be reported as such in the income statement and cash flow statement. Discontinued operations held for sale are measured in the same way as other disposal groups, that is, at the lower of carrying amount and fair value less costs to sell.

Critical estimates and judgements

The classification as held for sale depends on certain judgements.

JUDGEMENTS
Management judgement is required in determining whether the IFRS 5 held for sale criteria including whether a sale is highly probable and expected to complete within one year of classification. The exercise of judgement will normally consider the likelihood of successfully securing any necessary regulatory or political approvals which are almost always required for sales of banking businesses. For large and complex plans judgment will also include an assessment of the enforceability of any binding sale agreement, the nature and magnitude of any disincentives for non-performance, and the ability of the counterparty to undertake necessary pre-completion preparatory work, comply with conditions precedent, and otherwise be able to comply with contractual undertakings to achieve completion within the expected timescale. Once classified as held for sale, judgement is required to be applied on a continuous basis to ensure that classification remains appropriate in future accounting periods.

1.3 Significant events during the year

Business disposals

For details on business disposals refer to Note 2 'Assets held for sale, liabilities of disposal group held for sale and discontinued operations'. For related accounting policies and judgements refer to Note 1.2 (p).

Sale of the retail banking operations in France
On 1 January 2024, HSBC Continental Europe completed the sale of its retail banking operations in France to CCF, a subsidiary of Promontoria MMB SAS ('My Money Group'). The sale also included: HSBC Continental Europe's 100 per cent ownership interest in HSBC SFH (France) and its 3 per cent ownership interest in Crédit Logement.

Upon completion and in accordance with the terms of the sale, HSBC Continental Europe received a EUR 0.1 billion profit participation interest in the ultimate holding company of My Money Group. The associated impacts on initial recognition of this stake at fair value were recognised as part of the pre-tax loss on disposal in 2023, upon the reclassification of the disposal group as held for sale. In accordance with the terms of the sale, HSBC Continental Europe retained a portfolio of EUR 7.1 billion at the time of sale, consisting of home and certain other loans, in respect of which it may consider on-sale opportunities at a suitable time, and the CCF brand, which it licensed to the buyer under a long-term licence agreement. Additionally, HSBC Continental Europe's subsidiaries, HSBC Assurances Vie (France) and HSBC Global Asset Management (France), have entered into distribution agreements with the buyer.

The customer lending balances and associated income statement impacts of the portfolio of retained loans, together with the profit participation interest and the licence agreement of the CCF brand, were reclassified from Wealth and Personal Banking to Corporate Centre, with effect from 1 January 2024.

During the fourth quarter of 2024, HSBC Continental Europe began the process of marketing the retained home and other loan portfolio for sale, which had a carrying value of EUR 6.7 billion at 31 December 2024. As a result, HSBC Continental Europe reclassified the portfolio to a hold-to-collect-and-sell business model from 1 January 2025 and will measure it prospectively from the first quarter of 2025 at fair value through other comprehensive income. HSBC Continental Europe expects to recognise an estimated EUR 1 billion fair value pre-tax loss in other comprehensive income on the remeasurement of the financial instruments. The valuation of this portfolio of loans may be substantially different in the event of a sale due to entity and deal-specific factors, including funding costs and the value of customer relationships. In the event of a sale, upon completion, the cumulative fair value changes recognised through other comprehensive income, which would reflect the terms of an agreed sale, would reclassify to the income statement. In December 2024, HSBC Continental Europe entered into non-qualifying economic hedges, hedging interest rate risk on the portfolio and recognised a EUR 0.1 billion market-to-market gain year-to-date.

Sale of employee savings account keeping and custody activities
On 29 November 2024, HSBC Continental Europe completed the sale of HSBC Epargne Enterprise to Natixis Interépargne, a subsidiary of Group BPCE.

The transaction included:

– the sale by HSBC Continental Europe, to Natixis Interépargne, of its subsidiary HSBC Epargne Entreprise;

– the conclusion of an agreement for the marketing of employee savings and retirement plans and services between HSBC Global Asset Management (France) and Natixis Interépargne; and

– the voluntary transfer of staff dedicated to the employee savings' account keeping and custody services to the new account manager, Natixis Interépargne.

HSBC Global Asset Management (France), a subsidiary of HSBC Continental Europe, retained the design and distribution of the employee savings and retirement offering, as well as the commercial relationship with clients, and will rely on Natixis Interépargne for the administration and custody of client savings accounts.

Planned sale of life insurance business in France
On 20 December 2024, HSBC Continental Europe signed a Memorandum of Understanding ('MoU') for the planned sale of its French life insurance business, HSBC Assurances Vie (France), to Matmut Société d'Assurance Mutuelle. The transaction, which is subject to regulatory approvals and employee consultation, is expected to complete in the second half of 2025. The disposal group met the held for sale criteria at 31 December 2024, resulting in the reclassification of EUR 23.3 billion in assets and EUR 22.6 billion in liabilities to held for sale, and the recognition of an immaterial loss on disposal.

The total pre-tax loss at completion is estimated at EUR 0.1 billion inclusive of migration costs and the recycling of cumulative foreign currency translation reserves, insurance finance reserves and other reserves which stood at a net loss of EUR 34 million as at 31 December 2024.

Planned sale of Private Banking business in Germany
On 23 September 2024, HSBC Continental Europe announced that it had reached an agreement to sell its private banking business in Germany to BNP Paribas S.A. and the disposal group met the held for sale criteria at 31 December 2024. This sale, which remains subject to works council consultation, is expected to be completed in the second half of 2025.

The sale is expected to generate an estimated pre-tax gain on disposal of EUR 0.2 billion, which will be recognised on completion.

Planned sale of the hedge fund administration business operations
On 21 November 2023, HSBC Continental Europe entered into an exclusive agreement with BNP Paribas Securities Services to transfer all HSBC's hedge fund administration business to BNP Paribas entities in several markets, including Hong Kong, Singapore, Ireland, and Luxembourg. The transfer of services will be offered to 25 clients globally and will involve the integration of certain employees within BNP Paribas' expert teams. The deal is expected to be completed by the end of March 2025, following the finalisation of client migrations.

Capital increase

Following the decision of the Extraordinary General Meeting of 6 December 2024, the total capital of HSBC Continental Europe was increased by EUR 1,748 million on 20 December 2024, comprising of EUR 266 million in share capital, divided into 53,116,637 shares with a nominal value of EUR 5 each.

Issuances and repayments

In January 2024, HSBC Continental Europe redeemed a Tier 2 Loan at the first call date five years before maturity for EUR 400 million and issued a new Tier 2 loan to HSBC Bank plc with maturity of eleven years for a notional amount of EUR 400 million.

In March 2024, HSBC Continental Europe redeemed a Tier 2 Loan at the fourth call date almost four years before maturity for EUR 300 million and issued a new Tier 2 loan to HSBC Bank plc with maturity of eleven years for a notional amount of EUR 300 million.

In March 2024, HSBC Continental Europe issued Senior Non Preferred Notes with maturity of seven years for a notional amount of EUR 500 million.

In May 2024 HSBC Continental Europe repaid EUR 1 billion of Senior Preferred Debt issued in May 2019.

In June 2024, HSBC Continental Europe redeemed a Tier 2 Loan at the first call date five years before maturity for EUR 100 million.

In June 2024, HSBC Continental Europe issued Senior Non Preferred Notes with maturity of seven years for a notional amount of EUR 800 million.

In August 2024, HSBC Continental Europe redeemed a Tier 2 Loan issued in June 2014 to HSBC Bank plc at the first call date five years before maturity for EUR 150 million.

In December 2024, HSBC Continental Europe redeemed an Additional Tier 1 Loan issued in December 2019 to HSBC Bank plc at the first call date for EUR 250 million and issued a new Additional Tier 1 loan to HSBC Bank plc for a notional amount of EUR 250 million.

In December 2024, HSBC Continental Europe redeemed a Tier 2 Loan issued in December 2014 to HSBC Holdings plc at the first call date five years before maturity for EUR 260 million and issued a new Tier 2 loan to HSBC Bank plc with maturity of twelve years for a notional amount of EUR 500 million.

In December 2024, HSBC Continental Europe repaid EUR 800 million of Senior Non Preferred debt issued in December 2020 and December 2021 to HSBC Bank plc at their first call date one year before maturity.

In December 2024, HSBC Continental Europe issued Senior Non Preferred Notes to HSBC Bank plc with maturity of eight years for a notional amount of EUR 400 million.

In December 2024, HSBC Continental Europe issued Senior Non Preferred Notes to HSBC Bank plc with maturity of nine years for a notional amount of EUR 400 million.

Funding through Targeted Long-Term Refinancing Operation ('TLTROs')

In March 2024 HSBC Continental Europe repaid its final tranche of EUR 1.1 billion of Targeted Long-Term Refinancing Operations ('TLTRO').

Irrevocable Payment Commitments of Single Resolution Fund

Consistent with its peers, HSBC Continental Europe has reviewed its accounting treatment of certain cash deposits following a Court of Justice of the European Union ruling issued on 25 October 2023 concerning the status of those deposits in the event of license withdrawal. HSBC Continental Europe concluded that it's accounting policy is not affected by the ruling. Specifically the cash deposit continues to be presented as an asset, and the associated 'Irrevocable Payment Commitment' continues to be accounted for as an unrecognised contingent liability until such future date that it becomes probable that an outflow will arise at which point a provision will be recognised. As at 31 December 2024, the cash asset amounted to EUR 150 million, including EUR 10 million related to HSBC Germany.

2 Assets held for sale, liabilities of disposal groups held for sale and discontinued operations

Held for sale at 31 December

	2024 €m	2023 €m
Held for sale at 31 December		
Disposal groups	**25,493**	24,989
Impairment losses[1]	**(19)**	(1,783)
Non-current assets held for sale	**3**	5
Assets held for sale	**25,477**	23,211
Liabilities of disposal groups held for sale	**24,718**	23,817

1 This represents impairment losses in excess of the carrying amount on the non-current assets, excluded from the measurement scope of IFRS 5. The Dec 2023 comparatives represent unallocated loss on sale of the retail banking operations in France, including profit participation interest.

Disposal groups

Planned sale of life insurance business in France

On 20 December 2024, HSBC Continental Europe signed a Memorandum of Understanding (MoU) for the planned sale of its French life insurance business, HSBC Assurances Vie (France), to Matmut Société d'Assurance Mutuelle. The transaction, which is subject to regulatory approvals and employee consultation, is expected to complete in the second half of 2025.

The total pre-tax loss at completion is estimated at EUR 0.1 billion inclusive of migration costs and the recycling of cumulative foreign currency translation reserves, insurance finance reserves and other reserves which stood at a net loss of EUR 34 million as at 31 December 2024.

At 31 December 2024, the disposal group included EUR 23.3 billion of assets, EUR 22.6 billion of liabilities, which met the criteria to be classified as held for sale.

Planned sale of Private Banking business in Germany

On 23 September 2024, HSBC Continental Europe announced that it had reached an agreement to sell its private banking business in Germany to BNP Paribas S.A. This sale, which remains subject to works council consultation, is expected to be completed in the second half of 2025.

The sale is expected to generate an estimated pre-tax gain on disposal of EUR 0.2 billion, which will be recognised on completion.

At 31 December 2024, the disposal group included EUR 2.1 billion of assets and EUR 2.1 billion of liabilities, which met the criteria to be classified as held for sale.

Planned sale of the hedge fund administration business operations

On 21 November 2023, HSBC Continental Europe entered into an exclusive agreement with BNP Paribas Securities Services to transfer all HSBC's hedge fund administration business to BNP Paribas entities in several markets, including Hong Kong, Singapore, Ireland, and Luxembourg. The transfer of services will be offered to 25 clients globally and will involve the integration of certain employees within BNP Paribas' expert teams. The deal is expected to be completed by the end of March 2025, following the finalisation of client migrations.

As at 31 December 2023, the business was classified as held for sale in accordance with IFRS 5.

At 31 December 2024, the major classes of assets and associated liabilities of disposal groups held for sale, including allocated impairment losses, were as follows:

	Life insurance business in France	Private banking business in Germany	Total
	€m	€m	
Assets of disposal group held for sale			
Cash and balances at central banks	—	1,827	1,827
Financial assets designated and otherwise mandatorily measured at fair value through profit and loss	14,034	—	14,034
Derivatives	26	—	26
Loans and advances to banks	139	—	139
Loans and advances to customers	—	298	298
Financial investments[1]	8,193	—	8,193
Insurance contract assets	22		22
Prepayments, accrued income and other assets	934	20	954
Total assets at 31 Dec 2024	23,348	2,145	25,493
Liabilities of disposal group held for sale			
Deposits by banks	—	—	—
Customer accounts	—	2,010	2,010
Financial liabilities designated at fair value	11	114	125
Derivatives	—	—	—
Debt securities in issue	—	—	—
Accruals, deferred income and other liabilities	1,538	21	1,559
Insurance contract liabilities	21,023	—	21,023
Provisions	1	—	1
Total liabilities at 31 Dec 2024	22,573	2,145	24,718
Fair value of selected financial instruments which are not carried at fair value on balance sheet			
Loan and advances to customers	—	300	300
Customers accounts	—	2,010	2,010
Expected date of completion	Second half of 2025	Second half of 2025	
Operating segment	Wealth and Personal Banking	Wealth and Personal Banking	

1 Represents financial investments measured at fair value through other comprehensive income.

Discontinued operations

Along with the above classification to held for sale, at the HSBC Continental Europe level, the planned sale of the life insurance business in France also met the criteria of discontinued operations classification and presentation under IFRS 5. Accordingly, the profit/(loss) of the discontinued operations amounting to EUR 0.1 billion (2023 : EUR 0.2 billion) has been reported separately in the income statement.

Upon being classified as held for sale in 2023, the sale of the retail banking operations in France met the criteria of discontinued operations classification and presentation under IFRS 5. Accordingly the profit/(loss) of the discontinued operations as of December 2023 amounting to EUR - 0.2 billion has been reported separately in the income statement.

Discontinued operations income statement

	2024	2023[1]
	€m	€m
Net operating income	**124**	315
Total operating expenses	**(24)**	(382)
Profit/(loss) before tax	**100**	(67)
Tax expense	**(21)**	(4)
Profit/(loss) for the year	**79**	(71)
– non-controlling interests	**—**	—

1 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the planned sale of the life insurance business in France. This also includes discontinued operations related to the sale of the retail banking operations in France.

Other comprehensive income relating to discontinued operations is as follows:

	2024	2023[1]
	€m	€m
Profit/(loss) for the period in respect of discontinued operations	**79**	(71)
Items that will not be reclassified subsequently to profit or loss:		
Debt instruments at fair value though other comprehensive income	**138**	366
Finance income/(expenses) from insurance contracts	**(129)**	(340)
Exchange differences and other	**2**	(2)
Remeasurement of defined benefit asset/liability	**—**	(2)
Changes in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	**—**	8
Other comprehensive income/(expense) for the period, net of tax in respect of discontinued operations[2]	**11**	30
Total comprehensive income/(expense) for the period in respect of discontinued operations	**90**	(41)

1 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the planned sale of the life insurance business in France. This also includes discontinued operations related to the sale of the retail banking operations in France.
2 The cumulative losses recognised in other comprehensive income in respect of discontinued operations as at 31 December 2024 amounted at EUR 34 million related to the planned sale of the life insurance business in France (2023 : EUR 45 million related to the planned sale of the life insurance business in France and EUR 21 million related to the sale of retail banking operations in France).

The cash flows attributed to the discontinued operations are as follows:

	2024	2023[1]
	€m	€m
Cash and cash equivalents at beginning of the period	**9,818**	417
Net cash from operating activities	**(148)**	9,403
Net cash from investing activities	**(9,531)**	(2)
Net cash from financing activities	**—**	—
Net cash from discontinued operations	**(9,679)**	9,401
– cash and cash equivalents from discontinued operations	**139**	9,818

1 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the planned sale of the life insurance business in France. This also includes discontinued operations related to the sale of the retail banking operations in France.

3 Net fee income

Net fee income by product type (continuing operations)

	At 31 Dec 2024 Total €m	31 Dec 2023[1] Total €m
Account services	**161**	156
Funds under management	**378**	389
Cards	**16**	15
Credit facilities	**254**	227
Broking income	**236**	219
Unit trusts	**1**	—
Imports/exports	**14**	16
Remittances	**95**	95
Underwriting	**173**	133
Global custody	**96**	100
Insurance agency commission	**6**	3
Other[2]	**325**	235
Fee income	**1,755**	1,588
Less: fee expense	**(541)**	(394)
Net fee income	**1,214**	1,194

1 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the planned sale of the life insurance business in France. This also includes discontinued operations related to the sale of the retail banking operations in France.
2 Other includes intercompany fees and third party fees not included in other categories.

Net fee income by global business (continuing operations)

	Wealth and Personal Banking €m	Commercial Banking €m	Markets and Securities Services €m	Global Banking €m	GBM Other €m	Corporate Centre €m	Total €m
At 31 Dec 2024							
Fee income	**361**	**383**	**706**	**474**	**52**	**(221)**	**1,755**
Less: fee expense	**(105)**	**(31)**	**(471)**	**(106)**	**(42)**	**214**	**(541)**
Net fee income	**256**	**352**	**235**	**368**	**10**	**(7)**	**1,214**
At 31 Dec 2023[1]							
Fee income	323	366	729	402	54	(286)	1,588
Less: fee expense	(98)	(19)	(450)	(72)	(35)	280	(394)
Net fee income	225	347	279	330	19	(6)	1,194

1 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the planned sale of the life insurance business in France. This also includes discontinued operations related to the sale of the retail banking operations in France.

Net fee income includes EUR 540 million in fees earned on financial assets that are not at fair value through profit or loss (other than amounts included in determining the effective interest rate) (2023: EUR 513 million), EUR 146 million in fees payable on financial liabilities that are not at fair value through profit of loss (other than amounts included in determining the effective interest rate) (2023: EUR 165 million), EUR 474 million in fees earned on trust and other fiduciary activities (2023: EUR 489 million) and EUR 22 million in fees payable relating to unit trust and other fiduciary activities (2023: EUR 22 million).

4 Net income/(expense) from financial instruments measured at fair value through profit or loss (continuing operations)

	2024	2023[1]
	€m	€m
Net income/(expense) arising on:		
Net trading activities	708	745
Other instruments designated and mandatorily measured at fair value and related derivatives	(224)	(486)
Net income/(expense) from financial instruments held for trading or managed on a fair value basis	484	259
Financial assets held to meet liabilities under insurance and investment contracts	40	36
Liabilities to customers under investment contracts	—	—
Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	40	36
Derivatives managed in conjunction with HSBC Continental Europe's issued debt securities	92	194
Other changes in fair value	(89)	(178)
Changes in fair value of designated debt and related derivatives	3	16
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	63	14
Year ended 31 Dec	590	325

1 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the planned sale of the life insurance business in France. This also includes discontinued operations related to the sale of the retail banking operations in France.

5 Insurance business

The table below represents an analysis of the total insurance revenue and expenses recognised in the period:

Insurance Service result

	Year ended 31 Dec 2024			Year ended 31 Dec 2023		
	Life direct participating and Investment DPF contracts[1]	Life other contracts[2]	Total	Life direct participating and Investment DPF contracts[1]	Life other contracts[2]	Total
	€m	€m	€m	€m	€m	€m
Insurance revenue						
Amounts relating to changes in liabilities for remaining coverage	175	56	231	174	65	239
– Contractual service margin recognised for services provided	79	19	98	84	21	105
– Change in risk adjustment for non-financial risk for risk expired	10	2	12	6	2	8
– Expected incurred claims and other insurance service expenses	86	35	121	84	42	126
– Other	—	—	—	—	—	—
Recovery of insurance acquisition cash flows	3	1	4	2	1	3
Total insurance revenue	178	57	235	176	66	242
Insurance service expenses						
Incurred claims and other insurance service expenses	(81)	(36)	(117)	(85)	(27)	(112)
Losses and reversal of losses on onerous contracts	1	(1)	—	(2)	(2)	(4)
Amortisation of insurance acquisition cash flows	(3)	(1)	(4)	(2)	(1)	(3)
Adjustments to liabilities for incurred claims	—	7	7	—	3	3
Total insurance service expenses	(83)	(31)	(114)	(89)	(27)	(116)
Total insurance service results	95	26	121	87	39	126
– in respect of continuing operations	10	8	18	—	11	11
– in respect of discontinued operations	85	18	103	87	28	115

1 'Life direct participating and investment DPF contracts' are substantially measured under the variable fee approach measurement model.
2 'Life other contracts' are measured under the general measurement model.

Net investment return

	Year ended 31 Dec 2024			Year ended 31 Dec 2023		
	Life direct participating and Investment DPF contracts	**Life other contracts**	**Total**	Life direct participating and Investment DPF contracts	Life other contracts	Total
	€m	**€m**	**€m**	€m	€m	€m
Investment return						
Amounts recognised in profit or loss[1]	**865**	**—**	**865**	1,197	3	1,200
Amounts recognised in OCI[2]	**174**	**—**	**174**	461	—	461
Total investment return (memorandum)	**1,039**	**—**	**1,039**	1,658	3	1,661
Net finance income/(expense)						
Changes in fair value of underlying items of direct participating contracts	**(1,035)**	**—**	**(1,035)**	(1,646)	—	(1,646)
Effect of risk mitigation option	**(13)**	**—**	**(13)**	—	—	—
Interest accreted	**—**	**—**	**—**	—	1	1
Effect of changes in interest rates and other financial assumptions	**—**	**(1)**	**(1)**	—	—	—
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition	**—**	**—**	**—**	—	(2)	(2)
Total net finance expenses from insurance contracts	**(1,048)**	**(1)**	**(1,049)**	(1,646)	(1)	(1,647)
Represented by:						
Amounts recognised in profit or loss	**(874)**	**(1)**	**(875)**	(1,187)	(1)	(1,188)
Amounts recognised in OCI	**(174)**	**—**	**(174)**	(459)	—	(459)
Total net investment results	**(9)**	**(1)**	**(10)**	12	2	14
– in respect of continuing operations	**3**	**(1)**	**2**	3	2	5
– in respect of discontinued operations	**(12)**	**—**	**(12)**	9	—	9
Represented by:						
Amounts recognised in profit or loss	**(9)**	**(1)**	**(10)**	10	2	12
Amounts recognised in OCI	**—**	**—**	**—**	2	—	2

1 The investment returns 'amounts recognised in profit and loss' from assets that are backing insurance contract liabilities for the year ended 31 December 2024 included EUR 672 million (2023: EUR 989 million) reported under 'Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss', EUR 196 million (2023: EUR 215 million) reported under 'Net interest income' and EUR (2) million (2023: EUR (7) million) reported under Gain less losses from financial investments.

2 The investment returns 'amounts recognised in OCI' from assets backing insurance contract liabilities for the year ended 31 December 2024 included fair value gains of EUR 174 million (2023: EUR 465 million gains) and EUR 0 million (2023: EUR (4) million) impairment on financial investments measured at FVOCI.

Reconciliation of amounts included in OCI for financial assets at FVOCI - Contracts measured under the modified retrospective approach

	2024	2023
	€m	€m
Balance at 1 Jan	**(606)**	(912)
Net change in fair value	**(143)**	419
Net amount reclassified to profit or loss	**3**	(6)
Related income tax	**36**	(107)
Foreign exchange and other	**—**	—
Balance at 31 Dec	**(710)**	(606)

Movements in carrying amounts of insurance contracts - Analysis by remaining coverage and incurred claims

	Year ended 31 Dec 2024								
	Life direct participating and Investment DPF				Other life contracts				
	Liabilities for remaining coverage:				Liabilities for remaining coverage:				
	Excluding loss component	Loss component	Incurred claims	Total	Excluding loss component	Loss component	Incurred claims	Total	Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m
Opening assets	—	—	—	—	—	—	—	—	—
Opening liabilities	20,939	2	1	20,942	57	3	33	93	21,035
Net opening balance 1 Jan 2024	20,939	2	1	20,942	57	3	33	93	21,035
Changes in the statement of profit or loss and OCI									
Insurance revenue									
Contract under fair value approach	(11)	—	—	(11)	(11)	—	—	(11)	(22)
Contracts under the modified retrospective approach	(131)	—	—	(131)	(16)	—	—	(16)	(147)
Other contracts[1]	(36)	—	—	(36)	(30)	—	—	(30)	(66)
Total insurance revenue	(178)	—	—	(178)	(57)	—	—	(57)	(235)
Insurance service expenses									
Incurred claims and other insurance service expenses	—	—	81	81	—	—	37	37	118
Amortisation of insurance acquisition cash flows	3	—	—	3	1	—	—	1	4
Losses and reversal of losses on onerous contracts	—	(1)	—	(1)	—	—	—	—	(1)
Adjustments to liabilities for incurred claims	—	—	—	—	—	—	(7)	(7)	(7)
Total insurance service expenses	3	(1)	81	83	1	—	30	31	114
Investment components	(1,976)	—	1,976	—	—	—	—	—	—
Insurance service result	(2,151)	(1)	2,057	(95)	(56)	—	30	(26)	(121)
Net finance expenses from insurance contracts	1,049	—	—	1,049	—	—	—	—	1,049
Other movements recognised in the statement of profit or loss and OCI	—	—	—	—	—	—	—	—	—
Effect of movements in exchange rates	—	—	—	—	—	—	—	—	—
Total changes in the statement of profit or loss and OCI	(1,102)	(1)	2,057	954	(56)	—	30	(26)	928
Cash flows									
Premiums received	1,683	—	—	1,683	60	—	—	60	1,743
Claims and other insurance service expenses paid	(58)	—	(2,054)	(2,112)	—	—	(32)	(32)	(2,144)
Insurance acquisition cash flows	(15)	—	—	(15)	(2)	—	—	(2)	(17)
Total cash flows	1,610	—	(2,054)	(444)	58	—	(32)	26	(418)
Liabilities of disposal groups held for sale	(20,985)	—	—	(20,985)	(9)	(2)	(27)	(38)	(21,023)
Other movements	—	(1)	(1)	(2)	1	(1)	(2)	(2)	(4)
Net closing balance 31 Dec 2024	462	—	3	465	51	—	2	53	518
Closing assets	—	—	—	—	—	—	—	—	—
Closing liabilities	462	—	3	465	51	—	2	53	518
Net closing balance 31 Dec 2024	462	—	3	465	51	—	2	53	518

Movements in carrying amounts of insurance contracts - Analysis by remaining coverage and incurred claims (continued)

	Year ended 31 Dec 2023								
	Life direct participating and Investment DPF				Other life contracts				
	Liabilities for remaining coverage:				Liabilities for remaining coverage:				
	Excluding loss component	Loss component	Incurred claims	Total	Excluding loss component	Loss component	Incurred claims	Total	Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m
Opening assets	—	—	—	—	—	—	—	—	—
Opening liabilities	20,331	1	1	20,333	58	1	41	100	20,433
Net opening balance 1 Jan 2023	20,331	1	1	20,333	58	1	41	100	20,433
Changes in the statement of profit or loss and OCI									
Insurance revenue									
Contract under fair value approach	(5)	—	—	(5)	(11)	—	—	(11)	(16)
Contracts under the modified retrospective approach	(138)	—	—	(138)	(19)	—	—	(19)	(157)
Other contracts[1]	(33)	—	—	(33)	(36)	—	—	(36)	(69)
Total insurance revenue	(176)	—	—	(176)	(66)	—	—	(66)	(242)
Insurance service expenses									
Incurred claims and other insurance service expenses	—	—	86	86	—	—	27	27	113
Amortisation of insurance acquisition cash flows	2	—	—	2	1	—	—	1	3
Losses and reversal of losses on onerous contracts	—	1	—	1	—	2	—	2	3
Adjustments to liabilities for incurred claims	—	—	—	—	—	—	(3)	(3)	(3)
Total insurance service expenses	2	1	86	89	1	2	24	27	116
Investment components	(2,010)	—	2,010	—	—	—	—	—	—
Insurance service result	(2,184)	1	2,096	(87)	(65)	2	24	(39)	(126)
Net finance expenses from insurance contracts	1,646	—	—	1,646	1	—	—	1	1,647
Effect of movements in exchange rates	—	—	—	—	—	—	—	—	—
Total changes in the statement of profit or loss and OCI	(538)	1	2,096	1,559	(64)	2	24	(38)	1,521
Cash flows									
Premiums received	1,218	—	—	1,218	65	1	—	66	1,284
Claims and other insurance service expenses paid	(59)	—	(2,096)	(2,155)	—	—	(32)	(32)	(2,187)
Insurance acquisition cash flows	(13)	—	—	(13)	(3)	—	—	(3)	(16)
Total cash flows	1,146	—	(2,096)	(950)	62	1	(32)	31	(919)
Other movements	—	—	—	—	1	(1)	—	—	—
Net closing balance 31 Dec 2023	20,939	2	1	20,942	57	3	33	93	21,035
Closing assets	—	—	—	—	—	—	—	—	—
Closing liabilities	20,939	2	1	20,942	57	3	33	93	21,035
Net closing balance 31 Dec 2023	20,939	2	1	20,942	57	3	33	93	21,035

1 Other contracts are those contracts measured by applying IFRS 17 from inception of the contracts. This includes contracts measured under the full retrospective approach at Transition and contracts incepted after Transition.

Movements in carrying amounts of insurance contracts - Analysis by measurement component

	Insurance contracts - Life direct participating and investment discretionary participating contracts					Insurance contracts - Life Other contracts					
	2024					2024					
		Contractual service margin					Contractual service margin				
	Estimates of present value of future cash flows and risk adjustment[1]	Contracts under fair value approach	Contracts under modified retros-pective approach	Other contracts[2]	Total	Estimates of present value of future cash flows and risk adjustment[1]	Contract under fair value approach	Contracts under modified retros-pective approach	Other contracts [2]	Total	Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Opening assets	—	—	—	—	—	(1)	—	—	1	—	—
Opening liabilities	20,080	10	645	207	20,942	(1)	48	16	30	93	21,035
Net opening balance 01 Jan 2024	**20,080**	**10**	**645**	**207**	**20,942**	**(2)**	**48**	**16**	**31**	**93**	**21,035**
Changes in the statement of profit or loss and OCI											
Changes that relate to current services											
CSM recognised for services provided	—	(8)	(55)	(16)	(79)	—	(5)	(5)	(9)	(19)	(98)
Change in risk adjustment for non-financial risk for risk expired	(10)	—	—	—	(10)	(2)	—	—	—	(2)	(12)
Experience adjustments	(5)	—	—	—	(5)	2	—	—	—	2	(3)
Other movements recognised in insurance service result	—	—	—	—	—	—	—	—	—	—	—
Changes that relate to future services											
Contracts initially recognised in the year	(37)	—	—	37	—	(10)	—	—	10	—	—
Changes in estimates that adjust the CSM	26	9	(5)	(30)	—	(3)	2	7	(6)	—	—
Changes in estimates that result in losses and reversal of losses on onerous contracts	(1)	—	—	—	(1)	—	—	—	—	—	(1)
Changes that relate to past services											
Adjustments to liabilities for incurred claims	—	—	—	—	—	(7)	—	—	—	(7)	(7)
Insurance service result	(27)	1	(60)	(9)	(95)	(20)	(3)	2	(5)	(26)	(121)
Net finance expenses from insurance contracts	1,049	—	—	—	1,049	—	—	—	—	—	1,049
Other movements recognised in the statement of profit or loss and other comprehensive income	—	—	—	—	—	—	—	—	—	—	—
Effect of movements in exchange rates	—	—	—	—	—	—	—	—	—	—	—
Total changes in the statement of profit or loss and OCI	**1,022**	**1**	**(60)**	**(9)**	**954**	**(20)**	**(3)**	**2**	**(5)**	**(26)**	**928**
Cash flows											
Premiums received	1,683	—	—	—	1,683	60	—	—	—	60	1,743
Claims, other insurance service expenses paid (including investment components) and other cash flows	(2,112)	—	—	—	(2,112)	(32)	—	—	—	(32)	(2,144)

Movements in carrying amounts of insurance contracts - Analysis by measurement component

	Insurance contracts - Life direct participating and investment discretionary participating contracts					Insurance contracts - Life Other contracts					
	2024					2024					
		Contractual service margin					Contractual service margin				
	Estimates of present value of future cash flows and risk adjustment[1]	Contracts under fair value approach	Contracts under modified retros-pective approach	Other contracts[2]	Total	Estimates of present value of future cash flows and risk adjustment[1]	Contract under fair value approach	Contracts under modified retros-pective approach	Other contracts[2]	Total	Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Insurance acquisition cash flows	(15)	—	—	—	(15)	(2)	—	—	—	(2)	(17)
Total cash flows	(444)	—	—	—	(444)	26	—	—	—	26	(418)
Liabilities of disposal groups held for sale	(20,206)	—	(587)	(192)	(20,985)	(5)	—	(19)	(14)	(38)	(21,023)
Other movements	1	(4)	2	(1)	(2)	(1)	—	1	(2)	(2)	(4)
Net closing balance 31 Dec 2024	453	7	—	5	465	(2)	45	—	10	53	518
Closing assets	—	—	—	—	—	—	—	—	—	—	—
Closing liabilities	453	7	—	5	465	(2)	45	—	10	53	518
Net closing balance 31 Dec 2024	453	7	—	5	465	(2)	45	—	10	53	518

Movements in carrying amounts of insurance contracts - Analysis by measurement component (continued)

	Insurance contracts - Life direct participating and investment discretionary participating contracts					Insurance contracts - Life Other contracts				
	2023					2023				
		Contractual service margin					Contractual service margin			
	Estimates of present value of future cash flows and risk adjustment[1]	Contracts under fair value approach	Contracts under modified retros-pective approach	Other contracts[2]	Total	Estimates of present value of future cash flows and risk adjustment[1]	Contract under fair value approach	Contracts under modified retros-pective approach	Other contracts[2]	Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Opening assets	—	—	—	—	—	—	—	—	—	—
Opening liabilities	19,361	8	741	223	20,333	13	45	17	25	100
Net opening balance 01 Jan 2023	19,361	8	741	223	20,333	13	45	17	25	100
Changes in the statement of profit or loss and OCI										
Changes that relate to current services										
CSM recognised for services provided	—	(2)	(65)	(18)	(85)	—	(6)	(6)	(9)	(21)
Change in risk adjustment for non-financial risk for risk expired	(6)	—	—	—	(6)	(2)	—	—	—	(2)
Experience adjustments	2	—	—	—	2	(14)	—	—	—	(14)
Changes that relate to future services										
Contracts initially recognised in the year	(32)	—	—	32	—	(4)	—	—	5	1
Changes in estimates that adjust the CSM	57	4	(31)	(30)	—	(24)	8	5	10	(1)
Changes in estimates that result in losses and reversal of losses on onerous contracts	2	—	—	—	2	1	—	—	—	1
Changes that relate to past services										
Adjustments to liabilities for incurred claims	—	—	—	—	—	(3)	—	—	—	(3)
Insurance service result	23	2	(96)	(16)	(87)	(46)	2	(1)	6	(39)
Net finance expenses from insurance contracts	1,646	—	—	—	1,646	—	1	—	—	1
Effect of movements in exchange rates	—	—	—	—	—	—	—	—	—	—
Total changes in the statement of profit or loss and OCI	1,669	2	(96)	(16)	1,559	(46)	3	(1)	6	(38)
Cash flows										
Premiums received	1,218	—	—	—	1,218	66	—	—	—	66
Claims, other insurance service expenses paid (including investment components) and other cash flows	(2,155)	—	—	—	(2,155)	(32)	—	—	—	(32)
Insurance acquisition cash flows	(13)	—	—	—	(13)	(3)	—	—	—	(3)
Total cash flows	(950)	—	—	—	(950)	31	—	—	—	31
Other movements	—	—	—	—	—	—	—	—	—	—
Net closing balance 31 Dec 2023	20,080	10	645	207	20,942	(2)	48	16	31	93
Closing assets	—	—	—	—	—	(1)	—	—	1	—
Closing liabilities	20,080	10	645	207	20,942	(1)	48	16	30	93
Net closing balance 31 Dec 2023	20,080	10	645	207	20,942	(2)	48	16	31	93

1 The estimates of present value of future cash flows for Insurance contracts with Life direct participating and investment discretionary participating contracts includes risk adjustment of EUR 108 million (2023 EUR 108 million). Similarly the estimates of present value of future cash flows for Other Life insurance contracts includes risk adjustment of EUR (2) million (2023 EUR (2) million).

2 Other contracts are those contracts measured by applying IFRS 17 from inception of the contracts. This includes contracts measured under the full retrospective approach at Transition and contracts incepted after Transition.

Effect of contracts initially recognised in the year

	Year ended 31 Dec 2024			Year ended 31 Dec 2023		
	Profitable contracts issued	Onerous contracts issued	Total	Profitable contracts issued	Onerous contracts issued	Total
	€m	€m	€m	€m	€m	€m
Life direct participating and investment DPF contracts						
Estimates of present value of cash outflows	1,150	3	1,153	931	1	932
– insurance acquisition cash flows	11	—	11	11	—	11
– claims and other insurance service expenses payable	1,139	3	1,142	920	1	921
Estimates of present value of cash inflows	(1,192)	(3)	(1,195)	(967)	(1)	(968)
Risk adjustment for non-financial risk	5	—	5	4	—	4
Contractual service margin	37	—	37	32	—	32
Losses recognised on initial recognition	—	—	—	—	—	—
Life other contracts						
Estimates of present value of cash outflows	24	1	25	15	4	19
– insurance acquisition cash flows	—	—	—	2	—	2
– claims and other insurance service expenses payable	24	1	25	13	4	17
Estimates of present value of cash inflows	(35)	(1)	(36)	(21)	(3)	(24)
Risk adjustment for non-financial risk	1	—	1	1	—	1
Contractual service margin	10	—	10	5	—	5
Losses recognised on initial recognition	—	—	—	—	(1)	(1)

Present value of expected future cash flows of insurance contract liabilities and contractual service margin

	less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	10-20 years	Over 20 years	Total
2024	€m	€m	€m	€m	€m	€m	€m	€m	€m
Insurance liability future cash flows[1]									
Life direct participating and investment DPF contracts	24	1	21	15	19	66	153	150	449
Life other contracts	(5)	(7)	(6)	(5)	(4)	(14)	2	32	(7)
Insurance liability future cash flows at 31 Dec 2024	19	(6)	15	10	15	52	155	182	442
Remaining contractual service margin[1]									
Life direct participating and investment DPF contracts	1	1	1	1	1	3	2	2	12
Life other contracts	6	5	5	4	4	15	13	3	55
Remaining contractual service margin at 31 Dec 2024	7	6	6	5	5	18	15	5	67
2023									
Insurance liability future cash flows									
Life direct participating and investment DPF contracts	632	736	709	655	580	1,762	(548)	15,447	19,973
Life other contracts	(2)	(8)	(9)	(8)	(7)	(17)	1	32	(18)
Insurance liability future cash flows at 31 Dec 2023	630	728	700	647	573	1,745	(547)	15,479	19,955
Remaining contractual service margin									
Life direct participating and investment DPF contracts	74	70	66	61	57	228	233	73	862
Life other contracts	14	13	9	8	7	23	16	4	94
Remaining contractual service margin at 31 Dec 2023	88	83	75	69	64	251	249	77	956

1 'Insurance liability future cash flows' and 'Remaining contractual service margin' at 31 Dec 2024 exclude the disposal group related to the planned sale of the life insurance business in France.

Discount rates

The Group has elected to apply a bottom-up approach whereby the discount rate is derived using the risk-free rate adjusted for an illiquidity premium as set out in the Summary of material accounting policies (j) Insurance contracts on page 257. The blended average of discount rates used within our most material manufacturing entities are as follows:

	France	Malta
	EUR	EUR
At 31 December 2024		
rate 10Y (%)	2.97	2.27
rate 20Y (%)	2.95	2.26
At 31 December 2023		
rate 10Y (%)	2.96	2.42
rate 20Y (%)	2.97	2.40

Sensitivity of HSBC's insurance manufacturing subsidiaries to market risk factors[2]

	At 31 Dec 2024			At 31 Dec 2023		
	Effect on profit after tax	**Effect on CSM**	**Effect on total equity**	Effect on profit after tax	Effect on CSM	Effect on total equity
	€m	**€m**	**€m**	€m	€m	€m
+100 basis point parallel shift in yield curves	**2**	**59**	**(28)**	(4)	5	(34)
–100 basis point parallel shift in yield curves	**(8)**	**(135)**	**22**	(1)	(67)	27
+100 basis point shift in credit spreads	**(5)**	**(21)**	**(35)**	(4)	(39)	(35)
–100 basis point shift in credit spreads	**4**	**9**	**34**	4	42	35
10% increase in growth assets[1]	**25**	**73**	**25**	35	73	35
10% decrease in growth assets[1]	**(25)**	**(71)**	**(25)**	(34)	(72)	(34)
10% appreciation in foreign currencies against local functional currency	**—**	**—**	**—**	—	—	—
10% depreciation in foreign currencies against local functional currency	**—**	**—**	**—**	—	—	—

1 'Growth assets' primarily comprise equity securities and investment properties and variability in growth asset fair value constitutes a market risk to HSBC's insurance manufacturing subsidiaries.
2 Sensitivities presented for 'Insurance & Reinsurance Contracts' includes the impact of the sensitivity stress on underlying assets held to support insurance and reinsurance contracts; sensitivities presented for 'Financial Instruments' includes the impact of the sensitivity stress on other financial instruments, primarily shareholder assets.

Amounts Payable on Demand

	At 31 Dec 2024[1]		At 31 Dec 2023	
	Amounts Payable on Demand	**Carrying Amount for these Contracts**	Amounts Payable on Demand	Carrying Amount for these Contracts
	€m	**€m**	€m	€m
Life direct participating and investment DPF contracts	**252**	**465**	20,588	20,942
Life other contracts	**—**	**53**	—	93
Total	**252**	**518**	20,588	21,035

1 'Excludes the amounts of disposal group related to the planned sale of the life insurance business in France.

Sensitivity of HSBC's insurance manufacturing subsidiaries to insurance risk factors

	At 31 Dec 2024			At 31 Dec 2023		
	Effect on CSM[1]	**Effect on profit after tax[1]**	**Effect on total equity[1]**	Effect on CSM[1]	Effect on profit after tax[1]	Effect on total equity[1]
	€m	**€m**	**€m**	€m	€m	€m
5% increase in mortality and/or morbidity rates	**(12)**	**(1)**	**(1)**	(14)	(1)	(1)
5% decrease in mortality and/or morbidity rates	**13**	**1**	**1**	15	1	1
10% increase in lapse rates	**(57)**	**(4)**	**(4)**	(65)	(7)	(7)
10% decrease in lapse rates	**63**	**4**	**4**	69	6	6
10% increase in expense rates	**(27)**	**(2)**	**(2)**	(24)	(2)	(2)
10% decrease in expense rates	**27**	**2**	**2**	24	2	2

1 The 'net' sensitivities impacts are provided before considering the impacts of reinsurance contracts held as risk mitigation.

Risk management of Insurance operations

Key events during the year

The year 2024 was marked by a decline in inflation as well as the triggering of the easing of monetary policies. At the same time, geopolitical conflicts have generated uncertainty, both in the real and financial spheres.

More specifically concerning HSBC Continental Europe, 2024 started with the sale of the French retail banking network to My Money Group / CCF. The year ended with HSBC Continental Europe signing a Memorandum of Understanding regarding the planned sale of life insurance business in France to Matmut Société d'Assurance Mutuelle.

On 11 September 2024, HSBC Bank Malta p.l.c. ('HSBC Malta') informed Shareholders that HSBC Holdings plc had informed the Board of Directors of HSBC Malta that it will undertake a Strategic Review of its indirect 70.03% shareholding in HSBC Malta including its insurance subsidiary.

Governance

The risk governance framework of HSBC Assurances Vie (France) is organised through several committees, whose responsibility is to manage the exposure of the business to risks according to the limits defined in the risk appetite. The main committees of the risk governance organization are the following:

- the Finance Risk and Control Management Meeting ('FRCMM') is responsible for the financial risk oversight (replaces the Financial Reporting Committee jointly with the Actuarial Review Committee);
- the Actuarial Review Committee ('ARC') validates the assumptions, methodology and models used in financial reporting and reviews all changes to these elements;
- the Model Management Meeting validates, controls and monitors the models used by the business;
- the Asset and Liabilities Committee manages asset-liability risk and monitors the economic and regulatory capital levels;
- the Investment Committee manages investment risks (market, credit and liquidity risks);
- the Insurance Risk Committee monitors insurance risks, including the lapse rate (redemption, mortality and morbidity), the reinsurance strategy and the non-economic assumptions used in the models; and
- the Risk Management Meeting ('RMM').

The Risk Management Meeting's responsibilities extend to all risks to which the Insurance business is exposed. The RMM uses the reports from the other committees above. The RMM reports to the Audit and Risk Committee of HSBC Assurances Vie (France) with an escalation path for issues and actions.

HSBC Life Assurance (Malta) Ltd has set up a Risk Governance Framework similar to HSBC Assurances Vie (France), in accordance with HSBC Group Policies. The same committees as HSBC Assurances Vie (France) except for the Insurance Risk Committee, which is not mandatory according to HSBC's governance, are accountable for following the insurance and finance risks within HSBC Life Assurance (Malta) Ltd. The role of these committees is broadly aligned with the HSBC Assurances Vie (France) framework.

This section provides disclosures on the risks arising from insurance manufacturing operations including financial risks such as market risk, credit risk, liquidity risk, and insurance risk.

Risks in the insurance manufacturing operations are managed within the insurance entities using methodologies and processes appropriate to the insurance activities and are subject to oversight at HSBC Group Insurance level.

In addition, local subsidiary's Asset and Liabilities Committee monitors and reviews the matching over time of the expected cash flows of insurance assets and liabilities.

All insurance products, whether manufactured internally or by a third party, are subject to a product approval process prior to introduction.

HSBC Continental Europe's model

HSBC Continental Europe changed its model since the 1 January 2024 with the sale of French retail banking activity to CCF which is under the control of My Money Group. Following this sale, HSBC Continental Europe distributes the majority of its wealth and protection insurance products through an external channel. This model differs from the previous one where HSBC Continental Europe had an integrated bancassurance model with insurance products being principally commercialized for customers with whom the HSBC Group had a banking relationship.

HSBC Continental Europe's strategy concerning the insurance business is focused on life business and there is a diversification strategy consisting in the sale of savings and protection contracts to mitigate risk. HSBC also diversifies its strategy within the savings business by selling Unit Linked products along with Euro Funds.

Key financial risks

HSBC Continental Europe insurance businesses are exposed to a range of risks which can be categorized into:

- Market risk: risks arising from changes in the fair values of financial assets or their future cash flows from fluctuations in variables such as interest rates, equity and growth asset prices;
- Credit risk: risk of financial loss following the failure of third parties to meet their obligations;
- Liquidity risk: risk of not being able to make payments to policyholders as they fall due as a result of insufficient assets that can be realised as cash; and

– Insurance underwriting risk: risk of affecting the company's profitability or capital due to changes relating to expenses, mortality, morbidity and lapses.

Regulatory requirements prescribe the type, quality and concentration of assets that HSBC Assurances Vie (France) and HSBC Life Assurance (Malta) Ltd must maintain to meet insurance liabilities. These requirements complement the HSBC Group-wide policies.

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

Balance sheet of insurance manufacturing subsidiaries by type of contract

(Audited)

	Life Direct Participating and investment DPF contracts[1]	Life other[2]	Other contracts[3]	Shareholder assets and liabilities	Total
	€m	€m	€m	€m	€m
Financial assets	**1,167**	**39**	**105**	**106**	**1,417**
– trading assets	—	—	—	—	—
– financial assets designated and otherwise mandatorily measured at fair value through profit or loss	**531**	**39**	**105**	**41**	**716**
– derivatives	**5**	—	—	—	**5**
– financial investments – at amortised cost	—	—	—	**1**	**1**
– financial investments at fair value through other comprehensive income	—	—	—	—	—
– other financial assets[4]	**631**	—	—	**64**	**695**
Insurance contract assets	—	—	—	—	—
Reinsurance contract assets	—	**3**	—	—	**3**
Assets held for sale	**22,030**	—	—	**1,318**	**23,348**
Other assets and investment properties	**11**	**1**	—	**32**	**44**
Total assets at 31 Dec 2024	**23,208**	**43**	**105**	**1,456**	**24,812**
Liabilities under investment contracts designated at fair value	—	—	**167**	—	**167**
Insurance contract liabilities	**464**	**53**	—	—	**517**
Reinsurance contract liabilities	—	—	—	—	—
Deferred tax	—	—	—	—	—
Liabilities of disposal groups held for sale	**20,985**	**38**	—	**1,550**	**22,573**
Other liabilities	—	—	—	**535**	**535**
Total liabilities at 31 Dec 2024	**21,449**	**91**	**167**	**2,085**	**23,792**
Total equity at 31 Dec 2024	—	—	—	**1,020**	**1,020**
Total liabilities and equity at 31 Dec 2024	**21,449**	**91**	**167**	**3,105**	**24,812**
Financial assets	22,057	37	96	1,214	23,404
– trading assets	—	—	—	—	—
– financial assets designated and otherwise mandatorily measured at fair value through profit or loss	12,634	36	96	579	13,345
– derivatives	106	—	—	5	111
– financial investments – at amortised cost	251	—	—	17	268
– financial investments at fair value through other comprehensive income	7,999	—	—	520	8,519
– other financial assets[4]	1,067	1	—	93	1,161
Insurance contract assets	—	—	—	—	—
Reinsurance contract assets	—	12	—	—	12
Other assets and investment properties	861	1	—	93	955
Total assets at 31 Dec 2023	22,918	50	96	1,307	24,371
Liabilities under investment contracts designated at fair value	—	—	167	—	167
Insurance contract liabilities	20,942	93	—	—	21,035
Reinsurance contract liabilities	—	4	—	—	4
Deferred tax	—	—	—	2	2
Other liabilities	2,113	—	—	68	2,181
Total liabilities at 31 Dec 2023	23,055	97	167	70	23,389
Total equity at 31 Dec 2023	—	—	—	982	982
Total liabilities and equity at 31 Dec 2023	23,055	97	167	1,052	24,371

1 'Life direct participating and investment DPF' contracts are substantially measured under the variable fee approach measurement model.
2 'Life other' contracts are measured under the general measurement model and mainly includes protection insurance contracts as well as reinsurance contracts. The reinsurance contracts primarily provide diversification benefits over the life direct participating and investment discretionary participation feature ('DPF') contracts.
3 'Other contracts' includes investment contracts for which HSBC does not bear significant insurance risk.
4 'Other financial assets' comprise mainly loans and advances to banks, cash and intercompany balances with other non-insurance legal entities.

Considering the planned sale of life insurance business in France, EUR 23.3 billion of assets and EUR 22.6 billion of liabilities were reclassified as "held for sale".

Market risk of insurance operations

Market risk is the risk of changes in market factors affecting the company's capital or profit. Market factors include interest rates, equity and growth assets and in a minor way foreign exchange rates.

The main features of products manufactured by the HSBC Group insurance manufacturing companies which generate market risk, and the market risk to which these features expose the company, are discussed below.

Long-term insurance or investment products may incorporate benefits that are guaranteed. Interest rate risk arises to the extent that yields on the assets supporting guaranteed investment returns could be lower than the investment returns implied by the guarantees payable to policyholders.

The income from the insurance and investment contracts with Discretionary Participation Features ('DPF') is primarily invested in bonds; a fraction is allocated to other asset classes – namely equity and growth assets – in order to provide customers with an enhanced potential yield. Although, the risk of the latter is stronger than the one on debt securities. Therefore, insurance companies within HSBC Continental Europe set limits on the maximum amount to be held on equity and growth assets.

The subsidiaries holding such type of product portfolio are at risk of falling market prices when discretionary bonuses cannot fully take it into account. An increase in market volatility may also result in an increase in the value of the guarantee granted to the insured. HSBC Assurances Vie (France) and HSBC Life Assurance (Malta) Ltd bear the shortfall if the yields on investments held to support contracts with guaranteed benefits are less than the returns implied by the guaranteed benefits.

Market risk is also strongly correlated to underwriting risk and especially lapse risk. Long-term insurance and investment products typically permit the policyholder to surrender the policy at any time. When the surrender value is not linked to the value realized from the sale of the associated supporting assets, the subsidiary is exposed to market risk. Namely when customers seek to surrender their policies when asset values are falling, assets may have to be sold at a loss to fund redemptions.

Foreign exchange risk is limited for HSBC Assurances Vie (France) and HSBC Life Assurance (Malta) Ltd. Liabilities are issued in local currency. Therefore, both insurance companies limit their investments in assets presenting a currency risk in order to avoid mismatches between assets and liabilities. This risk is borne only within investment funds since all direct investments are realised in local currency.

For unit-linked contracts, market risk is substantially borne by the policyholder, but market risk exposure typically remains as earned fees are related to the market value of the linked assets.

Each insurance manufacturing subsidiary of the HSBC Group manages market risk by using some or all of the following techniques:

- For products with DPF, adjusting bonus rates to manage the liabilities to policyholders. The effect is that a significant portion of the market risk is borne by the policyholder;
- Structuring asset portfolios to support liability cash flows;
- Using derivatives, to a limited extent, to protect against adverse market movements or better match liability cash flows;
- Periodically reviewing products identified as higher risk, which contain investment guarantees and embedded optionality features linked to savings and investment products;
- Including features designed to mitigate market risk in new products; and
- Selling, to the extent possible, the investments whose risk is considered unacceptable.

In addition to these techniques, HSBC Assurances Vie (France) set up in January 2024 a new reinsurance treaty on DPF contracts. The treaty is designed to reduce losses in French GAAP (Generally Accepted Accounting Principles) and therefore reduces not only market risk but all the risks.

Credit risk of insurance operations

Credit risk is the risk of financial loss if a customer or counterparty fails to meet their obligation under a contract. It arises in two main areas for our insurance manufacturers:

- Risk associated with credit spread volatility and default by debt security counterparties after investing premiums to generate a return for policyholders and shareholders; and
- Risk of default by reinsurance counterparties and non-reimbursement for claims made after ceding insurance risk.

An assessment of creditworthiness of issuers and counterparties is performed basing itself primarily upon the opinion of HSBC Global Asset Management, internationally recognized rating agencies and other publicly available information.

A number of tools are used to manage and monitor credit risk. These include a Credit Watch Report which contains a watch list of investments with current credit concern, primarily investments that may be at risk of future impairment or where high concentrations to counterparties are present in the investment portfolio. Sensitivities to credit spread risk are assessed and monitored regularly.

Liquidity risk of insurance operations

Liquidity risk is the risk that an insurance company, though solvent, either does not have sufficient financial resources available to meet its obligations when they fall due or can secure them only at excessive cost. Liquidity risk may be shared with policyholders for products with DPF. Liquidity risk in insurance business is managed by cash flow matching and maintaining sufficient cash resources, investing in high credit-quality investments with deep and liquid markets, monitoring investment concentrations and restricting them where appropriate, and establishing committed contingency borrowing facilities.

Insurance underwriting risk

Insurance underwriting risk is the risk of loss through adverse experience, in either timing or amount, of insurance underwriting parameters (non-economic assumptions). These parameters include mortality, morbidity, longevity, lapse and expense rates.

A principal risk faced by HSBC Assurances Vie (France) is that, over time, the costs of acquiring and administering a contract, of claims and of benefits may exceed the aggregate amount of premiums received and investment income. The cost of claims and benefits can be influenced by many factors, including mortality and morbidity experience, lapse and surrender rates.

In the current situation, with interest rates that are higher than the total return of assets, there is a risk of an increase in lapses. In the case of massive lapses with the current level of interest rates HSBC Assurances Vie (France) would have to sell a part of its bond portfolio and thus realize a part of its unrealized losses.

For contracts managed by HSBC Life Assurance (Malta) Ltd where death or morbidity is the insured risk, the most significant factor that could increase the overall frequency of claims are epidemics or widespread changes in lifestyle resulting in earlier or more claims than expected.

HSBC Assurances Vie (France) mitigates insurance risk by using two main techniques which are diversification and reinsurance.

Diversification between savings and protection business allows to reduce mortality risk. Savings and pension business are mainly exposed to longevity risk, whilst protection business Is mainly exposed to mortality risk.

Concerning reinsurance, HSBC Assurances Vie (France) has put in place treaties on the protection business with a mix of proportional and non-proportional arrangements. This allows HSBC Assurances Vie (France) to mitigate both catastrophic events or circumstances and significant individual claims. The new reinsurance treaty on savings reduces the risk of affecting the company’s profitability or capital.

HSBC Life Assurance (Malta) Ltd manages its insurance risk through strict underwriting limits and claims management; approval procedures for new products and pricing reviews; close monitoring of reinsurance arrangements and monitoring of emerging issues. The Company’s underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. For example, the Company balances death risk across its portfolio. Medical selection is also included in the Company’s underwriting procedures, with premium varied to reflect the health condition and family medical history of the applicants.

HSBC Life Assurance (Malta) Ltd protection business is reinsured under a stop-loss treaty where the company's risk is limited to the first €50k for each life insured which strongly mitigates its underwriting risk.

HSBC Life Assurance (Malta) is also exposed to lapse risk and more precisely to a different trend of lapse on the different types of products. A rise in lapses in profitable products would reduce the profits expected on the in-force book. There is however an exposure to lower lapses on level cover policies where the premium doesn’t cover the cost of the risk anymore in the latter duration of the policies.

6 Employee compensation and benefits

Employee compensation and average number of employees

Employee compensation (continuing operations)

	2024	2023[1]
	€m	€m
Wages and salaries	779	783
Social security costs	201	190
Post-employment benefits	28	28
Year ended 31 Dec	**1,008**	1,001

1 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the planned sale of the life insurance business in France. This also includes discontinued operations related to the sale of the retail banking operations in France.

Average number of persons employed by HSBC Continental Europe during the year

	2024	2023
Wealth and Personal Banking	**1,399**	4,500
Commercial Banking	**1,374**	1,482
Market and Securities Services	**1,504**	1,548
Global Banking	**401**	413
GBM Other	**5**	6
Corporate Centre	**19**	18
Support functions and others[1]	**2,842**	3,353
Year ended 31 Dec[2,3]	**7,544**	11,320

1 Including pre-retirement ('CFCS') and expatriates.
2 Permanent contracts ('CDI') and fixed terms contracts ('CDD') within HSBC Continental Europe (including European branches) and its subsidiaries HSBC Global Asset Management (France) and HSBC Assurances Vie (France).
3 2023 figures include employees of retail banking operations in France classified as discontinued operations as at 31 December 2023.

Share-based payments

HSBC Group policy

Since 2006, the general policy of the HSBC Group is to award shares instead of share options (except in the case of a country specific legal and tax regulation).

The shares can be:

– 'Group Performance Shares' subject to performance conditions, granted only to Group Executives; and

– Restricted Shares' without performance conditions, awarded to other employees, part of whose variable compensation is paid in the form of HSBC shares.

Practice at HSBC Continental Europe

HSBC Continental Europe's employees are not granted Group Performance Shares which are reserved for Group Executives.

Employees for whom part of the variable compensation is deferred pursuant to Group rules are granted restricted shares. The same is true for employees identified as risk takers who are subject to special rules regarding variable compensation, 50 per cent of which must be paid in shares for both the immediate and deferred portions.

For employees under French contracts, these shares take the form of "French qualified shares", which benefit from a special social and tax regime.

Movement on 'Restricted Shares'

	Number (000s)
Outstanding at 1 Jan 2024	**6,091**
Granted during the year[1]	**3,921**
Exercised during the year[2]	**(3,432)**
Movements of staff during the year[3]	**(1,114)**
Outstanding at 31 Dec 2024	**5,466**
– of which: exercisable	**—**
Weighted average remaining contractual life (years)	**—**
Outstanding at 1 Jan 2023	6,905
Granted during the year[1]	3,940
Exercised during the year[2]	(3,626)
Movements of staff during the year[3]	(1,129)
Outstanding at 31 Dec 2023	6,091
– of which: exercisable	—
Weighted average remaining contractual life (years)	—

1 The weighted average price at grant date in 2024 was EUR 7.00 (2023: EUR 7.20).
2 The weighted average price at vesting date in 2024 was EUR 6.91 (2023: EUR 6.69).
3 Corresponds to the shares granted to Group employees who joined HSBC Continental Europe during the year net of shares granted to HSBC Continental Europe employees who joined other Group entities, to the shares expired during the year and to the shares exercised during the year by employees no more present as at 31 December 2024.

In 2024, EUR 9 million was charged to the income statement in respect of amortisation of the existing plans for HSBC in France (in 2023: EUR 8 million).

The vesting period for deferred share awards expected to be granted in 2025, in respect of the 2024 performance year, was determined to have started on 1 January 2024.

Employee share offering

In 2024, HSBC Continental Europe did not issue shares reserved for employees.

Income statement charge (continuing operations)

	2024	2023
	€m	€m
Restricted share awards	22	15
Savings related and other share option plans	—	—
Year ended 31 Dec	**22**	15

Pension and other post-retirement benefits

HSBC Continental Europe operates a number of pension and other post-retirement benefit plans. These plans include both defined benefit and defined contribution plans of which HSBC Germany Pension Plan is the most prominent.

HSBC Continental Europe pension plan in Germany

HSBC Germany Pension Plan is a final salary scheme and is calculated based on the employee length of service multiplied by a predefined benefit accrual and earnings. The pension is paid when the benefit falls due and is a specified pension payment, lump-sum or combination thereof. The plan is overseen by an independent corporate trustee, who has a fiduciary responsibility for the operation of the plan. Its assets are held separately from the assets of the HSBC Group.

The strategic aim of the investment is to achieve, as continuously as possible, an increase in value over time. For this purpose, the fund invests mainly in government bonds, corporate bonds, investment funds and equities. It invests predominantly in developed regions. Overall, emphasis is placed on having a high degree of diversification.

Plan assets were created to fund the pension obligations and separated through what is known as a contractual trust agreement ('CTA'). HSBC Trinkaus Vermögenstreuhänder e. V. and HSBC Trinkaus Mitarbeitertreuhänder e. V. assume the role of trustee. Active members of the trustee are Bank employees.

The Bank regularly aims to comprehensively finance the committed benefits externally. There is no obligation to allocate contributions to the CTA. The Bank is entitled to assets that are not needed to fund the committed benefits. No further additions to the plan assets are envisaged at the present time.

In accordance with the Memorandum and Articles of Association, the revenues may only be used, for example, for pension payments or for reinvestment. Similarly, withdrawals may only be made in accordance with the Memorandum and Articles of Association.

The latest measurement of the defined benefit obligation of the plan at 31 December 2024 was carried out by Hans-Peter Kieselmann (Fellow of the German Association of Actuaries ('DAV')) and Helga Bader, at Willis Towers Watson GmbH, using the projected unit credit method. The next measurement will have an effective date of 31 December 2025.

HSBC Continental Europe pension plan in France

HSBC Continental Europe pays each retiree in France a retiring indemnity. The amount is determined by the final earnings, the length of service in the company at this date and the guarantees under collective and internal agreements. Those plans represent 59 per cent of all commitments in France.

In addition, certain retired employees from the bank and HSBC Continental Europe Executive Directors are entitled to defined benefits pension plan. These plans provide the payment of benefits from the date of retirement and represent roughly 36 per cent of all commitments in France. The latest measurement of the defined benefit obligation of the plan at 31 December 2024 was carried out by SPAC Actuaries and the costs recognised for funding these post-employment plans are determined using the projected unit credit method, with annual actuarial valuations performed on each plan. The next measurement will have an effective date of 31 December 2025. Payments to defined contribution plans and state-managed retirement benefit plans, where HSBC Continental Europe obligations under the plans are equivalent to a defined contribution plan, are charged as an expense as they fall due.

Recognition of defined benefit plans

Net (assets)/liabilities recognised on the balance sheet in respect of defined benefit plans

	Fair value of plan assets	Present value of defined benefit obligations	Effect of limit on plan surpluses	Total
	€m	€m	€m	€m
Defined benefit pension plans	**399**	**(407)**	**—**	**(8)**
Defined benefit healthcare plans	**—**	**—**	**—**	**—**
At 31 Dec 2024	**399**	**(407)**	**—**	**(8)**
Total employee benefit liabilities (within ‘Accruals, deferred income and other liabilities’)				**(75)**
Total employee benefit assets (within ‘Prepayments, accrued income and other assets’)				**66**
Defined benefit pension plans	393	(421)	—	(28)
Defined benefit healthcare plans	—	—	—	—
At 31 Dec 2023	393	(421)	—	(28)
Total employee benefit liabilities (within ‘Accruals, deferred income and other liabilities’)				(74)
Total employee benefit assets (within ‘Prepayments, accrued income and other assets’)				46

Defined benefit pension plans

Net asset/(liability) under defined benefit pension plans

	Fair value of plan assets		Present value of defined benefit obligations		Net defined benefit asset/(liability)	
	France & Other plans	Germany	France & Other plans	Germany	France & Other Plans	Germany
	€m	€m	€m	€m	€m	€m
At 1 Jan 2024	**5**	**388**	**(71)**	**(350)**	**(66)**	**38**
Service cost	**—**	**—**	**(3)**	**(6)**	**(3)**	**(6)**
– current service cost	**—**	**—**	**(3)**	**(6)**	**(3)**	**(6)**
– past service cost and gains/(losses) from settlements	**—**	**—**	**—**	**—**	**—**	**—**
Net interest income/(cost) on the net defined benefit asset/(liability)	**—**	**8**	**(2)**	**(10)**	**(2)**	**(2)**
Re-measurement effects recognised in other comprehensive income	**—**	**(1)**	**(2)**	**8**	**(2)**	**7**
– return on plan assets (excluding interest income)	**—**	**(1)**	**—**	**—**	**—**	**(1)**
– actuarial gains/(losses)	**—**	**—**	**(2)**	**8**	**(2)**	**8**
– other changes	**—**	**—**	**—**	**—**	**—**	**—**
Benefits paid	**(1)**	**—**	**5**	**14**	**4**	**14**
Other movements[1,2]	**—**	**—**	**4**	**6**	**4**	**6**
At 31 Dec 2024	**4**	**395**	**(69)**	**(338)**	**(65)**	**57**
At Jan 2023	5	458	(65)	(403)	(60)	55
Service cost	—	—	(1)	(8)	(1)	(8)
– current service cost	—	—	(3)	(9)	(3)	(9)
– past service cost and gains/(losses) from settlements	—	—	2	1	2	1
Net interest income/(cost) on the net defined benefit asset/(liability)	—	12	(3)	(11)	(3)	1
Re-measurement effects recognised in other comprehensive income	—	7	(5)	(34)	(5)	(27)
– return on plan assets (excluding interest income)	—	7	—	—	—	7
– actuarial gains/(losses)	—	—	(5)	(34)	(5)	(34)
– other changes	—	—	—	—	—	—
Benefits paid	—	—	8	14	8	14
Other movements[3,4]	—	(89)	(5)	92	(5)	3
At 31 Dec 2023	5	388	(71)	(350)	(66)	38

1 Other movements in Germany pension plans include EUR 10 million of the defined benefit obligations related to the planned sale of the private banking business in Germany reclassified to liabilities of disposal group held for sale.
2 Other movements in France and Other plans includes EUR 3 million of the defined benefit obligations related to the planned sale of life insurance business in France reclassified to liabilities of disposal group held for sale.
3 Other movements in France & Other plans includes EUR 3 million of defined benefit obligations of HSBC Private Bank (Luxembourg) S.A. transferred to HSBC Continental Europe as part of the acquisition and EUR 2 million of the defined benefit obligations related to retail banking operations in France reclassified to liabilities of disposal group held for sale.
4 Other movements in Germany pension plans include reclassification of LAZK plan to long term employee benefits.

HSBC Germany does not expect to make contributions to the HSBC Germany Pension Plan during 2025. Benefits expected to be paid from the plans to retirees over each of the next five years, and in aggregate for the five years thereafter, are as follows:

Benefits expected to be paid from plans

	2025	2026	2027	2028	2029	2030–2034
	€m	€m	€m	€m	€m	€m
France[1]	**8**	6	5	5	5	23
Germany[2]	**16**	13	14	14	15	83

1 The duration of the defined benefit obligation is 9 years for the principal plan under the disclosure assumptions adopted (2023: 9 years) and 9 years for all other plans combined (2023: 9 years). The maturity of commitments remains at 11 years in 2024, as was the case in 2023.
2 The duration of the defined benefit obligation is 13.6 years for the HSBC Germany Pension Plan under the disclosure assumptions adopted (2023: 14.2).

Fair value of plan assets by asset classes

	At 31 Dec 2024				At 31 Dec 2023			
	Fair value	**Quoted market price in active market**	**No quoted market price in active market**	**Thereof HSBC**	Fair value	Quoted market price in active market	No quoted market price in active market	Thereof HSBC
	€m	**€m**	**€m**	**€m**	€m	€m	€m	€m
France and Other plans								
Fair value of plan assets	**4**	**4**	**—**	**—**	5	5	—	—
– equities	**—**	**—**	**—**	**—**	—	—	—	—
– bonds fixed income	**4**	**4**	**—**	**—**	4	4	—	—
– bonds indexed linked	**—**	**—**	**—**	**—**	—	—	—	—
– other	**—**	**—**	**—**	**—**	1	1	—	—
Germany								
Fair value of plan assets	**395**	**379**	**16**	**—**	388	358	30	—
– equities	**3**	**3**	**—**	**—**	3	3	—	—
– bonds fixed income	**258**	**258**	**—**	**—**	225	225	—	—
– bonds indexed linked	**8**	**8**	**—**	**—**	8	8	—	—
– other	**126**	**110**	**16**	**—**	152	123	30	—

Post-employment defined benefit plans' principal actuarial assumptions

HSBC Continental Europe determines discount rates to be applied to its obligations in consultation with the plans' local actuaries, based upon the current average yields of high quality (AA rated or equivalent) debt instruments, with maturities consistent with that of the defined benefit obligations.

Key actuarial assumptions

	France				**Germany**			
	Discount rate	**Inflation rate**	**Rate of increase for pensions[1]**	**Rate of pay increase**	**Discount rate**	**Inflation rate**	**Rate of increase for pensions**	**Rate of pay increase**
	%	**%**	**%**	**%**	**%**	**%**	**%**	**%**
At 31 Dec 2024	**3.25**	**2.00**	**2.00**	**2.92**	**3.41**	**2.25**	**2.25**	**2.25**
At 31 Dec 2023	3.10	2.00	2.00	2.95	3.17	2.25	2.25	2.25

1 In accordance with the social security law, the legal pensions growth rate will be revised to 2 per cent from January 2025.

Mortality tables and average life expectancy at age 60

France	Mortality table	Life expectancy at age 60 for a male member currently: Aged 60	Life expectancy at age 60 for a female member currently: Aged 60
At 31 Dec 2024	**TV–TD 2018 2020**	**23.14**	**27.58**
At 31 Dec 2023	TV–TD 2017 2019	23.29	27.67

Mortality tables and average life expectancy at age 60

Germany	Mortality table	Life expectancy at age 60 for a male member currently:		Life expectancy at age 60 for a female member currently:	
		Aged 60	Aged 40	Aged 60	Aged 40
At 31 Dec 2024	**RT 2018 G[1]**	**25.5**	**28.5**	**29.2**	**31.5**
At 31 Dec 2023	RT 2018 G[1]	25.4	28.3	29.1	31.3

1 Heubeck tables – RT 2018G – are generally accepted and used mortality tables for occupational pension plans in Germany taking into account future mortality improvements and lighter mortality for higher-paid pensioners.

Actuarial assumption sensitivities

The following table shows the effect of changes in actuarial assumptions on the principal plans. The discount rate is sensitive to changes in market conditions arising during the reporting period. The mortality rates used are sensitive to experience from the plan member profile.

	France				Germany			
	Financial impact of increase		Financial impact of decrease		Financial impact of increase		Financial impact of decrease	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
	€m	€m	**€m**	€m	**€m**	€m	**€m**	€m
Discount rate – increase/decrease of 0.25%	**(2)**	(2)	**2**	2	**(9)**	(10)	**10**	10
Inflation rate – increase/decrease of 0.25%	**1**	1	**(1)**	(1)	**7**	8	**(8)**	(7)
Pension payments and deferred pensions – increase/decrease of 0.25%	**1**	1	**(1)**	(1)	**7**	7	**(7)**	(7)
Pay – increase/decrease of 0.25%	**1**	1	**(1)**	(1)	**1**	2	**(1)**	(1)
Change in mortality – increase of 1 year	**1**	1	**(1)**	(1)	**10**	11	**N/A**	N/A

7 Auditors' remuneration

	PricewaterhouseCoopers Audit France[1]		BDO Paris[1]	
	Amount (excluding VAT)		Amount (excluding VAT)	
	€k	%	€k	%
Fees for account certifications	**3,984**	**79**	**652**	**87**
Fees related to the Corporate and Sustainability Report Directive ('CSRD')	**580**	**12**	**—**	**—**
Fees for other services provided to HSBC Continental Europe	**471**	**9**	**95**	**13**
Year ended 31 Dec 2024	**5,035**	**100**	**747**	**100**
Fees for account certifications	4,899	89	692	92
Fees related to the Corporate and Sustainability Report Directive ('CSRD')	—	—	—	—
Fees for other services provided to HSBC Continental Europe	628	11	59	8
Year ended 31 Dec 2023	5,527	100	751	100

1 This Note is prepared in compliance with ANC regulation 2016-08, 2016-09, 2016-10 and 2016-11 and includes only the fees paid to PricewaterhouseCoopers Audit France and BDO Paris.

Account certifications as of 31 December 2024 for PricewaterhouseCoopers Audit France and BDO Paris mainly concern statutory audit, legal, or regulatory services. Services other than the account certification concern services related to internal control procedures (i.e. report ISAE 3402) for PricewaterhouseCoopers Audit France.

8 Tax

Tax expense (continuing operations)

	2024	2023[1]
	€m	€m
Current tax	179	257
Deferred tax	227	89
– current year deferred tax	212	91
– adjustment in respect of prior years deferred tax	15	(2)
– effect of change in tax rate on deferred tax		—
Year ended 31 Dec	**406**	346

1 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the planned sale of the life insurance business in France. This also includes discontinued operations related to the sale of the retail banking operations in France.

HSBC Continental Europe's profits are taxed at different rates depending on the country in which the profits arise. The key applicable corporate income tax rate is France and for fiscal year 2024 the rate is 25 per cent. The social contribution on profit (CSB at 3.3 per cent of the corporate income tax) is maintained and is added to the corporate income tax. Consequently, the applicable tax rate for fiscal year 2024 for French entities is 25.83 per cent (2023: 25.83 per cent).

The final effective tax rate varies depending on the contribution from entities outside of France, notably Germany which has an income tax rate for fiscal year 2024 of 31.4 per cent and other European branches.

Tax risks

Following a tax audit in 2018 on fiscal years 2015 to 2018, HSBC Leasing France ("HLF") and its SPVs have been reassessed on the tax treatment of provisions related to aircraft leasing transactions. Since then HLF continued to dispute these reassessments but French Tax Authorities have rejected the claims filed by HSBC. Consequently, litigations before the court (Tribunal Administratif) have been initiated by HSBC, notably during FY2024, for FYs 16 to 18 regarding proposal of reassessments of these SPVs.

Analysis of overall tax charge

Reconciliation of tax charge (credit) (continuing operations)

	2024		2023[1]	
	Continuing tax charges (credit)		Continuing tax charges (credit)	
	€m	%	€m	%
Profit/(loss) before tax	930		1,326	
Tax expense				
Taxation at French corporate tax rate	240	25.7	342	25.8
Impact of differently taxed overseas profits in overseas locations	5	0.4	1	0.1
Items impacting tax charge:				
– Permanent disallowables	2	0.2	2	0.2
– Local taxes and overseas withholding taxes	4	0.4	20	1.5
– Changes in tax rates	—	—	—	—
– Non-taxable income and gains subject to tax at a lower rate	(1)	—	(1)	(0.1)
– Adjustment in respect of prior years	(3)	(0.3)	4	0.3
– Non-recognition of current period generated deferred tax on losses and credits	27	2.9	—	—
– Derecognition of recognised deferred tax on losses and credits	150	16.1	—	—
– Other exceptional adjustments[2]	5	0.5	—	—
– Other items[3]	(23)	(2.5)	(22)	(1.7)
Year ended 31 Dec	**406**	**43.7**	346	26.1

1 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the planned sale of the life insurance business in France. This also includes discontinued operations related to the sale of the retail banking operations in France.
2 Represents the net non-deductible element on the loss on sale of the Retail Banking business and disposal of HSBC Epargne Entreprise business.
3 Majorly driven by AT1 dividends which are deductible in the French Tax regime in 2024 similar to the year 2023.

The closing effective tax rate for 2024 of 43.7 per cent (2023: 26.1 per cent, adjusted to exclude HSBC insurance business) is higher than the French current tax rate of 25.8 per cent (2023: 25.8 per cent). The higher effective tax rate largely reflects the impact of the EUR 150m write-down of the Deferred Tax assets on France Tax Group Losses.

Movement of deferred tax assets and liabilities

	Retirement benefits	Loans impairment allowances	Financial assets at FVOCI	Goodwill and intangibles	Tax losses	Expenses /loss provisions	Other	Total
	€m	€m	€m	€m	€m	€m	€m	€m
Assets	46	63	325	5	660	91		1,190
Liabilities	—	—	—	—	—	—	(238)	(238)
At 1 Jan 2024	46	63	325	5	660	91	(238)	952
Income statement (continuing operations)	(6)	(17)	—	(4)	(159)	(24)	(17)	(227)
Income statement (discontinued operations)			—				12	12
Other comprehensive income (continuing operations)	(2)		(4)				(25)	(31)
Other comprehensive income (discontinued operations)	—		(47)				46	(1)
Equity						(26)		(26)
Foreign exchange and other adjustments[1]	(1)	1	(219)	1		(2)	188	(32)
At 31 Dec 2024	37	47	55	2	501	39	(34)	647
Assets	37	47	55	2	501	39		681
Liabilities	—	—	—	—	—	—	(34)	(34)
Assets	37	58	451	12	677	115	—	1,350
Liabilities	—	—	—	—	—	—	(250)	(250)
At 1 Jan 2023[2]	37	58	451	12	677	115	(250)	1,100
Income statement (continuing operations)		3	—	(6)	(17)	1	(70)	(89)
Income statement (discontinued operations)	—	(2)	(1)	—	—	(27)	21	(9)
Other comprehensive income (continuing operations)	10	—	(8)	—	—	—	(42)	(40)
Other comprehensive income (discontinued operations)	(1)	—	(127)	—	—	—	118	(10)
Equity	—	—	—	—	—	—	—	—
Foreign exchange and other adjustments		4	10	(1)	—	2	(15)	—
At 31 Dec 2023[2]	46	63	325	5	660	91	(238)	952
Assets[2]	46	63	325	5	660	91	—	1,190
Liabilities[2]	—	—	—	—	—	—	(238)	(238)

1 The movement in this line reflects the reclassification as Held For Sale of the life insurance business in France.
2 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the planned sale of the life insurance business in France. This also includes discontinued operations related to the sale of the retail banking operations in France.

French tax group

At 31 December 2024, HSBC Continental Europe had a net DTA of EUR 647 million (2023: EUR 952 million) of which the French tax group reported a net deferred tax asset of EUR 536 million (2023: EUR 798 million) including EUR 501 million (2023: EUR 652 million) in respect of tax losses to be carried forward.

During 2024, management reassessed the likely availability of future taxable profits against which to recover the deferred tax assets of the French tax group, taking into consideration the reversal of existing taxable temporary differences, the drivers of past business performance, and management's latest forecasts of future business performance, taking into account forecasting uncertainty. The assessment concluded the write down of the DTA on tax losses of EUR 150 million during the year. These tax losses have no expiry date and the recognised tax losses are forecast to be recovered in 10-13 years.

Unrecognised deferred tax

The Group has unrecognised deferred tax of EUR 177 million tax value (EUR 685 million gross value) at 31 December 2024 (2023: nil).

CVAE

Since 2014, the CVAE contribution (cotisation sur la valeur ajoutée des entreprises) is included in 'Income Tax'. In 2024, the current tax charge is EUR 4 million (2023: EUR 9million) and the deferred tax charge is EUR 1 million (2023: deferred tax credit of EUR 1 million). Announced in the 2024 France Finance Act the CVAE rate will be reduced each year with full cancellation expected in 2030.

Tax expense (discontinued operations)

	2024		2023[1]	
	Tax charge/(credit) on loss on discontinuance	**Tax charge/(credit) on ordinary activities**	Tax charge/(credit) on loss on discontinuance	Tax charge/(credit) on ordinary activities
	€m	**€m**	€m	€m
Profit/(loss) before tax	**(19)**	**119**	143	(210)
Current Tax	**—**	**33**	12	(17)
Deferred Tax charge/(credit)	**(5)**	**(7)**	25	(16)
Total tax charge	**(5)**	**26**	37	(33)

1 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the planned sale of the life insurance business in France. This also includes discontinued operations related to the sale of the retail banking operations in France.

HSBC Continental Europe French Retail operations is a separate major line of business and is treated as a CGU (cash generating unit) for reporting and management perspective. The sale of retail operations meets the criteria of discontinued operations under IFRS 5 and, accordingly, the tax expense associated with the loss on discontinuance and the ordinary activities of the discontinued operations are shown above.

9 Dividends

Dividends to shareholders of the parent company

	2024		2023	
	Per share	**Total**	Per share	Total
	€	**€m**	€	€m
Dividends paid on ordinary shares				
In respect of previous year:				
– exceptional dividend	**—**	**—**	—	—
– dividend paid	**—**	**—**	—	—
In respect of current year:				
– first interim dividend	**—**	**—**	—	—
Total dividend paid to shareholders	**—**	**—**	—	—
Total coupons on capital instruments classified as equity		**83**		78

Dividends related to 2024

The Board of Directors meeting held on 18 February 2025 proposed to the Ordinary General Meeting called on 24 March 2025, not to distribute a dividend in respect of the year 2024.

Dividends related to 2023

On 25 March 2024, the Ordinary General Meeting approved the recommendation made by the Board of Directors, on 20 February 2024, not to distribute a dividend in respect of the year 2023.

Dividends per share

	2024	2023
	€	€
Dividends per share[1]	**—**	—

1 Coupons paid on other equity instruments are not included in the calculation of the dividends per share.

Other equity instruments

Total coupons on capital instruments classified as equity

	First call date	2024 €m	2023 €m
Perpetual subordinated capital instruments			
– EUR 200 million issued at 5.73%	May 2022	**12**	12
– EUR 300 million issued at 6.45%[1]	March 2023	**20**	16
– EUR 250 million issued at 3.46%[2]	December 2024	**9**	9
– EUR 250 million issued at 5.625%[2]	December 2029	**—**	—
– EUR 250 million issued at 3M Euribor+ 4.06%	March 2027	**19**	18
– EUR 235 million issued at 5Y Euro Swap Rate + 5.55%	January 2022	**13**	13
– EUR 200 million issued at 5.039%	January 2025	**10**	10
Total		**83**	78

1 On 28 March 2023, the interest on the EUR 300 million perpetual subordinated security issued on 28 March 2018 at 4.00 per cent was revised to 6.45 per cent. The instrument is callable on any date after the first call date.
2 On 18 December 2024, EUR 250 million instrument was redeemed and replaced with the instrument of the same nominal and the interest rate of 5.625%.

10 Earnings per share

Basic earnings per ordinary share were calculated by dividing the basic earnings of EUR 568 million by the weighted average number of ordinary shares outstanding during the year, excluding own shares held, of 214,212,855 (full year 2023: earnings of EUR 883 million and 212,466,555 weighted average number of shares).

Diluted earnings per share were calculated by dividing the basic earnings, which require no adjustment for the dilutive of potential ordinary shares (including share options outstanding not yet exercised), by the weighted average number of ordinary shares outstanding, excluding own shares held, plus the weighted average number of ordinary shares that would be issued on ordinary conversion of all the potential dilutive ordinary shares of 214,212,855 (full year 2023: 212,466,555 shares). At 31 December 2024, no potentially dilutive ordinary share had been issued.

Basic and diluted earnings per share

	2024			2023[1]		
	Profit/ (loss) €m	**Number of shares (million)**	**Per share €**	Profit/ (loss) €m	Number of shares (million)	Per share €
Basic earnings per share	**568**	**214**	**2.65**	883	212	4.17
Diluted earnings per share	**568**	**214**	**2.65**	883	212	4.17
– Basic/Diluted earnings per ordinary share in respect of continuing operations	**489**	**214**	**2.28**	954	212	4.50
– Basic/Diluted earnings per ordinary share in respect of discontinued operations	**79**	**214**	**0.37**	(71)	212	(0.33)

1 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the planned sale of the life insurance business in France. This also includes discontinued operations related to the sale of the retail banking operations in France.

11 Trading assets

	2024 €m	2023 €m
Treasury and other eligible bills	**1,231**	524
Debt securities	**14,818**	13,419
Equity securities	**6,297**	2,809
Trading securities	**22,346**	16,752
Loans and advances to banks	**184**	99
Loans and advances to customers	**323**	398
Year ended 31 Dec	**22,853**	17,249

12 Fair values of financial instruments carried at fair value

Control framework

Fair values are subject to a control framework designed to ensure that they are either determined, or validated, by a function independent of the risk taker.

For all financial instruments where fair values are determined by reference to externally quoted prices or observable pricing inputs to models, independent price determination or validation is utilised. In inactive markets, we source alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable. The factors that are considered in this regard are, inter alia:

- the extent to which prices may be expected to represent genuine traded or tradeable prices;
- the degree of similarity between financial instruments;
- the degree of consistency between different sources;
- the process followed by the pricing provider to derive the data;
- the elapsed time between the date to which the market data relates and the balance sheet date; and
- the manner in which the data was sourced.

For fair values determined using valuation models, the control framework may include, as applicable, development or validation by independent support function of: (i) the logic within valuation models; (ii) the inputs to these models; (iii) any adjustments required outside the valuation models; and (iv) where possible, model outputs.

Valuation models are subject to a process of due diligence and calibration before becoming operational and are calibrated against external market data on an ongoing basis.

Financial liabilities measured at fair value

In certain circumstances, HSBC Continental Europe records its own debt in issue at fair value, based on quoted prices in an active market for the specific instrument. When quoted market prices are unavailable, the own debt in issue is valued using valuation techniques, the inputs for which are based either on quoted prices in an inactive market for the instrument or are estimated by comparison with quoted prices in an active market for similar instruments. In both cases, the fair value includes the effect of applying the credit spread that is appropriate to the HSBC Continental Europe's liabilities.

Structured notes issued and certain other hybrid instruments are included within trading liabilities and are measured at fair value.The spread applied to these instruments is derived from the spreads at which HSBC Continental Europe issues structured notes.

Fair value hierarchy

Fair values of financial assets and liabilities are determined according to the following hierarchy:

- Level 1 – Valuation technique using quoted market price: financial instruments with quoted prices for identical instruments in active markets that HSBC Continental Europe can access at the measurement date.
- Level 2 – Valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Level 3 – Valuation technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

Breakdown of financial instruments recorded at fair value by level of fair value measurement

Financial instruments carried at fair value and bases of valuation

	2024				2023			
	Level 1 – quoted market price	**Level 2 – using observ-able inputs**	**Level 3 – with significant non-observable inputs**	**Total**	Level 1 – quoted market price	Level 2 – using observ-able inputs	Level 3 – with significant non-observable inputs	Total
At 31 Dec	**€m**	**€m**	**€m**	**€m**	€m	€m	€m	€m
Assets								
Trading assets	**21,531**	**1,156**	**166**	**22,853**	16,040	969	240	17,249
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	**719**	**592**	**252**	**1,563**	4,269	7,149	2,172	13,590
Derivatives	**595**	**42,405**	**251**	**43,251**	341	45,003	178	45,522
Financial investments	**11,918**	**4,396**	**1,088**	**17,402**	10,733	9,331	797	20,861
Assets held for sale[1]	**5,415**	**13,870**	**2,968**	**22,253**	—	—	69	69
Liabilities								
Trading liabilities	**16,200**	**280**	**—**	**16,480**	18,944	933	—	19,877
Financial liabilities designated at fair value	**167**	**8,252**	**1,487**	**9,906**	155	8,018	1,523	9,696
Derivatives	**714**	**40,862**	**281**	**41,857**	531	42,843	256	43,630
Liabilities of disposal groups held for sale[1]	**—**	**125**	**—**	**125**	—	2,145	—	2,145

1 The 2024 assets and liabilities held for sale include disposal group related to the planned sale of the life insurance business in France and the private banking business in Germany. The 2023 assets and liabilities held for sale include disposal group related to the sale of retail banking operations in France.

Transfers between Level 1 and Level 2 fair values

	Assets				**Liabilities**		
	Financial Investments	**Trading assets**	**Designated and otherwise mandatorily measured at fair value through profit or loss**	**Derivatives**	**Trading Liabilities**	**Designated at fair value**	**Derivatives**
	€m	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**
At 31 Dec 2024							
Transfers from Level 1 to Level 2	**12**	**4**	**—**	**—**	**23**	**—**	**—**
Transfers from Level 2 to Level 1	**37**	**2**	**—**	**—**	**35**	**—**	**—**
At 31 Dec 2023							
Transfers from Level 1 to Level 2	29	2	—	—	—	—	—
Transfers from Level 2 to Level 1	140	98	—	—	40	—	—

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

Fair value adjustments

Fair value adjustments are adopted when we determine there are additional factors considered by market participants that are not incorporated within the valuation model.

Movements in the level of fair value adjustments do not necessarily result in the recognition of profits or losses within the income statement, such as when models are enhanced and fair value adjustments may no longer be required.

Bid-offer

IFRS 13 'Fair value measurement' requires use of the price within the bid-offer spread that is most representative of fair value. Valuation models will typically generate mid-market values. The bid-offer adjustment reflects the extent to which bid-offer costs would be incurred if substantially all residual net portfolio market risks were closed using available hedging instruments or by disposing of or unwinding the position.

Uncertainty

Certain model inputs may be less readily determinable from market data, and/or the choice of model itself may be more subjective. In these circumstances, an adjustment may be necessary to reflect the likelihood that market participants would adopt more conservative values for uncertain parameters and/or model assumptions than those used in the valuation model.

Credit Valuation adjustment ('CVA')

The CVA is an adjustment to the valuation of over-the-counter ('OTC') derivative contracts to reflect the possibility that the counterparty may default and that HSBC Continental Europe may not receive the full market value of the transactions.

Debit valuation adjustment ('DVA')

The DVA is an adjustment to the valuation of OTC derivative contracts to reflect the possibility that HSBC Continental Europe may default, and that it may not pay the full market value of the transactions.

Funding fair value adjustment ('FFVA')

The FFVA is calculated by applying future market funding spreads to the expected future funding exposure of any uncollateralised component of the OTC derivative portfolio. The expected future funding exposure is calculated by a simulation methodology, where available, and is adjusted for events that may terminate the exposure, such as the default of HSBC Continental Europe or the counterparty. The FFVA and DVA are calculated independently.

Model limitation

Models used for portfolio valuation purposes may be based upon a simplifying set of assumptions that do not capture all current and future material market characteristics. In these circumstances, model limitation adjustments are adopted.

Inception profit (Day 1 P&L reserves)

Inception profit adjustments are adopted by HSBC Continental Europe when the fair value estimated by a valuation model is based on one or more significant unobservable inputs.

Fair value valuation bases

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

	Assets					Liabilities			
	Financial Invest-ments	Trading assets	Designated and otherwise mandatorily measured at fair value through profit or loss	Derivatives	Total Assets	Trading liabilities	Designated at fair value	Derivatives	Total liabilities
	€m	€m	€m	€m	€m	€m	€m	€m	€m
At 31 Dec 2024									
Private equity including strategic investments	**16**	**1**	**236**	**—**	**253**	**—**	**1**	**—**	**1**
Structured notes	**—**	**—**	**—**	**—**	**—**	**—**	**1,483**	**—**	**1,483**
Derivatives	**—**	**—**	**—**	**251**	**251**	**—**	**—**	**281**	**281**
Other portfolios	**1,072**	**165**	**16**	**—**	**1,253**	**—**	**3**	**—**	**3**
Total	**1,088**	**166**	**252**	**251**	**1,757**	**—**	**1,487**	**281**	**1,768**
At 31 Dec 2023									
Private equity including strategic investments	13	1	1,918	—	1,932	—	523	—	523
Structured notes	—	—	—	—	—	—	984	—	984
Derivatives	—	—	—	178	178	—	—	256	256
Other portfolios	784	239	254	—	1,277	—	16	—	16
Total	797	240	2,172	178	3,387	—	1,523	256	1,779

Private equity including strategic investments

The investment's fair value is estimated: on the basis of an analysis of the investee's financial position and results, risk profile, prospects and other factors; by reference to market valuations for similar entities quoted in an active market; the price at which similar companies have changed ownership; or from published net asset values ('NAVs') received. If necessary, adjustments are made to the NAV of funds to obtain the best estimate of fair value.

Structured notes

The fair value of Level 3 structured notes is derived from the fair value of the underlying debt security, and the fair value of the embedded derivative is determined as described in the section below on derivatives. These structured notes comprise principally equity-linked notes and rate-linked notes, issued by HSBC Continental Europe, which provide the counterparty with a return linked to the performance of equity securities and other portfolios. Examples of the unobservable parameters include long-dated equity volatilities and correlations between equity prices, and interest and foreign exchange rates.

Derivatives

Over-the-counter (i.e. non-exchange traded) derivatives valuation models calculate the present value of expected future cash flows, based upon 'no-arbitrage' principles. For many vanilla derivative products, such as interest rate swaps and European options, the modelling approaches used are standard across the industry. For more complex derivative products, there may be some divergence in market practice. Inputs to valuation models are determined from observable market data wherever possible, including prices available from exchanges, dealers, brokers or providers of consensus pricing. Certain inputs may not be observable in the market directly, but can be determined from observable prices via model calibration procedures. Finally, some inputs are not observable, but can generally be estimated from historic data or other sources.

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

Movement in Level 3 financial instruments

	Assets				Liabilities		
	Financial Investments	Trading assets	Designated and otherwise mandatorily measured at fair value through profit or loss	Derivatives	Trading liabilities	Designaed at fair value	Derivatives
	€m	€m	€m	€m	€m	€m	€m
At 1 Jan 2024	**797**	**240**	**2,172**	**178**	**—**	**1,523**	**256**
Total gains/(losses) on assets and total (gains)/losses on liabilities recognised in profit or loss	—	(2)	(15)	161	—	131	156
– net income from financial instruments held for trading or managed on a fair value basis[1]	—	(2)	—	161	—	—	156
– net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	—	—	(41)	—	—	—	—
– changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	—	—	26	—	—	131	—
– gains less losses from financial investments at fair value through other comprehensive income	—	—	—	—	—	—	—
– expected credit loss charges and other credit impairment charges	—	—	—	—	—	—	—
– fair value gains transferred to the income statement on disposal	—	—	—	—	—	—	—
– exchange differences	—	—	—	—	—	—	—
Total gains/(losses) recognised in other comprehensive income	(10)	—	—	—	—	—	—
– financial investments: fair value gains/(losses)	(10)	—	—	—	—	—	—
– cash flow hedges: fair value gains/(losses)	—	—	—	—	—	—	—
– fair value gains transferred to the income statement on disposal	—	—	—	—	—	—	—
– exchange differences	—	—	—	—	—	—	—
Purchases	1,222	11	339	—	—	—	—
New issuances	—	—	—	—	—	771	—
Sales	(41)	(29)	(30)	—	—	—	—
Settlements[1]	(732)	(11)	(2,242)	(98)	—	(604)	(151)
Transfer out	(148)	(44)	(7)	(81)	—	(754)	(74)
Transfer in	—	1	35	91	—	420	94
At 31 Dec 2024	**1,088**	**166**	**252**	**251**	**—**	**1,487**	**281**
Unrealised gains/(losses) recognised in profit or loss relating to assets and liabilities held at 31 Dec 2024	—	(2)	27	112	—	(14)	(94)
– trading income/(expense) excluding net interest income	—	(2)	—	112	—	—	(94)
– net income/(expense) from other financial instruments designated at fair value	—	—	27	—	—	(14)	—

Movement in Level 3 financial instruments (continued)

	Assets				Liabilities		
	Financial Investments	Trading assets	Designated and otherwise mandatorily measured at fair value through profit or loss	Derivatives	Trading liabilities	Designa-ted at fair value	Derivatives
	€m	€m	€m	€m	€m	€m	€m
At 1 Jan 2023	1,262	654	2,242	194	14	1,484	377
Total gains/(losses) on assets and total (gains)/ losses on liabilities recognised in profit or loss	(3)	(3)	(84)	275	4	54	166
– net income from financial instruments held for trading or managed on a fair value basis	—	(3)	—	275	4	—	166
– changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	—	—	(84)	—	—	54	—
– gains less losses from financial investments at fair value through other comprehensive income	(3)	—	—	—	—	—	—
– expected credit loss charges and other credit impairment charges	—	—	—	—	—	—	—
– fair value gains transferred to the income statement on disposal	—	—	—	—	—	—	—
– exchange differences	—	—	—	—	—	—	—
Total gains/(losses) recognised in other comprehensive income	32	—	—	—	—	—	—
– financial investments: fair value gains/(losses)	32	—	—	—	—	—	—
– cash flow hedges: fair value gains/(losses)	—	—	—	—	—	—	—
– fair value gains transferred to the income statement on disposal	—	—	—	—	—	—	—
– exchange differences	—	—	—	—	—	—	—
Purchases	59	87	78	—	—	—	—
New issuances	—	2	—	—	2	528	—
Sales	(183)	(456)	(25)	—	—	(2)	—
Settlements[2]	(25)	(8)	—	(316)	(20)	(319)	(264)
Transfer out[3]	(473)	(82)	(39)	(30)	—	(243)	(55)
Transfer in	128	46	—	55	—	21	32
At 31 Dec 2023	797	240	2,172	178	—	1,523	256
Unrealised gains/(losses) recognised in profit or loss relating to assets and liabilities held at 31 Dec 2023	—	(1)	(85)	54	—	(43)	(15)
– trading income/(expense) excluding net interest income	—	(1)	—	54	—	—	(15)
– net income/(expense) from other financial instruments designated at fair value	—	—	(85)	—	—	(43)	—
– expected credit loss charges and other credit risk charges	—	—	—	—	—	—	—

1 "Settlements" in 2024 includes re-classification to held for sale of financial investments of EUR 486 million and financial assets designated and otherwise mandatorily measured at fair value through profit or loss of EUR 2.5 billion, related to the planned sale of the life insurance business in France.
2 "Settlements" in 2023 includes re-classification to held for sale of financial investments of EUR 25 million related to retail banking operations in France.
3 Transfer out' in 2023 includes re-classification from Level 3 to Level 2 of Financial Investments of EUR 376 million related to the review of levelling assessment on some of Insurance business.

Effects of changes in significant unobservable assumptions to reasonably possible alternatives

Sensitivity of Level 3 fair values to reasonably possible alternative assumptions

	At 31 Dec 2024				At 31 Dec 2023			
	Reflected in profit or loss		Reflected in other comprehensive Income		Reflected in profit or loss		Reflected in other comprehensive Income	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
	€m	€m	€m	€m	€m	€m	€m	€m
Derivatives/trading assets/ trading liabilities[1]	11	(11)	—	—	6	(6)	—	—
Financial assets and liabilities designated and otherwise mandatorily measured at fair value	22	(22)	—	—	110	(110)	—	—
Financial investments	—	—	3	(6)	—	—	17	(20)
Total	33	(33)	3	(6)	116	(116)	17	(20)

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

Sensitivity of Level 3 fair values to reasonably possible alternative assumptions by instrument type

	Reflected in profit or loss		Reflected in OCI	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
	€m	€m	€m	€m
At 31 Dec 2024				
Private equity including strategic investments	15	(15)	1	(1)
Structured notes	7	(7)	—	—
Derivatives	10	(10)	—	—
Other portfolios	1	(1)	2	(5)
Total	33	(33)	3	(6)
At 31 Dec 2023				
Private equity including strategic investments	103	(103)	1	(1)
Structured notes	1	(1)	—	—
Derivatives	4	(4)	—	—
Other portfolios	8	(8)	16	(19)
Total	116	(116)	17	(20)

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

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

Key unobservable inputs to Level 3 financial instruments

Quantitative information about significant unobservable inputs in Level 3 valuations

	Fair value[1]				Full range of inputs	
	Assets	Liabilities	Valuation technique	Key unobservable inputs	Lower	Higher
	€m	€m			%	%
At 31 Dec 2024						
Private equity including strategic investments	**253**	**1**	**Price - Net asset value**	**Current Value/Cost**	**—**	**1**
Asset-backed securities						
– CLO/CDO[2]	**—**	**—**	**Market proxy**	**Bid quotes**	**—**	**—**
– other ABSs	**—**	**—**				
Structured notes	**—**	**1,483**				
– equity-linked notes	**—**	**1,127**	**Model – Option model**	**Equity volatility**	**14**	**18**
			Model – Option model	**Equity Correlation**	**26**	**99**
– FX-linked notes	**—**	**—**	**Model – Option model**	**FX volatility**	**—**	**—**
– other	**—**	**356**				
Derivatives	**251**	**281**				
Interest rate derivatives	**174**	**198**				
– securitisation swaps	**41**	**4**	**Model – DCF[3]**	**Constant Prepayment Rate**	**5**	**10**
– long-dated swaptions	**—**	**—**	**Model – Option model**	**IR volatility**	**—**	**—**
– other	**133**	**194**				
Foreign exchange derivatives	**2**	**2**				
– foreign exchange options	**1**	**1**	**Model – Option model**	**FX volatility**	**4**	**14**
– foreign exchange other	**1**	**1**				
Equity derivatives	**74**	**71**				
– long-dated single stock options	**—**	**—**	**Model – Option model**	**Equity volatility**	**—**	**—**
– other	**74**	**71**				
Credit derivatives	**1**	**10**				
– other	**1**	**10**				
Other portfolios	**1,253**	**3**				
– Bonds	**1,086**	**—**	**Market proxy**	**Mid quotes**		
– other	**167**	**3**				
Total Level 3	**1,757**	**1,768**				
At 31 Dec 2023						
Private equity including strategic investments	1,932	523	See notes below	See notes below	N/A	N/A
Asset-backed securities						
– CLO/CDO[2]	—	—	Market proxy	Bid quotes	—	—
– other ABSs	—	—				
Structured notes	—	984				
– equity-linked notes	—	641	Model – Option model	Equity volatility	8	35
			Model – Option model	Equity Correlation	46	97
– FX-linked notes	—	—	Model – Option model	FX volatility	—	—
– other	—	343				
Derivatives	178	256				
Interest rate derivatives	134	166				
– securitisation swaps	3	3	Model – DCF[3]	Constant Prepayment Rate	5	10
– long-dated swaptions	—	—	Model – Option model	IR volatility	—	—
– other	131	163				
Foreign exchange derivatives	16	16				
– foreign exchange options	16	16	Model – Option model	FX volatility	4	17
Equity derivatives	26	62				
– long-dated single stock options	—	—	Model – Option model	Equity volatility	—	—
– other	26	62				
Credit derivatives	2	12				
– other	2	12				
Other portfolios	1,277	16				
Total Level 3	3,387	1,779				

1 Including Level 3 balances with HSBC entities.
2 Collateralised Loan Obligation/Collateralised Debt Obligation.
3 Discounted cash flow.

Private equity including strategic investments
Given the bespoke nature of the analysis in respect of each holding, it is not practical to quote a range of key unobservable inputs. The key unobservable inputs would be price and correlation. The valuation approach includes using a range of inputs that include company specific financials, traded comparable companies multiples, published net asset values and qualitative assumptions, which are not directly comparable or quantifiable.

Prepayment rates
Prepayment rates are a measure of the anticipated future speed at which a loan portfolio will be repaid in advance of the due date. They vary according to the nature of the loan portfolio and expectations of future market conditions, and may be estimated using a variety of evidence, such as prepayment rates implied from proxy observable security prices, current or historical prepayment rates and macroeconomic modelling.

Market proxy
Market proxy pricing may be used for an instrument for which specific market pricing is not available, but evidence is available in respect of instruments that have some characteristics in common. In some cases it might be possible to identify a specific proxy, but more generally evidence across a wider range of instruments will be used to understand the factors that influence current market pricing and the manner of that influence.

Volatility
Volatility is a measure of the anticipated future variability of a market price. It varies by underlying reference market price, and by strike and maturity of the option.

Certain volatilities, typically those of a longer-dated nature, are unobservable and estimated from observable data. The range of unobservable volatilities reflects the wide variation in volatility inputs by reference market price. The core range is significantly narrower than the full range because these examples with extreme volatilities occur relatively rarely within the HSBC Continental Europe portfolio.

Correlation
Correlation is a measure of the inter-relationship between two market prices, and is expressed as a number between minus one and one. It is used to value more complex instruments where the payout is dependent upon more than one market price. There is a wide range of instruments for which correlation is an input, and consequently a wide range of both same-asset correlations and cross-asset correlations is used. In general, the range of same-asset correlations will be narrower than the range of cross-asset correlations.

Unobservable correlations may be estimated based upon a range of evidence, including consensus pricing services, HSBC Continental Europe trade prices, proxy correlations and examination of historical price relationships. The range of unobservable correlations quoted in the table reflects the wide variation in correlation inputs by market price pair.

Credit spread
Credit spread is the premium over a benchmark interest rate required by the market to accept lower credit quality. In a discounted cash flow model, the credit spread increases the discount factors applied to future cash flows, thereby reducing the value of an asset. Credit spreads may be implied from market prices and may not be observable in more illiquid markets.

Inter-relationships between key unobservable inputs
Key unobservable inputs to Level 3 financial instruments may not be independent of each other. As described above, market variables may be correlated. This correlation typically reflects the manner in which different markets tend to react to macroeconomic or other events. Furthermore, the effect of changing market variables on the HSBC Continental Europe portfolio will depend on its net risk position in respect of each variable.

13 Fair values of financial instruments not carried at fair value

Fair value of financial instruments not carried at fair value and basis of valuation

		Fair value			
	Carrying amount	Level 1 – Quoted market price	Level 2 – Using observable inputs	Level 3 – Significant unobservable inputs	Total
	€m	€m	€m	€m	€m
At 31 Dec 2024					
Assets					
Loans and advances to banks	**5,703**	**—**	**5,703**	**—**	**5,703**
Loans and advances to customers[1]	**51,288**	**—**	**—**	**50,159**	**50,159**
Reverse repurchase agreements – non-trading	**25,764**	**—**	**25,764**	**—**	**25,764**
Financial investments – at amortised cost	**3,338**	**2,363**	**965**	**—**	**3,328**
Liabilities					
Deposits by banks	**11,820**	**—**	**11,820**	**—**	**11,820**
Customer accounts	**97,065**	**—**	**97,078**	**—**	**97,078**
Repurchase agreements – non-trading	**12,344**	**—**	**12,344**	**—**	**12,344**
Debt securities in issue	**15,257**	**—**	**15,367**	**—**	**15,367**
Subordinated liabilities	**1,941**	**—**	**1,993**	**—**	**1,993**
At 31 Dec 2023					
Assets					
Loans and advances to banks	5,816	—	5,816	—	5,816
Loans and advances to customers[1]	50,127	—	—	49,547	49,547
Reverse repurchase agreements – non-trading	24,490	—	24,490	—	24,490
Financial investments – at amortised cost	1,747	884	860	3	1,747
Liabilities					
Deposits by banks[2]	10,261	—	10,270	—	10,270
Customer accounts[2]	93,890	—	94,036	—	94,036
Repurchase agreements – non-trading	11,153	—	11,153	—	11,153
Debt securities in issue	12,909	—	12,949	—	12,949
Subordinated liabilities	1,951	—	1,986	—	1,986

1 Includes retained portfolio of French home and other loans following the sale of retail banking operations in France, with carrying amount of EUR 6.7 billion (EUR 7.1 billion as on 31 December 2023). We reclassified the portfolio to a hold-to-collect-and-sell business model from 1 January 2025 and will measure it prospectively from the first quarter of 2025 at fair value through other comprehensive income. We expect to recognise an estimated EUR 1 billion fair value pre-tax loss in other comprehensive income on the remeasurement of these financial instruments. The valuation of this portfolio of loans may be substantially different in the event of a sale due to entity and deal-specific factors, including funding costs and the value of customer relationships.

2 Following a customer classification error, the comparatives as at 31 December 2023 have been represented by EUR 1.4 billion between 'Deposits by banks' and 'Customer accounts'.

Other financial instruments not carried at fair value are typically short-term in nature and reprice to current market rates frequently. Accordingly, their carrying amount is a reasonable approximation of fair value. This includes cash and balances at central banks which is measured at amortised cost.

Valuation

The fair value measurement is HSBC Continental Europe's estimate of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It does not reflect the economic benefits and costs expected to flow from the instruments' cash flows over their expected future lives. Other reporting entities may use different valuation methodologies and assumptions in determining fair values for which no observable market prices are available.

Loans and advances to banks and customers

The fair value of loans and advances is based on observable market transactions, where available. In the absence of observable market transactions, fair value is estimated using valuation models that incorporate a range of input assumptions. These assumptions may include value estimates from third-party brokers which reflect over-the-counter trading activity; forward-looking discounted cash flow models using assumptions which HSBC Continental Europe believes are consistent with those which would be used by market participants in valuing such loans; and trading inputs from other market participants which includes observed primary and secondary trades.

Loans are grouped, as far as possible, into homogeneous groups and stratified by loans with similar characteristics to improve the accuracy of estimated valuation outputs. The stratification of a loan book considers all material factors, including vintage, origination period, estimates of future interest rates, prepayment speeds, delinquency rates, loan-to-value ratios, the quality of collateral, default probability, and internal credit risk ratings.

The fair value of a loan reflects both loan impairments at the balance sheet date and estimates of market participants' expectations of credit losses over the life of the loans, and the fair value impact of repricing between origination and the balance sheet date.

Financial investments

The fair values of listed financial investments are determined using bid market prices. The fair values of unlisted financial investments are determined using valuation techniques that incorporate the prices and future earnings streams of equivalent quoted securities.

Deposits by banks and customer accounts

Fair values are estimated using discounted cash flows, applying current rates offered for deposits of similar remaining maturities. The fair value of a deposit repayable on demand is approximated by its carrying value.

Debt securities in issue and subordinated liabilities

Fair values are determined using quoted market prices at the balance sheet date where available, or by reference to quoted market prices for similar instruments.

Repurchase and reverse repurchase agreements – non-trading

Fair values approximate carrying amounts as their balances are generally short dated.

14 Financial assets designated and otherwise mandatorily measured at fair value through profit or loss

	2024	2023
	Designated at fair value and otherwise mandatorily measured at fair value	Designated at fair value and otherwise mandatorily measured at fair value
	€m	€m
Securities	**1,039**	13,590
– treasury and other eligible bills	**10**	—
– debt securities	**279**	2,267
– equity securities	**750**	11,323
Loans and advances to banks and customers	**—**	—
Other[1]	**524**	—
Year ended 31 Dec	**1,563**	13,590

1 Includes default fund contribution.

15 Derivatives

Notional contract amounts and fair values of derivatives by product contract type held by HSBC Continental Europe

	Notional contract amount		**Fair value – Assets**			**Fair value – Liabilities**		
	Trading	**Hedging**	**Trading**	**Hedging**	**Total**	**Trading**	**Hedging**	**Total**
	€m	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**
Foreign exchange	**1,307,338**	**261**	**15,988**	**9**	**15,997**	**15,794**	**—**	**15,794**
Interest rate	**4,351,904**	**39,993**	**40,933**	**89**	**41,022**	**39,647**	**67**	**39,714**
Equities	**135,643**	**—**	**948**	**—**	**948**	**1,025**	**—**	**1,025**
Credit	**6,708**	**—**	**54**	**—**	**54**	**93**	**—**	**93**
Commodity and other	**2,095**	**—**	**69**	**—**	**69**	**70**	**—**	**70**
Gross total fair values	**5,803,688**	**40,254**	**57,992**	**98**	**58,090**	**56,629**	**67**	**56,696**
Offset (Note 28)			**(14,839)**		**(14,839)**	**(14,839)**		**(14,839)**
At 31 Dec 2024	**5,803,688**	**40,254**	**43,153**	**98**	**43,251**	**41,790**	**67**	**41,857**
Foreign exchange	1,053,255	9	11,683	—	11,683	12,015	—	12,015
Interest rate	3,763,564	30,214	52,358	169	52,527	49,950	75	50,025
Equities	84,491	—	620	—	620	874	—	874
Credit	8,945	—	99	—	99	122	—	122
Commodity and other	1,427	—	72	—	72	73	—	73
Gross total fair values	4,911,682	30,223	64,832	169	65,001	63,034	75	63,109
Offset (Note 28)	—	—	(19,479)	—	(19,479)	(19,479)	—	(19,479)
At 31 Dec 2023	4,911,682	30,223	45,353	169	45,522	43,555	75	43,630

The notional contract amounts of derivatives held for trading purposes and derivatives designated in hedge accounting relationships indicate the nominal value of transactions outstanding at the balance sheet date; they do not represent amounts at risk.

Derivative asset and liability fair values decreased during 2024, driven mainly by yield curve movements and changes in foreign exchange rates.

Use of derivatives

HSBC Continental Europe undertakes derivatives activity for three primary purposes: to create risk management solutions for clients, to manage the portfolio risks arising from client business and to manage and hedge our own risks.

Trading derivatives

Most of HSBC Continental Europe's derivative transactions relate to sales and trading activities. Sales activities include the structuring and marketing of derivative products to customers to enable them to take, transfer, modify or reduce current or expected risks. Trading activities

include market-making and risk management. Market-making entails quoting bid and offer prices to other market participants for the purpose of generating revenues based on spread and volume. Risk management activity is undertaken to manage the risk arising from client transactions, with the principal purpose of retaining client margin.

Derivatives valued using models with unobservable inputs

The difference between the fair value at initial recognition (the transaction price) and the value that would have been derived had the valuation techniques used for subsequent measurement been applied at initial recognition, less subsequent releases, is in the following table:

Unamortised balance of derivatives valued using models with significant unobservable inputs

	2024	2023
	€m	€m
Unamortised balance at 1 Jan	**4**	8
Deferral on new transactions	—	9
Recognised in the income statement during the year:	**(2)**	(13)
– amortisation	**(2)**	(10)
– subsequent to unobservable inputs becoming observable	—	—
– maturity, termination or offsetting derivative	—	(3)
– risk hedged	—	—
Exchange differences and other	—	—
At 31 Dec	**2**	4

Hedge Accounting derivatives

HSBC Continental Europe uses derivatives (principally interest rate swaps) for hedging purposes in the management of its own asset and liability portfolios and structural positions. This enables us to optimise the overall cost of accessing debt capital markets, and to mitigate the market risk which would otherwise arise from structural imbalances in the maturity and other profiles of its assets and liabilities.

The accounting treatment of hedge transactions varies according to the nature of the instrument hedged and the type of hedge transactions. Derivatives may qualify as hedges for accounting purposes if they are fair value hedges, or cash flow hedges, or hedges in net investment of foreign operations. These are described under the relevant headings below.

Fair value hedges

HSBC Continental Europe's fair value hedges principally consist of interest rate swaps that are used to protect against changes due to movements in market interest rates in the fair value of fixed-rate long-term financial instruments of portfolio and fixed rates loans. For qualifying fair value hedges, all changes in the fair value of the derivative and in the fair value of the item in relation to the risk being hedged are recognised in the income statement. If the hedge relationship is terminated, the fair value adjustment to the hedged item continues to be reported as part of the basis of the item and is amortised to the income statement as a yield adjustment over the remainder of the hedging period.

Hedging instrument by hedged risk

	Hedging Instrument				
		Carrying amount			
	Notional amount[1]	Assets	Liabilities	Balance sheet presentation	Change in fair value
Hedged Risk	€m	€m	€m		€m
Interest rate[2]	**13,334**	**89**	**64**	**Derivatives**	**(102)**
At 31 Dec 2024	**13,334**	**89**	**64**		**(102)**
Interest rate[2]	10,819	165	52	Derivatives	(374)
At 31 Dec 2023	10,819	165	52		(374)

1 The notional contract amounts of derivatives designated in qualifying hedge accounting relationships indicate the nominal value of transactions outstanding at the balance sheet date; they do not represent amounts at risk.
2 The hedged risk 'interest rate' includes inflation risk.

Hedged item by hedged risk

	Hedged Item						Ineffectiveness	
	Carrying amount		Accumulated fair value hedge adjustments included in carrying amount					
	Assets	Liabilities	Assets	Liabilities	Balance sheet presentation	Change in fair value[1]	Recognised in profit and loss	Profit and loss presentation
Hedged Risk	€m	€m	€m	€m		€m	€m	
Interest rate[2]	**13,149**	**—**	**6**	**—**	**Financial assets at fair value through other comprehensive income**	**87**	**(3)**	**Net income from financial instruments held for trading or managed on a fair value basis**
	—	**—**	**—**	**—**	**L&A to Banks**	**—**		
	435	**—**	**(8)**	**—**	**L&A to Customers**	**12**		
	—	**—**	**—**	**—**	**Reverse repurchase agreements non-trading**	**—**		
	—	**—**	**—**	**—**	**HTC (Amortised Cost)**	**—**		
	—	**33**	**—**	**(4)**	**Debt securities in issue**	**—**		
	—	**—**	**—**	**—**	**Subordinated liabilities and deposits by Banks**	**—**		
At 31 Dec 2024	**13,584**	**33**	**(2)**	**(4)**		**99**	**(3)**	
Interest rate[2]	10,047		(147)		Financial assets at fair value through other comprehensive income	332	(8)	Net income from financial instruments held for trading or managed on a fair value basis
	—		—		L&A to Banks	—		
	668		(17)		L&A to Customers	20		
	—		—		Reverse repurchase agreements non-trading	14		
	—	—	—	—	HTC (Amortised Cost)	—		
	—	32	—	(5)	Debt securities in issue	—		
	—	—	—	—	Subordinated liabilities and deposits by Banks	—		
At 31 Dec 2023	10,715	32	(164)	(5)		366	(8)	

1 Used in effectiveness assessment; comprising amount attributable to the designated hedged risk that can be a risk component.
2 The hedged risk 'interest rate' includes inflation risk.

Cash flow hedges

HSBC Continental Europe's cash flow hedging instruments consist principally of interest rate swaps and cross-currency swaps that are used to manage the variability in future interest cash flows of non-trading financial assets and liabilities, arising due to changes in market interest rates and foreign-currency basis.

HSBC Continental Europe applies macro cash flow hedging for interest-rate risk exposures on portfolios of replenishing current and forecasted issuances of non-trading assets and liabilities that bear interest at variable rates, including rolling such instruments. The amounts and timing of future cash flows, representing both principal and interest flows, are projected for each portfolio of financial assets and liabilities on the basis of their contractual terms and other relevant factors, including estimates of prepayments and defaults. The aggregate cash flows representing both principal balances and interest cash flows across all portfolios are used to determine the effectiveness and ineffectiveness. Macro cash flow hedges are considered to be dynamic hedges.

Hedging instrument by hedged risk

	Hedging Instrument					Hedged Item	Ineffectiveness	
		Carrying amount						
	Notional amount[1]	Assets	Liabilities	Balance sheet presentation	Change in fair value[2]	Change in fair value[3,4]	Recognised in profit and loss	Profit and loss presentation
Hedged Risk	**€m**	**€m**	**€m**		**€m**	**€m**	**€m**	
Foreign currency	**261**	**9**	**—**	**Derivatives**	**2**	**2**	**—**	**Net income from financial instruments held for trading or managed on a fair value basis**
Interest rate	**26,659**	**1**	**3**		**(104)**	**(113)**	**9**	
At 31 Dec 2024	**26,920**	**10**	**3**		**(102)**	**(111)**	**9**	
Foreign currency	9	—	—	Derivatives	—	—	—	Net income from financial instruments held for trading or managed on a fair value basis
Interest rate	19,395	4	23		125	106	19	
At 31 Dec 2023	19,404	4	23		125	106	19	

1 The notional contract amounts of derivatives designated in qualifying hedge accounting relationships indicate the nominal value of transactions outstanding at the balance sheet date; they do not represent amounts at risk.
2 Used in effectiveness testing; comprising the full fair value change of the hedging instrument not excluding any component.
3 Used in effectiveness assessment; comprising amount attributable to the designated hedged risk that can be a risk component.
4 Following a presentation error in the consolidated statement of comprehensive income, the cash flow hedge reserve for the period ending 31 December 2023, have been represented by EUR 119 million to reflect the net interest income on swaps in cash flow hedge. This representation does not impact the net interest income for the period in the consolidated income statement and the presentation of the cash flow hedge reserve for the period and at the beginning or end of the year in the consolidated statement of changes in equity.

Sources of hedge ineffectiveness may arise from basis risk including, but not limited to timing differences between the hedged items and hedging instruments, and hedges using instruments with a non-zero fair value.

Analysis of other comprehensive income by risk type

	Interest rate	Foreign Currency
	€m	**€m**
Cash flow hedging reserve at 1 Jan 2024	**(63)**	**—**
Fair value gains/(losses)	**(113)**	**2**
Fair value (gains)/losses reclassified from the cash flow hedge reserve to the income statement in respect of hedged items that has affected profit or loss	**230**	**(2)**
Income taxes	**(31)**	**—**
Others	**—**	**—**
Cash flow hedging reserve at 31 Dec 2024	**23**	**—**
Cash flow hedging reserve at 1 Jan 2023	(231)	—
Fair value gains/(losses)[1]	106	—
Fair value (gains)/losses reclassified from the cash flow hedge reserve to the income statement in respect of hedged items that has affected profit or loss[1]	121	—
Income taxes	(59)	—
Others	—	—
Cash flow hedging reserve at 31 Dec 2023	(63)	—

1 Following a presentation error in the consolidated statement of comprehensive income, the cash flow hedge reserve for the period ending 31 December 2023, have been represented by EUR 119 million to reflect the net interest income on swaps in cash flow hedge. This representation does not impact the net interest income for the period in the consolidated income statement and the presentation of the cash flow hedge reserve for the period and at the beginning or end of the year in the consolidated statement of changes in equity.

16 Financial investments

Carrying amount of financial investments

	2024	2023
	€m	€m
Financial investments measured at fair value through other comprehensive income	17,402	20,861
– treasury and other eligible bills	893	776
– debt securities	16,074	19,664
– equity securities	27	29
– other instruments	408	392
Debt instruments measured at amortised cost	3,338	1,747
– treasury and other eligible bills	—	—
– debt securities	3,338	1,747
At 31 Dec	**20,740**	22,608

Equity instruments measured at fair value through other comprehensive income

	2024		2023	
	Fair value	Dividends recognised	Fair value	Dividends recognised
Type of equity instruments	€m	€m	€m	€m
Business facilitation	11	1	16	—
Investments required by central institutions	16	—	13	—
Others	—	—	—	—
At 31 Dec	**27**	**1**	29	—

17 Assets pledged, collateral received and assets transferred

Assets pledged[1]

Financial assets pledged as collateral

	2024	2023
	€m	€m
Treasury bills and other eligible securities	1,231	446
Loans and advances to customers	759	2,290
Debt securities	12,967	14,673
Equity securities	363	671
Other	14,836	13,247
Assets pledged at 31 Dec	**30,156**	31,327

Assets pledged as collateral include all assets categorised as encumbered in the disclosure on page 216 except for assets held for sale.

The amount of assets pledged to secure liabilities may be greater than the book value of assets utilised as collateral. For example, in the case of securitisations and covered bonds, the amount of liabilities issued, plus mandatory over-collateralisation, is less than the book value of the pool of assets available for use as collateral. This is also the case where assets are placed with a custodian or a settlement agent that has a floating charge over all the assets placed to secure any liabilities under settlement accounts.

These transactions are conducted under terms that are usual and customary to collateralised transactions including, where relevant, standard securities lending and borrowing, repurchase agreements and derivative margining.

HSBC Continental Europe places both cash and non-cash collateral in relation to derivative transactions.

Financial assets pledged as collateral that the counterparty has the right to sell or repledge

	2024	2023
	€m	€m
Trading assets	13,575	12,587
Financial investments	224	2,183
At 31 Dec	**13,799**	14,770

Collateral received[1]

The fair value of financial assets accepted as collateral, relating primarily to standard securities lending, reverse repurchase agreements and derivative margining, that HSBC Continental Europe is permitted to sell or repledge in the absence of default was EUR 61,419 million at 31 December 2024 (EUR 48,999 million at 31 December 2023).

The fair value of any such collateral sold or repledged was EUR 43,830 million at 31 December 2024 (EUR 39,400 million at 31 December 2023). HSBC Continental Europe is obliged to return equivalent securities.

These transactions are conducted under terms that are usual and customary to standard securities lending, reverse repurchase agreements and derivative margining.

Assets transferred[1]

The assets pledged include transfers to third parties that do not qualify for derecognition, notably secured borrowings such as debt securities held by counterparties as collateral under repurchase agreements and equity securities lent under securities lending agreements, as well as swaps of equity and debt securities. For secured borrowings, the transferred asset collateral continues to be recognised in full and a related liability, reflecting HSBC Continental Europe's obligation to repurchase the assets for a fixed price at a future date is also recognised on the balance sheet. Where securities are swapped, the transferred asset continues to be recognised in full. There is no associated liability as the non-cash collateral received is not recognised on the balance sheet. HSBC Continental Europe is unable to use, sell or pledge the transferred assets for the duration of these transactions, and remains exposed to interest rate risk and credit risk on these pledged assets. The counterparty's recourse is not limited to the transferred assets.

Transferred financial assets not qualifying for full derecognition and associated financial liabilities

	Carrying amount of:	
	Transferred assets	Associated liabilities
	€m	€m
Repurchase agreements	**10,834**	**10,837**
Securities lending agreements	**2,965**	**—**
At 31 Dec 2024	**13,799**	**10,837**
Repurchase agreements	12,885	12,734
Securities lending agreements	1,885	5
At 31 Dec 2023	14,770	12,739

1 Excludes assets classified as held for sale.

18 Related information on foreign subsidiaries and branches country by country

Related information on foreign subsidiaries and branches country by country required by the directive 2013/36/UE ('CRD IV') has been transposed in article L. 511-45 of the French Monetary and Financial Code.

	At 31 Dec 2024					
	Revenue (continuing operations)[1]	Profit/(loss) Before Tax (continuing operations)	Current Tax (continuing operations)	Deferred Tax (continuing operations)	Public subsidies received	Number of employees (Full Time Equivalent)
	€m	€m	€m	€m	€m	
HSBC Continental Europe	**3,349**	**930**	**(179)**	**(227)**	**—**	**6,739**
– France	**1,280**	**109**	**31**	**(231)**	**—**	**2,837**
– Belgium	**27**	**15**	**(4)**	**—**	**—**	**21**
– Czech Republic	**27**	**13**	**(3)**	**—**	**—**	**48**
– Greece	**—**	**—**	**—**	**—**	**—**	**—**
– Ireland	**177**	**135**	**(16)**	**—**	**—**	**112**
– Italy	**50**	**18**	**(5)**	**—**	**—**	**61**
– Luxembourg	**170**	**73**	**(17)**	**—**	**—**	**205**
– Netherlands	**135**	**108**	**(28)**	**—**	**—**	**71**
– Spain	**75**	**43**	**(2)**	**(8)**	**—**	**101**
– Sweden	**9**	**2**	**—**	**—**	**—**	**22**
– United Kingdom	**—**	**—**	**—**	**—**	**—**	**—**
– Poland	**94**	**67**	**(12)**	**—**	**—**	**92**
– Germany	**987**	**196**	**(73)**	**14**	**—**	**2,155**
– Malta	**263**	**163**	**(49)**	**(6)**	**—**	**860**
– Others[4]	**55**	**(12)**	**(1)**	**4**	**—**	**154**

	At 31 Dec 2023[2]					
	Revenue (continuing operations)[1]	Profit/(loss) Before Tax (continuing operations)	Current Tax (continuing operations)	Deferred Tax (continuing operations)	Public subsidies received	Number of employees (Full Time Equivalent)[3]
	€m	€m	€m	€m	€m	
HSBC Continental Europe	3,720	1,325	(257)	(89)	—	9,969
– France	1,660	381	(25)	(45)	—	5,996
– Belgium	26	14	(4)	—	—	20
– Czech Republic	35	20	(4)	—	—	51
– Greece	33	5	—	—	—	—
– Ireland	195	147	(15)	—	—	108
– Italy	40	11	(3)	—	—	59
– Luxembourg	181	88	(20)	(2)	—	224
– Netherlands	162	131	(35)	—	—	73
– Spain	81	51	(11)	(3)	—	99
– Sweden	5	(1)	—	—	—	16
– United Kingdom	—	—	—	—	—	—
– Poland	93	63	(11)	(1)	—	96
– Germany	962	295	(84)	(37)	—	2,195
– Malta	234	135	(45)	(3)	—	853
– Others[4]	13	(15)	—	2	—	179

1 Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.
2 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the planned sale of the life insurance business in France. This also includes discontinued operations related to the sale of the retail banking operations in France.
3 Includes employees of retail banking operations in France which has been classified as discontinued operations.
4 Others include HSBC Private Bank (Luxembourg) S.A. post its acquisition on 2 November 2023.

The list of subsidiaries by country detailing the names of entities, nature of activity and geographical location, is presented in the Note 35 on pages 321 to 322. The addresses of main locations abroad are presented on page 380.

19 Structured entities

Consolidated structured entities by HSBC Continental Europe

Total assets of HSBC Continental Europe's consolidated structured entities, split by entity type

	Conduits	Securitisations	HSBC managed funds	Other	Total
	€m	€m	€m	€m	€m
At 31 Dec 2024	**—**	**—**	**5,028**	**509**	**5,537**
At 31 Dec 2023	—	—	4,918	440	5,358

General policy

A structured entity is an entity designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, for example when any voting rights relate to administrative tasks only, and key activities are directed by contractual arrangements. Thus, these entities have a limited scope of activities and a well-defined purpose.

Structured entities are assessed for consolidation in accordance with the accounting policy set out in Note 1.

HSBC Continental Europe is involved directly or indirectly with structured entities mainly through securitisation of financial assets, conduits and investment funds.

Group arrangements that involve structured entities are authorised centrally when they are established to ensure appropriate purpose and governance. The activities of structured entities administered by HSBC Continental Europe are closely monitored by senior management. HSBC Continental Europe has involvement with both consolidated and unconsolidated structured entities, which may be established by the HSBC Group or by a third party, detailed below.

Securitisations

HSBC Continental Europe has interests in consolidated securitisation vehicles through holding notes issued by these entities.

HSBC managed funds

HSBC Continental Europe together with other HSBC entities has established and managed a number of money market and non-money market investment funds in order to offer its customer investment opportunities. Where it is deemed to be acting as principal rather than agent in its role as investment manager, HSBC Continental Europe will control and hence consolidate these funds.

HSBC Continental Europe, as fund manager, may be entitled to receive management and performance fees based on the assets under management. HSBC Continental Europe may also retain units in these funds.

Non-HSBC managed funds

HSBC Continental Europe purchases and holds units of third party managed funds in order to facilitate business and meet customer needs.

HSBC Continental Europe sponsored structured entities

The amount of assets transferred to and income received from such sponsored entities during 2024 and 2023 was not significant.

Others

HSBC Continental Europe also enters into a number of transactions in the normal course of business, including asset and structured finance transactions where it has control of the structured entity.

Unconsolidated structured entities by HSBC Continental Europe

The term 'unconsolidated structured entities' refers to all structured entities that are not controlled by the HSBC Group. It includes interests in structured entities that are not consolidated. The HSBC Group enters into transactions with unconsolidated structured entities in the normal course of business to facilitate customer transactions and for specific investment opportunities.

The table below shows the total assets of unconsolidated structured entities in which the HSBC Group has an interest at the reporting date, as well as the HSBC Group's maximum exposure to loss in relation to those interests.

Nature and risks associated with HSBC Continental Europe interests in unconsolidated structured entities

	Securitisations	HSBC managed funds	Non-HSBC managed funds	Other	Total
Total asset values of the entities (€m)					
0 – 500	**—**	**101**	**120**	**3**	**224**
500 – 2,000	**—**	**18**	**49**	**—**	**67**
2,000 – 5,000	**—**	**8**	**25**	**—**	**33**
5,000 – 25,000	**—**	**5**	**12**	**—**	**17**
25,000+	**—**	**1**	**1**	**—**	**2**
Number of entities at 31 Dec 2024	**—**	**133**	**207**	**3**	**343**
	€m	**€m**	**€m**	**€m**	**€m**
Total assets in relation to HSBC Continental Europe's interests in the unconsolidated structured entities	**—**	**4,139**	**1,873**	**—**	**6,012**
– trading assets	**—**	**1**	**—**	**—**	**1**
– financial assets designated and otherwise mandatorily measured at fair value	**—**	**248**	**14**	**—**	**262**
– financial investments	**—**	**6**	**—**	**—**	**6**
– assets held for sale[1]	**—**	**3,884**	**1,859**	**—**	**5,743**
Total liabilities in relation to HSBC Continental Europe's interests in the unconsolidated structured entities	**—**	**7**	**—**	**—**	**7**
HSBC Continental Europe's maximum exposure at 31 Dec 2024	**—**	**4,132**	**1,873**	**—**	**6,005**
Total asset values of the entities (€m)					
0 – 500	—	119	114	3	236
500 – 2,000	—	28	64	—	92
2,000 – 5,000	—	10	28	—	38
5,000 – 25,000	—	6	15	—	21
25,000+	—	1	—	—	1
Number of entities at 31 Dec 2023	—	164	221	3	388
	€m	€m	€m	€m	€m
Total assets in relation to HSBC Continental Europe's interests in the unconsolidated structured entities	—	4,089	2,061	—	6,150
– trading assets	—	1	—	—	1
– financial assets designated and otherwise mandatorily measured at fair value	—	4,082	2,061	—	6,143
– financial investments	—	6	—	—	6
Total liabilities in relation to HSBC Continental Europe's interests in the unconsolidated structured entities	—	7	—	—	7
HSBC Continental Europe's maximum exposure at 31 Dec 2023	—	4,082	2,061	—	6,143

1 The 2024 assets held for sale include disposal group related to the planned sale of the life insurance business in France.

The maximum exposure to loss from HSBC Continental Europe's interests in unconsolidated structured entities represents the maximum loss it could incur as a result of its involvement with unconsolidated structured entities regardless of the probability of the loss being incurred.

- For commitments and guarantees, and written credit default swaps, the maximum exposure of HSBC Continental Europe to loss is the notional amount of potential future losses.
- For retained and purchased investments and loans to unconsolidated structured entities, the maximum exposure of HSBC Continental Europe loss is the carrying value of these interests at the balance sheet reporting date.

The maximum exposure to loss is stated gross of the effects of hedging and collateral arrangements entered into to mitigate HSBC Continental Europe's exposure to loss.

20 Goodwill and intangible assets

	2024	2023
	€m	€m
Goodwill	**66**	66
Other intangible assets	**153**	122
At 31 Dec	**219**	188

Goodwill

Movement analysis of goodwill

	2024	2023
	€m	€m
Gross amount		
At 1 Jan	**441**	441
Other[1]	**(83)**	—
At 31 Dec	**358**	441
Accumulated impairment losses		
At 1 Jan	**(375)**	(375)
Other[1]	**83**	—
At 31 Dec	**(292)**	(375)
Net carrying amount at 31 Dec	**66**	66

1 "Other" in 2024 represents the amount of goodwill written off following the sale of retail operations in France.

Impairment testing

During 2024, impairment testing was performed and no impairment was recognised to the Asset Management goodwill.

Impairment results and key assumptions in VIU calculation

	Goodwill at 31 Dec 2024	**Discount rate**	**Growth rate beyond initial cash flow projections**	Goodwill at 31 Dec 2023	Discount rate	Growth rate beyond initial cash flow projections
	€m	**%**	**%**	€m	%	%
Asset Management	**66**	**10.9**	**1.9**	66	10.4	1.9
Total goodwill in the CGUs[1] listed above	**66**			66		

1 Cash-Generating Units.

Other intangible assets

Other intangible assets include mortgage servicing rights, computer software, trade names, customer lists, core deposit relationships, credit card customer relationships or other loan relationships. Computer software includes both purchased and internally generated software. The cost of internally generated software comprises all directly attributable costs necessary to create, produce and prepare the software to be capable of operating in the manner intended by management. Costs incurred in the ongoing maintenance of software are expensed immediately as incurred.

Intangible assets are subject to impairment review if there are events or changes in circumstances that indicate that the carrying amount may not be recoverable. Where:

- intangible assets have an indefinite useful life, or are not yet ready for use, they are tested for impairment annually. An intangible asset recognised during the current period is tested before the end of the current year; and

- intangible assets have a finite useful life, they are stated at cost less amortisation and accumulated impairment losses and are amortised over their estimated useful lives. Estimated useful life is the lower of legal duration and expected useful life. The amortisation of mortgage servicing rights is included within 'Net fee income'.

Intangible assets with finite useful lives are amortised, generally on a straight-line basis, over their useful lives as follows:

- Trade names 10 years
- Internally generated software between 3 and 10 years
- Purchased software between 3 and 10 years
- Other generally 10 years.

The analysis of intangible assets movements at 31 December is as follows:

	Internally generated software €m	Purchased software €m	Other €m	Total €m
Cost				
At 1 Jan 2024	**446**	**115**	**13**	**574**
Additions	**65**	**5**	**—**	**70**
Disposals	**(1)**	**—**	**—**	**(1)**
Amount written off	**(44)**	**(12)**	**(12)**	**(68)**
Business combination and other changes[1]	**(4)**	**(8)**	**—**	**(12)**
At 31 Dec 2024	**462**	**100**	**1**	**563**
Accumulated amortisation and impairment				
At 1 Jan 2024	**(328)**	**(112)**	**(12)**	**(452)**
Amortisation charge for the year	**(30)**	**—**	**—**	**(30)**
Impairment charge for the year	**(3)**	**—**	**—**	**(3)**
Reversal of Impairment	**—**	**—**	**—**	**—**
Amount written off	**44**	**12**	**12**	**68**
Disposals	**—**	**—**	**—**	**—**
Business combination and other changes[1]	**(1)**	**8**	**—**	**7**
At 31 Dec 2024	**(318)**	**(92)**	**—**	**(410)**
Net carrying amount at 31 Dec 2024	**144**	**8**	**1**	**153**
Cost				
At 1 Jan 2023	393	111	12	516
Additions	50	2	1	53
Disposals[2]	(25)	—	—	(25)
Amount written off	—	(1)	—	(1)
Business combination and other changes[1]	28	3	—	31
At 31 Dec 2023	446	115	13	574
Accumulated amortisation and impairment				—
At 1 Jan 2023	(323)	(107)	(12)	(442)
Amortisation charge for the year	(27)	(3)	—	(30)
Impairment charge for the year	(4)	—	—	(4)
Reversal of Impairment[3]	11	—	—	11
Amount written off	—	—	—	—
Disposals[2]	22	1	—	23
Business combination and other changes[1]	(7)	(3)	—	(10)
At 31 Dec 2023	(328)	(112)	(12)	(452)
Net carrying amount at 31 Dec 2023	118	3	1	122

1 In the year 2024, business combination and other changes include reclassification to held for sale of the insurance business in France. In the year 2023, business combination represents contribution related to the acquisition of HSBC Private Bank (Luxembourg) S.A. on 2 November 2023.
2 Disposals represents the sale of HSBC Continental Europe branch operations in Greece to Pancreta Bank SA on 28 July 2023.
3 In 2023, the reversal of impairment on the intangibles are driven by EUR 1 million in Commercial banking ('CMB') business and EUR 9 million in Global banking ('GB') business in France.

21 Prepayments, accrued income and other assets

	2024	2023
	€m	€m
Cash collateral and margin receivables	**14,128**	13,109
Settlement accounts and items in course of collection from other banks[2]	**1,193**	4,876
Prepayments and accrued income	**1,089**	1,129
Bullion	**3**	3
Property plant and equipment	**134**	862
Right of use assets[1]	**131**	156
Reinsurance contract assets (Note 5)	**3**	12
Employee benefit assets (Note 6)	**66**	46
Endorsements and acceptances	**1**	8
Other accounts	**1,250**	1,525
At 31 Dec	**17,998**	21,726

1 The net value of the right of use breaks down into EUR 388 million as gross value (2023: EUR 372 million) and EUR (257) million as depreciation and provisions (2023: EUR (216) million).
2 In 2023 'Items in the course of collection from other banks' EUR 273 million were presented on the face of the balance sheet but are now reported within 'Prepayments, accrued income and other assets' in the Universal Registration Document and Annual Financial Report 2024.

Prepayments, accrued income and other assets include EUR 17,165 million (2023: EUR 20,043 million) of financial assets, the majority of which are measured at amortised cost.

Property, plant and equipment

Land and buildings are stated at historical cost, or fair value at the date of transition to IFRS, less any impairment losses and depreciation calculated as per below:

- freehold land is not depreciated;
- acquisition-related expenses on buildings are expensed in the year in which they occur, same as preliminary costs; and
- depreciation of buildings is calculated over their estimated useful lives, which are generally between 25 to 75 years.

Equipment, fixtures and fittings (including equipment on operating leases where HSBC Continental Europe is the lessor) are stated at cost less impairment losses and depreciation is calculated on a straight-line basis to write off the assets over their estimated useful lives, which are generally between 5 to 25 years. HSBC Continental Europe holds certain properties as investments to earn rentals or for capital appreciation, or both. Investment properties are included in the balance sheet at fair value with changes in fair value recognised in the income statement in the period of change. Fair values are determined by independent professional valuers who apply recognised valuation techniques. Property, plant and equipment is subject to review for impairment if there are events or changes in circumstances that indicate that the carrying amount may not be recoverable.

	Freehold land and buildings[1]	Equipment, fixtures and fittings	Total
	€m	€m	€m
Cost or fair value			
At 1 Jan 2024	**792**	**448**	**1,240**
Additions at cost	**3**	**20**	**23**
Fair value adjustments	**(65)**	**—**	**(65)**
Disposals	**(6)**	**(40)**	**(46)**
Transfers	**—**	**—**	**—**
Business combination and other changes	**—**	**—**	**—**
Reclassified as held for sale[2]	**(661)**	**(4)**	**(665)**
At 31 Dec 2024	**63**	**424**	**487**
Accumulated depreciation			
At 1 Jan 2024	**(27)**	**(351)**	**(378)**
Depreciation charge for the year	**—**	**(27)**	**(27)**
Disposals	**3**	**39**	**42**
Transfers	**—**	**—**	**—**
Impairment loss recognised	**—**	**(4)**	**(4)**
Reversal on impairment	**—**	**10**	**10**
Business combination and other changes	**—**	**—**	**—**
Reclassified as held for sale[2]	**—**	**4**	**4**
At 31 Dec 2024	**(24)**	**(329)**	**(353)**
Net book value at 31 Dec 2024	**39**	**95**	**134**

	Freehold land and buildings[1]	Equipment, fixtures and fittings	Total
	€m	€m	€m
Cost or fair value			
At 1 Jan 2023	785	456	1,241
Additions at cost	8	16	24
Fair value adjustments	—	—	—
Disposals	(1)	(26)	(27)
Transfers	—	—	—
Business combination and other changes[3]	2	9	11
Reclassified as held for sale[4]	(2)	(7)	(9)
At 31 Dec 2023	792	448	1,240
Accumulated depreciation			
At 1 Jan 2023	(19)	(375)	(394)
Depreciation charge for the year	(1)	(35)	(36)
Disposals	1	23	24
Transfers	—	—	—
Impairment loss recognised	(3)	(7)	(10)
Reversal on impairment	—	41	41
Business combination and other changes[3]	(6)	(5)	(11)
Reclassified as held for sale[4]	1	7	8
At 31 Dec 2023	(27)	(351)	(378)
Net book value at 31 Dec 2023	765	97	862

1 Includes EUR 13 million of leasehold land and building for which the rights of use are considered sufficient to constitute control and for which there are insignificant lease liabilities (2023: EUR 13 million). They are therefore presented as owned assets.
2 Represents reclassification to held for sale related to HSBC Assurances Vie (France) in the fourth quarter of 2024.
3 The year 2023 includes the acquisition of HSBC Private Bank (Luxembourg) S.A. on 2 November 2023.
4 Represents reclassification to held for sale related to retail banking operations in France in the fourth quarter of 2023.

Impairment Testing

Impairment of non-financial assets (including Tangible and Right of Use Assets) is assessed in accordance with our policy explained in Note 1.2(n) by comparing the net carrying amount of Cash Generate Units ('CGUs') with their recoverable amounts. No significant impairment was recognised during the year. However, reversal of impairment net of depreciation catch-up of EUR 5 million (31 December 2023: EUR 23 million) on Tangible assets (Gross EUR 10 million (31 December 2023: EUR 41 million), Depreciation catch-up EUR (5) million (31 December 2023: EUR (18) million)) and EUR 6 million (31 December 2023: EUR 27 million) on Right of Use Assets (Gross EUR 14 million (31 December 2023: EUR 42 million), Depreciation catch-up EUR (8) million (31 December 2023: EUR (15) million)) was recognised during the year. The CGUs are considered to be the global business within the principal operating entities, therefore the reversal of impairment net of depreciation catch-up are allocated by EUR 7 million in Commercial Banking ('CMB') business (31 December 2023: EUR 32 million) and EUR 4 million Global Banking ('GB') business (31 December 2023: EUR 18 million) in France.

22 Trading liabilities

	2024	2023
	€m	€m
Deposits by banks[1]	**—**	8
Customer accounts[1]	**1**	—
Other debt securities in issue	**—**	—
Other liabilities – net short positions in securities	**16,479**	19,869
At 31 Dec	**16,480**	19,877

1 'Deposits by banks' and 'Customer accounts' include repos, stock lending and other amounts.

23 Financial liabilities designated at fair value

	2024	2023
	€m	€m
Deposits by banks and customer accounts	**58**	15
Liabilities to customers under investment contracts	**168**	167
Debt securities in issue	**9,680**	9,514
At 31 Dec	**9,906**	9,696

At 31 December 2024 the carrying amount of financial liabilities designated at fair value was EUR (356) million lower than the contractual amount at maturity (at 31 December 2023: EUR (497) million lower). At 31 December 2024, the cumulative amount of change in fair value attributable to changes in credit risk was EUR (72) million (at 31 December 2023: EUR (125) million). In 2024, HSBC Continental Europe recognised a variation of EUR (26) million in other comprehensive income in respect of HSBC Continental Europe's own credit risk (at 31 December 2023: EUR (84) million).

24 Accruals, deferred income and other liabilities

	2024	2023
	€m	€m
Cash collateral and margin payables	**13,528**	15,446
Settlement accounts and items in the course of transmission to other banks[1]	**1,247**	1,565
Accruals and deferred income	**1,137**	1,176
Lease liabilities	**174**	216
Employee benefit liabilities (Note 6)	**75**	74
Endorsements and acceptances	**1**	4
Reinsurance contract liabilities	**—**	4
Other liabilities	**1,686**	3,304
At 31 Dec	**17,848**	21,789

1 In 2023 'Items in the course of transmission to other banks' EUR 320 million were presented on the face of the balance sheet but are now reported within 'Accruals, deferred income and other liabilities' in the Universal Registration Document and Annual Financial Report 2024.

At 31 December 2024 Accruals, deferred income and other liabilities include EUR 17,052 million (at 31 December 2023: EUR 20,982 million), of financial liabilities, the majority of which are measured at amortised cost.

25 Provisions

HSBC Continental Europe recognises a provision when the following three criteria are met:

– existence of a present obligation occurring from a past event;

– it is probable that an outflow of resources will be required to settle the obligation; and

– a reliable estimate of the amount can be made.

	Restructuring costs	**Legal proceedings and regulatory matters**	**Customer remediation**	**Other provisions**	**Total**
	€m	**€m**	**€m**	**€m**	**€m**
Provisions (excluding contractual commitments)					
At 1 Jan 2024	78	10	4	95	187
Additions	**3**	**3**	**1**	**22**	**29**
Amounts utilised	**(43)**	**(3)**	**—**	**(53)**	**(99)**
Unused amounts reversed	**(16)**	**(3)**	**(1)**	**(14)**	**(34)**
Exchange and other movements	**(1)**	**—**	**—**	**32**	**31**
At 31 Dec 2024	**21**	**7**	**4**	**82**	**114**
Contractual commitments[1]					
At 1 Jan 2024					58
Net change in expected credit loss provisions and other movements					**12**
At 31 Dec 2024					**70**
Total provisions					
At 31 Dec 2023					245
At 31 Dec 2024					**184**

1 The contractual commitments provision includes off-balance sheet loan commitments and guarantees, for which expected credit losses are provided under IFRS 9. Further analysis of the movement in the expected credit loss is disclosed within the 'Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees' table under section 'Credit Risk'.

	Restructuring costs[1]	Legal proceedings and regulatory matters	Customer remediation	Other provisions	Total
	€m	€m	€m	€m	€m
Provisions (excluding contractual commitments)					
At 1 Jan 2023	121	19	4	79	223
Additions[1]	19	5	1	52	77
Amounts utilised	(35)	(4)	—	(23)	(62)
Unused amounts reversed	(24)	(10)	(1)	(20)	(55)
Exchange and other movements	(3)	—	—	7	4
At 31 Dec 2023	78	10	4	95	187
Contractual commitments[2]					
At 1 Jan 2023					63
Net change in expected credit loss provisions and other movements					(5)
At 31 Dec 2023					58
Total provisions					
At 31 Dec 2022					286
At 31 Dec 2023					245

1 On 9th October 2023, HSBC Continental Europe announced a voluntary redundancy plan ('Rupture Conventionelle Collective') impacting the Private banking operations in the French branch of HSBC Private Bank (Luxembourg) S.A. A provision of EUR 11 million for restructuring costs was recorded as at 31st December 2023.

2 The contractual commitments provision includes off-balance sheet loan commitments and guarantees, for which expected credit losses are provided under IFRS 9. Further analysis of the movement in the expected credit loss is disclosed within the 'Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees' table under section 'Credit Risk'.

Further details of 'Legal proceedings and regulatory matters' regarding the HSBC Group entities are set out in Note 32.

26 Subordinated liabilities

Subordinated liabilities are initially measured at fair value, which is the consideration received net of directly attributable transaction costs incurred. Subsequent measurement is at amortised cost, using the effective interest rate method to amortise the difference between proceeds net of directly attributable transaction costs and the redemption amount over the expected life of the debt, unless the instruments are designated at fair value.

	2024	2023
	€m	€m
At amortised cost	**1,941**	1,951
Total at 31 Dec	**1,941**	1,951

		Book value	
		2024	2023
		€m	€m
Tier 2 instruments issued by HSBC Continental Europe and its subsidiaries			
EUR 16 million	Undated subordinated variable rate notes	**16**	16
EUR 300 million	Floating rate Subordinated Loan maturing 2028	**—**	300
EUR 400 million	Floating rate Subordinated Loan maturing 2029	**—**	400
EUR 100 million	Floating rate Subordinated Loan maturing 2029	**—**	100
EUR 260 million	Floating rate Subordinated Loan maturing 2029	**—**	260
EUR 500 million	Floating rate Subordinated Loan maturing 2030	**500**	500
EUR 150 million	Floating Rate Subordinated Loan maturing 2029	**—**	150
EUR 10 million	4.21% Subordinated Loan maturing 2025	**10**	10
EUR 5 million	4.21% Subordinated Loan maturing 2025	**5**	5
EUR 10 million	5.50% Subordinated Loan maturing 2028	**10**	10
EUR 200 million	Floating Rate Subordinated Loan maturing 2034	**200**	200
EUR 400 million	Floating Rate Subordinated Loan maturing 2035	**400**	—
EUR 300 million	Floating Rate Subordinated Loan maturing 2035	**300**	—
EUR 500 million	Floating Rate Subordinated Loan maturing 2036	**500**	—
At 31 Dec		**1,941**	1,951

27 Maturity analysis of financial assets, liabilities and off-balance sheet commitments

Contractual maturity of financial liabilities

The balances in the table below do not agree directly with those in the consolidated balance sheet as the table incorporates, on an undiscounted basis, all cash flows relating to principal and future coupon payments (except for trading liabilities and derivatives not treated as hedging derivatives).

Undiscounted cash flows payable in relation to hedging derivative liabilities are classified according to their contractual maturities. Trading liabilities and derivatives not treated as hedging derivatives are included in the 'On demand' time bucket and not by contractual maturity.

In addition, loans and other credit-related commitments, financial guarantees and similar contracts are generally not recognised on the balance sheet. The undiscounted cash flows potentially payable under financial guarantees and similar contracts are classified on the basis of the earliest date they can be called.

Distribution of cash flows payable by maturity

	2024					
	Due not more than 1 month	**Due over 1 month but not over 3 months**	**Due between 3 and 12 months**	**Due between 1 and 5 years**	**Due after 5 years**	**Total**
	€m	**€m**	**€m**	**€m**	**€m**	**€m**
Deposits by banks	**10,284**	**58**	**242**	**979**	**382**	**11,945**
Customer accounts	**89,069**	**4,502**	**3,166**	**378**	**107**	**97,222**
Repurchase Agreements – non–trading	**11,262**	**823**	**303**	**—**	**—**	**12,388**
Trading liabilities	**16,480**	**—**	**—**	**—**	**—**	**16,480**
Financial liabilities designated at fair value	**305**	**428**	**1,377**	**5,336**	**3,207**	**10,653**
Derivatives	**41,791**	**—**	**—**	**40**	**26**	**41,857**
Debt securities in issue	**878**	**1,451**	**4,072**	**6,253**	**3,863**	**16,517**
Subordinated liabilities	**—**	**—**	**522**	**240**	**1,422**	**2,184**
Other financial liabilities	**16,220**	**102**	**304**	**136**	**27**	**16,789**
Liabilities of disposal groups held for sale[1]	**2,037**	**124**	**111**	**—**	**1,396**	**3,668**
Sub Total	**188,326**	**7,488**	**10,097**	**13,362**	**10,430**	**229,703**
Loan and other credit-related commitments	**110,820**	**—**	**—**	**—**	**—**	**110,820**
Financial guarantees[2]	**1,950**	**—**	**—**	**—**	**—**	**1,950**
Total at 31 Dec 2024	**301,096**	**7,488**	**10,097**	**13,362**	**10,430**	**342,473**
Proportion of cash flows payable in period (%)	**88**	**2**	**3**	**4**	**3**	
	2023					
Deposits by banks[3]	7,650	1,080	303	1,046	310	10,389
Customer accounts[3]	82,144	7,193	4,284	381	91	94,093
Repurchase Agreements – non–trading	10,423	556	199	—	—	11,178
Trading liabilities	19,877	—	—	—	—	19,877
Financial liabilities designated at fair value	477	507	2,680	4,266	2,440	10,370
Derivatives	43,555	—	—	51	24	43,630
Debt securities in issue	738	2,102	3,774	4,701	2,945	14,260
Subordinated liabilities	401	2	109	929	740	2,181
Other financial liabilities	18,651	84	429	157	1,379	20,700
Liabilities of disposal groups held for sale[1]	17,887	693	1,647	2,467	1,288	23,982
Sub Total	201,803	12,217	13,425	13,998	9,217	250,660
Loan and other credit-related commitments	112,147	—	—	—	—	112,147
Financial guarantees[2]	1,552	—	—	—	—	1,552
Total at 31 Dec 2023	315,502	12,217	13,425	13,998	9,217	364,359
Proportion of cash flows payable in period (%)	87	3	4	4	2	

1 The 2024 liabilities held for sale include disposal group related to the planned sale of the life insurance business in France and the private banking business in Germany. The 2023 assets and liabilities held for sale include disposal group related to the sale of retail banking operations in France and sale of the hedge fund administration business operations in HSBC Continental Europe.

2 Financial guarantees includes EUR 1.9 billion (2023: EUR 1.5 billion), for which expected credit losses are provided under IFRS 9. Further analysis of the movement in the expected credit loss is disclosed within the 'Distribution of financial instruments by credit quality' table under section 'Credit Risk'.

3 Following a customer classification error, the comparatives as at 31 December 2023 have been represented by EUR 1.4 billion between 'Deposits by banks' and 'Customer accounts'.

Maturity analysis of financial assets and liabilities

The following tables provides an analysis of financial assets and liabilities by residual contractual maturity at the balance sheet date. These balances are included in the maturity analysis as follows:

- trading assets and liabilities (including trading derivatives but excluding reverse repos, repos and debt securities in issue) are included in the 'Due within 1 year' time bucket, because trading balances are typically held for short periods of time;
- financial assets and liabilities with no contractual maturity (such as equity securities) are included in the 'Due after more than 1 year' time bucket. Undated or perpetual instruments are classified based on the contractual notice period which the counterparty of the instrument is entitled to give. Where there is no contractual notice period, undated or perpetual contracts are included in the 'Due after more than 1 year' time bucket;
- financial instruments included within assets and liabilities of disposal groups held for sale are classified on the basis of the contractual maturity of the underlying instruments and not on the basis of the disposal transaction; and
- liabilities under investment contracts are classified in accordance with their contractual maturity. Undated investment contracts are included in the 'Due after more than 1 year' time bucket, however, such contracts are subject to surrender and transfer options by the policyholders.

Maturity analysis of financial assets and financial liabilities

	2024			2023		
	Due within 1 year	**Due after more than 1 year**	**Total**	Due within 1 year	Due after more than 1 year	Total
	€m	**€m**	**€m**	€m	€m	€m
Financial assets						
Cash and balances at central banks	**48,907**	**—**	**48,907**	56,894	—	56,894
Trading assets	**22,840**	**13**	**22,853**	17,233	16	17,249
Financial assets designated or otherwise mandatorily measured at fair value	**561**	**1,002**	**1,563**	85	13,505	13,590
Derivatives	**43,162**	**89**	**43,251**	45,357	165	45,522
Loans and advances to banks	**5,460**	**243**	**5,703**	5,663	153	5,816
Loans and advances to customers	**18,058**	**33,230**	**51,288**	17,045	33,082	50,127
Reverse repurchase agreements – non-trading	**25,647**	**117**	**25,764**	24,334	156	24,490
Financial investments	**3,863**	**16,877**	**20,740**	2,685	19,923	22,608
Assets held for sale[1]	**3,578**	**21,168**	**24,746**	11,487	13,500	24,987
Other financial assets[2]	**17,000**	**349**	**17,349**	19,984	332	20,316
Total at 31 Dec	**189,076**	**73,088**	**262,164**	200,767	80,832	281,599
Financial liabilities						
Deposits by banks[3]	**10,564**	**1,256**	**11,820**	9,014	1,247	10,261
Customer accounts[3]	**96,609**	**456**	**97,065**	93,447	443	93,890
Repurchase agreements – non-trading	**12,344**	**—**	**12,344**	11,153	—	11,153
Trading liabilities	**16,480**	**—**	**16,480**	19,877	—	19,877
Financial liabilities designated at fair value	**1,980**	**7,926**	**9,906**	3,637	6,059	9,696
Derivatives	**41,791**	**66**	**41,857**	43,555	75	43,630
Debt securities in issue	**6,398**	**8,859**	**15,257**	6,601	6,308	12,909
Liabilities of disposal groups held for sale[1]	**2,279**	**1,398**	**3,677**	20,253	3,496	23,749
Other financial liabilities[2]	**17,104**	**315**	**17,419**	19,768	1,534	21,302
Subordinated liabilities	**515**	**1,426**	**1,941**	500	1,451	1,951
Total at 31 Dec	**206,064**	**21,702**	**227,766**	227,805	20,613	248,418

1 The 2024 assets and liabilities held for sale include disposal group related to the planned sale of the life insurance business in France and the private banking business in Germany. The 2023 assets and liabilities held for sale include disposal group related to the sale of retail banking operations in France and sale of the hedge fund administration business operations in HSBC Continental Europe.
2 In 2023 'Items in the course of collection from other banks' EUR 273 million were presented on the face of the Maturity analysis of financial assets and financial liabilities but are now reported within 'Other financial assets' in the Universal Registration Document and Annual Financial Report 2024. Similarly, 'Items in the course of transmission to other banks' EUR 320 million are presented within 'Other financial liabilities'.
3 Following a customer classification error, the comparatives as at 31 December 2023 have been represented by EUR 1.4 billion between 'Deposits by banks' and 'Customer accounts'.

Further information regarding HSBC Continental Europe's liquidity and funding management is available in the Risk Management section page 215 and following.

28 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously ('the offset criteria').

In the following table, the 'Amounts not set off in the balance sheet' include transactions where:

– the counterparty has an offsetting exposure with HSBC Continental Europe and a master netting or similar arrangement is in place with a right of set off only in the event of default, insolvency or bankruptcy, or the offset criteria are not otherwise satisfied; and

– in the case of derivatives, reverse repurchase/repurchase, stock borrowing/lending and similar agreements, cash and non-cash collateral (debt securities and equities) has been received/pledged to cover net exposure in the event of a default or other predetermined events.

The effect of over-collateralisation is excluded.

'Amounts not subject to enforceable master netting agreements' include contracts executed in jurisdictions where the rights of set off may not be upheld under the local bankruptcy laws, and transactions where a legal opinion evidencing enforceability of the right of offset may not have been sought, or may have been unable to obtain.

Offsetting of financial assets and financial liabilities

	Amounts subject to enforceable netting arrangements							
				Amounts not offset in the balance sheet				
	Gross amounts	Amounts offset	Net amounts in the balance sheet	Financial Instruments including non-cash collateral	Cash collateral	Net amount	Amounts not subject to enforceable netting arrangements[3]	Total
	€m	€m	€m	€m	€m	€m	€m	€m
Financial assets								
Derivatives (Note 15)[1]	**55,491**	**(14,839)**	**40,652**	**(30,260)**	**(9,785)**	**607**	**2,599**	**43,251**
Reverse repos, stock borrowing and similar agreements classified as:[2]	**62,970**	**(37,167)**	**25,803**	**(25,587)**	**(216)**	**—**	**186**	**25,989**
– trading assets	**39**	**—**	**39**	**(39)**	**—**	**—**	**186**	**225**
– non-trading assets	**62,931**	**(37,167)**	**25,764**	**(25,548)**	**(216)**	**—**	**—**	**25,764**
At 31 Dec 2024	**118,461**	**(52,006)**	**66,455**	**(55,847)**	**(10,001)**	**607**	**2,785**	**69,240**
Derivatives (Note 15)[1]	64,558	(19,479)	45,079	(34,097)	(10,170)	812	443	45,522
Reverse repos, stock borrowing and similar agreements classified as:[2]	50,300	(25,757)	24,543	(24,471)	(72)	—	61	24,604
– trading assets	53	—	53	(53)	—	—	61	114
– non-trading assets	50,247	(25,757)	24,490	(24,418)	(72)	—	—	24,490
At 31 Dec 2023	114,858	(45,236)	69,622	(58,568)	(10,242)	812	504	70,126
Financial Liabilities								
Derivatives (Note 15)[1]	**55,816**	**(14,839)**	**40,977**	**(29,513)**	**(10,408)**	**1,056**	**880**	**41,857**
Repos, stock lending and similar agreements classified as:[2]	**49,511**	**(37,167)**	**12,344**	**(12,166)**	**(178)**	**—**	**1**	**12,345**
– trading liabilities	**—**	**—**	**—**	**—**	**—**	**—**	**1**	**1**
– non-trading liabilities	**49,511**	**(37,167)**	**12,344**	**(12,166)**	**(178)**	**—**	**—**	**12,344**
At 31 Dec 2024	**105,327**	**(52,006)**	**53,321**	**(41,679)**	**(10,586)**	**1,056**	**881**	**54,202**
Derivatives (Note 15)[1]	62,324	(19,479)	42,845	(35,011)	(6,994)	840	785	43,630
Repos, stock lending and similar agreements classified as:[2]	36,912	(25,757)	11,155	(10,534)	(621)	—	5	11,160
– trading liabilities	2	—	2	(2)	—	—	5	7
– non-trading liabilities	36,910	(25,757)	11,153	(10,532)	(621)	—	—	11,153
At 31 Dec 2023	99,236	(45,236)	54,000	(45,545)	(7,615)	840	790	54,790

1 At 31 December 2024, the amount of cash margin received that had been offset against the gross derivatives assets was EUR 720 million (2023: EUR 852 million). The amount of cash margin paid that had been offset against the gross derivatives liabilities was EUR 1,592 million (2023: EUR 3,300 million).

2 For the amount of repos, reverse repos, stock lending, stock borrowing and similar agreements recognised on the balance sheet within 'Trading Assets' and 'Trading Liabilities', see the 'Funding sources and uses' table on page 215.

3 These exposures continue to be secured by financial collateral, but HSBC Continental Europe may not have sought or been able to obtain a legal opinion evidencing enforceability of the right of offset.

29 Called up share capital and other equity instruments

Called up share capital and share premium

At 31 December 2024, HSBC Continental Europe's capital amounted to EUR 1,328 million divided into 265,583,192 ordinary shares with a nominal value of EUR 5, fully paid up.

HSBC Continental Europe ordinary shares of EUR 5 each

	2024		2023	
	Number	**€m**	Number	€m
At 1 Jan	**212,466,555**	**1,062**	212,466,555	1,062
Shares issued	**53,116,637**	**266**	—	—
At 31 Dec	**265,583,192**	**1,328**	212,466,555	1,062

HSBC Continental Europe share premium

	2024	2023
	€m	€m
At 31 Dec	**6,747**	5,264

Total called up share capital and share premium

	2024	2023
	€m	€m
At 31 Dec	**8,075**	6,326

Other equity instruments

Additional tier 1 capital instruments

HSBC Continental Europe's additional tier 1 capital instruments in issue which are accounted for as equity

		First call date	2024 €m	2023 €m
EUR 200 million	Perpetual Subordinated additional Tier 1 instruments issued in 2017	26/05/2022	**200**	200
EUR 300 million	Perpetual Subordinated additional Tier 1 instruments issued in 2018	28/03/2023	**300**	300
EUR 250 million	Perpetual Subordinated additional Tier 1 instruments issued in 2019	18/12/2024	**—**	250
EUR 250 million	Perpetual Subordinated additional Tier 1 instruments issued in 2022	24/03/2027	**248**	248
EUR 250 million	Perpetual Subordinated additional Tier 1 instruments issued in 2024	18/12/2029	**247**	—
EUR 235 million	Perpetual Subordinated Resettable Additional Tier 1 instrument issued in 2016	01/01/2022	**235**	235
EUR 200 million	Perpetual Subordinated Resettable Additional Tier 1 instrument issued in 2019	01/01/2025	**200**	200
At 31 Dec			**1,430**	1,433

30 Contingent liabilities, contractual commitments and guarantees

Contingent liabilities and commitments

	2024	2023
	€m	€m
Guarantees and other contingent liabilities:[1]		
– financial guarantees	**1,950**	1,552
– performance and other guarantees	**16,899**	15,261
– other contingent liabilities	**16**	2
At 31 Dec	**18,865**	16,815
Commitments:[1,2]		
– documentary credits and short-term trade-related transactions	**1,099**	1,192
– forward asset purchases and forward deposits placed	**35,132**	40,573
– standby facilities, credit lines and other commitments to lend	**74,589**	70,382
At 31 Dec	**110,820**	112,147

1 Includes EUR 0.3 million guarantees and other contingent liabilities and EUR 454 million commitments related to private banking business in Germany at 31 Dec 2024 (2023 : EUR 80 million guarantees and other contingent liabilities and EUR 509 million commitments related to retail banking operations in France, and EUR 5 million commitments related to hedge fund administration business operations in France).
2 Includes EUR 104,656 million of commitments at 31 December 2024 (2023: EUR 106,159 million), to which the impairment requirements in IFRS 9 are applied where HSBC Continental Europe has become party to an irrevocable commitment.

The amounts disclosed in the above table reflect HSBC Continental Europe's maximum exposure under a large number of individual guarantee undertakings. The risks and exposures arising from guarantees are captured and managed in accordance with HSBC Continental Europe's overall credit risk management policies and procedures. Guarantees with terms of more than one year are subject to HSBC Continental Europe's annual credit review process. The total of the nominal principal amounts is not representative of future liquidity needs.

Guarantees

HSBC Continental Europe provides guarantees and similar undertakings on behalf of both third-party customers and other entities within the HSBC Group. These guarantees are generally provided in the normal course of HSBC Continental Europe's banking business. The principal types of guarantees provided, and the maximum potential amount of future payments which HSBC Continental Europe could be required to make at 31 December were as follows:

	2024		2023	
	In favour of third parties	**In favour of other HSBC Group entities**	In favour of third parties	In favour of other HSBC Group entities
	€m	**€m**	€m	€m
Guarantee type				
Financial guarantees contracts	**1,389**	**561**	1,084	468
Performance and other guarantees	**15,551**	**1,348**	14,006	1,255
At 31 Dec	**16,940**	**1,909**	15,090	1,723

Financial guarantees include undertakings to fulfil the obligations of customers or group entities, should the obligated party fail to do so. Financial guarantees also include stand-by letters of credit, which are financial guarantees given irrevocable obligations on the part of HSBC Continental Europe to pay a third party when a customer fails to meet a commitment.

Performance guarantees include performance bonds, direct credit substitutes, stand-by letters of credit related to particular transactions which are undertakings by which the requirement to make payment under the guarantee depends on the outcome of a future event which is unconnected to the creditworthiness of the customer. Other guarantees includes bid bonds and another transaction-related guarantees which are undertakings by which the requirement to make payment under the guarantee depends on the outcome of a future event which is unconnected to the creditworthiness of the customer.

The amounts disclosed in the above table reflect HSBC Continental Europe’s maximum exposure under a large number of individual guarantee undertakings. The risks and exposures arising from guarantees are captured and managed in accordance with our overall credit risk management policies and procedures.

Guarantees with terms of more than one year are subject to the annual credit review process.

HSBC Continental Europe has no contingent liabilities or commitments in relation to joint ventures or associates, incurred jointly or otherwise.

The majority of the above guarantees have a term of more than one year. Those guarantees are subject to HSBC Continental Europe’s annual credit review process.

When HSBC Continental Europe gives a guarantee on behalf of a customer, it retains the right to recover from that customer amounts paid under the guarantee.

31 Finance lease receivables

HSBC Continental Europe leases a variety of assets to third parties under finance leases, including transport assets (such as aircraft), property and general plant and machinery. At the end of lease terms, assets may be sold to third parties or leased for further terms. Rentals are calculated to recover the cost of assets less their residual value, and earn finance income.

	2024			2023		
	Total future minimum payments	**Unearned finance income**	**Present Value**	Total future minimum payments	Unearned finance income	Present Value
	€m	**€m**	**€m**	€m	€m	€m
Lease receivables						
– **No later than one year**	**131**	**(16)**	**115**	179	(22)	157
– **Later than one year and no later than five years**	**366**	**(54)**	**312**	538	(72)	466
– One to two years	**111**	**(16)**	**95**	247	(26)	221
– Two to three years	**96**	**(14)**	**82**	108	(17)	91
– Three to four years	**90**	**(12)**	**78**	115	(15)	100
– Four to five years	**69**	**(12)**	**57**	68	(14)	54
– **Later than five years**	**291**	**(22)**	**269**	359	(33)	326
Total at 31 Dec	**788**	**(92)**	**696**	1,076	(127)	949

32 Legal proceedings and regulatory matters relating to HSBC group entities generally

HSBC Group entities, including HSBC Continental Europe, are party to various legal proceedings and regulatory matters arising out of their normal business operations. Apart from the matters described below and in the section 'Legal risks and litigation management' on pages 223 to 224 of the Universal Registration Document 2024, HSBC Continental Europe considers that none of these matters is significant. HSBC Continental Europe recognises a provision for a liability in relation to these matters when it is probable that an outflow of economic benefits will be required to settle an obligation which has arisen as a result of past events, and for which a reliable estimate can be made of the amount of the obligation. Any provision recognised does not constitute an admission of wrongdoing or legal liability. While the outcome of these matters is inherently uncertain, management believes that, based on the information available to it, appropriate provisions, as necessary, have been made in respect of such legal proceedings as at 31 December 2024.

Bernard L. Madoff Investment Securities LLC

Various non-US HSBC companies, including HSBC Institutional Trust Services (Ireland) DAC ('HTIE') and/or its subsidiary Somers Dublin DAC, provided custodial, administration and similar services to a number of funds incorporated outside the US whose assets were invested with Bernard L. Madoff Investment Securities LLC ('Madoff Securities').

On 1 August 2018, HSBC Continental Europe acquired from HSBC Bank plc 100 per cent of the shares of HTIE. Pursuant to the terms of the Sale and Purchase Agreement, HSBC Continental Europe and/or its subsidiaries will be indemnified by HSBC Bank plc in respect of certain liabilities relating to the activities of HTIE and/or Somers. (HTIE subsequently merged into HSBC Continental Europe Dublin Branch).

The Madoff-related proceeding in which HTIE and/or its subsidiary Somers Dublin DAC are involved is described below:

US litigation:

Madoff Securities is being liquidated in the US by a trustee who has brought lawsuits against various HSBC companies and others, seeking recovery of alleged transfers from Madoff Securities to HSBC in the amount of USD 543m (plus interest). These lawsuits remain pending in the US Bankruptcy Court for the Southern District of New York.

European interbank offered rates litigation

In December 2016, the European Commission ('EC') issued a decision finding that HSBC, among other banks, engaged in anti-competitive practices in connection with the pricing of euro interest rate derivatives, and the EC imposed a fine on HSBC based on a one-month infringement in 2007. The fine was annulled in 2019 and a lower fine was imposed in 2021, which has been paid. In January 2023, the European Court of Justice dismissed an appeal by HSBC and upheld the EC's findings on HSBC's liability. In November 2024, the General Court of the European Union rejected a separate appeal by HSBC concerning the amount of the fine. This matter is now closed.

Tax-related investigations

Since 2023, the French National Financial Prosecutor has been investigating a number of banks, including HSBC Continental Europe and the Paris branch of HSBC Bank plc, in connection with alleged tax fraud related to the dividend withholding tax treatment of certain trading activities. HSBC Bank plc and the German branch of HSBC Continental Europe also continue to cooperate with investigations by the German public prosecutor into numerous financial institutions and their employees, in connection with the dividend withholding tax treatment of certain trading activities.

Based on the facts currently known, it is not practicable at this time for HSBC to predict the resolution of these matters, including the timing or any possible impact on HSBC, which could be significant.

Other regulatory investigations, reviews and litigation

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

At the present time, HSBC Continental Europe does not expect the ultimate resolution of any of these matters to be material to its financial position. However, given the uncertainties involved in legal proceedings and regulatory matters, there can be no assurance regarding the eventual outcome of a particular matter or matters.

33 Related party transactions

The ultimate parent company of the Group is HSBC Holdings plc, which is incorporated in the United Kingdom.

Copies of the Group financial statements may be obtained from the following address:

HSBC Holdings plc

8 Canada Square

London

E14 5HQ

All transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment or present other unfavourable features.

Key Management Personnel

The table below sets out transactions which fall under IAS 24 'Related Party Disclosures' between HSBC Continental Europe and the Key Management Personnel of HSBC Continental Europe and on one hand, their respective spouses and children living in the family home, and on the other hand, controlled companies.

Transactions and balances during the year with Key Management Personnel

	2024			2023		
	Number of persons	**Balance at 31 Dec[2]**	**Highest amounts outstanding during year[2]**	Number of persons	Balance at 31 Dec[2]	Highest amounts outstanding during year[2]
		€k	**€k**		€k	€k
Key Management Personnel[1]						
Advances and credits	**20**	**—**	**—**	17	146	535
Guarantees	**20**	**—**	**—**	17	—	—
Deposits	**20**	**—**	**480**	17	6,632	13,178

1 Includes Key Management Personnel, close family members of Key Management Personnel and entities which are controlled or jointly controlled by Key Management Personnel or their close family members.
2 The highest balance during the year and the balance at 31 December are considered to be the most significant information to show the transactions during the year.

Compensation to the Key Management Personnel of HSBC Continental Europe under IAS 24 is disclosed as follows:

Compensation of Key Management Personnel

	2024	2023
	€k	€k
Short-term employee benefits	**213**	175
Post-employment benefits	**186**	104
Other long-term employee benefits	**—**	—
Termination benefits	**84**	60
Share-based payments	**923**	755
At 31 Dec	**1,406**	1,094

Shareholdings, options and other securities of Key Management Personnel

	2024	2023
Number of options held over HSBC Holdings ordinary shares under employee share plans	**—**	—
Number of HSBC Holdings ordinary shares held beneficially and non-beneficially	**67,438**	46,927
At 31 Dec	**67,438**	46,927

The Corporate governance report also includes a detailed description of Directors' remuneration (see page 41 and following).

Transactions with other related parties

There is no significant amount due to joint ventures and associates.

Transactions detailed below include amounts due to/from HSBC Continental Europe and fellow subsidiaries of the HSBC Group.

Transactions and balances during the year with HSBC Bank plc, subsidiaries of HSBC Bank plc, HSBC Holdings plc and its subsidiaries[1]

	2024					
	Due to/from HSBC Bank plc (Parent)		Due to/from subsidiaries of HSBC Bank plc		Due to/from HSBC Holding plc and its subsidiaries	
	Highest balance during the year until 31 December	Balance at 31 December	Highest balance during the year until 31 December	Balance at 31 December	Highest balance during the year until 31 December	Balance at 31 December
	€m	€m	€m	€m	€m	€m
Assets						
Trading assets	**117**	**117**	**—**	**—**	**16**	**—**
Derivatives	**11,635**	**11,635**	**6**	**6**	**1,947**	**1,647**
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	**52**	**50**	**—**	**—**	**31**	**—**
Loans and advances to banks	**1,297**	**1,230**	**481**	**442**	**1,440**	**537**
Loans and advances to customers	**—**	**—**	**4**	**—**	**549**	**298**
Financial investments	**—**	**—**	**—**	**—**	**223**	**95**
Reverse repurchase agreements – non-trading	**3,654**	**2,413**	**—**	**—**	**3,984**	**3,712**
Prepayments, accrued income and Other assets	**7,853**	**3,039**	**121**	**92**	**1,957**	**1,515**
Total related party assets at 31 Dec	**24,608**	**18,484**	**612**	**540**	**10,147**	**7,804**
Liabilities						
Trading liabilities	**2**	**—**	**—**	**—**	**2**	**1**
Deposits by banks	**1,447**	**652**	**470**	**423**	**2,270**	**1,322**
Customer accounts	**—**	**—**	**60**	**59**	**420**	**250**
Derivatives	**13,869**	**13,869**	**5**	**1**	**2,816**	**2,816**
Subordinated amount due	**1,900**	**1,900**	**—**	**—**	**260**	**—**
Repurchase agreements – non-trading	**4,578**	**1,717**	**19**	**19**	**764**	**165**
Provisions, accruals, deferred income and other liabilities	**5,978**	**691**	**75**	**43**	**1,380**	**351**
Total related party liabilities at 31 Dec	**27,774**	**18,829**	**629**	**545**	**7,912**	**4,905**
Guarantees and commitments	**4,224**	**265**	**243**	**231**	**2,559**	**2,416**
	2023					
Assets						
Trading assets	59	57	—	—	16	16
Derivatives	15,014	11,584	—	—	1,571	1,571
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	287	50	—	—	30	30
Loans and advances to banks	1,177	1,055	36	33	3,330	981
Loans and advances to customers	—	—	4	2	477	292
Financial investments	—	—	—	—	223	223
Reverse repurchase agreements – non-trading	2,781	1,338	—	—	887	887
Prepayments,accrued income and Other assets	7,661	1,403	115	94	2,397	833
Total related party assets at 31 Dec	26,980	15,487	155	129	8,932	4,833
Liabilities						
Trading liabilities	19	2	—	—	1	1
Financial liabilities designated at fair value	—	—	—	—	—	—
Deposits by banks	2,262	1,358	364	364	3,324	766
Customer accounts	—	—	49	43	202	141
Derivatives	12,772	10,328	—	—	2,511	1,726
Subordinated amount due	1,712	1,650	—	—	260	260
Repurchase agreements – non-trading	4,578	4,578	—	—	1,121	51
Provisions, accruals, deferred income and other liabilities	7,856	2,591	58	50	1,457	743
Total related party liabilities at 31 Dec	29,199	20,508	471	457	8,876	3,688
Guarantees and commitments	2,775	560	96	96	2,364	1,557

Transactions and balances during the year with HSBC Bank plc, subsidiaries of HSBC Bank plc, HSBC Holdings plc and its subsidiaries

	2024			2023[1]		
	Due to/from HSBC Bank plc (Parent)	**Due to/from subsidiaries of HSBC Bank plc**	**Due to/from HSBC Holding plc and its subsidiaries**	Due to/from HSBC Bank plc (Parent)	Due to/from subsidiaries of HSBC Bank plc	Due to/from HSBC Holding plc and its subsidiaries
	€m	**€m**	**€m**	€m	€m	€m
Income Statement (continuing operations)						
Interest income	**478**	**6**	**135**	188	1	91
Interest expense	**555**	**19**	**78**	335	5	119
Fee income	**105**	**1**	**46**	97	1	45
Fee expense	**100**	**2**	**37**	71	1	25
Gains less losses from financial investments	**—**	**—**	**2**	—	—	—
Other operating income	**15**	**2**	**31**	12	2	37
Dividend income	**—**	**—**	**—**	—	—	—
General and administrative expenses	**10**	**1**	**788**	21	—	622

1 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the planned sale of the life insurance business in France. This also includes discontinued operations related to the sale of the retail banking operations in France.

The above outstanding balances arose in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with third-party counterparties.

34 Events after the balance sheet date

There has been no significant event between 31 December 2024 and the date of approval of these financial statements by the Board of Directors which would require an adjustment or additional disclosure in the financial statements.

35 HSBC Continental Europe subsidiaries, joint ventures and associates

HSBC Continental Europe classifies investments in entities which it controls as subsidiaries. HSBC Continental Europe consolidation policy is described in Note 1.

Consolidated Subsidiaries	Country of incorporation or registration	Main line of business	HSBC Continental Europe interest (%)	
			2024	2023
Actions Monde et Emergent[1,5]	France	Financial company	**100.0**	0.0
Actions Monde et Europe[1,5]	France	Financial company	**100.0**	0.0
Beau Soleil Limited Partnership	Hong Kong	Financial company	**85.0**	85.0
CCF & Partners Asset Management Limited	United Kingdom	Financial company	**100.0**	100.0
Charterhouse Administrators (D.T) Limited	United Kingdom	Investment company	**100.0**	100.0
Charterhouse Management Services Limited	United Kingdom	Investment company	**100.0**	100.0
DEMPAR 1	France	Financial company	**100.0**	100.0
ERISA Actions Grandes Valeurs[5]	France	Financial company	**100.0**	100.0
FCT HAV FI FLR 12-46[5]	France	Financial company	**97.0**	100.0
Flandres Contentieux SA	France	Service company	**100.0**	100.0
Foncière Elysées	France	Real estate company	**100.0**	100.0
HLF	France	Commercial company	**100.0**	100.0
HSBC Actions Europe Part[1,5]	France	Financial company	**51.5**	0.0
HSBC Assurances Vie (France)[5]	France	Insurance company	**100.0**	100.0
HSBC Bank Malta p.l.c.	Malta	Financial company	**70.0**	70.0
HSBC Epargne Entreprise (France)[3]	France	Financial company	**0.0**	100.0
HSBC Euro Protect 80 Plus Part C[5]	France	Financial company	**78.1**	76.3
HSBC Europe Small Mid Cap[3,5]	France	Financial company	**0.0**	55.9
HSBC Factoring (France)	France	Financial company	**100.0**	100.0
HSBC GB Japan Eq Ind[5]	France	Financial company	**99.7**	100.0
HSBC GIF-Eurolnd Gr-A[3,5]	France	Financial company	**30.4**	55.2
HSBC GLB-US Equity Ind-Aceur[3,5]	France	Financial company	**40.2**	87.0
HSBC Global Asset Management (Deutschland) GmbH	Germany	Asset Management	**100.0**	100.0
HSBC Global Asset Management (France)	France	Asset management	**100.0**	100.0
HSBC Global Asset Management (Malta) Limited	Malta	Asset management	**70.0**	70.0
HSBC Global Infrastructur Debt FD Feeder[5]	France	Financial company	**100.0**	56.8
HSBC Global Investment Funds Gem Equity[5]	France	Financial company	**56.5**	59.6
HSBC Horizon 2034 2036 A 3D[1,5]	France	Financial company	**76.7**	0.0
HSBC Life Assurance (Malta) Limited	Malta	Insurance company	**70.0**	70.0
HSBC Mix Dynamique FCP3DEC[5]	France	Financial company	**58.1**	56.7
HSBC Mul.Ass.St.Fact.S FCP3DEC[5]	France	Financial company	**100.0**	100.0
HSBC Oblig Inflation Euro Ac[3,5]	France	Financial company	**0.0**	58.5
HSBC Operational Services GmbH	Germany	Service Company	**100.0**	100.0
HSBC Port-World Sel 5-Aheur[3,5]	France	Financial company	**48.9**	50.4
HSBC Private Bank (Luxembourg) S.A	Luxembourg	Financial company	**100.0**	100.0
HSBC Real Estate Leasing (France)	France	Financial company	**100.0**	100.0
HSBC REIM (France)	France	Asset management	**100.0**	100.0
HSBC Resp Inve Fd-Sri Dynamic Part Ac[5]	France	Financial company	**72.8**	72.7
HSBC Resp Inves Funds-Sri Balanced Ac[5]	France	Financial company	**64.1**	66.3
HSBC Resp Investment Funds Sri Global Equity[5]	France	Financial company	**61.8**	70.0
HSBC Select Balanced Part A[3,5]	France	Financial company	**35.4**	50.4
HSBC Select Dynamic A FCP 2DEC[5]	France	Financial company	**78.6**	80.7
HSBC Select Equity A Fcp 4Dec[5]	France	Financial company	**84.0**	85.5
HSBC Select Flexible Part A[5]	France	Financial company	**63.9**	61.6
HSBC Service Company Germany GmbH	Germany	Service Company	**100.0**	100.0
HSBC Services (France)	France	Financial company	**100.0**	100.0
HSBC SFH (France)[3]	France	Financial company	**0.0**	100.0
HSBC Small Cap France[5]	France	Financial company	**52.7**	50.9
HSBC Transaction Services GmbH	Germany	Service Company	**100.0**	100.0
HSBC Trinkaus & Burkhardt (International) S.A.	Luxembourg	No active business	**100.0**	100.0
HSBC Trinkaus & Burkhardt Gesellschaft fur Bankbeteiligungen mbH	Germany	Investment Company	**100.0**	100.0
HSBC Trinkaus & Burkhardt GmbH	Germany	Financial Company	**100.0**	100.0
HSBC Trinkaus Family Office GmbH	Germany	Service Company	**100.0**	100.0
HSBC Trinkaus Real Estate GmbH	Germany	Real Estate Company	**100.0**	100.0

Consolidated Subsidiaries	Country of incorporation or registration	Main line of business	HSBC Continental Europe interest (%)	
			2024	2023
HSBC World Equity Protect 80[5]	France	Financial company	**98.9**	97.8
Internationale Kapitalanlagegesellschaft mit beschränkter Haftung	Germany	Service Company	**100.0**	100.0
Keyser Ullmann Limited	United Kingdom	Investment company	**100.0**	100.0
OPCVM8 – Erisa Diversifié N2 FCP[5]	France	Financial company	**100.0**	100.0
OPCVM9 – Erisa Opportunités FCP[5]	France	Financial company	**100.0**	100.0
SAF Baiyun	France	Financial company	**100.0**	100.0
SAF Guangzhou	France	Financial company	**100.0**	100.0
SAPC Ufipro Recouvrement	France	Service company	**99.9**	99.9
SCI HSBC Assurances Immo[5]	France	Real estate company	**100.0**	100.0
SFM	France	Commercial company	**100.0**	100.0
SNC les Oliviers d'Antibes	France	Financial company	**60.0**	60.0
Société Française et Suisse	France	Investment company	**100.0**	100.0
Somers Dublin DAC	Ireland	Service company	**100.0**	100.0
Sopingest	France	Financial company	**100.0**	100.0
Trinkaus Europa Immobilien-Fonds Nr.3 Objekt Utrecht Verwaltungs-GmbH	Germany	Real Estate Company	**100.0**	100.0
Trinkaus Immobilien-Fonds Geschaeftsfuehrungs-GmbH	Germany	Real Estate Company	**100.0**	100.0
Trinkaus Immobilien-Fonds Verwaltungs-GmbH	Germany	Real Estate Company	**100.0**	100.0
Trinkaus Private Equity Management GmbH	Germany	Asset Management	**100.0**	100.0
Trinkaus Private Equity Verwaltungs GmbH	Germany	Asset Management	**100.0**	100.0
Valeurs Mobilières Elysées	France	Investment company	**100.0**	100.0

Associates	Country of incorporation or registration	Main line of business	HSBC Continental Europe interest (%)	
			2024	2023
HCM Holdings Ltd[2]	United Kingdom	Financial company	**0.0**	51.0
Services Epargne Entreprise[3]	France	Service company	**0.0**	14.2
Trinkaus Europa Immobilien-Fonds Nr. 7 Frankfurt Mertonviertel KG[4]	Germany	Real Estate Company	**41.0**	41.0

1 Entrance in the perimeter.
2 Liquidation.
3 Exit from the perimeter.
4 The stake in the entity is impaired to zero for years.
5 The planned sale of life insurance business in France has been classified as held for sale in accordance with IFRS 5.

Non Consolidated Companies	Country of incorporation or registration	Reason of non-consolidation	HSBC Continental Europe interest (%)	
			2024	2023
CCF Finance Moyen Orient SAL	Lebanon	In the course of liquidation since 2002	**99.9**	99.9
CCF Holding Liban SAL	Lebanon	In the course of liquidation since 2002	**75.0**	75.0
FL FINANZ LEASING Gmbh	Germany	In the course of liquidation	**25.0**	25.0
HSBC Private Markets Management SARL	Luxembourg	This entity does not meet the definition of subsidiary according to IFRS accounting standards.	**100.0**	100.0
SNCB/M6 2007 A	France	Not consolidated in accordance with IFRS 10	**100.0**	100.0
SNCB/M6 2007 B	France	Not consolidated in accordance with IFRS 10	**100.0**	100.0
SNCB/M6 2008 A	France	Not consolidated in accordance with IFRS 10	**100.0**	100.0

Partnerships

As of 31 December 2024, the contribution of HSBC Middle East Leasing Partnership ('MELP') to the consolidated total assets of HSBC Continental Europe was EUR 89 million (2023: EUR 234 million) and EUR 9 million (2023: EUR 17 million) to the consolidated income statement.

PricewaterhouseCoopers Audit
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex, France

BDO Paris
43-47, avenue de la Grande Armée
75116 Paris, France

Statutory Auditors' report on the consolidated financial statements

(For the year ended 31 December 2024)

To the Shareholders,

HSBC Continental Europe

38, avenue Kléber

75116 Paris

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of HSBC Continental Europe for the year ended 31 December 2024.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at 31 December 2024 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules provided for in the French Commercial Code (Code de commerce) and the French Code of Ethics (Code de déontologie) for Statutory Auditors for the period from 1 January 2024 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by article 5(1) of Regulation (EU) No. 537/2014.

Justification of assessments – Key audit matters

In accordance with the requirements of articles L.821-53 and R.821-180 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgement, were the most significant in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

Impairment of loans and advances to commercial customers

Description of risk	How our audit addressed this risk
Determining expected credit losses ('ECLs') calls on the judgement of management. The corresponding estimates are subject to a high degree of uncertainty, which has increased in the current economic environment with rising inflation, energy prices and decrease in interest rates. Management uses complex customised models to calculate ECLs. The type and scope of these adjustments vary depending on the company's portfolio. They may or may not be based on models and the judgements of management. Assumptions are used to determine the risk inputs underlying the ECL estimates, including in particular forward-looking economic scenarios and their probability, business customer risk ratings (CRR) and the recoverability of the loans. We deemed this impairment to be a key audit matter as it requires significant judgement on the part of management when preparing the consolidated financial statements, particularly given the current economic climate.	Management has put in place controls designed to ensure the reliability of the calculation of ECLs. In this context, we tested the controls we deemed to be key to the audit in order to assess the relevance of the impairment losses recorded, in particular: – the examination and comparative review of several economic scenarios and their probability by a group of experts and an internal governance committee; – the effectiveness of the credit committees set up to assess and approve the estimated impairment, particularly the judgement exercised by management to determine the adjustments to be applied; – the validation and monitoring of models; – credit reviews to determine customer risk ratings of company portfolios; – the entry of critical data in the source systems, as well as the flow and transformation of the data between the source systems and the engine for calculating impairment losses. We called upon our experts to assess the reasonableness of the macro-economic variables forecasts, particularly regarding the estimated probability of various scenarios. They examined the sensitivity of expected credit losses to these assumptions. We also assessed the relevance of the model methodologies. Where expected credit losses were adjusted, we assessed the impairment losses determined by management and the supporting analysis. In addition, we assessed the level of ECLs using a sample of business customer loans, and the relevance of management's judgement, particularly the level of customer risk ratings and expert valuations. We also assessed the disclosures on credit risk provided in the consolidated financial statements for the year ended 31 December 2024.

Impairment of loans and advances to commercial customers (non-financial company) stood at EUR 432 million at 31 December 2024.

See Note 1.1.d to the consolidated financial statements and the section entitled 'Distribution of financial instruments by credit quality' of the management report.

Recognition of deferred tax assets with respect to tax loss carryforwards

Description of risk	How our audit addressed this risk
Deferred tax assets on the French tax consolidation group amounted to EUR 538 million in HSBC Continental Europe's consolidated financial statements at 31 December 2024, of which EUR 501 million in deferred tax assets on tax loss carryforwards, after the recording in expenses of EUR 150 million in deferred tax asset on the losses of the French tax consolidation group. The valuation and recoverability of the deferred tax assets resulting from these tax loss carryforwards depend mainly on: – the taxable profit that HSBC Continental Europe expects to generate in the future; – the French tax legislation applicable to the recognition and use of deferred tax assets arising from HSBC Continental Europe's tax loss carryforwards in France. The valuation and future use of deferred tax assets on tax loss carryforwards is based on significant judgements from management. These judgements relate primarily to forecasts of tax profit or loss, the duration of tax losses, and the feasible tax planning strategies available. Accordingly, given the significance of the amount of deferred tax assets at 31 December 2024 and the estimates and judgements made by management in recognising these deferred tax losses, we deemed them to be a key audit matter for HSBC Continental Europe's financial statements.	We performed the following procedures to validate the recoverability of deferred tax assets with respect to tax loss carryforwards: – we tested the controls in place with respect to the calculation and recognition of deferred tax assets on tax loss carryforwards; – we performed a critical review, with the help of our tax experts, of the assumptions used by management to estimate the recoverable amount of the estimated deferred tax assets on tax loss carryforwards at the year end. Our work consisted primarily in: – testing the key inputs used in the model for the recognition of deferred taxes, including cash flow forecasts for plans approved by the Board of Directors; – assessing management's estimates of forecasts of tax profit or loss by reviewing the temporary and permanent differences from prior years that are reflected in future forecasts; – comparing the assumptions used by management to estimate future tax profit or loss to determine the amount of deferred tax assets to be recognised with the assumptions used to determine future cash flows used in the various asset impairment tests; assessing the compliance of management's assumptions with existing and future tax laws and rules; – we tested the classification of deferred tax assets taking into account the existence of deferred tax liabilities; – assessing the estimates made by management concerning the recording in expenses of the deferred tax assets on the losses of the French tax consolidation group; – lastly, we assessed the appropriateness of the disclosures in the notes to the consolidated financial statements.

For more information, see Notes 1.2.l and 8 to the consolidated financial statements.

Valuation of liabilities under directly participating life insurance contracts and investment contracts with discretionary participation features

Description of risk	How our audit addressed this risk
At 31 December 2024, insurance contract liabilities of EUR 518 million were recorded in the balance sheet, with a further EUR 21,023 million of insurance contract liabilities reclassified as "liabilities of disposal groups held for sale", see Note 5 – Insurance businesses to the consolidated financial statements. The valuation model based on the variable fee approach ('VFA') is used for directly participating life insurance contracts and investment contracts with discretionary participation features, which represent the vast majority of contracts issued by the Group, totalling EUR 465 million, including an amount of EUR20,985 million reclassified as liabilities of disposal groups held for sale. The estimate of these liabilities under IFRS 17 is based on: – the determination of the best estimate of the present value of future cash flows required to meet contractual obligations towards policyholders: The forecasting of these future cash flows involves assumptions about policyholder behaviour and management decisions. These estimated cash flows are discounted to reflect the time value of money based on a risk-free rate curve adjusted for an illiquidity risk premium; – the definition of the adjustment for non-financial risk, aimed at addressing the uncertainty about the amount and timing of future cash flows as insurance contracts are carried out. To assess this risk adjustment, the Group has chosen to use the Value at Risk (VAR) method. In particular, the Group used its judgement in choosing the corresponding confidence level and diversification level; – the contractual service margin represents the present value of future deferred profits attributable to the Group over the coverage period of profitable insurance contracts and is recorded in the income statement based on coverage units defined by the Group and appropriate for the groups of insurance contracts in question. Considering the long-term nature of insurance contract liabilities, their high sensitivity to economic and financial conditions, which may have an impact on policyholder behaviour, the significant management judgement involved in selecting data and assumptions, as well as the use of complex modelling techniques, we considered the valuation of technical provisions for insurance contracts valued using the VFA model to be a key audit matter.	With the assistance of our actuarial modelling specialists, we performed the following audit procedures: – reviewing the processes and methods defined by the Group's management to determine, in accordance with the principles of IFRS 17, the best estimate of the present value of future cash flows required to settle contractual obligations towards policyholders under insurance contracts measured using the VFA model; – assessing the compliance of the accounting policies used by the Group with the provisions of IFRS 17; – assessing and testing the key controls put in place by management, including the information systems' control environment used in data processing. In particular, we assessed the control procedures concerning the methods, judgements and key assumptions made by management. We also assessed the appropriateness of any changes in assumptions, inputs or actuarial modelling processes used in evaluating future cash flows; – testing, on a sample basis, the main methods, assumptions and inputs used for calculating estimates of the present value of future cash flows, the adjustment for non-financial risk and the contractual service margin. We assessed, on a sample basis, the reasonableness of these estimates; – testing, on a sample basis, the reliability of the underlying data used in forecast models and the calculation of the best estimate of the present value of future cash flows; – carrying out analytical procedures on the changes to identify, where appropriate, any significant inconsistent or unexpected variations; – assessing the appropriateness of the disclosures presented in the notes to the consolidated financial statements.

For more information, see Notes 1.2.j and 5 to the consolidated financial statements.

Specific verifications

As required by legal and regulatory provisions and in accordance with professional standards applicable in France, we have also performed the specific verifications on the information pertaining to the Group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Other verifications and information pursuant to legal and regulatory requirements

Presentation of the consolidated financial statements to be included in the annual financial report

In accordance with professional standards applicable to the Statutory Auditors' procedures for annual and consolidated financial statements presented according to the European single electronic reporting format, we have verified that the presentation of the consolidated financial statements to be included in the annual financial report referred to in paragraph I of article L.451-1-2 of the French Monetary and Financial Code (Code monétaire et financier) and prepared under the Chief Executive Officer's responsibility, complies with this format, as defined by European Delegated Regulation No. 2019/815 of 17 December 2018. As it relates to the consolidated financial statements, our work included verifying that the markups in the financial statements comply with the format defined by the aforementioned Regulation.

On the basis of our work, we conclude that the presentation of the consolidated financial statements to be included in the annual financial report complies, in all material respects, with the European single electronic reporting format.

It is not our responsibility to ensure that the consolidated financial statements to be included by the Company in the annual financial report filed with the AMF correspond to those on which we carried out our work.

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of HSBC Continental Europe by the Annual General Meetings held on 23 April 2015 for PricewaterhouseCoopers Audit and on 10 May 2007 for BDO Paris.

At 31 December 2024, PricewaterhouseCoopers Audit and BDO Paris were in the tenth and the eighteenth consecutive year of their engagement, respectively.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements giving a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems relating to accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these consolidated financial statements.

As specified in article L.821-55 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit.

They also:

- identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements;
- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

Report to the Audit Committee

We submit a report to the Audit Committee which includes, in particular, a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgement, were the most significant in the audit of the consolidated financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in articles L.821-27 to L.821-34 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

Neuilly-sur-Seine and Paris, 19 February 2025

The Statutory Auditors

PricewaterhouseCoopers Audit	**BDO Paris**
Agnès Hussherr	Vincent Génibrel

Parent company financial statements

Contents

Notes on the parent company financial statements

Contents

Income statement

(in million of euros)	Notes	31 Dec 2024	31 Dec 2023
Income/(Expenses)			
Interest and similar income	23	**8,806**	7,340
Interest and similar expenses	23	**(7,944)**	(5,675)
Finance leases income		**55**	100
Finance leases expenses		**(38)**	(84)
Income from equities and other variable income securities	24	**619**	740
Commissions received	25	**1,429**	1,355
Commissions paid	25	**(635)**	(457)
Gains and losses on trading securities	26	**654**	104
Gains or losses on available-for-sale securities	27	**(90)**	17
Other banking operating income		**138**	94
Other banking operating expenses		**(28)**	(32)
Net banking operating income		**2,966**	3,503
General operating expenses	28	**(1,791)**	(2,013)
Depreciation, amortisation and impairment of tangible and intangible assets		**70**	(13)
Gross operating income		**1,245**	1,476
Loan impairment charges	8	**(117)**	(186)
Net operating income		**1,128**	1,290
Gains or losses on disposals of fixed assets and long term investments	29	**(349)**	15
Profit/(loss) before tax		**779**	1,305
Exceptional items	30	**13**	(405)
Income tax and deferred tax	31	**(293)**	(229)
Gains and losses from regulated provisions		**—**	—
Net profit/(loss) for the period		**499**	671

Balance sheet

Assets

(in million of euros)	Notes	31 Dec 2024	31 Dec 2023
Cash and amounts due from central banks and post office banks		**50,946**	66,640
Treasury bills and money-market instruments[1]	4	**27,426**	21,823
Loans and advances to banks[2]	2	**22,634**	25,311
Loans and advances to customers[3]	3	**53,373**	60,521
Bonds and other fixed income securities[1]	4	**11,864**	8,946
Equities and other variable income securities	4	**6,415**	2,843
Investments in subsidiaries and equity securities held for long term	5	**62**	88
Interests in affiliated parties	5	**1,878**	2,112
Finance leases	7	**32**	81
Intangible fixed assets	6	**113**	82
Tangible fixed assets	7	**84**	97
Other assets	9	**20,755**	21,598
Prepayments and accrued income	10	**39,056**	42,633
Total assets		**234,638**	252,775
Off-balance sheet items			
Financial commitments given	21	**60,036**	58,737
Guarantees and endorsements given	21	**19,273**	17,485
Securities commitments (other commitments given)		**30,312**	35,836

Liabilities

(in million of euros)	Notes	31 Dec 2024	31 Dec 2023
Central bank and post office banks		**14**	275
Deposits due to credit institutions[2]	11	**20,276**	23,263
Customer accounts[3]	12	**97,977**	108,308
Debt securities in issue	13	**25,821**	23,417
Other liabilities[1]	15	**38,296**	43,742
Accruals and deferred income	16	**36,563**	38,690
Provisions for liabilities and charges	14	**270**	1,896
Subordinated liabilities	17	**3,407**	3,397
Share capital	18 &19	**1,328**	1,062
Additional paid-in capital	19	**7,291**	5,808
Reserves	19	**1,088**	1,055
Special tax-allowable reserves		**—**	—
Retained earnings[4]	19	**1,808**	1,191
Net profit/(loss) for the period	19	**499**	671
Interim dividend		**—**	—
Total liabilities		**234,638**	252,775
Off-balance sheet items			
Financial commitments received	21	**1,052**	909
Guarantees and endorsements received	21	**7,379**	19,044
Securities commitments (other commitments received)		**35,976**	42,001

1 After the application of offsetting for assets and liabilities arising from securities borrowing transactions. Refer to Note 1, Note 4 and Note 15.
2 After the application of offsetting of repurchase and reverse repurchase agreements. Refer to Note 1, Note 2 and Note 11.
3 After the application of offsetting of repurchase and reverse repurchase agreements and regulated savings accounts against balances centralised at the Caisse des Dépôts et Consignations. Refer to Note 1, Note 3 and Note 12.
4 Before proposed allocation submitted to Annual General Meeting for approval.

Statement of reported net profit and movements in shareholders' funds

(in million of euros)	31 Dec 2024	31 Dec 2023
Net profit/(loss) for the period		
Total	**499**	671
– per share (in euros)[1]	**1.88**	3
Movements in shareholders' funds (excluding the net profit of 2024) (after allocation of 2023 net profit)		
– change in revaluation reserve	**—**	—
– transfer to reserves and change in retained earnings	**671**	275
– allocation of net profit for the previous year	**671**	275
– appropriation of net profit	**—**	—
– restatement of opening retained earnings[2]	**(20)**	—
– change in special tax-allowable reserves	**—**	—
– acquisition/disposals[3]	**—**	182
Change in shareholders' funds	**651**	457
– per share (in euros)[1]	**2.45**	2
Proposed dividend	**—**	—
– total	**—**	—
– per share (in euros)[1]	**—**	—

1 Number of shares outstanding at year end: 265,583,192 in 2024 and 212,466,555 in 2023.
2 Retained earning adjustment on branches on previous year.
3 Includes the impact of integration of the German branch acquisition of HSBC Trinkaus & Burkhardt GmbH in June 2023.

2024 Highlights

Business review

Net banking operating income was EUR 2,966 million, reflecting a decrease of EUR 537 million compared to the previous year. This decrease was primarily driven by lower net interest income following the sale of the retail banking operations in France and increasing interest expense on customer deposits in Global Payment Solutions, partially offset by an increase in net interest income from the full-year integration of the German branch's result in 2024.

General operating expenses were EUR 1,791 million, down by EUR 222 million compared to the previous year. The decrease of EUR 444 million was primarily due to the sale of the retail banking operations in France and the end of the build-up of the Single Resolution Fund ('SRF') in 2024. These reductions were partially offset by an increase in expenses for EUR 222 million resulting from the full-year integration of the German branch in 2024.

Depreciation, amortisation and impairment of tangible and intangible assets was a credit of EUR 70 million, a variation of EUR 83 million compared to 2023, primarily driven by the reversal of impairment on goodwill and non-financial assets for EUR 116 million related to retail banking business.

Loan impairment charges were EUR 117 million compared to EUR 186 million in 2023 mainly driven by decrease of net stage 3 charges by Eur 139mn in 2024 in France, offset by an increase in charge of EUR 70 million in the German branch.

Gains or losses on disposals of fixed assets and long term investments were a loss of EUR 349 million compared to a gain of EUR 15 million in 2023, primarily driven by the write-off of goodwill and non-financial assets for EUR 116 million related to the sale of the retail banking operations in France in 2024 and the impairment of the Germany branch's investment in HSBC Trinkaus & Burkhardt GmbH for EUR 233 million in 2024.

Exceptional gain comprised of EUR 13 million compared to a loss of EUR 405 million in last year. In 2023, German Branch made a payment of EUR 434 million under Domination and Profit and Loss Transfer Agreement ('DPLTA') as part of the acquisition to cover the losses generated by its subsidiary HSBC Trinkaus & Burkhardt GmbH. In 2024, the completion of the sale of retail banking business generated a gain of EUR 13 million majorly from net release of loss and disposal cost provisions.

Income and deferred taxes in 2024 represented a charge of EUR 293 million, an increase of EUR 64 million compared to 2023. This comprises EUR 119 million of current tax, contributed by HSBC Continental Europe branches for EUR 160 million partially offset by a tax credit in HSBC Continental Europe solo entity of EUR 41 million. The deferred tax expense of EUR 174 million reflects the EUR 150 million write down of French deferred tax asset during 2024.

Net profit for the period was EUR 499 million compared to a net profit of EUR 671 million in 2023.

At 31 December 2024, the **total balance sheet** of HSBC Continental Europe amounted to EUR 235 billion compared to EUR 253 billion on 31 December 2023.

Business disposals

Sale of the retail banking operations in France

On 1 January 2024, HSBC Continental Europe completed the sale of its retail banking operations in France to CCF, a subsidiary of Promontoria MMB SAS ('My Money Group'). The sale also included HSBC Continental Europe's 100 per cent ownership interest in HSBC SFH (France) and its 3 per cent ownership interest in Crédit Logement.

In accordance with the terms of the sale, HSBC Continental Europe retained a portfolio of EUR 7.1 billion consisting of home and certain other loans, and the CCF brand, which it licensed to the buyer under a long-term licence agreement.

More details are provided in section 'Notes on the consolidated financial statements', please refer to note 1.3 Significant events during the year.

Changes of control

Capital increase

Following the capital increase resulting from the decision of the Extraordinary General Meeting of 6 December 2024 to increase the share capital, the share capital of HSBC Continental Europe increased from EUR 1,062,332,775 to EUR 1,327,915,960 divided into 265,583,192 shares with a nominal value of EUR 5 as of 20 December 2024.

Issuances and repayments

In January 2024, HSBC Continental Europe redeemed a Tier 2 Loan at the first call date five years before maturity for EUR 400 million and issued a new Tier 2 loan to HSBC Bank plc with maturity of eleven years for a notional amount of EUR 400 million.

In March 2024, HSBC Continental Europe redeemed a Tier 2 Loan at the fourth call date almost four years before maturity for EUR 300 million and issued a new Tier 2 loan to HSBC Bank plc with maturity of eleven years for a notional amount of EUR 300 million.

In March 2024, HSBC Continental Europe issued Senior Non Preferred Notes with maturity of seven years for a notional amount of EUR 500 million.

In May 2024 HSBC Continental Europe repaid EUR 1 billion of senior preferred debt issued in May 2019.

In June 2024, HSBC Continental Europe redeemed a Tier 2 Loan at the first call date five years before maturity for EUR 100 million.

In June 2024, HSBC Continental Europe issued Senior Non Preferred Notes with maturity of seven years for a notional amount of EUR 800 million.

In August 2024, HSBC Continental Europe redeemed a Tier 2 Loan issued in June 2014 to HSBC Bank plc at the first call date five years before maturity for EUR 150 million.

In December 2024, HSBC Continental Europe redeemed an Additional Tier 1 Loan issued in December 2019 to HSBC Bank plc at the first call date for EUR 250 million and issued a new Additional Tier 1 loan to HSBC Bank plc for a notional amount of EUR 250 million.

In December 2024, HSBC Continental Europe redeemed a Tier 2 Loan issued in December 2014 to HSBC Holdings plc at the first call date five years before maturity for EUR 260 million and issued a new Tier 2 loan to HSBC Bank plc with maturity of twelve years for a notional amount of EUR 500 million.

In December 2024, HSBC Continental Europe repaid EUR 800 million of senior preferred debt issued in December 2020 and December 2021 to HSBC Bank plc at their first call date one year before maturity.

In December 2024, HSBC Continental Europe issued Senior Non Preferred Notes to HSBC Bank plc with maturity of eight years for a notional amount of EUR 400 million.

In December 2024, HSBC Continental Europe issued Senior Non Preferred Notes to HSBC Bank plc with maturity of nine years for a notional amount of EUR 400 million.

Notes on the parent company financial statements

1 Principal accounting policies

The financial statements of HSBC Continental Europe are prepared in accordance with Regulations 2014-03 and 2014-07.

(a) Initial recognition and subsequent measurement of tangible and intangible assets

HSBC Continental Europe applies the component approach in the recording and amortising of fixed assets.

HSBC Continental Europe complies with ANC Regulation 2014-03 for initial recognition, amortisation and impairment of tangible assets.

Investment property and operational building

For operating and investment fixed assets, HSBC Continental Europe adopted the components approach with the following minimum cap on the useful lives and methods of the corresponding components:

Components	Periods and depreciation and amortisation methods
Infrastructure	
Building	25 and 50 years on a straight-line basis
Civil engineering works	25 years on a straight-line basis
Technical installations	
Air conditioning Ventilation Heating	10 years on a straight-line basis
Electrical installations	10 years on a straight-line basis
Telephone and electrical fittings	10 years on a straight-line basis
Security fittings	10 years on a straight-line basis
Fittings	
Improvements and internal fittings	10 years on a straight-line basis

Goodwill

Acquired goodwill is subject to impairment on the basis of objective indicators.

Goodwill on merger

The goodwill is affected under the terms provided in accordance with the article 745-5 of regulation 2014-03 to the different concerned assets, and recorded in the accounts under the rules set down in the article 745-7.

The goodwill is amortised or reported in the income statement, under the same rules and conditions as underlying assets to which it is assigned. See Note 6.

Other fixed assets

For other fixed assets, depreciation periods are determined according to the remaining useful lives of the assets concerned:

Components	Periods and depreciation and amortisation methods
Office equipment	5 years, reducing or straight-line basis
Furniture	5 to 10 years, reducing or straight-line basis
IT hardware	3 to 7 years, reducing or straight-line basis
Software	3, 5 or 10 years, straight-line basis

Assets held under finance lease

The assets held under the leasing activity are recognised in accordance with the accounting rules defined by the notice n° 2006-C of 4 October 2016 issued by the Emergencies Committee, linked to the interpretation of the advisory opinion n° 2004-15 du 23 June 2004 of CNC, relating to the definition, recognition and valuation of assets excluding from individual company accounts lease contracts according to IFRS16 within the scope of articles 211-1 to 224-4 from the regulation n° 2014-03 of ANC.

Assets held under leasing activity are amortised by using the straight-line method, over the actual duration of use but not exceeding the duration of the rental contract.

The amortisation periods considered are as follows:

- furniture and office equipment: five years;
- computer equipment: three years; and
- tools and equipment: five to seven years.

Depreciation of fixed assets leased under finance leases are recognised as an expense on finance lease.

In the financial accounting, the outstanding financial contracts is substituted to the net leased fixed-assets. The difference between the outstanding amounts of financial assets and the net book value of fixed assets is represented by the gross unearned finance income.

(b) Securities portfolio

Securities transactions are recognised in accordance with the principles set out in articles 2311-1 to 2391-1 of 2014-07 ANC regulation.

Securities are categorised as follows:

- trading account securities;
- available-for-sale securities;
- held-to-maturity securities;
- portfolio activity securities;
- other long-term securities; and
- interests in subsidiaries and associates.

Securities are recognised on the balance sheet at the date of settlement.

Trading securities

Trading securities are negotiable securities traded on an active market, originally acquired or sold with the intention of reselling or buying back within short timescale and are held for market activities or form part of a global portfolio trading management.

On the date of acquisition, Trading securities are stated at acquisition price. At the balance sheet date, the securities are valued at the market price, and changes in value are recognised through profit or loss.

Available for sale securities

Other investment securities are those securities not treated as trading account securities, neither portfolio activity securities nor as securities covered by articles 2351-1, 2351-2 and 2351-3 of 2014-07 ANC regulation. These are acquired for the purposes of income and available for sale within a relatively short timescale.

On the date of acquisition, they are recorded at acquisition price.

According to article 2332-3 of 2014-07 ANC regulation, when the acquisition price of fixed-income securities is higher than their redemption price, the difference is amortised over the lifespan of the securities. When the acquisition price of fixed-income securities is lower than their redemption price, the difference is recognised over the residual life of the securities. The amortization of these differences is carried out using the actuarial method.

At the closing of the period, available-for-sale securities are valued individually at the lowest of their acquisition price or market value.

Unrealised losses give rise to the recognition of an impairment.

Investment securities

Fixed-income securities that were acquired for long term holding, and in principle till maturity, are categorised as held-to-maturity securities. Portfolio activity securities are recognised on the date of acquisition at their purchase price.

Held-to-maturity securities are valued at historical cost.

According to article 2342-2 of 2014-07 ANC regulation, where the acquisition price of fixed income securities is greater than their redemption value, the difference is amortised over the residual life of the securities. When the acquisition price of fixed-income securities is lower than their redemption price, the difference is recognised over the residual life of the securities. The spreading of these differences is carried out using the actuarial method.

At the closing date, unrealised losses arising from the difference between the book value, adjusted for amortisation and reversal of differences described above, and the price of fixed income securities are not subject to the impairment, except if there is a strong probability that the institution will not keep the securities until the maturity because a number of new circumstances and without depreciation prejudice to establish in application of the Title 2 terms from the book II of current regulation, dealing with credit risk on securities, if there is any existence of the issuer's defaulted risk.

Unrealised gains are not recognised.

Portfolio activity securities

This category covers investments made under normal arrangements with the sole objective of making medium-term capital gains without intention of investing in the long-term in the business of the issuing entity, nor of taking an active part in the management of its operations. This is particularly the case for securities held in venture capital businesses.

Portfolio activity securities are initially recognised at their acquisition price and subsequently measured at the lower of their historical cost or value-in-use. According to article 2352-4 of 2014-07 ANC regulation, each accounting period, the latent losses resulting from the difference between the book value and the value in use, calculated line by line of securities, are subject to an impairment test without compensation with the largest gains identified. The latent gains are not accounted for.

Other long-term securities

'Other long-term securities' are equity shares and similar securities that HSBC Continental Europe intends to hold long term to derive a satisfactory return within an undefined period of time, without however taking any part in managing the businesses in which the shares are held, but with the intention of fostering long-term business relationships by creating a special link with the issuing companies. These securities are accounted at their acquisition price with subsequent measurement at the lowest of their acquisition value or their value-in-use.

The methods for assessing value-in-use are explained in next section.

Interests in subsidiaries and associates

The heading 'Interests in subsidiaries and associates' regroups securities held long-term (equity interests) and holdings in subsidiaries (shares in group companies).

According to article 2352-6 of 2014-07 ANC regulation, for other long term held securities, whether listed or not, the utility value takes into account the intention of the entity to hold these securities until it has the capacity to fund part of its assets. Provided that their evolution does not result from accidental circumstances; the elements that must be taken into account for this estimate include: profitability and perspective of profitability, own capital, perspective of realization, economic situation, and the average course of the stock market in recent months.

Art in French for reference.

Selon l'article 2352-6 du règlement n° 2014-07 de l'ANC, pour les autres titres détenus à long terme, les titres de participation et parts dans les entreprises liées, cotées ou non, la valeur d'utilité représente ce que l'entreprise accepterait de décaisser pour obtenir ces titres si elle avait à les acquérir compte tenu de son objectif de détention. À condition que leur évolution ne résulte pas de circonstances accidentelles, les éléments suivants peuvent être pris en compte pour cette estimation: rentabilité et perspective de rentabilité, capitaux propres, perspective de réalisation, conjoncture économique, cours moyens de bourse des derniers mois.

Recognition of gains and losses

Gains or losses on trading securities are recorded under the heading 'Gains and losses on trading securities'.

Gains or losses on sale and changes in impairment of available-for-sale securities are recorded under the heading 'Gains or losses on available-for-sale securities'.

Concerning the other securities, gains or losses on sale and impairment charges are recognised under the heading 'Gains or losses on disposals of long-term investments' in the income statement.

Sale and repurchase agreements

Stock lending or temporary acquisition, governed for legal purposes by law no. 93-1444 of 31 December 1993, amended by law no. 2003-1311 of 30 December 2003, referred to as stock repurchase agreements, have no impact on the composition and valuation of the securities portfolio. For accounting purposes, in accordance with article 2413-1 to 2413-4 of 2014-07 ANC regulation, they are considered as financing transactions, cash movement balanced entries are recognised either as a loan or a deposit. Related income and expenses are recognised as interest.

Repurchase and reverse repurchase agreements

Repurchase transactions that do not fall within the scope of law no. 93-1444 are categorised under this heading in the balance sheet. Their treatment for accounting purposes is similar to that described above for securities under sale and repurchase agreements.

A similar treatment is applied to:

- 'Buy and sell back' and 'Sell and buy back' transactions.
- Loans/borrowing of securities guaranteed by cash deposits.

Since 2020, repurchase and reserve repurchase transactions are presented on a net basis.

Securities lending and borrowing

Securities lending and borrowing transactions are recognised in accordance with the principles set out in the article 2361-2 of 2014-07 ANC regulation.

In accordance with the provisions of Regulation 2020-10, securities borrowed are presented net of the corresponding liabilities.

(c) Loans and advances

Loans assessed individually

Non-performing and impaired loans

Non-performing loans and impaired loans are recorded in accordance with the article 2222-1 to 2222-2 of 2014-07 ANC regulation.

Non-performing loans include all types of receivables, including secured receivables (for which the bank held a collateral), for which there is a risk that the bank will not recover in full or in part the contractual cash flows.

Loans and receivables are classified according to HSBC Continental Europe's internal loan rating system. Performing loans have a rating of between 1 and 8, non-performing loans have a rating of 9 and impaired loans, including doubtful loans not yet written off, have a rating of 10.

The following are therefore classified as non-performing loans:

- receivables overdue for more than three months for all types of loans and equipment leases, more than six months for property loans or leases and more than nine months for loans to local government bodies;
- receivables having risk criteria; and

– receivables deriving from debt restructuring for which the debtor is again in default.

HSBC Continental Europe applies the provisions of articles 2221-2 of 2014-07 ANC regulation on identifying overdrafts at risk of default. For overdrafts, the overdue period starts when:

– the debtor exceeds an authorised limit that has been notified to him by HSBC Continental Europe; or
– the debtor is notified that the amount outstanding exceeds a limit set up by HSBC Continental Europe under its internal control system; or
– the debtor withdraws amounts without overdraft authorisation.

The downgrade to non-performing loans immediately leads to all amounts outstanding and commitments for that debtor that are in the same category, according to contagion principle and, if applicable, the downgrade of counterparties belonging to the same group to non-performing debtors, on a case-by-case assessment.

In application of the article 2221-8, 2231-3 of 2014-07 ANC regulation on accounting treatment of credit risk, HSBC Continental Europe has introduced a specific system for dealing with restructured debt and impaired loan.

In application of the articles 2221-8 of 2014-07 ANC regulation, impaired loans are those for which the prospect of recovery is very remote and for which a write-off is being considered. These include receivables which are long overdue or for which the contract has been terminated in case of leasing, and also receivables that have been categorised as non-performing for more than one year, unless final write-off is not being considered because of information on the prospects for recovery available at that stage. Interests on impaired loans are not recognised through profit or loss until the date of actual payment.

Reclassification into performing loans
In application of the article 2221-5 of the 2014-07 ANC regulation, a loan that has been classified as non-performing may be reclassified as performing when the original scheduled payments have been resumed without further incident.

In the case of restructured loans, the classification of doubtful exposure can be omitted, if the exposure complies firstly with the previous condition, and, on the other hand, the counterparty risk is lifted.

Recognition of gains and losses
Charges for impairment against non-performing and impaired loans, included in the calculation of the banking result, are determined annually on the basis of the non recovery risk assessment by analysing each loan individually. In application of the article 2231-2 of the 2014-07 ANC regulation, impairment of non-performing and impaired loans has been calculated on the basis of the difference between the net present value of expected future recoveries and the carrying amount of the loan. Impairment may not be less than the amount of unpaid, recognised interest on the loan.

In the income statement, charges and releases of provisions, losses on irrecoverable receivables and recoveries on amortised receivables are recognised in the 'Loan impairment charges' line.

Discount on restructured debt

In application of articles 2221-5 and 2231-3 of the 2014-07 ANC regulation, HSBC Continental Europe applies a specific system for dealing with restructured debt.

On restructuring, any waived principal and interest, accrued or due, is written off.

Moreover, at the time of restructuring, a discount is provided for on the restructured debt for the difference between the present value of initially anticipated contractual cash flows and the present value of future cash flows of principal and interest arising from the restructuring plan. The discount rate used is the original effective interest rate for fixed interest loans, or the most recent effective rate before the restructuring calculated in accordance with contractual terms for floating-rate loans.

This discount is recognised in the net cost of risk on restructuring and is then written back through net interest income over the remaining period.

(d) Due to credit institutions and customer accounts

All liabilities towards banks and customers are recognised at amortised cost. These headings include repurchase transactions.

(e) Debt securities in issue

Debt securities are classified according to their nature: except subordinated securities, which are recorded under subordinated debt.

Accrued unpaid interest on these securities is recorded in the balance sheet in an accrued interest account with a corresponding amount recognised in profit or loss.

Premiums or discounts related to bonds in issue are amortised on an actuarial basis over the life of the bond. Related fees are recognised over the life of the bond on a straight-line basis.

(f) Provisions

In accordance with 2014-03 ANC regulation, provisions are registered where it is probable that an outflow of resources, without an at least equivalent inflow being expected from the beneficiary (whether known or not), will be required to extinguish a legal or implicit obligation arising from past events and where the amount of the obligation can be reliably estimated.

Retirement and other benefit liabilities

HSBC Continental Europe has opted to adopt ANC recommendation 2013-02 on the rules for recognising and measuring obligations for retirement and similar benefits.

HSBC Continental Europe provides some of its employees post-employment benefits such as pension plans and end of service benefits.

The costs recognised for funding these defined-benefit plans are determined using the projected unit credit method, with annual actuarial valuations being performed on each plan.

Actuarial gains or losses are recognised immediately through profit or loss.

The current service costs and any past service costs, together with the expected return on scheme assets less the unwinding of the discount on the scheme liabilities, are recognised as operating expenses.

The net defined-benefit liability recognised in the balance sheet represents the present value of the defined-benefit obligations adjusted for unrecognised past service costs and reduced by the fair value of the scheme's assets. Any resulting asset from this is limited to unrecognised past service costs plus the present value of available refunds and reductions in future contributions to the plan.

Payments to defined-contribution plans and state-managed retirement benefit plans, where HSBC Continental Europe's obligations under the plans are equivalent to a defined-contribution plan, are charged as an expense as they fall due.

Provisions for French PEL and CEL home ownership plans and accounts

Home ownership accounts ('CEL') and home ownership plans ('PEL') are special financial instruments introduced by law no. 65-554 of 10 July 1965. They combine a savings phase and a lending phase which are inextricably linked, the lending phase being contingent to the savings phase.

In accordance with articles 2621-1 to 2624-2 of 2014-07 ANC regulation on the accounting treatment of CEL and PEL home ownership plans and accounts with banks and institutions authorised to receive home ownership funds and to grant home ownership loans, HSBC Continental Europe has provisioned against the adverse consequences of PEL/CEL commitments in its individual company accounts.

PEL commitments are measured by series, without any offset between series. CEL commitments are considered as one single series, distinct from the PEL series.

Provisions for the adverse consequences of these commitments are calculated using a model which takes into account:

- an estimate of future customer savings and credit behaviour, based on historical data; and
- the value of various market parameters, particularly interest rates and volatility, determined from data available at the date of assessment.

Provision for share-based payments

HSBC Group share plan

Share-based payments are payments based on shares issued by HSBC Holdings plc.

HSBC Continental Europe employees have the following advantages:

- From 2006, HSBC Holding plc implemented share plans on HSBC Holding plc shares.
- Employees can subscribe to HSBC Holdings plc shares within the employee share ownership plan.

Shares plan

HSBC Continental Europe grants bonus share plans to these employees for services rendered.

The expense is recognised in the income statement on the period between the granted date and the acquisition date.

The cancellation of expense may result due to the inability to meet acquisition conditions during the period of acquisition.

The amount recorded in the income statement corresponds to the shares finally acquired by the employees.

(g) Foreign exchange position

In accordance with the article 2711-1 to 2731-1 of 2014-07 ANC regulation, foreign currency exchange positions (asset and/or liabilities) are remeasured at the end of period prevailing rate, with the corresponding gains or losses recognised in the bank operating income or expense.

It should be noted that the institutions subject to this standard recognize currency exchange transactions at spot rates, as well as other foreign currency operations in the accounts opened and labelled in each of the currencies used. Are considered as spot foreign exchange transactions, purchases or sales of currencies for which parties do not defer the outcome or only defer it because of the period of use.

At each accounting closure, the balance sheet's active, passive, and off-balance sheet items are evaluated at the exchange rate prevailing at the closure date or the closest market rate prior to this date if more relevant. The market rate applicable to assets, liabilities and foreign exchange commitments is the spot rate of the relevant currency. The market rate applicable to forward foreign exchange commitments is the remaining forward rate of the relevant currency.

(h) Forward foreign exchange contracts

Unsettled Forward exchange contracts at the closing of the period hedged by a corresponding spot transactions are valued at the period end spot rate. Differences between spot and forward rates are recorded on a time-apportioned basis in the income statement. Outright forward exchange contracts and those hedged by forward instruments are restated at the rate for the remaining period.

(i) Financial derivatives

The HSBC Continental Europe group operates on all financial instruments markets, whether on behalf of its customers or for the purposes of hedging balance sheet items or for arbitration purposes.

Interest rate and currency options

Options are contracts reached between two parties by which one, the buyer, is granted the right to buy or to sell an actual asset or another financial instrument called an 'underlying asset' at the expiry of a certain time period, at a price agreed at the time the contract was concluded.

Option contracts result in a premium being paid by the buyer to the seller. HSBC Continental Europe has interest rate and currency options.

The basic accounting treatment principles for these various products are identical.

On closing out the contract, the notional amount of the 'underlying asset', which is the subject of the option, is recorded as an off-balance sheet item.

For income and expenses, a distinction is made between contracts for hedging, contracts entered into for market operations or for arbitration purposes:

- the income and expenditure on hedging operations is reported symmetrically to the income and expenditure of the item being hedged;
- the consideration received or paid on termination/assignment of an interest rate/foreign exchange risk derivative is accounted immediately in profit or loss. However, when a derivative originally met the defined conditions mentioned in points b) and c) of the article 2522-1 and that derivative is terminated or assigned and potentially replaced by another contract or an equivalent instrument, the consideration received or paid can be spread out in profit and loss pro rata temporise; and
- for market transactions, the positions are revalued at each period end. For transactions quoted on an organised or similar market within the meaning of Articles 2511-1 to 2516-1 of Book II – Title 5 – Section 1 relating to the recognition of interest rate futures, Regulation No. 2014-07 of the ANC, changes in the value of positions are recognised through profit or loss, either by means of margin calls, or directly by means of a mathematical calculation where the options are not quoted.

Interest-rate futures (tradable futures)

The accounting treatment is identical to that set out above for options.

Currency swaps and/or interest rates (swaps, FRAs)

Currency and/or interest rate swaps are recognised in accordance with the articles 2521-1 and 2529-1 of the 2014-07 ANC regulation.

The contracts are recorded separately depending whether their purpose is to:

- To hold a stand-alone open positions to take advantage of any beneficial changes in interest rates;
- To hedge, demonstrably from the outset, in accordance with the above-mentioned article 4 of CRBF regulation 88-02 as amended, interest-rate risk affecting an item or a group of similar items or credit risk in the case of Credit Default Swaps ('CDS');
- To hedge and manage the entity's overall interest rate risk on assets, liabilities and off-balance sheet items; and
- For trading inten.

On the accounting side, methodology varies depending on whether the transactions are for hedging or trading business purposes.

The results of the hedging of assets or liabilities are recorded pro rata temporise. This is particularly the case for swaps traded as part of the asset/liability management of overall interest rate risk.

Income on positions managed as part of a trading portfolio of swaps is recognised at market value after a reduction to reflect counterparty risk and future management expense.

The notional are recorded as off-balance-sheet items.

Offsetting rules

Offsetting rules are applied where it is established that reciprocal obligations are settled on a net basis with the same counterparty, currency and maturity date, and where agreements are in place for which the right of offset can be exercised. When the conditions for offsetting are met, the offsetting rules are applied to both derivatives exposures and related cash collateral.

Counterparty risk on derivatives

The fair value of contracts has to take into account counterparty risk linked to contracts.

The adjustment to value for counterparty risk is at least equal to the cost in equity determined under the terms of articles 2525-3 of 2014-07 ANC regulation.

(j) Exceptional items

This line only includes profit and losses before tax which are generated or occur exceptionally and do not relate to the banking current activity and where relevant, the correction of material errors identified.

(k) Deferred taxation

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the balance sheet and the amount attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled.

(l) Segment reporting

This information is not available on the parent company accounts but details are provided on a consolidated basis on page 13 onward of the management report.

2 Loans and advances to banks

Breakdown of outstanding loans by remaining contractual maturity

	31 Dec 2024	31 Dec 2023
	€m	€m
Total after netting	**22,634**	25,311
Loan and advance centralised at the 'Caisse des Dépôts et Consignations' presented net against regulated savings accounts[1]	**10**	2,543
Netting on reverse repurchase agreements	**31,880**	24,813
Total before netting - Gross	**54,524**	52,667
On demand deposits	**3,051**	2,749
Term deposits	**51,303**	49,742
≤ 3 months	**49,735**	45,750
> 3 months and ≤ 1 year	**103**	528
> 1 year and ≤ 5 years	**1,238**	3,222
> 5 years	**227**	242
Accrued interests	**170**	176
Total	**54,524**	52,667
– of which:		
securities received under reverse repurchase agreements	**46,490**	42,386
subordinated loans	**—**	40

1 Mainly driven by the sale of the retail banking operations in France.

3 Loans and advances to customers

Breakdown of outstanding loans by type

	31 Dec 2024	31 Dec 2023
	€m	€m
Total after netting	**53,373**	60,521
Netting on reverse repurchase agreements	**5,287**	944
Total before netting - Gross	**58,660**	61,465
Commercial loans	**2,609**	2,434
Overdraft	**3,420**	3,520
Other customer facilities	**52,631**	55,511
Total	**58,660**	61,465
– of which:		
eligible loans for European Central Bank or Banque de France refinancing	**3,533**	5,201
reverse repurchase agreements	**16,718**	8,023

Breakdown of outstanding loans by credit quality

	31 Dec 2024				31 Dec 2023
	Performing loans	Non-performing loans	Impairment on non-performing loans	Total	Total
	€m	€m	€m	€m	€m
Retail loans	5,977	30	(10)	5,997	16,344
Loans to financial customers	5,616	154	(46)	5,724	4,588
Loans to non-financial customers	28,936	1,247	(278)	29,905	32,180
Reverse repurchase agreements	16,718	—	—	16,718	8,023
Accrued interests	310	6	—	316	325
Total	**57,557**	**1,437**	**(334)**	**58,660**	61,465
– of which:					
subordinated loans				—	—
gross non-performing loans				1,360	1,387
gross impaired loans				77	374
impairment on gross non-performing loans				(297)	(380)
impairment on gross impaired loans				(37)	(252)

Breakdown of outstanding loans by remaining contractual maturity

	31 Dec 2024	31 Dec 2023
	€m	€m
Repayable on demand	3,917	3,836
Term deposits	54,427	57,304
≤ 3 months	18,264	9,128
> 3 months and ≤ 1 year	6,480	8,365
> 1 year and ≤ 5 years	21,075	25,207
> 5 years	8,608	14,604
Accrued interest	316	325
Total	58,660	61,465

4 Portfolios of trading, available-for-sale and held-to-maturity securities

	31 Dec 2024 Carrying amount	31 Dec 2023 Carrying amount
	€m	€m
Treasury bills and other eligible bills	29,557	24,211
– Trading securities	19,561	18,005
– Available-for-sale securities	9,519	6,160
– Held-to-maturity securities	399	—
– Accrued interest	78	46
– of which: securities borrowed presented net against corresponding liabilities	2,131	2,388
Treasury bills and other eligible bills after netting	27,426	21,823
Debt securities	11,864	8,946
Trading account securities	1,707	1,473
– quoted securities	1,707	1,473
– unquoted bonds, interbank market securities and tradable debt securities	—	—
Available-for-sale securities	9,280	7,013
– quoted bonds	6,884	5,154
– unquoted bonds, interbank market securities and tradable debt securities	2,396	1,859
Held-to-maturity securities	812	425
– quoted bonds	—	420
– unquoted bonds, interbank market securities and tradable debt securities	812	5
Accrued interest	65	35
– of which:		
subordinated debt	100	100
securities borrowed	101	170
Equity shares and similar & portfolio equities	6,415	2,843
Trading account securities	6,320	2,825
– quoted shares	6,271	2,789
– unquoted shares and similar	49	36
Available-for-sale securities	85	—
– quoted shares	—	—
– unquoted shares and similar	85	—
Portfolio activity securities	10	18
– quoted portfolio activity shares	—	—
– unquoted portfolio activity shares	10	18
Total	47,836	36,000

Breakdown by remaining contractual maturity of treasury bills and government bonds

	31 Dec 2024	31 Dec 2023
	€m	€m
Treasury bills and other eligible bills		
≤ 3 months	**1,890**	461
> 3 months and ≤ 1 year	**2,292**	1,456
> 1 year and ≤ 5 years	**10,636**	9,911
> 5 years	**14,661**	12,337
Accrued interest	**78**	46
Total	**29,557**	24,211
Debt securities		
≤ 3 months	**2,292**	2,394
> 3 months and ≤ 1 year	**1,389**	200
> 1 year and ≤ 5 years	**5,865**	4,700
> 5 years	**2,253**	1,617
Accrued interest	**65**	35
Total	**11,864**	8,946

Estimated value of the portfolio of financial investments and portfolio equities

	31 Dec 2024		31 Dec 2023	
	Net carrying amount	Estimated	Net carrying amount	Estimated
	€m	€m	€m	€m
Treasury bills and other eligible bills	**9,519**	**9,640**	6,160	6,347
Debt securities	**9,280**	**9,232**	7,013	6,685
Equity shares and similar and other portfolio equities	**10**	**14**	18	29
Total available-for-sale and portfolio activity securities (excluding related receivables)	**18,809**	**18,886**	13,191	13,061

The financial investments portfolio is made up mainly of fixed income securities for which the interest-rate risk is usually hedged. The portfolio valuation rules are given in Note 1b.

Unrealised gains and losses in financial investments and portfolio equities

	31 Dec 2024		
	Before provisions	Provisions	Net amount
	€m	€m	€m
Unrealised gains in available-for-sale and portfolio equities	**175**	**37**	**138**
– treasury bills and other eligible bills	**145**	**29**	**116**
– bonds and other fixed-income securities	**21**	**8**	**13**
– equity shares and similar & portfolio equities	**9**	**—**	**9**
Unrealised losses in available-for-sale and portfolio equities	**200**	**36**	**164**
– treasury bills and other eligible bills	**97**	**21**	**76**
– bonds and other fixed-income securities	**97**	**13**	**84**
– equity shares and similar & portfolio equities	**6**	**2**	**4**

Additional information on the securities in compliance with ANC 2014-07 regulation dated 26 November 2014

The premium (unamortised difference between the acquisition price and the redemption price of securities) of available-for-sale and held-to-maturity securities amounted to EUR 93.8 million in 2024 and EUR 47.8 million in 2023.

No security was transferred from one portfolio to another portfolio in 2024 or in 2023. Also no held-to-maturity securities have been sold during the period.

5 Investments in subsidiaries, affiliates and equity securities held for long term

	31 Dec 2024 Net carrying amount €m	31 Dec 2023 Net carrying amount €m
Interests in subsidiaries and associates	**33**	37
Listed securities	**—**	—
– banks	**—**	—
– others	**—**	—
Non-listed securities	**33**	37
– banks	**6**	6
– others	**27**	31
Other long-term securities	**29**	51
Listed securities	**—**	—
– banks	**—**	—
– others	**—**	—
Non-listed securities	**29**	51
– banks	**—**	—
– others[1]	**29**	51
Interests in group companies	**1,878**	2,112
Listed securities	**—**	—
– banks	**—**	—
– others	**—**	—
Non-listed securities[2]	**1,878**	2,112
– banks	**705**	1,221
– others	**1,173**	891
Accrued income		
Total	**1,940**	2,200

	31 Dec 2024 €m	31 Dec 2023 €m
Gross amounts at 1 January (excluding advances and accrued income)	**2,493**	2,930
Changes in the year:		
– acquisitions of securities/share issues	**22**	449
– disposals/capital reductions[3]	**(218)**	(886)
– effect of foreign exchange differences	**—**	—
– other movements/merger	**—**	—
Gross amounts at 31 December (excluding advances and accrued interests)	**2,297**	2,493
Impairments at 1 January	**(294)**	(286)
Changes in the year:		
– new allowances[4]	**(235)**	(8)
– release of allowances no longer required[5]	**172**	1
– other movements	**—**	—
– effect of foreign exchange differences	**—**	—
Impairment at 31 December	**(357)**	(293)
Accrued income	**—**	—
Net book value including accrued interests	**1,940**	2,200

1 This is related to a reduction of EUR 25 million linked to associate certificates of "Fonds de Garantie des dépôts et de Résolution ('FGDR')" related to the sale of the retail banking operations in France.
2 In 2024, a customer correction has been realized with a reclassification from banks to others.
3 This includes the sale of investment in HSBC SFH (France) for EUR 113 million, the sale of participation in Crédit Logement for EUR 39 million, the sale of FGDR associate certificates for EUR 25 million, the sale of investment in HSBC Epargne Entreprise for EUR 30 million.
4 This pertains to an impairment provision in the German branch for EUR 233 million.
5 This is explained by the release of the impairment provision for the investment in HSBC SFH (France) for EUR 113 million, Crédit Logement for EUR 39 million and HSBC Epargne Entreprise for EUR 16 million.

6 Intangible assets

	31 Dec 2024	31 Dec 2023
	€m	€m
Gross amounts at 1 Jan	**534**	469
Changes in the year:		
– transfers and other movements	**(4)**	—
– fixed asset acquisitions	**58**	95
– fixed asset disposals and other changes[1]	**(124)**	(30)
Gross amounts value at 31 Dec	**464**	534
Amortisation at 1 January	**452**	418
Changes in the year:		
– charges for the period for amortisation and impairment	**28**	60
– transfers and other movements	**—**	—
– fixed asset disposals and other changes[1]	**(129)**	(26)
Amortisation at 31 Dec	**351**	452
Net book value of intangible assets at 31 Dec	**113**	82

1 Mainly driven by the sale of the retail banking operations in France.

Since 1 January 2016 and according to 2015-06 ANC regulation of 23 November 2015 which modifies 2014-03 ANC regulation, the goodwill is recognised in a specific account in the relevant asset category after its affectation (art 745-6). The amortisation method and period are the same as those applied to amortised assets it is linked to (art 745-7).

Goodwill is impaired when the current value of one or more underlying assets, to which a portion of it was affected, is lower than the carrying amount of the asset(s) plus the attributed goodwill. The current value is the higher of the market value and the value-in-use (see articles 214-1 to 214-27 of 2015-06 ANC regulation).

Goodwill allocation of assets

	Gross amounts at 1 Jan 2024	Increases	Decreases	Carrying amounts at 31 Dec 2024
	€m	€m	€m	€m
Intangible assets	—	—	—	—
Tangible assets	4.0	—	4.0	—
Financial assets[1]	0.2	—	—	0.2
Total	**4.2**	**—**	**4.0**	**0.2**

1 Included in Assets reported under Note 4 and Note 5.

7 Tangible assets

	31 Dec 2024	31 Dec 2023
	€m	€m
Gross amounts at 1 Jan	**710**	618
Changes in the year:		
– transfers and other movements	**—**	—
– fixed asset acquisitions	**8**	112
– fixed asset disposals and other changes[1]	**(327)**	(20)
Carrying amount at 31 Dec	**391**	710

	31 Dec 2024	31 Dec 2023
	€m	€m
Depreciation at 1 January	**613**	558
Changes in the year:		
– charges for the period for depreciation and impairment	**25**	98
– transfers and other movements	**—**	11
– fixed asset disposals and other changes[1]	**(331)**	(54)
Depreciation at 31 December	**307**	613
Net carrying amount at 31 Dec	**84**	97

1 Mainly driven by the sale of the retail banking operations in France.

Breakdown by type of tangible fixed assets

	31 Dec 2024	31 Dec 2023
	€m	€m
Operating land and buildings	8	9
Non-operating land and buildings	—	—
Other tangible assets	76	88
Carrying amount at 31 Dec	**84**	97

Finance lease

	31 Dec 2024	31 Dec 2023
	€m	€m
Assets under construction	—	3
Assets in use gross amount[1]	206	379
Assets in use amortisation	(174)	(300)
Accrued interests	—	(1)
Total	**32**	81

1 It pertains to EUR 76 million vehicles, EUR 29 million infrastructure construction machinery, EUR 99 million other materials and EUR 2 million IT equipments.

At 31 December 2024, the financial outstanding amounts to EUR 42 million (EUR 97 million in 2023) and the provision for negative unearned finance income before deferred tax is EUR 9 million (EUR 19 million in 2023).

8 Loan impairment

	Balance at 1 Jan 2024	Additions	Amounts utilised	Unused amounts reversed	Other movements	Balance at 31 Dec 2024
	€m	€m	€m	€m	€m	€m
Impairment on interbank and customer non-performing loans (excluding doubtful interest)	632	293	(348)	(241)	(2)	334
Impairment on securities	—	—	—	—	—	—
Provisions for loans commitments[1]	31	23	—	(16)	—	38
Total of impairment and provisions recognised in cost of risk	**663**	**316**	**(348)**	**(257)**	**(2)**	**372**

1 The opening figures of 2024 are adjusted by EUR 7 million to correct the error identified during the year. There is no impact on the impairment charges reported on the balance sheet and income statement in 2023.

Loan impairment charges

	31 Dec 2024	31 Dec 2023
	€m	€m
Net impairment charge for the period:		
– interbank and customer non-performing and impaired receivables (excluding doubtful interest)	(109)	(195)
– counterparty risk on securities	—	—
– loan commitments	(10)	6
– recoveries of amounts previously written off	2	3
Total loan impairment charges	**(117)**	(186)
– of which:		
unprovided losses on non-performing and impaired receivables	(58)	(121)
unprovided losses on loan commitments	—	—
losses covered by provisions	(348)	(38)

9 Other assets

	31 Dec 2024	31 Dec 2023
	€m	€m
Total after netting	**20,755**	21,598
Netting on cash collateral associated with derivatives	2,312	4,152
Total before netting	**23,067**	25,750
– of which:		
settlement of securities transactions	319	3,238
sundry debtors and other receivables	22,748	22,512

10 Prepayments and accrued income

	31 Dec 2024 €m	31 Dec 2023 €m
Total after netting	**39,056**	42,633
Netting on derivatives	**14,834**	19,479
Total before netting	**53,890**	62,112
– of which:		
items in course of collection from other banks	**70**	172
other assets[1]	**53,820**	61,940

1 Including mark-to-market on derivatives instruments for EUR 52,112 million in 2024 (EUR 59,806 million in 2023).

11 Deposits due to credit institutions

Breakdown of deposits by remaining contractual maturity

	31 Dec 2024 €m	31 Dec 2023 €m
Total after netting	**20,276**	23,263
Netting on repurchase agreements	**31,880**	24,813
Total before netting	**52,156**	48,076
On demand deposits	**10,694**	6,727
Term deposits	**41,359**	41,161
≤3 months	**7,909**	11,191
>3 months and ≤ 1 year	**529**	341
>1 year and ≤5 years	**32,379**	28,481
>5 years	**542**	1,148
Accrued interest	**103**	188
Total	**52,156**	48,076
– of which: repurchase agreements	**38,926**	33,707

12 Customer accounts

Breakdown of customer credit balances by type of deposit

	31 Dec 2024 €m	31 Dec 2023 €m
Total after netting	**97,977**	108,308
Loan and advance centralised at the 'Caisse des Dépôts et Consignations' presented net against regulated savings accounts[1]	**10**	2,543
Netting on repurchase agreements	**5,287**	944
Total before netting	**103,274**	111,795
On demand deposits[1]	**50,611**	61,509
Special demand accounts	**48**	8,598
Special term accounts	**—**	640
Term accounts	**41,811**	37,572
Total customer deposits (excluding repurchase agreements)	**92,470**	108,319
Repurchase agreements	**10,596**	3,211
Accrued interest	**208**	265
Total customer credit balance accounts	**103,274**	111,795

1 Mainly driven by the sale of the retail banking operations in France.

Breakdown of customer credit balances by remaining contractual maturities

	31 Dec 2024 €m	31 Dec 2023 €m
On demand deposits	**50,659**	70,107
Term deposits	**52,407**	41,423
≤3 months	**48,747**	35,504
>3 months and ≤1 year	**3,148**	5,238
>1 year and ≤5 years	**346**	511
>5 years	**166**	170
Accrued interest	**208**	265
Total	**103,274**	111,795

13 Debt securities in issue

Breakdown of debt securities by type

	31 Dec 2024 €m	31 Dec 2023 €m
Certificates of deposit	—	—
Interbank market securities and tradable debt securities	9,860	8,849
Bonds	15,587	14,290
Accrued interest	374	278
Total	**25,821**	23,417

Breakdown of debt securities by maturity

	31 Dec 2024 €m	31 Dec 2023 €m
Debt securities	**25,447**	23,139
≤3 months	2,541	2,956
>3 months and ≤1 year	4,187	4,818
>1 year and ≤5 years	10,121	7,385
>5 years	8,598	7,980
Accrued interest	374	278
Total	**25,821**	23,417

14 Provisions

	Balance at 1 Jan 2024 €m	Additions €m	Amounts utilised €m	Unused amounts reversed €m	Other movements €m	Balance at 31 Dec 2024 €m
Provisions for commitments and disputes	37	23	(4)	(17)	—	39
Other provisions[1,2]	1,859	75	(1,658)	(42)	(3)	231
Total	1,896	98	(1,662)	(59)	(3)	270

1 Unallocated provision for the loss on the sale relating to retail banking operations in France which amounted to EUR 1,551 million for the end of December 2023 has been fully reversed for EUR 1,544 million as utilised amounts and EUR 7 million as unutilised amounts.
2 PEL/CEL provision of EUR 5 million has been transferred due to the sale of the retail banking operations in France.

15 Other liabilities

	31 Dec 2024 €m	31 Dec 2023 €m
Total after netting	**38,296**	43,742
Netting on cash collateral associated with derivatives	2,312	4,152
Assets arising from securities borrowing transactions deducted from corresponding liabilities	2,131	2,388
Total before netting	**42,739**	50,282
– of which:		
securities transactions settlement accounts	314	362
sundry creditors[1]	16,788	20,394
short position and securities received under repurchase agreements confirmed resold	25,637	29,526

1 Including cash collateral on financial instruments received in 2024: EUR 13,782 million compared to EUR 15,669 million in 2023.

16 Accruals and deferred income

	31 Dec 2024 €m	31 Dec 2023 €m
Total after netting	**36,563**	38,690
Netting on derivatives	14,834	19,479
Total before netting	**51,397**	58,169
– of which:		
items in course of transmission to other banks	29	174
other liabilities[1]	51,368	57,995

1 Including mark-to-market on derivatives instruments (before netting) for EUR 50,321 million in 2024 and EUR 56,840 million in 2023.

17 Subordinated debt

Subordinated debts are dated or undated loans or securities, for which repayment is subordinated to other creditors in case of liquidation.

Accrued interest, if any, on these subordinated securities is recognised in the balance sheet in an accrued interest account with a corresponding amount recognised in profit and loss.

	31 Dec 2024	31 Dec 2023
	€m	€m
Dated subordinated securities	**25**	—
Undated subordinated securities	**16**	16
Subordinated debts (dated and undated)	**3,335**	3,345
Accrued interest	**31**	36
Total	**3,407**	3,397

Securities issued by HSBC Continental Europe

Subordinated securities issued by HSBC Continental Europe, in euros and other currencies, are liabilities which will only be repaid in the event of liquidation after the interests of other creditors have been extinguished but before repayment of the holders of participating securities or equity.

Subordinated securities

					31 Dec 2024	31 Dec 2023
	Date of issue	Date of maturity	Interest type	Currency of issue	**€m**	€m
Dated subordinated securities[1]	07.07.2005	07.07.2025	Fixed rate	EUR	**10**	—
	08.07.2005	08.07.2025	Fixed rate	EUR	**5**	—
	25.06.2002	26.06.2028	Fixed rate	EUR	**10**	—
Undated subordinated securities[2]	22.07.1985	perpetual	TMO - 0,25	FRF	**16**	16
Accrued interest					**—**	—
Total (including accrued interest)					**41**	16

1 In 2024, inclusion of promissory notes booked in the German branch for EUR 25 million erroneously reported under accrued interest in 2023.
2 Participating securities are refunded at a price equal to the par only in the case of the liquidation of the company.

Subordinated debts

Subordinated debts					**31 Dec 2024**	31 Dec 2023
	Date of issue	Date of maturity	Interest type	Currency of issue	**€m**	€m
Undated debts[1]	26.05.2017	perpetual	Fixed rate	EUR	**200**	200
	28.03.2018	perpetual	Fixed rate	EUR	**300**	300
	16.12.2019	perpetual	Floating rate	EUR	**—**	250
	18.12.2024	perpetual	Fixed rate	EUR	**250**	—
	18.03.2022	perpetual	Floating rate	EUR	**250**	250
	06.12.2016	perpetual	Floating rate	EUR	**235**	235
	23.01.2019	perpetual	Fixed rate	EUR	**200**	200
Dated debts[2]	21.06.2018	21.06.2028	Floating rate	EUR	**—**	300
	29.01.2019	29.01.2029	Floating rate	EUR	**—**	400
	22.12.2014	22.12.2029	Floating rate	EUR	**—**	260
	27.07.2019	27.06.2029	Floating rate	EUR	**—**	100
	22.05.2020	22.05.2030	Floating rate	EUR	**500**	500
	30.06.2014	28.08.2029	Floating rate	EUR	**—**	150
	08.12.2023	08.12.2034	Floating rate	EUR	**200**	200
	29.01.2024	29.01.2035	Floating rate	EUR	**400**	—
	21.03.2024	21.03.2035	Floating rate	EUR	**300**	—
	10.12.2024	10.12.2036	Floating rate	EUR	**500**	—
Accrued interest					**31**	36
Total for securities issued by HSBC Continental Europe (including accrued interest)					**3,366**	3,381

1 Additional Tier 1: A total or a partial repayment is allowable on or after call date under certain conditions except two debts issued in 2016 and 2019 by the German branch amounting to EUR 435 million where only total repayment is possible.
2 Tier 2: A total or a partial repayment is allowable on or after the call date under certain conditions.

More details are available in HSBC Continental Europe Pillar 3 Disclosures.

18 Share capital

Shares with a nominal value of 5 euros	2024 Number of shares	2024 Total (in thousands of euros)	2023 Number of shares	2023 Total (in thousands of euros)
At 1 Jan	**212,466,555**	**1,062,333**	212,466,555	1,062,333
– subscription options exercised	**—**	**—**	—	—
– new capital issued – merger	**53,116,637**	**265,583**	—	—
– reduction of capital	**—**	**—**	—	—
At 31 Dec	**265,583,192**	**1,327,916**	212,466,555	1,062,333

Voting rights

On 31 December 2024, the total of voting rights stood at 265,583,192.

19 Equity

	31 Dec 2024	31 Dec 2023
	€m	€m
Called-up share capital[1]	**1,328**	1,062
Share premium account (Additional paid-in capital)[1]	**7,291**	5,808
Reserves	**1,088**	1,055
– legal reserve	**85**	52
– long-term gains reserve	**405**	405
– revaluation reserve	**3**	3
– extraordinary and other reserve	**305**	305
– free reserve	**290**	290
– revaluation reserve on past service costs	**—**	—
Retained earnings[2]	**1,808**	1,191
Interim dividend	**—**	—
Special tax-allowable reserves	**—**	—
Net profit for the year	**499**	671
Equity	**12,014**	9,787

1 Increase in the share capital in 2024.
2 Before proposed allocation of any dividend and/or legal reserves for current year.

Changes in equity

	2024
	€m
Balance at 1 Jan	**9,787**
Net profit for the year	**499**
Capital increase	**266**
Share premium increase	**1,483**
Interim dividend	**—**
Others[1]	**(21)**
Balance at 31 Dec	**12,014**

1 Retained earning adjustment on branches on previous year.

Legal reserve

This reserve is built up by appropriating at least one-twentieth of the year's profit. This appropriation ceases to be mandatory once this reserve reaches one-tenth of share capital. It is not distributable.

Net long-term gains reserve

Distributing this reserve would lead to an additional tax charge equal to the difference between standard tax rate and reduced tax rate.

Revaluation reserve (1976 revaluation)

This reserve could be incorporated into capital, but it cannot be distributed or used to offset losses.

Other reserves

Amounts put into reserves over five years ago would be subject to a levy if they were to be distributed.

For distributions paid on or after 1 January 2000, HSBC Continental Europe can charge the dividends against profits liable to corporate income tax for accounting periods ended at most five years ago, starting with the oldest, in application of the decree of 21 December 1999.

20 Pensions, post-employment benefits

	31 Dec 2024	31 Dec 2023
	€m	€m
Provision for employee-related commitments	10	43

Principal actuarial assumptions of the post-employment defined benefit plans

The principal actuarial financial assumptions used to calculate the defined benefit pension plans were:

(in "per cent") - France	Discount rate	Inflation rate	Rate of increase for pensions in payment and deferred pensions	Rate of pay increase
At 31 Dec 2024	**3.25**	**2.00**	**2.00**	**2.92**
At 31 Dec 2023	3.1	2.00	2.00	2.95

(in "per cent") - Germany	Discount rate	Inflation rate	Rate of increase for pensions in payment and deferred pensions	Rate of pay increase
At 31 Dec 2024	**3.41**	**2.25**	**2.25**	**2.25**
At 31 Dec 2023	3.17	2.25	2.25	2.25

HSBC Continental Europe determines discount rates in consultation with its actuaries based on the current average yield of high quality (AA-rated) debt instruments, with maturities consistent with that of the defined benefit obligation.

Provision recognised

	31 Dec 2024	31 Dec 2023
	€m	€m
Present value of benefit obligations	373	401
Fair value of plan assets	(363)	(358)
Net liability recognised	**10**	43

The components of the table below have been recognised in profit & loss.

Net asset/(liability) under defined benefit pension plans

	Fair value of plan assets	Present value of defined benefit obligations	Net benefit asset/ liability
	€m	€m	€m
Net defined benefit liability at 1 January 2024	(358)	401	43
Current service cost	—	7	7
Net interest (income)/cost on the net defined benefit liability	(7)	12	5
Remeasurement effects	1	(6)	(5)
Benefits paid	1	(18)	(17)
Other	—	(23)	(23)
At 31 Dec 2024	(363)	373	10

Fair value of plan assets by asset classes

	31 Dec 2024			
	Fair value	Quoted market price in active market	No quoted market price in active market	Thereof HSBC
	€m	€m	€m	€m
Fair value of plan assets	(363)	349	14	—
– equities	(3)	3	—	—
– bonds	(245)	245	—	—
– property	—	—	—	—
– derivatives	—	—	—	—
– other	(115)	101	14	—

21 Off-balance sheet items

	31 Dec 2024 €m	31 Dec 2023 €m
A – Loan commitments		
Commitments given	**60,036**	58,737
Refinancing agreements and other financing commitments in favour of banks	**8,327**	8,064
Refinancing agreements and other financing commitments in favour of customers	**51,709**	50,673
– confirmed credit facilities	**51,646**	50,621
– acceptances payable and similar instruments	**63**	52
Commitments received	**1,052**	909
Refinancing agreements and other financing commitments in favour of banks	**1,052**	909
B – Guarantee commitments		
Commitments given	**19,273**	17,485
– guarantees, acceptances and other securities to banks	**3,216**	3,255
– guarantees, acceptances and other securities to customers	**16,057**	14,230
Commitments received	**7,379**	19,044
– guarantees, acceptances and other securities	**7,379**	19,044

Other pledged assets

	31 Dec 2024 €m
Covered bonds	**—**
Loans pledged on guarantee 3G and TRICP	**3,133**
Loans pledged on guarantee CCBM	**400**
Securities pledged on guarantee	**2,693**
Total	**6,226**

22 Derivatives

	31 Dec 2024				31 Dec 2023			
	Fair value €bn	Hedging contracts[1] €bn	Trading contracts[1] €bn	Total[1] €bn	Fair value €bn	Hedging contracts[1] €bn	Trading contracts[1] €bn	Total[1] €bn
Fixed terms contracts	**2.0**	**34**	**5,193**	**5,227**	3.0	25	4,323	4,348
Exchange traded	**—**	**—**	**99**	**99**	—	—	70	70
– interest rate	**—**	**—**	**69**	**69**	—	—	48	48
– exchange rate	**—**	**—**	**14**	**14**	—	—	11	11
– equity	**—**	**—**	**16**	**16**	—	—	11	11
Non-exchange traded	**2.0**	**34**	**5,094**	**5,128**	3.0	25	4,253	4,278
– forwards contracts	**—**	**—**	**627**	**627**	—	—	508	508
– other interest rate	**1.8**	**34**	**3,368**	**3,402**	3.4	25	2,878	2,903
– other exchange rate	**(0.1)**	**—**	**172**	**172**	(0.1)	—	68	68
– other contracts	**0.3**	**—**	**927**	**927**	(0.3)	—	799	799
Flexible Terms (with Options) contracts	**(1.4)**	**—**	**497**	**497**	(1.1)	—	487	487
Exchange traded	**(0.8)**	**—**	**191**	**191**	(0.5)	—	139	139
– interest rate	**—**	**—**	**—**	**—**	—	—	—	—
– exchange rate	**—**	**—**	**94**	**94**	—	—	81	81
– other contracts	**(0.8)**	**—**	**97**	**97**	(0.5)	—	58	58
Non-exchange traded	**(0.6)**	**—**	**306**	**306**	(0.6)	—	348	348
– Caps and floors	**—**	**—**	**98**	**98**	—	—	116	116
Swaptions and options	**(0.6)**	**—**	**208**	**208**	(0.6)	—	232	232
– bought	**(0.6)**	**—**	**109**	**109**	(0.6)	—	120	120
– sold	**—**	**—**	**99**	**99**	—	—	112	112
Total derivatives	**0.6**	**34**	**5,690**	**5,724**	1.9	25	4,810	4,835

1 Notional contract amounts.

Other information on derivatives

Notional contract amounts	31 Dec 2024 €bn	31 Dec 2023 €bn
Micro hedge contract[1]	8	6
Macro hedge contract[2]	26	19
Trading	3,368	2,878
Other	—	—

1 Interest rate swaps accounted as micro-hedging are used to hedge interest and currency rate risk of an asset or a liability.
2 Interest rate swaps accounted as macro-hedging are used to hedge and to manage the global interest rate risk of portfolio of assets and liabilities of the bank.

Derivatives: maturity analysis

	31 Dec 2024			
(in billion euro)	≤ 1 year €bn	>1 year and ≤ 5 years €bn	> 5 years €bn	Total €bn
Derivatives:				
– Exchange contracts	265	60	21	346
– Interest rate contracts	1,688	1,570	1,122	4,380
– Others	905	92	1	998
Total	2,858	1,722	1,144	5,724

Risk-weighted assets – Amount of Exposure At Default ('EAD') for derivatives contracts

	31 Dec 2024 €m	31 Dec 2023 €m
A – Contracts concluded under Master agreement with close-out netting	12,378	12,502
1. Transactions with banks from OECD countries	11,901	12,014
2. Transactions with customers and banks localised outside OECD countries	477	488
B – Other contracts	2,579	2,272
1. Transactions with banks from OECD countries	2,545	2,245
– interest rate contracts	254	369
– exchange contracts	1,241	894
– equity derivatives contracts	893	794
– credit derivatives contracts	1	40
– commodities contracts	156	148
2. Transactions with customers and banks localised outside OECD countries	34	27
– interest rate contracts	—	—
– exchange contracts	34	27
– equity derivatives contracts	—	—
Total Exposure at Defaut	14,957	14,774
Corresponding risk-weighted assets ('RWA')	4,488	4,282

Clearing effect on Exposure at Default

	31 Dec 2024 €m	31 Dec 2023 €m
Original exposure before credit risk mitigation (including close-out netting)	108,652	125,978
Exposure mitigation due to close-out netting	(93,025)	(96,917)
Exposure mitigation due to credit mitigation	(670)	(14,287)
Exposure value after credit risk mitigation	14,957	14,774

23 Net interest income

	31 Dec 2024 €m	31 Dec 2023 €m
Interest and similar income		
Banks and financial institutions	4,818	4,166
Customers	3,051	2,599
Bonds and other fixed-income securities	937	575
Total	8,806	7,340
Interest and similar expenses		
Banks and financial institutions	(2,806)	(1,726)
Customers	(3,645)	(2,838)
Subordinated liabilities	(206)	(148)
Other bonds and fixed-income securities	(1,287)	(963)
Total	(7,944)	(5,675)

24 Income from equities and other variable income securities

	31 Dec 2024 €m	31 Dec 2023 €m
Income		
Available-for-sale and similar & portfolio activity securities	**16**	7
Interests in subsidiaries and associates and other long-term securities	**—**	—
Interests in group companies[1]	**603**	733
Total	**619**	740

1 Includes dividends from the German subsidiary HSBC Trinkaus & Burkhardt GmbH for EUR 449 million in 2024, and EUR 584 million in 2023.

25 Commissions received and commissions paid

	31 Dec 2024 €m	31 Dec 2023 €m
Fees		
Income	**1,429**	1,355
On transactions with banks	**123**	71
On transactions with customers	**126**	124
On foreign exchange transactions	**21**	13
On primary securities market activities	**307**	218
On provision of services for third parties	**527**	667
On commitments	**260**	216
Other commission	**65**	46
Expenses	**(635)**	(457)
On transactions with banks	**(69)**	(50)
On corporate actions	**(379)**	(204)
On forward financial instrument activities	**—**	—
On provision of services for third parties	**(164)**	(160)
On commitments	**(8)**	(8)
Other commission	**(15)**	(35)
Total fees	**794**	898

26 Gains or losses on trading securities

	31 Dec 2024 €m	31 Dec 2023 €m
Gains or losses		
Trading securities	**419**	409
Foreign exchange transactions	**353**	295
Others Derivatives	**(118)**	(600)
Total	**654**	104

27 Gains or losses on available-for-sale securities

	31 Dec 2024 €m	31 Dec 2023 €m
Results for available-for-sale securities		
Gains or losses	**(48)**	25
Impairment	**(43)**	(4)
– charges	**(168)**	(54)
– releases	**125**	50
Results for portfolio activity securities		
Gains or losses	**1**	(4)
Impairment	**—**	—
– charges	**—**	—
– releases	**—**	—
Total	**(90)**	17

28 General operating expenses

	31 Dec 2024 €m	31 Dec 2023 €m
Employee compensation and benefits		
Salaries and wages, social security, taxes and levies on compensation	**(757)**	(854)
Pension expense	**(76)**	(94)
Profit sharing and incentive plan	**(10)**	(13)
Employee compensation and benefits total	**(843)**	(961)
Other administrative expenses	**(948)**	(1,052)
Total operating expenses	**(1,791)**	(2,013)

Share award plans

At 31 December 2024, allowance stood at EUR 12 million.

29 Gains or losses on disposals of fixed assets and long term investments

	31 Dec 2024 €m	31 Dec 2023 €m
Gains or losses on held-to-maturity securities	**—**	—
Gains or losses on tangible and intangible fixed assets[1]	**(115)**	—
Gains or losses on investments in subsidiaries and associates, long-term securities and other group companies[2]	**(234)**	15
Total	**(349)**	15

1 Mainly driven by the sale of the retail banking operations in France.
2 This includes the impairment provision in the German branch for EUR 233 million.

30 Exceptional items

	31 Dec 2024 €m	31 Dec 2023 €m
Extraordinary loss		
Loss-making contract provision[1]	**9**	8
Impairment on tangible assets and costs of investment	**—**	—
Disposal costs[2]	**4**	21
Correction of error	**—**	—
Others[3]	**—**	(434)
Total	**13**	(405)

1 This reflects the movement in 2024 due to the increase in the contractual loss by EUR 4 million offset by the decrease of non-cash items (transfer of assets ascribed at zero value as part of the sale of the retail banking operations in France) by EUR 13 million.
2 This includes the cost incurred on the disposal for EUR 19 million offset by the release of the cost to sell provision by EUR 26 million related to the sale of the retail banking operations in France, and the cost of the disposal of HSBC Epargne Entreprise shares for EUR 3 million.

3 In 2023, German Branch made a payment of EUR 434 million under Domination and Profit and Loss Transfer Agreement ('DPLTA') as part of the acquisition to cover the losses generated by its subsidiary HSBC Trinkaus & Burkhardt GmbH.

31 Tax expense and deferred tax

	31 Dec 2024 €m	31 Dec 2023 €m
Current tax		
At standard rate	**(119)**	(156)
At reduced rate	**—**	—
Deferred tax	**(174)**	(74)
Total	**(293)**	(229)

Deferred taxes are calculated according to the principles defined in Note 1.

The France rates used for the calculation of taxes are as follows and is based on tax rates applicable to the corresponding fiscal year.

	2025	2024	2023
	%	%	%
Standard rate[1]	**25.00**	25.00	25.00
Reduced rate (long term capital gains)[2]	**3.1**	3.1	3.1
Reduced rate (gains on disposal of shares in listed real estate companies)[3]	**19.0**	19.0	19.0
Reduced rate (venture capital vehicle)[3]	**15.0**	15.0	15.0
Tax contribution			
CSB	**3.3**	3.3	3.3
Exceptional contribution	**—**	—	—
Deferred tax			
Standard rate on DT if assumption of recovery on 2023	**25.00**	25.00	25.00
Standard rate on DT if assumption of recovery on 2024	**25.00**	25.00	25.00
Standard rate on DT if assumption of recovery on 2025	**25.00**	25.00	25.00
Standard rate on DT if assumption of recovery on 2026	**25.00**	25.00	25.00
Reduced rate on DT if assumption of recovery on 2023	**3.1**	3.1	3.1
Reduced rate on DT if assumption of recovery on 2024	**3.1**	3.1	3.1
Reduced rate on DT if assumption of recovery on 2025	**3.1**	3.1	3.1
Reduced rate on DT if assumption of recovery on 2026	**3.1**	3.1	3.1

1 Standard CIT rate of 25 per cent excluding CSB of 3.3 per cent.
2 According to the French tax regulations, the capital gains resulting from the disposal of shares recorded as participations shares under French GAAP and held for at least two years, are taxable in France at an effective tax rate of 3.1 per cent (i.e.,12 per cent of the capital gain at a standard rate of 25.83 per cent).
3 The regime applies subject to specific conditions.

HSBC Continental Europe's profits are taxed at different rates depending on the country in which the profits arise. The largest tax balance positions relate to France where the applicable corporate income tax for 2023 and 2024 was 25 per cent and the social contribution tax (CSB) remain at 3.3 per cent on the Corporate Income Tax, leading to an effective tax rate of 25.83 per cent (2023 25.83 per cent).

The final effective tax rate varies depending on the contribution from entities outside of France, notably Germany which has a corporate income tax rate of 31.4 per cent for fiscal year 2023 and 2024 and other European branches.

Current tax

The 2024 current tax expense reflected a tax charge of EUR 119 million (2023: EUR 156 million), primarily driven from the tax charge reported by HSBC Continental European branches of EUR 160 million (2023: EUR 188 million), of which EUR 72 million was contributed by the German branch, offset by a tax credit of EUR 41 million in HSBC Continental Europe entity.

Deferred tax

The 2024 deferred tax charge was EUR 174 million (2023: EUR 74 million), significantly driven by the EUR 150 million write down of the DTA on tax losses of the France Tax Group.

The net deferred tax asset accounted for in the balance sheet as at December 31, 2024 amounts to EUR 658 million (2023: EUR 832 million) composed of EUR 538 million in HSBC Continental Europe, EUR 114 million DTA in the German branch and EUR 6 million in the rest of HSBC Continental Europe European branches. The HSBC Continental Europe net DTA balance of EUR 538 million is majorly driven by brought forward tax losses from previous years of EUR 501 million (2023: EUR 652 million).

During 2024, management reassessed the likely availability of future taxable profits against which to recover the deferred tax assets of the French tax group, taking into consideration the reversal of existing taxable temporary differences, the drivers of past business performance, and management's latest forecasts of future business performance, taking into account forecasting uncertainty. The assessment concluded the write down of the DTA on tax losses of EUR 150 million during the year. These tax losses have no expiry date and the recognised tax losses are forecast to be recovered in 10-13 years.

Unrecognised deferred tax

The Group has unrecognised deferred tax of EUR 177 million tax value (EUR 685 million gross value) at 31 December 2024 (2023: nil).

32 Legal proceedings and regulatory matters relating to HSBC Group entities

HSBC Group entities, including HSBC Continental Europe, are party to various legal proceedings and regulatory matters arising out of their normal business operations. Apart from the matters described below and in the section 'Legal risks and litigation management' on pages 223 to 224 of the Universal Registration Document 2024, HSBC Continental Europe considers that none of these matters is significant. HSBC Continental Europe recognises a provision for a liability in relation to these matters when it is probable that an outflow of economic benefits will be required to settle an obligation which has arisen as a result of past events, and for which a reliable estimate can be made of the amount of the obligation. Any provision recognised does not constitute an admission of wrongdoing or legal liability. While the outcome of these matters is inherently uncertain, management believes that, based on the information available to it, appropriate provisions, as necessary, have been made in respect of such legal proceedings as at 31 December 2024.

Anti-money laundering and sanctions-related matters

In December 2012, among other agreements, HSBC Holdings agreed to an undertaking with the UK Financial Services Authority which was replaced by a Direction issued by the UK Financial Conduct Authority ('FCA') in 2013, and again in July 2020, and consented to a cease-and-desist order with the Federal Reserve Board ('FRB'), both of which contained certain forward-looking anti-money laundering ('AML') and sanctions-related obligations. HSBC also agreed to retain an independent compliance monitor (who was, for FCA purposes, a 'Skilled Person' under section 166 of the Financial Services and Markets Act, and for FRB purposes, an 'Independent Consultant') to produce periodic assessments of the HSBC Group's AML and sanctions compliance programme.

The Skilled Person completed its engagement in the second quarter of 2021, and the FCA determined that no further Skilled Person work is required. Separately, the Independent Consultant's engagement is now complete and, in August 2022, the FRB terminated its cease-and-desist order.

Bernard L. Madoff Investment Securities LLC

Bernard L. Madoff ('Madoff') was arrested in December 2008 in the United States and later pleaded guilty to running a Ponzi scheme. His firm, Bernard L. Madoff Investment Securities LLC ('Madoff Securities'), is being liquidated in the US by a trustee (the 'Trustee'). Various non-US HSBC companies provided custodial, administration and similar services to a number of funds incorporated outside the US whose assets were invested with Madoff Securities.

Various HSBC companies have been named as defendants in lawsuits arising out of Madoff Securities' fraud, amongst which are HSBC Institutional Trust Services (Ireland) DAC ('HTIE') and/or its subsidiary Somers Dublin DAC.

On 1 August 2018, HSBC Continental Europe acquired from HSBC Bank plc 100 per cent of the shares of HTIE. Pursuant to the terms of the Sale and Purchase Agreement, HSBC Continental Europe and/or its subsidiaries will be indemnified by HSBC Bank plc in respect of certain liabilities including any loss arising from Madoff-related proceedings relating to the activities of HTIE and/or Somers. (HTIE subsequently merged into HSBC Continental Europe Dublin Branch.)

The Madoff-related proceedings in which HTIE and/or its subsidiary Somers Dublin DAC are currently involved are described below:

US litigation:

The Trustee has brought lawsuits against various HSBC companies and others, seeking recovery of transfers from Madoff Securities to HSBC in an amount not specified, and these lawsuits remain pending in the US Bankruptcy Court of the Southern District of New York (the "US Bankruptcy Court").

European interbank offered rates investigations

Various regulators and competition and law enforcement authorities around the world including in the United Kingdom ('UK'), the United States of America ('US'), the EU, Italy, Switzerland, and elsewhere conducted investigations and reviews related to certain past submissions made by panel banks and the processes for making submissions in connection with the setting of European interbank offered rates (Euribor). HSBC and/or its subsidiaries (including HSBC Continental Europe as a member of the Euribor panel) have been the subject of regulatory demands for information and have cooperated with those investigations and reviews.

In December 2016, the European Commission (the 'Commission') issued a decision finding that HSBC, among other banks, engaged in anticompetitive practices in connection with the pricing of euro interest rate derivatives in early 2007. The Commission imposed a fine against HSBC based on a one-month infringement, which has been paid by HSBC Continental Europe. HSBC appealed the decision and, in September 2019, the General Court of the EU (the 'General Court') issued a decision largely upholding the EC's findings on liability, but annulling the fine. HSBC and the EC both appealed the General Court's decision to the European Court of Justice (the 'Court of Justice').

In June 2021, the Commission adopted a new fining decision for an amount which was 5 per cent less than the previously annulled fine, and subsequently withdrew its appeal to the Court of Justice. In January 2023, the Court of Justice dismissed the appeal by HSBC against the September 2019 General Court's decision and upheld the EC's findings on HSBC's liability. In November 2024, the Court of Justice rejected a separate appeal by HSBC concerning the amount of the fine.

Other regulatory investigations, reviews and litigation

Tax-related investigations:

In March 2023, the French National Prosecutor announced an investigation into a number of banks, including HSBC Continental Europe and HSBC Bank plc, Paris Branch, in connection with alleged tax fraud related to the dividend withholding tax treatment of certain trading activities. HSBC Bank plc and HSBC Germany also continue to cooperate with investigations by the German public prosecutor into numerous financial institutions and their employees, in connection with the dividend withholding tax treatment of certain trading activities.

Based on the facts currently known, it is not practicable at this time for HSBC to predict the resolution of these matters, including the timing or any possible impact on HSBC, which could be significant.

33 Presence in non-cooperative states or territories

HSBC Continental Europe does not hold any direct or indirect presence in any non-cooperative States or territories in accordance with the article 238-0 A of the General Tax Code.

34 Events after the balance sheet date

There has been no significant event between 31 December 2024 and the date of approval of these financial statements by the Board of Directors which would require an adjustment or additional disclosure in the financial statements.

35 Other information

35.1 Interests in subsidiaries and related parties at 31 December 2024

(in thousands of euros unless otherwise stated)	Legal status	Business	Share capital	Reserves + retained earnings before appropria-tion of net profit	Owner-ship interest per cent	Book value of securities held		Loans and advan-ces granted by HSBC Conti-nental Europe	Guara-ntees given by HSBC Conti-nental Europe	Current year sales	Curre-nt year net profit or loss	Dividends received by HSBC Conti-nental Europe in the last financial year
						Cost	Net					
A – Information on companies whose book value at cost exceeds 1 per cent of HSBC Continental Europe's share capital												
1 – Subsidiaries (over 50 per cent)												
HSBC Factoring (France) 38, avenue Kléber – 75116 Paris (France)	Limited company (SA)	Factoring	**9,240**	**141,419**	**100.00**	**39,236**	**195,542**	**2,609,826**	**—**	**140,533**	**19,743**	**—**
Société Française et Suisse, 38, avenue Kléber – 75116 Paris (France)	Limited company (SA)	Invest-ment company	**599**	**8,874**	**100.00**	**60 384**	**9,776**	**—**	**—**	**—**	**(86)**	**—**
SAPC UFIPRO Recouvrement 38, avenue Kléber – 75116 Paris (France)	Limited liability company (SARL)	Dept collecting company	**7,619**	**1,559**	**99.98**	**16,262**	**9,174**	**—**	**—**	**—**	**(6)**	**—**
HSBC Global Asset Management (France) Immeuble Coeur Défense–110 esplanade du Général de Gaulle – 92400 Courbevoie (France)	Limited company (SA)	Asset manage-ment	**8,050**	**58,033**	**100.00**	**153,967**	**307,000**	**—**	**—**	**201,160**	**13,925**	**15,094**
HSBC Services (France) 38, avenue Kléber – 75116 Paris (France)	Limited company (SA)	Commer-cial company	**2,242**	**467**	**100.00**	**36,877**	**2,902**	**—**	**—**	**—**	**(12)**	**—**
Valeurs Mobilières Elysées , 38, avenue Kléber – 75116 Paris (France)	Limited company (SA)	Limited company (SA)	**41,920**	**9 875**	**100.00**	**67,757**	**53,986**	**—**	**—**	**—**	**2,168**	**—**
HLF 38, avenue Kléber – 75116 Paris (France)	Simplified joint-stock company (SA)	Leasing	**168,528**	**108,645**	**100.00**	**281,756**	**327,869**	**12,919**	**—**	**—**	**20,811**	**17,258**
SFM 38, avenue Kléber – 75116 Paris (France)	Limited company (SA)	Holding company	**11,987**	**14,939**	**100.00**	**25,201**	**37,749**	**—**	**—**	**—**	**950**	**—**
Foncière Elysées S.A. 38, avenue Kléber – 75116 Paris (France)	Simplified joint-stock company (SAS)	Real estate	**14,043**	**3,857**	**100.00**	**44,478**	**28,464**	**—**	**—**	**2,456**	**1,900**	**1,204**
Charterhouse Management Services Ltd 8 Canada Square – London E14 5HQ (Royaume-Uni)	Limited company under English law	Invest-ment company	**12,091**	**—**	**100.00**	**12,060**	**16,518**	**—**	**—**	**655**	**508**	**—**
HSBC Real Estate Leasing (France), 38, avenue Kléber – 75116 Paris (France)	Limited company (SA)	Crédit-bail immobilie r	**38,255**	**60,871**	**80.98**	**37,190**	**80,331**	**—**	**—**	**92,124**	**6,689**	**—**
CCF & Partners Asset Management Ltd 8 Canada Square – London E14 5HQ (Royaume-Uni)	Limited company under English law	Invest-ment holding	**6,046**	**—**	**100.00**	**5,107**	**6,366**	**—**	**—**	**—**	**—**	**—**

(in thousands of euros unless otherwise stated)	Legal status	Business	Share capital	Reserves + retained earnings before appropria-tion of net profit	Owner-ship interest per cent	Book value of securities held		Loans and advan-ces granted by HSBC Conti-nental Europe	Guara-ntees given by HSBC Conti-nental Europe	Current year sales	Curre-nt year net profit or loss	Dividends received by HSBC Conti-nental Europe in the last financial year
						Cost	Net					
HSBC Assurances Vie (France), Immeuble Coeur Défense-110 esplanade du Général de Gaulle – 92400 Courbevoie (France)	Limited company (SA)	Insurance company	115,000	812,435	100.00	513,999	1,116,183	—	—	1,622,995	81,511	—
HSBC Bank Malta p.l.c. 116 Archbishop Street, Valletta, Malta	Public Limited Company (SA)	Commerc-ial banking, Insurance and Assets manage-ment	108,092	487,344	70.03	203,875	203,875	155,000	8,920	263,141	108,670	31,162
HSBC Private Bank (Luxembourg) S.A. 18 Bd de Kockelscheuer, 1821 Gasperich Luxembourg	Limited Company (SA)	Private banking	160,000	80,805	100.00	195,000	195,000	743,287	356,000	48,543	(17,589)	—
B – Aggregate data concerning companies whose book value at cost does not exceed 1 per cent of HSBC Continental Europe's share capital												
1 – Subsidiaries												
a) French subsidiaries (aggregated)	—		—	—	—	—	—	—	—	—	—	—
b) Foreign subsidiaries (aggregated)	—		—	—	—	—	—	—	—	—	—	—
2 – Related party companies												
a) French companies (aggregated)	—		—	—	—	4	—	—	—	—	—	—
b) Foreign companies (aggregated)	—		—	—	—	—	—	—	—	—	—	—

35.2 Transactions with subsidiaries and other related parties

	31 Dec 2024	
	Subsidiaries	Other related parties
	€m	€m
Assets		
Treasury bills and money-market instruments	—	7,113
Loans and advances to banks	2,817	4,907
Loans and advances to customers	101	4,009
Bonds and other fixed income securities	—	6
Liabilities		
Due to credit institutions	214	12,331
Customer accounts	383	439
Debt securities	—	—
Other liabilities	—	6,028
Subordinated liabilities	—	2,900
Off-balance sheet items		
Financing commitments given	1,400	—
Guarantees and endorsements given	—	1,786
Securities commitments (other commitments given)	—	—

PricewaterhouseCoopers Audit
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex France

BDO Paris
43-47, avenue de la Grande-Armée
75116 Paris France

Statutory Auditors' report on the financial statements

(For the year ended 31 December 2024)

To the Shareholders,

HSBC Continental Europe

38, avenue Kléber

75116 Paris, France

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of HSBC Continental Europe for the year ended 31 December 2024.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company at 31 December 2024 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules provided for in the French Commercial Code (Code de commerce) and the French Code of Ethics (Code de déontologie) for Statutory Auditors for the period from 1 January 2024 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by article 5(1) of Regulation (EU) No. 537/2014.

Justification of assessments – Key audit matters

In accordance with the requirements of articles L.821-53 and R.821-180 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgement, were the most significant in our audit of the financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the financial statements.

Impairment of loans and advances to commercial customers

Description of risk	How our audit addressed this risk
As part of its wholesale lending businesses, at year end HSBC Continental Europe estimates the risk of impairment of its portfolio and recognises any appropriate allowances. The current economic context of rising inflation, energy prices and the decrease in interest rates increases the degree of uncertainty of these estimates. The assessment of the existence of a risk of non-recovery and the amount of the allowance set aside requires the Bank's management to exercise judgement. They have a high degree of uncertainty, which grew during the current economic context. This assessment primarily takes into account potential risk indicators such as payments that are contractually past-due or other factors such as indications of a deterioration in the financial condition and outlook of borrowers affecting their ability to pay, business sectors experiencing economic stress, the recoverable amount of guarantees, likely available dividends in the event of liquidation or bankruptcy, and the viability of the customer's business model. Given the material nature of the outstanding customer loans and the significance of management's judgement in estimating the related allowances, we deemed this issue to be a key audit matter.	Management has put in place controls designed to ensure the reliability of estimations of individual impairment. In this context, we tested the controls we deemed key to our audit, in order to assess the relevance of the impairment losses recorded. Our tests concerned the controls in place for monitoring loans, including the process for rating counterparties, classifying loans as doubtful, and approving individual impairment. We performed a critical assessment of the controls used by management to verify that the estimated allowances determined using models were proportionate to the actual losses observed in prior periods. We also tested the appropriateness of the methods and policies used to determine allowances, using a sample of loans selected based on the level of risk. Based on this sample, we independently assessed the level of allowances recognised.

Impairment of doubtful receivables on non-financial customer loans stood at EUR 278 million at 31 December 2024.

See Note 3 to the financial statements.

Recognition of deferred tax assets with respect to tax loss carryforwards

Description of risk	How our audit addressed this risk
At 31 December 2024, net deferred tax assets on the French tax consolidation group amounted to EUR 538 million in HSBC Continental Europe's financial statements, of which EUR 501 million were deferred tax assets with respect to tax loss carryforwards, after the recording in expenses of EUR 150 million in deferred tax assets on the losses of the French tax consolidation group. The valuation and recoverability of the deferred tax assets resulting from these tax loss carryforwards depend mainly on: – the taxable profit that HSBC Continental Europe expects to generate in the future; – the French tax legislation applicable to the recognition and use of deferred tax assets arising from HSBC Continental Europe's tax loss carryforwards in France. The valuation and future use of deferred tax assets on tax loss carryforwards is based on significant judgements from management. These judgements relate primarily to forecasts of tax profit or loss, the duration of tax losses, and the feasible tax planning strategies available. Accordingly, given the significance of the amount of deferred tax assets at 31 December 2024 and the estimates and judgements made by management in recognising these deferred tax losses, we deemed them to be a key audit matter for HSBC Continental Europe financial statements.	We performed the following procedures to validate the recoverability of deferred tax assets with respect to tax loss carryforwards: – we tested the controls in place around the calculation and recognition of deferred tax assets on tax loss carryforwards; we performed a critical review, with the help of our tax experts, of the assumptions used by management to estimate the recoverable amount of the estimated deferred tax assets on tax loss carryforwards at the year end. Our work consisted primarily in: – testing the key inputs used in the model for the recognition of deferred taxes, including cash flow forecasts for plans approved by the Board of Directors; – assessing management's estimates of forecasts of tax profit or loss by reviewing the temporary and permanent differences from prior years that are reflected in future forecasts; – comparing the assumptions used by management to estimate future tax profit or loss to determine the amount of deferred tax assets to be recognised with the assumptions used to determine future cash flows used in the various asset impairment tests; – assessing the compliance of management's assumptions with existing and future tax laws and rules; – we tested the classification of deferred tax assets taking into account the existence of deferred tax liabilities; – assessing the estimates made by management concerning the recording in expenses of the deferred tax asset on the losses of the French tax consolidation group; – lastly, we assessed the appropriateness of the disclosures in the notes to the financial statements.

For more details, see Notes 1.k and 31 to the financial statements.

Specific verifications

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French legal and regulatory provisions.

Information given in the management report and in the other documents provided to the shareholders with respect to the Company's financial position and the financial statements

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents provided to the shareholders with respect to the Company's financial position and the financial statements, with the exception of the following matter.

Concerning the fair presentation and the consistency with the financial statements of the information about payment terms referred to in article D.441-6 of the French Commercial Code, we have the following matter to report:

As indicated in the management report, this information does not include banking transactions and related transactions, as the Company has decided that such transactions do not fall within the scope of the required information.

Report on corporate governance

We attest that the Board of Directors' report on corporate governance sets out the information required by articles L.225-37-4 and L.22-10-10 of the French Commercial Code.

Other verifications and information pursuant to legal and regulatory requirements

Presentation of the financial statements to be included in the annual financial report

In accordance with professional standards applicable to the Statutory Auditors' procedures for annual and consolidated financial statements presented according to the European single electronic reporting format, we have verified that the presentation of the annual financial statements to be included in the annual financial report referred to in paragraph I of article L.451-1-2 of the French Monetary and Financial Code (Code monétaire et financier) and prepared under the Chief Executive Officer's responsibility, complies with this format, as defined by European Delegated Regulation No. 2019/815 of 17 December 2018.

On the basis of our work, we conclude that the presentation of the financial statements to be included in the annual financial report complies, in all material respects, with the European single electronic reporting format.

It is not our responsibility to ensure that the financial statements to be included by the Company in the annual financial report filed with the AMF correspond to those on which we carried out our work.

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of HSBC Continental Europe by the Annual General Meetings held on 23 April 2015 for PricewaterhouseCoopers Audit and on 10 May 2007 for BDO Paris.

At 31 December 2024, PricewaterhouseCoopers Audit and BDO Paris were in the tenth and the eighteenth consecutive year of their engagement, respectively.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for preparing financial statements giving a true and fair view in accordance with French accounting principles, and for implementing the internal control procedures it deems necessary for the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems relating to accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Responsibilities of the Statutory Auditors relating to the audit of the financial statements

Objective and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these financial statements.

As specified in article L.821-55 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit. They also:

- identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the financial statements;
- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;

– evaluate the overall presentation of the financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit Committee which includes, in particular, a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgement, were the most significant for the audit of the financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in articles L.821-27 to L.821-34 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

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Neuilly-sur-Seine and Paris, 19 February 2025

The Statutory Auditors

PricewaterhouseCoopers Audit	**BDO Paris**
Agnès Hussherr	Vincent Génibrel

Allocation of net profit

	At	
	31 Dec 2024	31 Dec 2023
	€m	€m
Results available for distribution		
– retained earnings[1]	**1,808**	1,191
– net profit for the year	**499**	671
Total (A)	**2,307**	1,862
Allocation of income		
– dividends	**—**	—
– free reserve	**—**	—
Total (B)	**—**	—
Retained earnings (A-B)	**2,307**	1,862

1 The retained earning variation is explained by the allocation to the legal reserve of EUR 34 million out of 2023 profits and an adjustment of EUR 20 million on the branches linked to previous year.

Five-year highlights

(Articles R. 225-81 and R. 225-102 of the French Commercial Code)

	2024	2023	2022	2021	2020
	€m	€m	€m	€m	€m
Share capital at year end					
Called up share capital	**1,328**	1,062	1,062	491	491
Number of issued shares	**265,583,192**	212,466,555	212,466,555	98,231,196	98,231,196
Nominal value of shares in euros	**5**	5	5	5	5
Results of operations for the year					
Sales	**11,611**	9,751	4,242	3,228	3,285
Profit before tax, depreciation and provisions	**1,005**	703	(352)	(2,042)	(455)
Profit after tax, depreciation and provisions	**499**	671	275	(1,589)	(906)
Per share data (in euros)					
Profit after tax, but before depreciation and provisions	**2.7**	2.2	(0.3)	(15.8)	(5.8)
Profit after tax, depreciation and provisions	**1.9**	3.2	1.3	(16.2)	(9.2)
Dividend paid per ordinary share, eligible as of 1 January	**—**	—	—	—	—
Employees (France)					
Number of employees[1]	**6,869**	10,511	11,122	7,993	8,835
Average number of employees (excluding employees available)	**6,986**	10,770	8,342	8,338	9,058
Salaries and wages	**614**	662	641	629	640
Employee benefits	**187**	246	230	245	248
Payroll and other taxes	**22**	31	36	63	58
Incentive schemes and/or employee profit-sharing scheme[2]	**11**	6	—	—	—

1 Employees registered as at 31 December of each year.
2 Based on previous year’s profits.

List of equity shares and debt securities held at 31 December 2024 (excluding trading securities)

Held-on maturity, available-for-sale and portfolio activity securities

	31 Dec 2024 €m
A – Held-to-maturity securities	**814**
Debt securities	**814**
Treasury bills and other eligible bills	**—**
Other public sector securities	**—**
Money market instruments	**—**
Negotiable certificates of deposit	**—**
Negotiable medium-term notes	**—**
Bonds and similar assets	**812**
Accrued interest	**2**
B – Available-for-sale and portfolio activity securities	**19,034**
Debt securities	**18,939**
Treasury bills and other eligible bills	**—**
Other public sector securities	**9,519**
Money market instruments	**—**
Commercial paper	**—**
Negotiable certificates of deposit	**—**
Negotiable medium-term notes	**—**
Asset-backed securities	**—**
Bonds and similar	**9,280**
Negotiable medium-term notes issued by banks	**—**
Accrued interest	**140**
Equity shares	**95**
Equity shares and similar	**95**
Mutual fund units	**—**
Total held-to-maturity, available-for-sale and portfolio activity securities	**19,848**

Interests in related parties, other participating interests and long-term securities

	31 Dec 2024 €m
A – Other participating interest and long-term securities	**62**
Securities listed on a recognised French exchange	**—**
Unlisted French securities	**62**
Foreign securities listed on a recognised French exchange	**—**
Foreign securities listed elsewhere	**—**
Unlisted foreign securities	**—**
Accrued income	**—**
B – Interests in related parties	**1,878**
Listed French securities	**—**
Unlisted French securities	**1,462**
Listed foreign securities	**—**
Unlisted foreign securities	**416**
Accrued income	**—**
Total interests in related parties, other participating interests and long-term securities	**1,940**

HSBC Continental Europe's principal subsidiaries and investment policy

HSBC Continental Europe's principal subsidiaries at 31 December 2024

Commercial Banking

Distribution	HSBC Factoring (France) (100 per cent)

Global Banking and Markets

Real estate	Foncière Elysées (100 per cent) HSBC Real Estate Leasing (France) (100 per cent)

Asset Management

HSBC Global Asset Management (France) (100 per cent)
HSBC REIM (France) (100 per cent)
HSBC Global Asset Management (Deutschland) GmbH (100 per cent)
HSBC Global Asset Management (Malta) Limited (70.03 per cent)

Insurance

HSBC Assurances Vie (France) (100 per cent)
HSBC Life Assurance (Malta) Limited (70.03 per cent)

Private Banking

HSBC Private Bank (Luxembourg) S.A. (100 per cent)

Other subsidiaries and equity investments

Valeurs Mobilières Elysées (100 per cent)
SFM (100 per cent)
HLF (100 per cent)
Société Française et Suisse (100 per cent)
Charterhouse Management Services Ltd (100 per cent)
HSBC Bank Malta p.l.c. (70.03 per cent)

Stated percentages indicate the group's percentage of control.
The subsidiaries are classified in the area where they principally operate.

Summary business activities of HSBC Continental Europe’s principal subsidiaries at 31 December 2024

Commercial Banking

(in thousands of euros)

	Total assets		Shareholders’ funds		Net profit		HSBC Continental Europe group’s percentage	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
HSBC Factoring (France)	**3,561,491**	4,029,539	**199,084**	179,341	**19,743**	15,658	**100**	100
	HSBC Factoring France (HFF) is a company dedicated to Receivable Finance. HSBC Factoring (France)'s activity is positively progressing comparing to 2023, with a gross turnover of EUR 39.9 million at the end of December 2024 with a net profit before tax of EUR 26.6 million.							

Global Banking and Markets

(in thousands of euros)

	Total assets		Shareholders’ funds		Net profit		HSBC Continental Europe group’s percentage	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
HSBC Real Estate Leasing (France)	**534,371**	604,220	**105,815**	99,126	**6,689**	203	**100**	100
	HSBC Real Estate Leasing France provides real estate services. The company offers professional, industrial, and commercial premises on leases, as well as acquisition, financing, and borrowing services.The net income for this subsidiary increased compared to 2023.							

Asset Management

(in thousands of euros)

	Total assets		Shareholders’ funds		Net profit		HSBC Continental Europe group’s percentage	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
HSBC Global Asset Management (France)	**207,186**	178,550	**80,008**	81,178	**13,925**	21,152	**100**	100
	HSBC Global Asset Management France (HGAM) is an asset management division of the HSBC Group, it develops and manages investment management products. HGAM's profit after tax decreased by 34 per cent and stands at EUR 13.9 million versus EUR 21.2 million in 2023, due to the decrease of financial income from equity interests combined with expenses increase and despite higher operating income (+4.8 per cent) driven by YoY asset growth in a risk adverse macro economic context impacting negatively long term asset and asset mix margin. In this context HSBC Global Asset Management (France) results remains resilient and strong with high inflows on liquidity fund combined with a favorable market effect. Assets managed and distributed by HSBC Global Asset Management (France) increased by 7.3 per cent and stood at EUR 104.5 billion compared with EUR 97.3 billion at end 2023 due to a strong commercial growth with EUR 6 billion of Net New Money and a positive market effect.							
HSBC REIM (France)	**19,844**	16,794	**12,526**	10,450	**4,576**	4,905	**100**	100
	HSBC REIM (France) is the subsidiary of the Asset Management business specialising in real estate management on behalf of third parties. As of 31 December 2024, the market value of assets under management was EUR 2.8 billion. The main fund managed, Elysées Pierre is a Classic Real Estate Investment Placement Company.							
HSBC Global Asset Management (Malta) Limited	**3,341**	3,233	**2,601**	2,439	**162**	125	**70.03**	70.03
	HSBC Global Asset Management (Malta) Limited is the investment solutions provider of the HSBC Group in Malta. It is a wholly owned subsidiary of HSBC Bank Malta p.l.c. (‘HBMT’ or ‘the Bank’) and is regulated by the Malta Financial Services Authority. It has an Investment Services Licence and is principally engaged in the asset management of Collective Investments Schemes and Discretionary Portfolio Mandates.							
HSBC Global Asset Management (Deutschland) GmbH	**70,340**	57,758	**13,651**	13,651	**3,633**	64	**100**	100
	HSBC Global Asset Management (Deutschland) GmbH (AMDE) is active in financial portfolio management, investment advice and the distribution of national and international HSBC funds. It specializes in the development and distribution of fund and advisory concepts for institutional clients, corporate clients and financial intermediaries in Germany and Austria.							

Insurance
(in thousands of euros)

	Total assets		Shareholders' funds		Net profit		HSBC Continental Europe group's percentage	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
HSBC Assurances Vie (France)	**23,691,120**	23,242,981	**1,140,880**	1,120,661	**83,013**	81,439	**100**	100
	HSBC Assurances Vie (France) manufactures a wide range of products and services to meet customer's needs (individuals, professionals and companies) in terms of life insurance, pension and protection. In 2024, insurance manufacturing gross written premium on saving stands at EUR 1.6 billion (41 per cent up compared to 2023), including EUR 0.7 billion on unit-linked contracts, which account for 42 per cent of new money compared to 36 per cent last year. The life insurance liabilities managed by the insurance company and valuated with French Gaap standards now stand at EUR 20.9 billion compared to EUR 20.3 billion last year. Within these, unit-linked contracts represent EUR 6.8 billion, increased by EUR 0.7 billion compared to 2023.							
HSBC Life Assurance (Malta) Limited	**755,785**	738,100	**56,994**	37,429	**19,565**	4,386	**70.03**	70.03
	HSBC Life Assurance (Malta) Ltd is authorised by the Malta Financial Services Authority to carry on the business of insurance in Malta under the Insurance Business Act (chapter 403, Laws of Malta). It offers a range of protection and investment life assurance products distributed mainly through HSBC Bank Malta p.l.c. which is enrolled as a tied insurance intermediary for HSBC Life Assurance (Malta) Ltd under the Insurance Distribution Act (chapter 487,Laws of Malta) .							

Own investments
(in thousands of euros)

	Total assets		Shareholders' funds		Net profit		HSBC Continental Europe group's percentage	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
Société Française et Suisse ('SFS')	**9,392**	9,476	**9,388**	9,474	**(86)**	(5)	**100**	100
	Société Française et Suisse is a subsidiary that holds investments from former closed HSBC Continental Europe subsidiaries. Société Française et Suisse recorded a more significant negative result than in 2023.							
Valeurs Mobilières Elysées	**54,509**	52,237	**53,964**	51,795	**2,168**	1,665	**100**	100
	Valeurs Mobilières Elysées is a subsidiary in which investments in shares were made for its own account. These investments concerned mid-sized listed stocks and Private Equity funds. The HSBC Group decided, in 2009, to no longer take on new operations on medium-sized listed securities, Valeurs Mobilières Elysées manages a portfolio in extinction. There are no more new investments in Private Equity on the balance sheet of Valeurs Mobilières Elysées.							
HLF	**395,466**	390,524	**297,985**	294,432	**20,811**	17,289	**100**	100
	HLF is a company specialised in lease finance for major corporates. The company holds subsidiaries intended for leasing activities with a call option. It operates more particularly in the aeronautics sector by financing assets on behalf of airlines. The equity interests in 2024 is totaling EUR 0.2 billion, with a decrease of 42 per cent compared to 2023.							

Private Banking
(in thousands of euros)

	Total assets		Shareholders' funds		Net profit		HSBC Continental Europe group's percentage	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
HSBC Private Bank (Luxembourg) S.A.	**3,306,198**	3,113,857	**223,622**	234,609	**(17,589)**	(12,520)	**100**	100
	HSBC Private Bank (Luxembourg) S.A provides an enhanced range of private banking solutions for entrepreneurs by utilising an extensive network of experts to provide tailored and personalised solutions backed by strong local expertise. The bank is authorised under Luxembourg law to conduct all banking operations and insurance brokerage activity. The bank has one branch located in Paris, France. HSBC Private Bank (Luxembourg) S.A. became part of HSBC Continental Europe family since November 2023.							

Entities domiciled outside France
(in thousands of euros)

	Total assets		Shareholders' funds		Net profit		HSBC Continental Europe group's percentage	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
HSBC Bank Malta p.l.c.	**7,043,239**	6,986,350	**573,694**	525,460	**45,956**	56,044	**70.03**	70.03
	The bank provides a comprehensive range of banking and financial related services. The bank is authorised to carry on the business of banking, under the Banking Act, 1994 as a credit institution. It is also a licensed financial intermediary in terms of the Financial Markets Act, 1990. The bank is also licensed by the Malta Financial Services Authority in terms of the Investment Services Act, 1994. These licences authorise the bank to provide investment services to third parties and custodian services for collective investment schemes respectively. As at 31 December 2024 the bank had 12 branches in Malta, one of which is located in Gozo.							

Investment policy

2019

- Acquisition by HSBC Continental Europe of certain assets and liabilities held by HSBC Bank plc in the Netherlands, Spain, Ireland, Czech Republic, Italy, Belgium and in Luxembourg.
- Amount of the investment: EUR 370.3 million.

2020

- No material transactions to report.

2021

- No material transactions to report.

2022

- Acquisition by HSBC Continental Europe on 30 November 2022:
- 100 per cent of HSBC Trinkaus & Burkhardt GmbH from HSBC Bank plc for an acquisition price of EUR 1,191 million; and
- 70.03 per cent of HSBC Bank Malta p.l.c. from HSBC Europe BV for an acquisition price of EUR 204 million.
- Sale of the Private Banking: on 1 October 2022, HSBC Continental Europe transferred its Private Banking business in France to HSBC Private Bank (Luxembourg) SA. The sale was executed with a Net Asset Value transferred of EUR 1, 525 million.

2023

- On 30 June 2023, HSBC Continental Europe completed the transfer of activities and staff from HSBC Trinkaus & Burkhardt GmbH to HSBC Germany.
- HSBC Continental Europe acquired 100 per cent of the share capital of HSBC Private Bank (Luxembourg) S.A. from HSBC Private Bank (Suisse) SA, for an acquisition price of EUR 195 million.

2024

- On 1 January 2024, HSBC Continental Europe completed the sale of its retail banking operations in France to CCF, a subsidiary of Promontoria MMB SAS ('My Money Group'). The sale also included: HSBC Continental Europe's 100 per cent ownership interest in HSBC SFH (France) and its 3 per cent ownership interest in Crédit Logement.
- On 29 November 2024, HSBC Continental Europe completed the sale of HSBC Epargne Enterprise to Natixis Interépargne, a subsidiary of Group BPCE.

Proposed resolutions to the Ordinary General Meeting to be held on 24 March 2025

First resolution

Voting under the quorum and majority conditions to transact ordinary business, and having heard and considered the report of the Directors, the Statutory Auditors' report on the financial statements for the year ended 31 December 2024, and the report on corporate governance and the Statutory Auditors' report relating thereto, the shareholders hereby approve the company's financial statements for that year as presented, together with the business operations reflected therein and summarised in the reports.

Second resolution

Voting under the quorum and majority conditions to transact ordinary business, the shareholders, having noted that the year ended 31 December 2024 shows a net result of EUR 498,883,067.84, hereby approve the proposed distribution of this net result made by the Board of Directors and resolve to appropriate it as follows:

Net result for the year	498,883,067.84
Plus retained profits	1,807,689,585.36
Total sum available for distribution	2,306,572,653.20

To be distributed as follows:

Legal reserve	24,944,153.39
Retained earnings	2,281,628,499.81

In accordance with legal requirements, it is recalled that no dividend has been paid in respect of the three previous financial years.

Third resolution

Voting under the quorum and majority conditions to transact ordinary business, and having heard and considered the report of the Directors and the report of the Statutory Auditors regarding the consolidated statements for the year ended 31 December 2024, the shareholders hereby approve the consolidated financial statements for that year as presented.

Fourth resolution

Voting under the quorum and majority conditions to transact ordinary business, and having heard and considered the Statutory Auditors' report on regulated agreements governed by article L. 225-38 of the French Commercial Code, the shareholders hereby approve successively the agreements described therein under the conditions referred to in article L. 225-40 of said Code.

Fifth resolution

Voting under the quorum and majority conditions to transact ordinary business, the shareholders hereby note that the term of office of Mrs Paule Cellard expires at the end of this meeting.

Sixth resolution

Voting under the quorum and majority conditions to transact ordinary business, the shareholders hereby note that the term of office of Mr Stephen O'Connor expires at the end of this meeting.

Seventh resolution

Voting under the quorum and majority conditions to transact ordinary business, the shareholders hereby note that the term of office of Mr Eric Strutz expires at the end of this meeting.

Eighth resolution

Voting under the quorum and majority conditions to transact ordinary business, and noting that the term of office of Mrs Dominique Perrier expires at the end of this meeting, the shareholders hereby elect, to replace her, Mrs Monika Rast as a Director of the Company, for a term of three years ending at the conclusion of the Annual General Meeting held to approve the financial statements for the year ending 31 December 2027.

Ninth resolution

Voting under the quorum and majority conditions to transact ordinary business, and noting that the term of office of Mr Arnaud Poupart-Lafarge expires at the end of this meeting, the shareholders hereby elect, to replace him, Mr Xavier Martiré as a Director of the Company, for a term of three years ending at the conclusion of the Annual General Meeting held to approve the financial statements for the year ending 31 December 2027.

Tenth resolution

Voting under the quorum and majority conditions to transact ordinary business, the shareholders hereby re-elect Mr Michael Trabbia, who is retiring by rotation, as Director for a further term of three years ending at the conclusion of the Annual General Meeting held to approve the financial statements for the year ending 31 December 2027.

Eleventh resolution

Voting under the quorum and majority conditions to transact ordinary business, the shareholders hereby re-elect Mr Andrew Wild, who is retiring by rotation, as Director for a further term of three years ending at the conclusion of the Annual General Meeting held to approve the financial statements for the year ending 31 December 2027.

Twelfth resolution

Voting under the quorum and majority conditions to transact ordinary business, in accordance with article L. 511-73 of the French Monetary and Financial Code, the shareholders hereby issue a favourable opinion on the aggregate amount of compensation of all kinds paid in 2024 to categories of personnel as referred to in Article L. 511-71 of the French Monetary and Financial Code having a significant impact on risks, which amounts to EUR 117,331,653.

Thirteenth resolution

Voting under the quorum and majority conditions to transact ordinary business, the shareholders hereby confer full powers on the bearer of an original, copy or abstract of the minutes of this meeting for the purpose of completing any formalities required by law.

Information on HSBC Continental Europe and its share capital

Information on the company

Name

HSBC Continental Europe. New name of HSBC France since 1 December 2020.

Commercial name

HSBC.

Date of incorporation

1894.

Registered office

38 avenue Kléber – 75116 Paris – France.

Legal Form

*Soc*iété Anonyme incorporated under the laws of France, governed notably by the French Commercial Code. The Company is a credit institution and authorised bank, and as such is also governed by the French Monetary and Financial Code.

Term

The Company's term ends on 30 June 2043, unless previously wound up or extended.

Corporate purpose (article 3 of the Articles of Association of HSBC Continental Europe)

The Company's corporate purpose is the transaction in all countries of any and all banking, finance, lending, guarantee, trading, brokerage or fee-earning business together with the provision of any and all investment services and related services within the meaning of articles L. 321-1 and L. 321-2 of the French Monetary and Financial Code, and more generally, conducting within the limits permitted by law any and all commercial, industrial or agricultural, securities or real estate, financial or other operations as well as to provide any and all services directly or indirectly connected with or which may facilitate the achievement of the foregoing object.

Trade and companies Register, APE code and LEI

775 670 284 RCS Paris – APE 6419Z.

LEI: F0HUI1NY1AZMJMD8LP67.

Legal and regulatory framework

Subject to the laws and regulations relating to credit institutions, including articles in the French Monetary and Financial Code applicable to them, the Company is governed by commercial law, including articles L. 210-1 and following of the French Commercial Code and its Articles of Association.

HSBC Continental Europe is a credit institution licensed as a bank. As such, the Company may conduct all banking operations. It is, moreover, authorised to perform any services or related investment mentioned in articles L. 321-1 and L. 321-2 of the French Monetary and Financial Code, with the exception of operating a multilateral trading facility. In its capacity as provider of investment services, it is subject to the regulations applicable to them under the supervision of the Autorité des marchés financiers.

It is particularly subject to compliance with a number of prudential rules and controls by the Autorité de contrôle prudentiel et de résolution and the European Central Bank. Its Senior Management and all the people it employs are bound by professional secrecy, violation of which is punishable by law. It is also an insurance broker.

Documents and information on display

Any person requiring additional information on the HSBC Continental Europe group may, without commitment from the Company, request documents by mail from:

HSBC Continental Europe – 38 avenue Kléber, 75116 Paris, France.

The Articles of Association of the Company can be found in the 'About HSBC' section of the HSBC Continental Europe website www.hsbc.fr.

The information made available on hsbc.fr website are not part of the Universal Registration Document, unless the information is included by reference in the current Registration Document.

Financial year

From 1 January to 31 December.

Distribution of profits according to the Articles of Association

Of the net profit for the year, less any prior year losses (if any), a minimum of 5 per cent is transferred to feed the legal reserve. This transfer ceases to be mandatory when the legal reserve has reached an amount equal to one tenth of the Company's share capital. The mandatory transfer recommences at any time should the amount of the legal reserve fall below that tenth.

The balance, plus any retained earnings, less any sums which the shareholders deem expedient to transfer to new or existing reserves or to retained earnings, comprises the profit available for distribution among the shareholders.

However, except in the event of a reduction of the Company's share capital, no distribution may be made if total shareholders' funds are, or would as a result, become lower than the amount of the Company's share capital, plus any reserves, that the law or Articles of Association do not allow to distribute.

By way of derogation to the provisions of this rule, sums may be transferred to a special employee profit-sharing reserve, as provided for by law.

Form of shares

The fully paid up shares have to be registered. They result in registration on an individual account pursuant to the conditions and according to the methods stipulated by the legal and regulatory provisions in force.

Voting rights

Each fully paid up share entitles the holder to one vote.

Transfer of shares

The transfer of shares takes place by way of a transfer from one account to another.

There are no restrictions on disposals of shares or negotiable securities giving access to the share capital in cases of inheritance or liquidation of matrimonial property, or on disposals to a spouse, descendant or ascendant.

Any other disposals or transfers of shares or negotiable securities giving access to the capital, including between shareholders, whether free of charge or for valuable consideration, whether the said disposals or transfers take place by way of donation, exchange, disposal, capital contribution, merger, demerger, partial asset transfer, distribution following the liquidation of a shareholding company, universal asset transfer from a company, realisation of a security, or by way of compulsory or voluntary public tender, and whether they relate only to legal or beneficial ownership, shall be subject to the approval of the Board of Directors according to the conditions described below.

The transferor's request for approval, which must be served on the company, shall state the name, forenames, profession and address of the transferee, or the company name and registered office in the case of a company, the number of shares or negotiable securities giving access to the capital of which the disposal or transfer is envisaged, the price offered or an estimate of the value of the shares or negotiable securities giving access to the capital. This request for approval must be countersigned by the transferee.

Approval will be given in the form of a notice, or will be deemed to have been given, in the absence of a reply within three months of the date of the request for approval.

The approval decision will be made by the Board of Directors, by a majority of the Directors present or represented. The transferor shall be entitled to vote, if he is a Director. The decision will not be justified, and in the event of a refusal, shall never give rise to any claim.

If the proposed transferee is approved, the transfer will be completed in favour of the transferee upon presentation of the supporting documents, which must be supplied within one month of service of the decision of the Board of Directors, failing which a fresh approval will be required.

If the company does not approve the proposed transferee, the transferor will have a period of eight days from the date of service of the refusal to notify the Board whether or not he abandons his proposal.

If the transferor does not expressly abandon his proposal under the conditions set out above, the Board of Directors shall be obliged within a period of three months from the date of service of the refusal, to arrange for the purchase of the shares or negotiable securities giving access to the capital, by a shareholder, a third party, or, with the transferor's consent, by the company, with a view to a reduction of the capital.

In the event that the offered shares or negotiable securities giving access to the capital are purchased by shareholders or third parties, the Board of Directors shall inform the transferor of the names, forenames, profession and address of the purchasers, or of the company name and registered office in the case of a company. The sale price shall be fixed by agreement between the purchasers and the transferor.

In the event that the offered shares or negotiable securities giving access to the capital are purchased by the company, the Board of Directors must first ask for the transferor's consent. The transferor must give his answer within eight days of receiving this request.

In the absence of agreement between the parties, the price of the shares and negotiable securities giving access to the capital shall be determined by an expert valuation, under the conditions provided by article 1843-4 of the French Civil Code.

If, upon the expiry of a period of three months, the purchase has not been completed, approval shall be deemed to have been given. However, this period may be extended by the courts on an application by the company.

The transferor may, at any time, and at the latest within a period of eight days of determination of the price by the expert, abandon the disposal of his shares or negotiable securities giving access to the capital.

Disposals to the purchaser or purchasers nominated by the Board of Directors shall be completed by means of a transfer order signed by the Chairman of the Board of Directors, who shall serve it to the transferor within eight days of its date, with an invitation to attend the registered office to receive the sale price, which shall not bear interest.

All notices, requests, answers, opinions, waivers, information and consents provided for by this article shall be validly given if sent by extrajudicial instrument or by registered letter with proof of receipt requested.

When an expert is used to determine the price of the shares or negotiable securities giving access to the share capital under the conditions provided by article 1843-4 of the French Civil Code, the expert's fees shall be paid in equal shares by the assignor and assignee.

This approval clause, which is the purpose of this article, also applies to disposals of allocation rights in the event of capital increases by way of incorporation of reserves, profits or issue premiums, and disposals of subscription rights in respect of capital increases in cash or individual waivers of subscription rights in favour of named individuals.

In these cases, the rules governing approval and the buyback conditions shall apply to the securities subscribed, and the time given to the Board of Directors to notify the third party subscriber whether it accepts him as a shareholder shall be three months from the date of final completion of the capital increase.

In the event of a buyback, the price shall be equal to the value of the new shares or negotiable securities giving access to the capital determined under the conditions provided by article 1843-4 of the French Civil Code.

Custodian and financial service

Uptevia.

History of the company

1894: The Banque Suisse et Française ('BSF') is founded. It will become the Crédit Commercial de France ('CCF').

1987: CCF privatisation. Apart from its national network, CCF has progressively created a group of regional banks operating under their own brand.

1994: Centenary of CCF.

2000: CCF joins the HSBC Group and becomes the European platform of the HSBC Group.

2002: Crédit Commercial de France changes its legal name to CCF.

2005: CCF becomes HSBC France and certain of its subsidiaries change their legal name and adopt the HSBC brand. HSBC France, HSBC Hervet, HSBC de Baecque Beau, HSBC UBP and HSBC Picardie constitute the new HSBC network.

2008: Disposal by HSBC France of its regional banking subsidiaries (Société Marseillaise de Crédit, Banque de Savoie, Banque Chaix, Banque Marze, Banque Dupuy, de Parseval, Banque Pelletier and Crédit Commercial du Sud-Ouest).

2008: Merger of HSBC Hervet, HSBC de Baecque Beau, HSBC UBP and HSBC Picardie with HSBC France.

2011: Merger of HSBC Private Bank France with HSBC France.

2013: HSBC France acquires HSBC Assurances Vie (France).

2017-2018: Creation of branches in Greece, the United Kingdom, Belgium, Luxembourg, Ireland, Italy, Poland, the Czech Republic, the Netherlands and Spain.

January 2018: Acquisition of certain assets and liabilities from the HSBC Bank plc branch in Greece and launch of the activities of the HSBC France branch in Greece.

August 2018: Acquisition of HSBC Bank Polska S.A. and HSBC Institutional Trust Services (Ireland) DAC.

February 2019: Acquisition of certain assets and liabilities from the HSBC Bank plc branches in Belgium, Ireland, Italy, the Czech Republic, the Netherlands and Spain and launch of the activities of the HSBC France branches in those countries.

March 2019: Acquisition of certain assets and liabilities from the HSBC Bank plc branch in Luxembourg and launch of the activities of the HSBC France branch in this country.

April 2019: Merger of HSBC Bank Polska S.A. and HSBC Institutional Trust Services (Ireland) DAC with HSBC France.

May 2019: Creation of a branch in Sweden and launch of the activities in this branch in October 2019.

December 2020: HSBC France becomes HSBC Continental Europe and transfers its registered office 38 avenue Kléber 75116 Paris.

November 2022: Acquisition of 70.03% of the share capital of HSBC Bank Malta p.l.c. and, by the HSBC Continental Europe branch in Germany, of 100 per cent of HSBC Trinkaus & Burkhardt GmbH.

July 2023: Sale of the activities of the HSBC Continental Europe branch in Greece.

November 2023: Acquisition of 100% of the share capital of HSBC Private Bank (Luxembourg) S.A., the HSBC Group's Continental European private banking hub.

January 2024: Sale by HSBC Continental Europe of its Retail Banking operations in France.

January 2024: Disposal of the subsidiary HSBC SFH (France) as part of the sale of the Retail Banking activities in France.

November 2024: Disposal of the subsidiary HSBC Epargne Entreprise (France).

Material contracts

HSBC Continental Europe currently has no material contracts, other than those concluded as part of the normal course of its business, that gives any member of the Group a right or obligation having a material impact on the issuer's ability to fulfil its obligations to holders of issued securities.

Information on the share capital

At 31 December 2024, the share capital amounted to EUR 1,327,915,960 divided into 265,583,192 fully paid up shares, each with a nominal value of EUR 5.

Movements in share capital

	Number of shares	Share capital in euros	Share premium in euros
At 1 Jan 2024	**212,466,555**	**1,062,332,775**	**5,264,446,676.79**
Increase (Reduction) during the year	**53,116,637**	**265,583,185**	**1,482,485,338.67**
At 31 Dec 2024	**265,583,192**	**1,327,915,960**	**6,746,932,015.46**
At 1 Jan 2023	212,466,555	1,062,332,775	5,264,446,676.79
Increase (Reduction) during the year	—	—	—
At 31 Dec 2023	212,466,555	1,062,332,775	5,264,446,676.79
At 1 Jan 2022	98,231,196	491,155,980	2,137,326,990.33
Increase (Reduction) during the year	114,235,359	571,176,795	3,127,119,686.46
At 31 Dec 2022	212,466,555	1,062,332,775	5,264,446,676.79
At 1 Jan 2021	98,231,196	491,155,980	2,137,326,990.33
Increase (Reduction) during the year	—	—	—
At 31 Dec 2021	98,231,196	491,155,980	2,137,326,990.33
At 1 Jan 2020	98,231,196	491,155,980	2,137,326,990.33
Increase (Reduction) during the year	—	—	—
At 31 Dec 2020	98,231,196	491,155,980	2,137,326,990.33

Ownership of share capital and voting rights at 31 December 2024

HSBC Bank plc has owned more than 99.99 per cent of the share capital and voting rights since 31 October 2000. This percentage has not varied since then. HSBC Bank plc is a wholly-owned subsidiary of HSBC Holdings plc, a company quoted in London, Hong Kong, New York and Bermuda. The rest of the share capital and voting rights is owned by Canada Square Nominees (UK) Limited, an indirect wholly-owned subsidiary of HSBC Holdings plc, and external shareholders.

Dividend and payout policy

	2024	2023	2022	2021	2020
Number of shares at 31 December	**265,583,192**	212,466,555	212,466,555	98,231,196	98,231,196
Average number of shares outstanding during the year	**214,212,855**	212,466,555	132,279,780	98,231,196	98,231,196
EPS[1]	**EUR 2.45**	EUR 2.2	EUR (7.30)	EUR 2.74	EUR (10.43)
Net dividend	**—**	—	—	—	—
Exceptional dividend	**—**	—	—	—	—
Dividend + tax credit	**—**	—	—	—	—
Payout[2]	**—**	—	—	—	—

1 Calculated on the weighted average number of shares outstanding after deducting own shares held.
2 Dividend paid as a percentage of reported earnings.

At the Annual General Meeting to be held on 24 March 2025, the Board will propose not to distribute a dividend in respect of year 2024.

Dividends which are not claimed within five years of the payment date lapse and become the property of the French Treasury.

Persons responsible for the Universal Registration Document and for auditing the financial statements

Person responsible for the Universal Registration Document

Mr Andrew Wild, Chief Executive Officer

Statement by the person responsible for the Universal Registration Document

I certify that the information contained in this Universal Registration Document is, to the best of my knowledge, true and accurate and contains no omission likely to affect its meaning.

I certify, to the best of my knowledge, that the annual financial accounts have been prepared in accordance with the applicable accounting standards and give a true and fair view of assets and liabilities, financial position and result of the issuer and all the entities included in the consolidation, and that the Management Report (the cross-reference table on page 379 indicates the content of said report) presents a fair view of the business performance, results and financial position of the issuer and of all the entities included in the consolidation scope, and describes the principal risks and uncertainties to which they are exposed and that it has been prepared in accordance with applicable sustainability reporting standards.

Paris, 19 February 2025

Andrew Wild, CEO

Persons responsible for auditing the financial statements

Incumbents	Date first appointed	Date re-appointed	Date term ends
PricewaterhouseCoopers Audit[1]	2015	2024	2030
Represented by Agnès Hussherr[2] 63, rue de Villiers 92200 Neuilly-sur-Seine			
BDO Paris[3]	2007	2024	2030
Represented by Vincent Génibrel[4] 43-47, avenue de la Grande Armée 75116 Paris			

1 Member of the Compagnie Régionale des Commissaires aux comptes of Versailles.
2 PricewaterhouseCoopers Audit represented by Agnès Hussherr from 2020.
3 Member of the Compagnie Régionale des Commissaires aux comptes of Paris.
4 BDO Paris represented by Vincent Génibrel starting from 2023.

Statutory Auditors' fees paid in 2024 within the HSBC Continental Europe group are available in Note 7 to the consolidated financial statements on page 284.

Cross-reference table

The following cross-reference table refers to the main headings required by the European regulation 2017/1129 (Annex I and Annex II) implementing the directive known as 'Prospectus' and to the pages of the Universal Registration Document 2023 D.24-0076.

Sections of Annex I of the EU Regulation 2017/1129		Pages in 2023 Universal Registration Document submitted to AMF on 1 March 2024 under reference D.24-0076	Pages in this 2024 Universal Registration Document
1.1 & 1.2	Persons responsible	page 329	page 375
1.3	Experts' reports	N/A	N/A
1.4	Third party information	N/A	N/A
1.5	Competent authority approval	N/A	N/A
2	**Statutory auditors**	page 330	page 376
3	**Risk factors**	pages 118 to 128	pages 170 to 181
4	**Information about the issuer**	page 326	page 371
5	**Business overview**		
5.1	Principal activities	pages 5 to 23 and 284	pages 5 to 20 and 331
5.2	Principal markets	pages 5 to 23 and 284	pages 5 to 20 and 331
5.3	Important events	pages 210, 284	pages 261, 331
5.4	Strategy and objectives	pages 5 to 13	pages 5 to 12
5.5	Potential dependence	N/A	N/A
5.6	Founding elements of any statement by the issuer concerning its position	pages 5 and 23	pages 5 and 20
5.7	Investments	pages 273 to 274, 319 to 323, 334 to 335	pages 321 to 322, 366 to 369, 380 to 381
6	**Organisational structure**		
6.1	Brief description of the group	pages 3 to 24, 310 to 311 and 319 to 323	pages 4 to 21, 357 to 358 and 366 to 369
6.2	Issuer's relationship with other group entities	pages 319 to 322	pages 366 to 368
7	**Operating and financial review**		
7.1	Financial condition	pages 189, 191, 282 to 283	pages 241, 243, 329 to 330
7.2	Operating results	pages 15 to 23, 189 and 282	pages 13 to 20, 241, and 329
8	**Capital resources**		
8.1	Issuer's capital resources	pages 192 and 301	pages 244 and 348
8.2	Sources and amounts of the issuer's cash flows	page 194	page 246
8.3	Borrowing requirements and funding structure	pages 113, 156 to 158, 161 to 163	pages 164, 211 to 213, 215 to 216
8.4	Information regarding any restrictions on the use of capital resources that have materially affected, or could materially affect the issuer's operations	N/A	N/A
8.5	Sources of funds needed	N/A	N/A
9	**Regulatory environment**	pages 13, 169	pages 12, 224
10	**Trend information**	pages 5 to 9	pages 5 to 8
11	**Profit forecasts or estimates**	N/A	N/A
12	**Administrative, management and supervisory bodies and senior management**		
12.1	Administrative and management bodies	pages 26 to 32	pages 23 to 30
12.2	Administrative and management bodies conflicts of interests	page 41	page 40
13	**Remuneration and benefits**		
13.1	Amount of remuneration paid and benefits in kind granted	pages 42 to 50, 226 to 231	pages 40 to 51, 279 to 284
13.2	Total amounts set aside or accrued by the issuer or its subsidiaries to provide for pension, retirement or similar benefits	pages 42 to 50, 226 to 231, 302 to 303	pages 40 to 51, 279 to 284, 349 to 349
14	**Board practices**		
14.1	Date of expiration of the current term of office	pages 26 to 32	pages 23 to 30
14.2	Information about members of the administrative, management or supervisory bodies' service contracts	N/A	N/A
14.3	Information about the issuer's audit committee and remuneration committee	pages 35 to 36, 38 to 39	pages 34 to 35, 37 to 38
14.4	Corporate governance regime	page 25	page 22
14.5	Potential material impacts on the corporate governance	N/A	N/A
15	**Employees**		
15.1	Number of employees	page 226	page 279
15.2	Shareholdings and stock options	pages 44 to 45	pages 43 to 44
15.3	Arrangements involving the employees in the capital of the issuer	N/A	N/A

Sections of Annex I of the EU Regulation 2017/1129		Pages in 2023 Universal Registration Document submitted to AMF on 1 March 2024 under reference D.24-0076	Pages in this 2024 Universal Registration Document
16	**Major shareholders**		
16.1	Shareholders holding more than 5 per cent of the share capital or voting rights	pages 326 to 328	pages 371 to 374
16.2	Different voting rights	page 326	page 372
16.3	Control of the issuer	pages 26 to 27, 330	pages 23 to 24, 376
16.4	Arrangements, known to the issuer, which may at a subsequent date result in a change in control of the issuer	N/A	N/A
17	**Related party transactions**	pages 52 to 54, 266 to 268, 273 to 274, 310 to 311	pages 51 to 54, 318 to 320, 321 to 322, 357 to 358
18	**Financial information concerning the issuer's assets and liabilities, financial position and profits and losses**		
18.1	Historical financial information	pages 22, 188 to 274, 281 to 311, 332	pages 20, 240 to 322, 328 to 358, 378
18.2	Interim and other financial information	N/A	N/A
18.3	Auditing of historical annual financial information	pages 275 to 280, 312 to 316	pages 323 to 327, 359 to 363
18.4	Pro forma financial information	N/A	N/A
18.5	Dividend policy	pages 234 and 328	pages 287 and 374
18.6	Legal and arbitration proceedings	pages 173 to 174, 265, 308 to 309	pages 223 to 224, 317, 355 to 356
18.7	Significant change in the issuer's financial position	pages 22, 272 and 309	pages 19, 320 and 356
19	**Additional information**		
19.1	Share capital	pages 263, 301 and 328	pages 315, 348 and 373
19.2	Memorandum and Articles of Association	pages 326 and 328	pages 371 and 373
20	**Material contracts**	page 328	page 373
21	**Documents available**	page 326	page 371

Sections of Annex II of the EU Regulation 2017/1129		Pages in 2023 Universal Registration Document submitted to AMF on 1 March 2024 under reference D.24-0076	Pages in this 2024 Universal Registration Document
1	**Information to be disclosed about the issuer**	page 2	page 2

According to article 28 of the European Regulation 809/2004, are included by reference in this Registration Document:

– the consolidated financial statements for the year ended 31 December 2022 and the Statutory Auditors' report on those consolidated financial statements, presented on pages 177 to 244 and 245 to 249 of reference document D.23-0634 filed with the AMF on 1 August 2023; the information can be found here: https://www.hsbc.com/-/files/hsbc/investors/hsbc-results/2023/interim/pdfs/hsbc-continental-europe/230803-universal-registration-document-and-annual-financial-report-2022-en.pdf.

– the consolidated financial statements for the year ended 31 December 2023 and the Statutory Auditors' report on those consolidated financial statements, presented on pages 189 to 274 and 275 to 280 of reference document D.24-0076 filed with the AMF on 1 March 2024; the information can be found here: https://www.hsbc.com/-/files/hsbc/investors/hsbc-results/2023/annual/pdfs/hsbc-continental-europe/240301-registration-document-and-annual-financial-report-2023-english-zip.zip.

These documents are available on the website www.hsbc.fr and on that of the Autorité des marchés financiers www.amf-france.org.

Anyone wishing to obtain additional information on the HSBC Continental Europe group can, without obligation, request the documents by mail:

HSBC Continental Europe

38 Avenue Kléber

75116 Paris

France

This Registration Document includes the annual financial report:	**2024**
Parent company financial statements	pages 328 to 358
Consolidated financial statements	pages 240 to 322
Management report Refer to the Management report cross ref table Statement by person responsible	pages 376 and 379
Statutory Auditors' report	pages 323 to 327 and 359 to 363
Cross table on Management report:	
Analyses of the activity, results and financial situation	pages 5 to 21 and 330
Risk factors	pages 164 to 212 and 214 to 239
Capital and Leverage Management	pages 213 to 213
Authorities to increase the share capital	page 373
Sustainability Statement	pages 55 to 162
Corporate governance report	pages 22 to 50
Remuneration policy compensation and other advantages to the executive Director	pages 40 to 50
Mandates and functions of the Executive Directors	pages 23 to 29
Activities of the subsidiaries and Investment policy	pages 321 to 322 and 366 to 369
Five year highlights	pages 19 and 364
Information on supplier payable amounts schedule	page 21
Other legal documents relating to the Annual General Meeting to be held on 24 March 2025	page 370
Information on HSBC Continental Europe and its share capital	pages 371 to 373

Network of offices

HSBC Continental Europe network in France

HSBC Continental Europe

33 locations

38 avenue Kléber

75116 Paris

Telephone: +33 1 40 70 70 40

www.hsbc.fr

HSBC Continental Europe subsidiaries Distribution

HSBC Factoring (France)

38 avenue Kléber

75116 Paris

Telephone: +33 1 40 70 72 00

Asset Management

HSBC Global Asset Management (France)

Immeuble Cœur Défense

110 esplanade du Général de Gaulle

92400 Courbevoie

Telephone: +33 1 40 70 70 40

HSBC REIM (France)

Immeuble Cœur Défense

110 esplanade du Général de Gaulle

92400 Courbevoie

Telephone: +33 1 40 70 39 44

Insurance

HSBC Assurances Vie (France)

Immeuble Cœur Défense

110 esplanade du Général de Gaulle

92400 Courbevoie

Telephone: +33 1 41 02 40 40

Private Banking

HSBC Private Bank (Luxembourg) S.A. France Branch

38 avenue Kléber

75116 Paris

Telephone: +33 1 40 70 70 40

Other locations of the HSBC Group in France

HSBC Bank plc Paris Branch

38 avenue Kléber

75116 Paris

Telephone: +33 1 40 70 70 40

Locations of the HSBC Continental Europe group abroad

Belgium

HSBC Continental Europe

branch
Square de Meeûs 23

1000 Brussels

Telephone: +32 2 761 2670

Czech Republic

HSBC Continental Europe

branch
Na Florenci 2116/15, Nové Město

110 00 Prague 1

Telephone: +42 (0)22 5024 555

Germany

HSBC Continental Europe

branch
Hansaallee 3

Düsseldorf, 40549

Telephone: +49 211 910-0

Ireland

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1 Grand Canal Square, Grand Canal Harbour

Dublin 2, D02 P820

Telephone: +353 (0) 1 635 6000

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HSBC Continental Europe

branch
Via San Protaso 3

20121 Milan

Telephone: +39 02 72 437 600

HSBC Global Asset Management (France)

branch
Via San Protaso 3

20121 Milan

Telephone: +39 02 72 437 496

Luxembourg

HSBC Continental Europe

branch
18, boulevard de Kockelscheuer

L-1821 Luxembourg

Telephone: +352 27 12 33 1

HSBC Private Bank (Luxembourg) S.A.

18, boulevard de Kockelscheuer

L -1821 Luxembourg

Telephone: +352 47 93 31 1

Malta

HSBC Bank Malta p.l.c.

116 Archbishop Street

Valletta VLT 1444

Telephone: +356 2380 2380

Netherlands

HSBC Continental Europe

branch
De Entree 236,

1101 EE Amsterdam ZO

Telephone: +31 (0) 20 567 1230

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HSBC Continental Europe

branch
Rondo ONZ 1

00-124 Varsovie

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HSBC Continental Europe

branch
Plaza Pablo Ruiz Picasso, 1

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HSBC Global Asset Management (France)

branch
Plazza Pablo Ruiz Picasso, 1

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FSC

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