HSBC Continental Europe

Pillar 3 Disclosures at 31 December 2024

HSBC

Contents

Appendices

Tables

The abbreviations 'EURm', 'EURbn' and EURtn represent millions, billions (thousands of millions) and trillions (millions of millions) of Euros, respectively. The abbreviation 'USD' is used for US dollars.

Introduction

Regulatory framework for disclosures

HSBC Continental Europe is regulated on a consolidated basis by the European Central Bank ('ECB') which sets and monitors capital and liquidity requirements.

Throughout 2024 HSBC Continental Europe calculated capital on a consolidated basis for prudential regulatory reporting purposes using the Basel 3 framework of the Basel Committee on Banking Supervision (‘BCBS’) as implemented by the EU in the amended Capital Requirements Regulation and Directive, collectively known as CRR/CRD.

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

Pillar 3 disclosures

Purpose

The information contained in this document is for HSBC Continental Europe. It should be read in conjunction with HSBC Continental Europe's Universal Registration Document 2024.

Basis of preparation

The financial information contained in this disclosure has been prepared on a consolidated basis.

In its disclosures, HSBC Continental Europe provides comparative figures to facilitate analysis. Key ratios and figures are reflected throughout the Pillar 3 2024 disclosures and are also available on page 4 of HSBC Continental Europe's Universal Registration Document 2024.

Where disclosures have been enhanced or are new, prior-year comparatives are not generally restated or provided. Wherever specific rows and columns in the tables prescribed are not applicable or are immaterial to HSBC Continental Europe's activities, they may be omitted.

HSBC Continental Europe publishes its Pillar 3 Disclosures on the HSBC website, www.hsbc.com, shortly after the release of its Universal Registration Document. These Pillar 3 Disclosures include regulatory information complementing the financial and risk information presented therein.

Pillar 3 requirements may be met by inclusion in other disclosure media. Where HSBC Continental Europe adopts this approach, references are provided to the relevant pages of the Universal Registration Document 2024 or other location.

Governance

Governance arrangements are detailed in the report on Corporate governance on pages 22 to 51 of HSBC Continental Europe's Universal Registration Document 2024.

HSBC Continental Europe's Pillar 3 Disclosures are approved by HSBC Continental Europe Board of Directors and are governed by HSBC Continental Europe's financial reporting and governance processes. This Pillar 3 Disclosure Report was approved by HSBC Continental Europe's Board on 18 February 2025 and signed on its behalf by:

Joseph Swithenbank
Chief Financial Officer and Deputy Chief Executive Officer

Key regulatory developments

The Basel III Reforms

The revised Capital Requirements Regulation ('CRR3') implementing the Basel 3 reforms package entered into force in the EU on 1 January 2025. The reforms introduce substantial changes to the methodologies that banks are required to follow to calculate risk-weighted assets for credit, operational and credit valuation adjustment risks. It also includes an output floor that caps the benefit from using internal models, which is being phased in over a five-year transitional period. Over the coming years, the EBA is also set to deliver around 140 mandates aimed at developing a suite of regulatory standards, 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 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 6'). The amending legislation introduces new regulatory requirements for ESG and cryptoasset-related risks across the prudential framework, some adjustments 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 10 January 2026 to transpose the CRD 6 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 ('CCyB') rate for France at 1%. HSBC Continental Europe retained its designation as an Other Systemically Important Institution with an applicable capital buffer rate of 0.25%.

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 internal processes and ESG risk management arrangements in accordance with CRD 6. 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. It broadens the scope of application of the Accounting Directive in the EU and also brings non-EU entities within scope where they meet certain criteria. Under the CSRD, in-scope firms are expected to report sustainability information in accordance with the European Sustainability Reporting Standards ('ESRS') that were enacted in December 2023 with an effective date of 1 January 2024. In addition, the CSRD mandates the EC to adopt sustainability reporting standards for non-EU groups ('NESRS') by 30 June 2026. Non-EU groups with significant operations in the EU that meet certain threshold criteria are expected to report under the NESRS from 2029 for the financial year 2028.

In November 2024 the European Financial Reporting Advisory Group ('EFRAG'), the EC's technical advisor, published a first working draft of the NESRS. Consultation is expected to begin in Q1 2025 and final draft standards are expected by the end of 2025.

Significant events

Capital increase

Following the decision of the Extraordinary General Meeting of 6 December 2024, the share capital of HSBC Continental Europe was 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.

Funding through Targeted Long-Term Refinancing Operation

In March 2024 HSBC Continental Europe repaid its final tranche of EUR 1.1 billion of Targeted Long-Term Refinancing Operations ('TLTRO').

Business disposals and changes of control

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.

Table 1: Key metrics template ('KM1')

		At				
		31 Dec 2024	30 Sep 2024	30 Jun 2024	31 Mar 2024	31 Dec 2023
Ref*		**€m**	€m	€m	€m	€m
	Available own funds (amounts)					
1	Common Equity Tier 1 ('CET1') capital	**11,916**	9,625	9,264	9,310	9,373
2	Tier 1 capital	**13,359**	11,061	10,701	10,742	10,819
3	Total capital	**14,848**	12,311	12,104	12,250	12,305
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	**63,297**	63,826	61,274	60,086	59,515
	Capital ratios (as a percentage of risk-weighted exposure amount) (%)					
5	Common Equity Tier 1 ratio	**18.8**	15.1	15.1	15.5	15.7
6	Tier 1 ratio	**21.1**	17.3	17.5	17.9	18.2
7	Total capital ratio	**23.5**	19.3	19.8	20.4	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**	3.0	3.0	3.0	3.4
EU-7b	– of which: to be made up of CET1 capital (percentage points)	**1.7**	1.7	1.7	1.7	1.9
EU-7c	to be made up of Tier 1 capital (percentage points)	**2.3**	2.3	2.3	2.3	2.6
EU-7d	Supervisory review and evaluation process ('SREP') own funds requirements	**11.0**	11.0	11.0	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	2.5	2.5	2.5
EU-8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State		—			
9	Institution-specific countercyclical capital buffer	**0.9**	0.9	0.9	0.8	0.6
EU-9a	Systemic risk buffer	**0.0**	0.0	0.0	0.0	—
10	Global Systemically Important Institution buffer		—			
EU-10a	Other Systemically Important Institution buffer	**0.3**	0.3	0.3	0.3	0.3
11	Combined buffer requirement	**3.7**	3.6	3.6	3.6	3.4
EU-11a	Overall capital requirements	**14.7**	14.6	14.6	14.6	14.8
12	CET1 available after meeting the total SREP own funds requirements	**12.5**	8.3	8.8	9.3	9.0
	Leverage ratio					
13	Total exposure measure	**245,648**	237,808	251,268	238,937	257,480
14	Leverage ratio (%)	**5.4**	4.7	4.3	4.5	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	3.0	3.0	3.0
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure) (%)					
EU-14d	Leverage ratio buffer requirement	**—**	—	—	—	—
EU-14e	Overall leverage ratio requirements	**3.0**	3.0	3.0	3.0	3.0
	Liquidity Coverage Ratio ('LCR')[1]					
15	Total high-quality liquid assets ('HQLA') (Weighted value-average)	**75,513**	76,113	76,475	76,235	76,282
EU-16a	Cash outflows – Total weighted value	**82,826**	81,751	81,040	79,502	78,490
EU-16b	Cash inflows – Total weighted value	**32,299**	31,995	31,891	30,883	30,152
16	Total net cash outflows (adjusted value)	**50,527**	49,756	49,148	48,620	48,339
17	Liquidity coverage ratio (%)	**150**	153	156	157	158
	Net Stable Funding Ratio ('NSFR')[1]					
18	Total available stable funding	**86,928**	82,067	84,027	82,907	81,311
19	Total required stable funding	**63,448**	57,630	61,774	60,303	57,468
20	NSFR ratio (%)	**137**	142	136	137	141

* The references identify 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.

Table 2: Overview of risk weighted exposure amounts ('OV1')

		At 31 Dec 2024		At 30 Sep 2024		At 31 Dec 2023	
		RWAs	Capital requirement[1]	RWAs	Capital requirement[1]	RWAs	Capital requirement[1]
		€m	€m	€m	€m	€m	€m
1	**Credit risk (excluding CCR)[2]**	**44,358**	**3,548**	45,626	3,650	42,870	3,430
2	– standardised approach	**12,007**	**960**	12,018	961	9,168	733
3	– foundation IRB approach	**8,453**	**676**	8,455	676	7,691	615
4	– slotting approach	**495**	**40**	536	43	659	53
EU 4a	– equities under the simple risk-weighted approach	**667**	**53**	661	53	885	71
5	– advanced IRB approach	**16,743**	**1,339**	17,859	1,429	22,081	1,766
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	**2,854**	**228**	2,454	196	2,386	191
	Other credit risk (excluding CCR)[3]	**3,139**	**252**	3,643	292	—	—
6	**Counterparty credit risk ('CCR')**	**6,815**	**545**	6,967	557	5,279	422
7	– standardised approach	**2,257**	**181**	2,239	179	1,879	150
8	– internal model method ('IMM')	**2,212**	**177**	1,809	145	1,983	159
EU-8a	– exposures to a central counterparty ('CCP')	**188**	**15**	207	17	180	14
EU-8b	– credit valuation adjustment ('CVA')	**628**	**50**	753	60	748	60
9	– other CCR[3]	**1,529**	**122**	1,959	156	489	39
15	**Settlement risk**	**1**	**—**	—	—	1	—
16	**Securitisation exposures in the non-trading book**	**1,650**	**132**	1,161	93	1,185	95
17	– internal ratings-based approach ('SEC-IRBA')	**992**	**80**	620	50	629	50
18	– external ratings-based approach ('SEC-ERBA') (including IAA)	**404**	**32**	324	26	322	26
19	– standardised approach ('SEC-SA')	**254**	**20**	217	17	234	19
EU-19a	– 1,250%/deduction					—	—
20	**Position, foreign exchange and commodities risks (Market risk)**	**3,786**	**302**	3,884	310	3,992	320
21	– standardised approach	**168**	**13**	143	11	94	8
22	– internal model approach	**3,618**	**289**	3,741	299	3,898	312
EU-22a	**Large exposures**					—	—
23	**Operational risk**	**6,688**	**522**	6,188	495	6,188	495
EU-23a	– basic indicator approach						
EU-23b	– standardised approach	**6,688**	**522**	6,188	495	6,188	495
EU-23c	– advanced measurement approach						
29	**Total**	**63,297**	**5,049**	63,826	5,105	59,515	4,762

1 'Capital required', here and in all tables where the term is used, represents the Pillar 1 capital charge at 8 per cent of RWAs.
2 'Credit Risk', here and in all tables where the term is used, excludes counterparty credit risk.
3 The rows entitled "Other credit risk (excluding CCR)" and "Other CCR" report capital requirements relating to these risk types that do not map to other rows in this table

Table 3: RWA flow statements of credit risk exposures under the IRB approach ('CR8')

		Quarter ended			
		31 Dec 2024	30 Sep 2024	30 Jun 2024	31 Mar 2024
		€m	€m	€m	€m
1	**Opening RWAs at start of quarter**	**26,850**	27,627	28,217	30,431
2	Asset size	**171**	(915)	568	1,268
3	Asset quality	**(89)**	278	12	68
4	Model updates	**—**		(1,170)	(692)
5	Methodology and policy	**—**	—	—	—
6	Acquisitions and disposals	**(78)**	(140)	—	(2,858)
7	Foreign exchange movements	**—**	—	—	—
8	Other	**(1,162)**	—	—	—
9	**Closing RWAs at end of quarter**	**25,692**	26,850	27,627	28,217

The EUR2.9bn reduction in RWAs in 1Q24 reflects the disposal of HSBC Continental Europe's retail banking operations and the resulting migration of its remaining mortgage portfolio to the standardised approach.

Table 4: RWA flow statements of CCR exposures under IMM ('CCR7')

		Quarter ended			
		31 Dec 2024	30 Sep 2024	30 Jun 2024	31 Mar 2024
		€m	€m	€m	€m
1	**Opening RWAs at start of quarter**	**1,809**	2,358	2,004	1,983
2	Asset size	**419**	(531)	330	39
3	Asset quality	**2**	(33)	27	(10)
4	Model updates (IMM only)	**—**	—	—	—
5	Methodology and policy (IMM only)	**—**	—	—	—
6	Acquisitions and disposals	**—**	—	—	—
7	Foreign exchange movements	**(18)**	15	(3)	(8)
8	Other	**—**	—	—	—
9	**Closing RWAs at end of quarter**	**2,212**	1,809	2,358	2,004

Table 5: RWA flow statements of market risk exposures under the IMA ('MR2-B')

		VaR	**SVaR**	**IRC**	**CRM**	**Other**	**Total RWAs**	**Total own funds requirements**
		€m	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**
1	**RWAs at 1 Oct 2024**	**613**	**1,474**	**799**	**—**	**855**	**3,741**	**299**
1a	Regulatory adjustment	**(421)**	**(976)**	**—**	**—**	**—**	**(1,397)**	**(112)**
1b	RWAs at the previous quarter-end (end of the day)	**192**	**498**	**799**	**—**	**855**	**2,344**	**187**
2	Movement in risk levels	**(50)**	**(121)**	**(200)**	**—**	**(190)**	**(561)**	**(45)**
3	Model updates/changes						**—**	**—**
7	Other					**(174)**	**(174)**	**(14)**
8a	RWAs at the end of the disclosure period (end of the day)	**142**	**377**	**599**		**491**	**1,609**	**128**
8b	Regulatory adjustment	**423**	**1,371**	**215**	**—**	**—**	**2,009**	**161**
8	**RWAs at 31 Dec 2024**	**565**	**1,748**	**814**	**—**	**491**	**3,618**	**289**
1	RWAs at 1 Jul 2024	961	2,466	769	—	837	5,033	403
1a	Regulatory adjustment	(750)	(1,993)	(213)	—	—	(2,956)	(236)
1b	RWAs at the previous quarter-end (end of the day)	211	473	556	—	837	2,077	166
2	Movement in risk levels	(19)	25	243	—	(36)	213	17
3	Model updates/changes							
7	Other					54	54	4
8a	RWAs at the end of the disclosure period (end of the day)	192	498	799		855	2,344	187
8b	Regulatory adjustment	421	976	—	—	—	1,397	112
8	RWAs at 30 Sep 2024	613	1,474	799	—	855	3,741	299
1	RWAs at 1 Apr 2024	1,229	1,719	692	—	1,009	4,649	372
1a	Regulatory adjustment	(987)	(1,260)	—	—	—	(2,247)	(180)
1b	RWAs at the previous quarter-end (end of the day)	242	459	692	—	1,009	2,402	192
2	Movement in risk levels	(31)	14	(136)	—	104	(49)	(4)
3	Model updates/changes						—	—
7	Other					(276)	(276)	(22)
8a	RWAs at the end of the disclosure period (end of the day)	211	473	556		837	2,077	166
8b	Regulatory adjustment	750	1,993	213	—	—	2,956	236
8	RWAs at 30 Jun 2024	961	2,466	769	—	837	5,033	403
1	RWAs at 1 Jan 2024	1,089	1,798	415	—	596	3,898	312
1a	Regulatory adjustment	(830)	(1,271)	(65)	—	—	(2,166)	(173)
1b	RWAs at the previous quarter-end (end of the day)	259	527	350	—	596	1,732	139
2	Movement in risk levels	(17)	(68)	342	—	15	272	22
3	Model updates/changes					122	122	10
7	Other					276	276	22
8a	RWAs at the end of the disclosure period (end of the day)	242	459	692	—	1,009	2,402	192
8b	Regulatory adjustment	987	1,260	—	—	—	2,247	180
8	RWAs at 31 Mar 2024	1,229	1,719	692	—	1,009	4,649	372

Linkage to the Universal Registration Document 2024

Basis of consolidation

The basis of consolidation for the purpose of financial accounting under International Financial Reporting Standards ('IFRS'), described in Note 1 of HSBC Continental Europe's Universal Registration Document 2024, differs from that used for regulatory purposes.

The following table provides a reconciliation of the financial accounting balance sheet to the regulatory scope of consolidation. Subsidiaries engaged in insurance activities are excluded from the regulatory consolidation by excluding their assets and liabilities, leaving HSBC Continental Europe's investment in these insurance subsidiaries to be recorded at net asset value and deducted from CET1 (subject to thresholds).

Table 6: Reconciliation of regulatory own funds to balance sheet in the audited financial statements ('CC2')

	Ref †	Accounting balance sheet	De-consolidation of insurance/ other entities	Equity accounting for insurance subsidiaries	Regulatory balance sheet
		€m	€m	€m	€m
Assets					
Cash and balances at central banks		**48,907**	**—**	**—**	**48,907**
Items in the course of collection from other banks		**184**	**—**	**—**	**184**
Trading assets		**22,853**	**—**	**—**	**22,853**
Financial assets designated and otherwise mandatorily measured at fair value through profit and loss		**1,563**	**(766)**	**—**	**797**
Financial assets designated at fair value		**—**	**—**	**—**	**—**
Derivatives		**43,251**	**—**	**7**	**43,258**
Loans and advances to banks		**5,703**	**(2)**	**—**	**5,701**
Loans and advances to customers		**51,288**	**50**	**—**	**51,338**
– of which: impairment allowances on IRB portfolios	i	**345**	**—**		**345**
Reverse repurchase agreements – non-trading		**25,764**	**—**	**—**	**25,764**
Financial investments		**20,740**	**325**	**—**	**21,065**
– of which: lending eligible as Tier 2 to Group FSEs outside the regulatory scope of consolidation	n		**420**		**420**
Capital invested in insurance and other entities		**—**	**542**	**463**	**1,005**
Assets held for sale		**25,477**	**(23,347)**	**—**	**2,130**
Prepayments, accrued income and other assets		**17,814**	**27**		**17,841**
– of which: defined benefit retirement scheme assets	j	**66**	**—**		**66**
Current tax assets		**595**	**(32)**	**—**	**563**
Interests in associates and joint ventures		**—**	**—**	**—**	**—**
Goodwill and intangible assets	g	**219**	**—**	**—**	**219**
Deferred tax assets	h	**650**	**—**	**—**	**650**
Total assets at 31 Dec 2024		**265,008**	**(23,203)**	**470**	**242,275**
Liabilities and equity					
Deposits by banks		**11,820**	**—**	**—**	**11,820**
Customer accounts		**97,065**	**124**	**—**	**97,189**
Repurchase agreements – non-trading		**12,344**	**—**	**—**	**12,344**
Items in the course of transmission to other banks		**367**	**—**	**—**	**367**
Trading liabilities		**16,480**	**—**	**—**	**16,480**
Financial liabilities designated at fair value		**9,906**	**261**	**—**	**10,167**
– of which: term subordinated debt included in tier 2 capital	m				
Derivatives		**41,857**	**6**	**7**	**41,870**
Debt securities in issue		**15,257**	**—**	**—**	**15,257**
Accruals, deferred income and other liabilities		**17,481**	**(23)**	**—**	**17,458**
– of which: retirement benefit liabilities		**75**	**—**	**—**	**75**
Liabilities of disposal groups held for sale		**24,718**	**(22,571)**	**—**	**2,147**
Current tax liabilities		**236**	**(4)**	**—**	**232**
Liabilities under insurance contracts		**518**	**(518)**	**—**	**—**
Provisions		**184**	**(1)**	**—**	**183**
– of which: credit-related provisions on IRB portfolios	i	**95**		**—**	**95**
– of which: credit-related provisions on standardised portfolios		**14**		**—**	**14**
Deferred tax liabilities	h	**3**	**—**	**—**	**3**
Subordinated liabilities	k	**1,941**	**—**	**—**	**1,941**
– of which: preferred securities included in tier 1 capital					
– of which: term subordinated debt included in tier 2 capital	m	**1,925**	**—**	**—**	**1,925**
Total liabilities at 31 Dec 2024		**250,177**	**(22,726)**	**7**	**227,458**
Called up share capital	a	**1,328**	**—**		**1,328**
Share premium account	a, b	**6,747**	**—**		**6,747**
Other equity instruments	k	**1,430**	**—**		**1,430**
Other reserves	d, h	**1,574**	**34**		**1,608**
Retained earnings	c, f	**3,563**	**(511)**	**463**	**3,515**
Total shareholders' equity		**14,642**	**(477)**	**463**	**14,628**
Non-controlling interests	e, l	**189**	**—**		**189**
Total equity at 31 Dec 2024		**14,831**	**(477)**	**463**	**14,817**
Total liabilities and equity at 31 Dec 2024		**265,008**	**(23,203)**	**470**	**242,275**

Table 6: Reconciliation of regulatory own funds to balance sheet in the audited financial statements ('CC2') (continued)

	Ref †	Accounting balance sheet	De-consolidation of insurance/ other entities	Equity accounting for insurance subsidiaries	Regulatory balance sheet
		€m	€m	€m	€m
Assets					
Cash and balances at central banks		56,894	—	—	56,894
Items in the course of collection from other banks		273	—	—	273
Trading assets		17,249	—	—	17,249
Financial assets designated and otherwise mandatorily measured at fair value through profit and loss		13,590	(13,425)	—	165
Financial assets designated at fair value		—	—	—	—
Derivatives		45,522	(50)	—	45,472
Loans and advances to banks		5,816	(268)	—	5,548
Loans and advances to customers		50,127	—	—	50,127
– of which: impairment allowances on IRB portfolios	i	—	—		—
Reverse repurchase agreements – non-trading		24,490	48	—	24,538
Financial investments		22,608	(8,323)	—	14,285
– of which: lending eligible as Tier 2 to Group FSEs outside the regulatory scope of consolidation	n		420		420
Capital invested in insurance and other entities		—	542	483	1,025
Assets held for sale		23,211	—	—	23,211
Prepayments, accrued income and other assets		21,453	(855)		20,598
– of which: defined benefit retirement scheme assets	j	46	—		46
Current tax assets		599	(38)	—	561
Interests in associates and joint ventures		—	—	—	—
Goodwill and intangible assets	g	188	—	—	188
Deferred tax assets	h	957	(63)	—	894
Total assets at 31 Dec 2023		282,977	(22,432)	483	261,028
Liabilities and equity					
Deposits by banks		10,261	(10)	—	10,251
Customer accounts		93,890	145	—	94,035
Repurchase agreements – non-trading		11,153	—	—	11,153
Items in the course of transmission to other banks		320	—	—	320
Trading liabilities		19,877	—	—	19,877
Financial liabilities designated at fair value		9,696	424	—	10,120
– of which: term subordinated debt included in tier 2 capital	m				
Derivatives		43,630	(52)	—	43,578
Debt securities in issue		12,909	—	—	12,909
Accruals, deferred income and other liabilities		21,469	(1,487)	—	19,982
– of which: retirement benefit liabilities		74	(2)	—	72
Liabilities of disposal groups held for sale		23,817	—	—	23,817
Current tax liabilities		211	(2)	—	209
Liabilities under insurance contracts		21,035	(21,035)	—	—
Provisions		245	(3)	—	242
– of which: credit-related provisions on IRB portfolios	i	—		—	
Deferred tax liabilities	h	5	(2)	—	3
Subordinated liabilities	k	1,951	—	—	1,951
– of which: preferred securities included in tier 1 capital					
– of which: term subordinated debt included in tier 2 capital	m	1,935	—	—	1,935
Total liabilities at 31 Dec 2023		270,469	(22,022)	—	248,447
Called up share capital	a	1,062	—		1,062
Share premium account	a, b	5,264			5,264
Other equity instruments	k	1,433	—		1,433
Other reserves	d, h	1,480	44		1,524
Retained earnings	c, f	3,103	(454)	483	3,132
Total shareholders' equity		12,342	(410)	483	12,415
Non-controlling interests	e, l	166	—		166
Total equity at 31 Dec 2023		12,508	(410)	483	12,581
Total liabilities and equity at 31 Dec 2023		282,977	(22,432)	483	261,028

† The references (a) – (n) identify balance sheet components that are used in the calculation of regulatory capital in Table 7: Composition of regulatory own funds. This table shows such items at their accounting values, which may be subject to analysis or adjustment in the calculation of regulatory capital shown in Table 7.

Capital and Leverage

Capital management

Approach and policy

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. To achieve this, HSBC Continental Europe manages its capital within the context of an annual capital plan approved by the Board of Directors which determines the appropriate amount and mix of capital. This is complemented by regular forecasts of capital, leverage and RWA positions throughout the year.

HSBC Continental Europe complied with the ECB's regulatory capital adequacy requirements throughout 2024. To comply with internal Total Loss Absorbing Capacity ('TLAC') requirements in CRR and with internal MREL requirements in the Bank Recovery and Resolution Directive ('BRRD'), HSBC Continental Europe issued Senior Non-Preferred bonds in January, June, September and December 2024.

Capital management is underpinned by the HSBC Group capital management framework, which enables a consistent management of capital across the HSBC Group.

The Internal Capital Adequacy Assessment Process ('ICAAP') aims to assess the adequacy of the bank's capital resources with regard to its risks and requirements and incorporates various methods of assessing capital needs within HSBC Continental Europe. These capital measures include economic capital and regulatory capital defined as follows:

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

The following risks managed through the capital management framework have been identified as material: credit risk, counterparty credit risk, market risk, operational risk, interest rate risk in the banking book, FX risk, insurance risk, pension risk, capital risk, funding risk, strategic risk, climate change risk and model risk.

Stress testing

Stress testing is an important technique for understanding the sensitivity of the core assumptions in HSBC Continental Europe's capital plans to the adverse effect of extreme but plausible events. Stress testing allows senior management to formulate its response, including risk mitigating actions, in advance of conditions starting to reflect the stress scenarios identified.

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

Regulatory stress tests (carried out at the request of regulators using their prescribed assumptions), internal stress tests (using internally defined scenarios defined to capture the specific risks faced by HSBC Continental Europe) and sensitivity analysis are performed. HSBC Continental Europe takes into account the results of all such regulatory and internal stress testing when assessing internal capital requirements.

Risks to capital

In addition to the stress testing framework, a list of the main risks with associated potential impacts on HSBC Continental Europe's capital ratios is regularly reviewed. These risks are identified as possibly affecting Risk-Weighted Assets ('RWAs') and/or capital position. They can result from expected regulatory and model changes, or from structural and activity related items. These risks are monitored regularly by the Asset & Liability Committee ('ALCO') and the Risk Committee. Where relevant, scenario analyses are performed - assessing downside or upside scenarios against our capital management objectives – and mitigating actions are assigned as necessary.

Further explanation of model risk can be found in the Risk section, particularly on pages 222 and 223, of HSBC Continental Europe's Universal Registration Document 2024.

HSBC Continental Europe's approach to managing its capital position is to ensure the bank complies with current regulatory requirements and internal risk appetite, and considers future regulatory requirements.

Risk-weighted asset targets

RWA targets for the global businesses are established in accordance with the Group's strategic direction and risk appetite, and approved through HSBC Continental Europe's planning processes.

Monitoring is performed at an operational level taking into account growth strategies, active portfolio management measures, business and/or customer-level reviews and risk mitigation.

Business performance against RWA targets is monitored through regular reporting discussed in the Asset & Liability Committee, Risk Management Meeting, Executive Committee, Risk Committee and Board of Directors.

Capital generation

HSBC Bank plc is the sole provider of equity capital, and also provides non-equity capital where necessary. Capital generated in excess of planned requirements is returned to HSBC Bank plc in the form of dividends.

Overview of regulatory capital framework

Main features of CET1, AT1 and T2 instruments issued by HSBC Continental Europe

For regulatory purposes, 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 the degree of permanence and loss absorbency exhibited. The main features of capital securities issued by HSBC Continental Europe are described below.

Common Equity Tier 1 capital

Common Equity Tier 1 ('CET 1') 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 to these items. These include deductions for goodwill and intangible assets, for deferred tax assets that rely on future profitability, and for negative amounts resulting from the calculation of expected loss amounts under the Internal ratings based approach ('IRB').

Additional Tier 1 capital ('AT1')

Additional Tier 1 capital comprises eligible non-common equity capital instruments as defined in CRR, and any related share premium. Holdings of additional Tier 1 instruments of financial sector entities are deducted from additional Tier 1 capital.

Qualifying Additional Tier 1 instruments are perpetual instruments on which there is no obligation to apply a coupon and, if not paid, the coupon is not cumulative.

Such instruments do not carry voting rights but rank higher than ordinary shares for coupon payments and in the event of a winding up.

CRD compliant Additional Tier 1 instruments issued by the bank provide for them to be written down in the event the bank's Common Equity Tier 1 ratio falls below 5.125 per cent.

Tier 2 capital ('T2')

Tier 2 capital comprises eligible capital instruments and any related share premium and other qualifying Tier 2 capital instruments. Holdings of Tier 2 instruments issued by financial sector entities are deducted from Tier 2 capital.

Tier 2 capital instruments may be either perpetual or dated subordinated instruments on which there is an obligation to pay coupons. Where dated, they must be issued with an original maturity exceeding five years.

For regulatory purposes, Tier 2 instruments are amortised on a straight line basis in their final five years to maturity, thus reducing the amount of capital that is recognised for regulatory purposes.

Some subordinated loan capital may be called and redeemed by the issuer, subject to prior consent from the ECB.

A list of the main features of HSBC Continental Europe's regulatory capital instruments prepared in accordance with the CRR is also published on HSBC's website.

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

			At	
			31 Dec 2024	31 Dec 2023
Ref*		Ref †	**€m**	€m
	Common equity tier 1 ('CET1') capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	a, b	**8,075**	6,327
	– of which: share premium account	b	**6,747**	5,264
2	Retained earnings	c	**2,927**	2,133
3	Accumulated other comprehensive income (and other reserves)	d	**1,642**	1,566
5	Minority interests (amount allowed in consolidated CET1)	e	**103**	90
5a	Independently reviewed interim net profits net of any foreseeable charge or dividend	f	**568**	883
6	**Common equity tier 1 capital before regulatory adjustments**		**13,315**	10,999
	Common equity tier 1 capital: regulatory adjustments			
7	Additional value adjustments		**(93)**	(109)
8	Intangible assets (net of related deferred tax liability)	g	**(219)**	(188)
10	Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	h	**(433)**	(586)
11	Fair value reserves related to gains or losses on cash flow hedges		**(22)**	65
12	Negative amounts resulting from the calculation of expected loss amounts	i	**(139)**	(91)
13	Any increase in equity that results from securitised assets (negative amount)		**—**	—
14	Gains or losses on liabilities at fair value resulting from changes in own credit standing		**(75)**	(92)
15	Defined-benefit pension fund assets (negative amount)	j	**(66)**	(46)
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)		**—**	(45)
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)		**(352)**	(533)
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
	Additional tier 1 ('AT1') capital: instruments			
30	Capital instruments and the related share premium accounts	k	**1,430**	1,432
31	– of which: classified as equity under applicable accounting standards	k	**1,430**	1,432
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	l	**13**	13
36	**Additional tier 1 capital before regulatory adjustments**		**1,443**	1,445
	Additional tier 1 capital: regulatory adjustments			
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
	Tier 2 ('T2') capital: instruments			
46	Capital instruments and the related share premium accounts		**1,908**	1,892
50	Credit risk adjustments	i	**—**	14
51	**Tier 2 capital before regulatory adjustments**	m	**1,908**	1,906
	Tier 2 capital: regulatory adjustments			
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)	n	**(420)**	(420)
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
60	**Total risk-weighted assets**		**63,297**	59,515
	Capital ratios and buffers			
61	Common equity tier 1 (%)		**18.8**	15.7

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

			At	
			31 Dec 2024	31 Dec 2023
Ref*		Ref †	**€m**	€m
62	Tier 1 (%)		**21.1**	18.2
63	Total capital (%)		**23.5**	20.7
64	Institution CET1 overall capital requirement (%)		**9.8**	9.8
65	– capital conservation buffer requirement (%)		**2.5**	2.5
66	– countercyclical buffer requirement (%)		**0.9**	0.6
67	– systemic risk buffer requirement (%)		**0.0**	0.0
EU-67a	– Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement		**0.3**	0.3
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage		**1.7**	1.9
68	Common equity tier 1 available to meet buffers (%)		**12.5**	9.3
	Amounts below the threshold for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		**146**	126
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)		**1142**	954
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability)		**242**	308

* The references identify the lines prescribed in the EBA template that are applicable and where there is a value.
† The references (a) – (n) identify balance sheet components in Table 6: Reconciliation of regulatory own funds to balance sheet in the audited financial statements which is used in the calculation of regulatory capital. This table shows how they contribute to the regulatory capital calculation. Their contribution may differ from their accounting value in Table 6 as a result of adjustment or analysis to apply regulatory definitions of capital.

The main movements in own funds are described in Note 1 'Significant events during the year' of HSBC Continental Europe's Universal Registration Document 2024.

A detailed breakdown of HSBC Continental Europe's CET1 capital, AT1 capital and Tier 2 capital is provided in its Regulatory Capital Instruments at 31 December 2024, which is available on HSBC website https://www.hsbc.com/investors/fixed-income-investors/regulatory-capital-securities.

Leverage ratio

The leverage ratio was introduced into the Basel 3 framework as a non risk-based limit, to supplement risk-based capital requirements. It aims to constrain the build-up of excess leverage in the banking sector, introducing additional safeguards against model risk and measurement errors. The Basel 3 leverage ratio is a volume-based measure calculated as Tier 1 capital divided by total on- and weighted off-balance sheet exposures, allowing the exclusion of certain exposures and the netting of exposures on certain market instruments.

The leverage ratio has been implemented in the EU for reporting and disclosure purposes, and a binding minimum requirement of 3.0 per cent has been in force since June 2021.

The risk of excessive leverage is managed as part of HSBC Continental Europe's risk appetite framework and monitored using the leverage ratio metric within the Risk Appetite Statement ('RAS').

The RAS articulates the aggregate level and types of risk that HSBC Continental Europe is willing to accept in its business activities in order to achieve its strategic business objectives.

The RAS is monitored via the risk appetite profile report, which includes comparisons of actual performance against the risk appetite and tolerance thresholds assigned to each metric, to ensure that any excessive risk is highlighted, assessed and mitigated appropriately. The risk appetite profile report is presented monthly to the Risk Management Meeting ('RMM'). For HSBC Continental Europe, the leverage exposure measure is also calculated and presented to the Asset & Liability Management Committee ('ALCO') every month.

HSBC Continental Europe's approach to risk appetite is described on page 165 of HSBC Continental Europe's Universal Registration Document 2024.

Table 8: Summary reconciliation of accounting assets and leverage ratio exposures ('LRSum')

		At	
		31 Dec 2024	31 Dec 2023
Ref*		**€m**	€m
1	Total assets as per published financial statements	**265,008**	282,977
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	**(22,733)**	(22,521)
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	**(387)**	(885)
8	Adjustments for derivative financial instruments	**(18,590)**	(22,959)
9	Adjustment for securities financing transactions ('SFTs')	**2,503**	5,349
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	**37,594**	37,143
EU-11b	(Adjustment for exposures excluded from the leverage ratio total exposure measure)	**—**	(2,608)
12	Other adjustments	**(17,747)**	(19,017)
13	**Leverage ratio total exposure measure**	**245,648**	257,480

Our reporting reflects the exclusion of the guaranteed part of exposures arising from export credit in accordance with Point (f) of CRR Article 429a(1).

Table 9: Leverage ratio common disclosure ('LRCom')

		At	
		31 Dec 2024	31 Dec 2023[1]
Ref		**€m**	€m
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)1	**169,481**	186,110
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	**(11,932)**	(10,619)
6	(Asset amounts deducted in determining Tier 1 capital)	**(1,395)**	(1,625)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**156,154**	173,865
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	**8,340**	7,126
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	**18,140**	18,230
10	(Exempted CCP leg of client-cleared trade exposures) ('SA-CCR')	**(1,890)**	(3,520)
11	Adjusted effective notional amount of written credit derivatives	**2,443**	4,595
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	**(2,364)**	(3,925)
13	**Total derivatives exposures**	**24,669**	22,507
Securities financing transaction ('SFT') exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	**72,842**	50,296
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	**(45,243)**	(21,017)
16	Counterparty credit risk exposure for SFT assets	**719**	608
18	**Total securities financing transaction exposures**	**28,318**	29,887
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	**95,231**	88,794
20	(Adjustments for conversion to credit equivalent amounts)	**(57,638)**	(53,953)
22	**Off-balance sheet exposures**	**37,593**	34,841
Excluded exposures			
EU-22b	(Exposures exempted (on- and off-balance sheet))	**—**	(2,608)
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	**(1,086)**	(1,013)
EU-22k	**(Total exempted exposures)**	**(1,086)**	(3,621)
Capital and total exposure measure			
23	Tier 1 capital	**13,359**	10,819
24	Leverage ratio total exposure measure	**245,648**	257,480
Leverage ratio			
25	Leverage ratio (%)	**5.4**	4.2
EU-25	Leverage ratio (without adjustment for excluded exposures of public development banks – Public sector investments) (%)	**5.4**	4.2
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	**5.4**	4.2
26	Regulatory minimum leverage ratio requirement (%)	**3.0**	3.0
EU-27a	Overall leverage ratio requirement (%)	**3.0**	3.0
Choice of transitional arrangements and relevant exposures			
EU-27	Choice of transitional arrangements for the definition of the capital measure	**Fully phased in**	Fully phased in
Disclosure of mean values			
28	Mean of daily values of gross SFT assets, (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	**33,416**	32,008
29	Quarter-end value of gross SFT assets, (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	**27,599**	29,279
30	Total exposures (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	**251,465**	260,209
30a	Total exposures (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	**251,465**	260,209
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables) (%)	**5.3**	4.2
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables) (%)	**5.3**	4.2

Table 10: Split of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) ('LRSpl')

		At	
		31 Dec 2024	31 Dec 2023
Ref		**€m**	€m
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**156,463**	171,869
EU-2	Trading book exposures	**21,435**	16,448
EU-3	Banking book exposures, of which:	**135,028**	155,422
EU-4	Covered bonds	**783**	—
EU-5	Exposures treated as sovereigns	**74,532**	83,417
EU-7	Institutions	**2,444**	2,631
EU-8	Secured by mortgages of immovable properties	**3,246**	21,833
EU-9	Retail exposures	**6,795**	3,095
EU-10	Corporate	**35,371**	33,866
EU-11	Exposures in default	**1,433**	1,876
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	**10,424**	8,704

Pillar 1

Pillar 1 (minimum capital requirements) covers the capital requirements for credit risk, market risk and operational risk.

Credit risk includes counterparty and non-counterparty credit risk and securitisation requirements. These requirements are expressed in terms of RWAs.

Risk category	**Scope of permissible approaches**	**Approach adopted by HSBC Continental Europe**
Non-counterparty Credit risk	CRR allows three approaches for the calculation of Pillar 1 credit risk capital requirements. The standardised approach requires banks to use external credit ratings to determine the risk weights applied to rated counterparties. Other counterparties are classified into broad categories and standardised risk weightings are applied to these categories. The internal ratings-based ('IRB') foundation approach allows banks to calculate their credit risk capital requirements on the basis of their internal assessment of a counterparty's probability of default ('PD'), while their estimates of exposure at default ('EAD') and loss given default ('LGD') are subject to standard supervisory parameters. Finally, the IRB Advanced approach allows banks to use their own internal assessment in both determining PD and quantifying EAD and LGD. On the IRB approaches, expected losses are calculated by multiplying EAD by PD and LGD. The capital requirement is intended to cover unexpected losses. It is based on a formula which combines PD, LGD, EAD and other variables such as maturity and correlation.	HSBC Continental Europe has adopted the advanced IRB approach for the majority of its business. Some portfolios remain on the standardised or foundation IRB approaches pending model approval, following the supervisory prescription of a non-advanced approach or under exemption from IRB treatment.
Counterparty credit risk	Two approaches to calculating CCR and determining exposures are defined by the CRR: the Standardised Approach ('SA-CCR') and the Internal Model Method ('IMM'). These exposures are used to determine capital requirements using the applicable credit risk approach: standardised, IRB foundation or IRB advanced. CRR also sets two approaches for calculating Credit Valuation Adjustment ('CVA') risk capital charges: an advanced methodology that is only available to institutions that have approved internal models, and a standardised approach.	In order to determine exposures at default, HSBC Continental Europe uses the mark-to-market and IMM approaches for counterparty credit risk for derivatives and the financial security-based method for deferred payment transactions. Permission to use IMM and CVA models was granted in 2021.
Equity	Non-trading book equity exposures can be assessed under the standardised or IRB approaches.	HSBC Continental Europe reports the majority of its non-trading book equity exposures under the IRB simple risk-weight approach. The standardised approach is used by sites which have no IRB permission.
Securitisation	The securitisation framework under CRR prescribes the following approaches: – internal ratings-based approach ('SEC-IRBA'); – external ratings-based approach ('SEC-ERBA'); – internal assessment approach ('IAA'); and – standardised approach ('SEC-SA').	HSBC Continental Europe only holds securitisation positions in banking book and uses: – SEC-IRBA for originated positions; – IAA for sponsored positions; and – SEC-SA or SEC-ERBA for investments in third party positions.
Market risk	Market risk capital requirements can be determined under either the standard rules or the Internal Models Approach ('IMA'). The latter involves the use of internal Value at Risk ('VaR') models to measure market risks and determine the appropriate capital requirement. In addition to the VaR models, other internal models include Stressed VaR and Incremental Risk Charge ('IRC').	The majority of HSBC Continental Europe's market risk capital requirements are calculated using internal models approved by the ECB and the PRA. A small remaining portfolio is risk-weighted on the standardised approach. Internal market risk models are based on VaR, Stressed VaR and IRC. HSBC Continental Europe was granted permission to use the internal model for specific risk of debt instruments in 2021 and for specific risk of equity instruments in 2023.
Operational risk	The CRR includes a capital requirement for operational risk, based on three levels of sophistication. The capital required under the basic indicator approach is a simple percentage of gross revenues. Under the standardised approach, banks apply different percentages to the total operating income to each of eight defined business lines. The advanced measurement approach uses banks' own statistical analysis and modelling of operational risk data to determine capital requirements.	HSBC Continental Europe uses the standardised approach in determining its operational risk capital requirements.

Pillar 2 and ICAAP

Pillar 2

Pillar 2 (supervisory review process) aims to reinforce the minimum capital requirements of Pillar 1. This includes efforts by banks to assess their capital adequacy and by supervisors to review such assessment.

A major component of Pillar 2 is the annual Internal Capital Adequacy Assessment Process ('ICAAP'). HSBC Continental Europe's ICAAP sets out a forward-looking assessment of its capital requirements given its business strategy, risk profile, risk appetite and capital plan. As part of the process, a range of stress tests are applied to the base capital plan. These tests, coupled with the economic capital framework, are used to assess the internal capital adequacy.

The results of this assessment process are summarised in an annual report which is approved by the Board of Directors of HSBC Continental Europe before submission to the ECB. The ultimate responsibility for the governance of the ICAAP of HSBC Continental Europe rests with the CEO of HSBC Continental Europe.

The other key component of Pillar 2 is a Supervisory Review and Evaluation Process ('SREP') conducted by the regulator, which leads to an annual determination of individual capital requirement and guidance. This process can also include specific demands on all aspects of the bank's management.

The SREP reviews result in a Pillar 2 requirement ('P2R') and a Pillar 2 guidance ('P2G'), which are added to the Pillar 1 requirements ('P1R').

The Overall Capital Requirement ('OCR') for total capital is composed of the P1R, the P2R, and the combined regulatory buffers.

The Total SREP capital requirement, which is composed only of the P1R and the P2R, is applicable only to the total capital ratio and represents the minimum ratio that a bank should maintain under stressed scenarios. The P2G should be comprised entirely of CET1 capital and held over and above the OCR.

The P2R for HSBC Continental Europe on a consolidated basis reduced to 3.0 per cent in 2024. Under CRD, at least 56.25 per cent of the P2R should be held in the form of CET1 and 75 per cent as Tier 1.

At the end of 2024, HSBC Continental Europe is required to meet on a consolidated basis a minimum total capital ratio of at least 14.7 per cent.

A number of changes in CCyB will impact HSBC Continental Europe in 2025. The main ones are:

- the Polish CCyB will increase from 0 per cent to 1 per cent from 25 September 2025, as announced by the Financial Stability Committee;
- the Spanish CCyB will increase from 0 per cent to 0.5 per cent from 1 October 2025, as announced by the Spanish central bank.

HSBC Continental Europe's OCR of 14.7 per cent is composed of:

- the 8 per cent P1R;
- the 2.50 per cent capital conservation buffer ('CCB') in article 129 of the CRD IV;
- the 0.9 per cent CCyB;
- the 0.25 per cent Other Systematically Important Institution buffer (O-SII) in force since 1 January 2022; and
- the 3.0 per cent P2R mentioned above.

As at 31 December 2024, the requirement in respect of Common Equity Tier 1 is 9.8 per cent, excluding P2G.

Internal capital adequacy assessment

With support from the Risk Committee, the Board of Directors approves the ICAAP and reviews the bank's regulatory and economic capital profiles in order to ensure that capital resources:

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

The minimum regulatory capital that HSBC Continental Europe is required to hold is determined by EU regulations, as well as the rules and guidance established by European Authorities, including the Joint Supervisory Team. These capital requirements are a primary influence shaping the business planning process, in which RWA and leverage targets are established for global businesses in accordance with the bank's strategic direction and risk appetite.

The economic capital assessment is a more risk-sensitive measure, as it covers a wider range of risks and takes account of the diversification of risk accruing from our operations. Both the regulatory and the economic capital assessments rely upon the use of internal models that are integrated into the management of risk.

Economic capital models are calibrated to quantify the level of capital that is sufficient to absorb potential losses over a one-year time horizon with a 99.95 per cent confidence level.

The ICAAP and its constituent economic capital calculations are examined by the Joint Supervisory Team as part of its supervisory review and evaluation process. This examination informs the regulator's view of the Pillar 2 capital requirement and guidance.

Close integration between risk and capital management frameworks helps to optimise the response to business demand for regulatory and economic capital. Risks that are explicitly assessed through economic capital are credit risk, including counterparty credit risk, market risk and operational risk, non-trading book interest rate risk, insurance risk, and pension risk.

Financial Conglomerate

HSBC Continental Europe owns subsidiaries engaged in insurance activity. In December 2024 the ECB confirmed that HSBC Continental Europe is no longer considered a financial conglomerate and is, therefore, no longer subject to supplementary conglomerate supervision and capital requirements.

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 notification from the ACPR. This MREL requirement can be met with own funds and eligible liabilities (as defined under the initial version of BRRD which was applicable at the date of notice).

HSBC Continental Europe has met the fully loaded requirements for own funds and eligible liabilities applicable to it from 1 January 2024. These are set at:

- 5.92 per cent of leverage exposure; and
- 23.90 per cent of RWA.

An MREL maximum distributable amount also applies since 1 January 2022. This limits distributions by banks when they breach the combined buffer requirements which they must meet on top of their RWA-based MREL requirements.

HSBC Continental Europe is a material subsidiary (CRR article 4.1.135) of a third-country G-SII and is therefore also bound by internal TLAC requirements (CRR article 92b) to be met with own funds and other internal eligible liabilities such as Senior Non Preferred Notes.

The requirement is set at the greater of:

- 16.2 per cent of RWAs (being 90 per cent of 18 per cent) to which the combined buffer requirement is added (3.37 per cent of RWAs as of Q4 2023); and
- 6.075 per cent of leverage exposures (90 per cent of 6.75 per cent).

Credit risk

Overview

Credit risk is the risk of financial loss if a customer or counterparty fails to meet a payment obligation under a contract. It arises principally from direct lending, trade finance and leasing business, but also from off-balance sheet products, such as guarantees, and from the holding of debt and other securities.

The tables below set out details of HSBC Continental Europe's credit risk exposures by exposure class and approach. Further explanation of HSBC Continental Europe's approach to managing credit risk (including detail of past due and impaired exposure, and its approach to credit risk impairment) can be found on pages 181 to 207 of its Universal Registration Document 2024.

Non-performing and forborne exposures

Tables 11 to 16 are presented in accordance with the EBA's 'Final guidelines on disclosure of non-performing and forborne exposures'.

The EBA defines non-performing exposures as exposures with material amounts that are more than 90 days past due or exposures where the debtor is assessed as unlikely to pay its credit obligations in full without the realisation of collateral, regardless of the existence of any past due amounts or number days past due. Any debtors that are in default for regulatory purposes or impaired under the applicable accounting framework are always considered as non-performing exposures. The definition of credit impaired exposures (stage 3) is aligned to the EBA's definition of non-performing exposures.

Forborne exposures are defined by the EBA as exposures where the bank has made concessions toward a debtor that is experiencing or about to experience financial difficulties in meeting its financial commitments. In the Universal Registration Document 2024, forborne exposures are reported as 'renegotiated loans'. This term is aligned to the EBA definition of forborne exposure except in its treatment of 'cures'.

Under the EBA definition, exposures cease to be reported as forborne if they pass three tests:

- the forborne exposure must have been considered to be performing for a 'probation period' of at least two years;
- Regular payment of more than an insignificant aggregate amount of principal or interest have been made during at least half of the probation period; and
- No exposure to the debtor is more than 30 days past due at the end of the probation period.

In the Universal Registration Document 2024, renegotiated loans retain this classification until maturity or de-recognition.

Under EBA guidelines, the use of support measures introduced as a result of the Covid-19 outbreak does not in itself trigger identification as non-performing or forborne. Borrower specific support measures are assessed under the existing rules to determine whether forbearance has been granted.

Table 11: Credit quality of forborne exposures ('CQ1')

	Gross carrying amount/ nominal amount				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Non-performing forborne						
	Performing	Total	of which: defaulted	of which: impaired	On performing forborne exposures	On non-performing forborne exposures	Total	of which: forborne non-performing exposure
	€m	€m	€m	€m	€m	€m	€m	€m
At 31 Dec 2024								
Cash balances at central banks and other demand deposits	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Loans and advances	**1,418**	**1,056**	**1,056**	**1,056**	**(32)**	**(189)**	**766**	**131**
Central banks	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
General governments	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Credit institutions	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Other financial corporations	**5**	**4**	**4**	**4**	**—**	**—**	**3**	**1**
Non-financial corporations	**1,352**	**1,030**	**1,030**	**1,030**	**(30)**	**(186)**	**688**	**110**
Households	**61**	**22**	**22**	**22**	**(2)**	**(3)**	**75**	**20**
Debt securities	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Loan commitments given	**—**	**77**	**77**	**77**	**—**	**—**	**—**	**—**
Total	**1,418**	**1,132**	**1,132**	**1,132**	**(32)**	**(189)**	**766**	**131**
At 31 Dec 2023								
Loans and advances	1,650	619	619	619	(14)	(158)	669	141
Central banks	—	—	—	—	—	—	—	—
General governments	—	—	—	—	—	—	—	—
Credit institutions	—	—	—	—	—	—	—	—
Other financial corporations	41	—	—	—	(1)	—	—	—
Non-financial corporations	1,554	591	591	591	(11)	(155)	591	116
Households	55	28	28	28	(2)	(2)	78	25
Debt securities	—	—	—	—	—	—	—	—
Loan commitments given	15	97	97	97	—	—	—	—
Total	1,665	717	717	717	(14)	(158)	669	141

The table below presents an analysis of performing and non-performing exposures by days past due.

Table 12: Credit quality of performing and non-performing exposures by past due days ('CQ3')

	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
	Total	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days	Total	Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	of which: defaulted
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
At 31 Dec 2024												
Cash balances at central banks and other demand deposits	**52,691**	**52,691**	—	—	—	—	—	—	—	—	—	—
Loans and advances	**79,966**	**79,924**	**42**	**1,613**	**1,513**	**14**	**19**	**24**	**11**	**4**	**28**	**1,613**
Central banks	**1,602**	**1,602**	—	—	—	—	—	—	—	—	—	—
General governments	**1,737**	**1,737**	—	—	—	—	—	—	—	—	—	—
Credit institutions	**15,120**	**15,120**	—	—	—	—	—	—	—	—	—	—
Other financial corporations	**19,694**	**19,693**	**1**	**9**	**9**	—	—	—	—	—	—	**9**
Non-financial corporations	**31,682**	**31,648**	**34**	**1,496**	**1,439**	**10**	**16**	**17**	**9**	**3**	**2**	**1,496**
– of which: SMEs	**931**	**930**	**1**	**79**	**49**	**6**	**7**	**5**	**8**	**3**	**1**	**79**
Households	**10,131**	**10,124**	**7**	**108**	**65**	**4**	**3**	**7**	**2**	**1**	**26**	**108**
Debt securities	**20,646**	**20,646**	—	—	—	—	—	—	—	—	—	—
Central banks	—	—	—	—	—	—	—	—	—	—	—	—
General governments	**14,962**	**14,962**	—	—	—	—	—	—	—	—	—	—
Credit institutions	**4,952**	**4,952**	—	—	—	—	—	—	—	—	—	—
Other financial corporations	**591**	**591**	—	—	—	—	—	—	—	—	—	—
Non-financial corporations	**141**	**141**	—	—	—	—	—	—	—	—	—	—
Off-balance-sheet exposures	**129,345**	—	—	**339**	—	—	—	—	—	—	—	**339**
Central banks	—	—	—	—	—	—	—	—	—	—	—	—
General governments	**1,709**	—	—	—	—	—	—	—	—	—	—	—
Credit institutions	**36,902**	—	—	—	—	—	—	—	—	—	—	—
Other financial corporations	**16,783**	—	—	**3**	—	—	—	—	—	—	—	**3**
Non-financial corporations	**73,340**	—	—	**336**	—	—	—	—	—	—	—	**336**
Households	**611**	—	—	—	—	—	—	—	—	—	—	—
Total	**282,648**	**153,261**	**42**	**1,952**	**1,513**	**14**	**19**	**24**	**11**	**4**	**28**	**1,952**
At 31 Dec 2023[1]												
Cash balances at central banks and other demand deposits	61,366	61,366	—	—	—	—	—	—	—	—	—	—
Loans and advances	80,005	79,759	246	1,659	1,454	18	47	18	29	15	78	1,659
Central banks	5,076	5,076	—	—	—	—	—	—	—	—	—	—
General governments	726	726	—	—	—	—	—	—	—	—	—	—
Credit institutions	17,827	17,827	—	—	—	—	—	—	—	—	—	—
Other financial corporations	13,374	13,369	5	20	19	—	—	—	—	—	1	20
Non-financial corporations	32,347	32,111	236	1,543	1,378	14	44	16	26	14	52	1,543
– of which: SMEs	1,435	1,433	2	184	78	5	8	16	21	12	44	184
Households	10,655	10,650	5	96	57	4	3	2	3	1	25	96
Debt securities	13,870	13,870	—	—	—	—	—	—	—	—	—	—
Central banks	3	3	—	—	—	—	—	—	—	—	—	—
General governments	9,368	9,368	—	—	—	—	—	—	—	—	—	—
Credit institutions	3,875	3,875	—	—	—	—	—	—	—	—	—	—
Other financial corporations	521	521	—	—	—	—	—	—	—	—	—	—
Non-financial corporations	103	103	—	—	—	—	—	—	—	—	—	—
Off-balance-sheet exposures	128,487	—	—	475	—	—	—	—	—	—	—	475
Central banks	117	—	—	—	—	—	—	—	—	—	—	—
General governments	1,797	—	—	—	—	—	—	—	—	—	—	—
Credit institutions	43,796	—	—	—	—	—	—	—	—	—	—	—
Other financial corporations	12,394	—	—	13	—	—	—	—	—	—	—	13
Non-financial corporations	69,131	—	—	459	—	—	—	—	—	—	—	459
Households	1,252	—	—	3	—	—	—	—	—	—	—	3
Total	283,728	154,995	246	2,134	1,454	18	47	18	29	15	78	2,134

1 Counterparty sector classifications have been revised to present 'Cash balances at central banks and other demand deposits' separately from 'Loans and advances' to central banks and to credit institutions in both periods.

Table 13: Quality of non-performing exposures by geography ('CQ4')

		a	c	e	f	g
		Gross carrying/nominal amount				
			of which: defaulted	Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
At 31 Dec 2024		**€m**	**€m**	**€m**	**€m**	**€m**
010	**On-balance-sheet exposures**	**102,225**	**1,613**	**(487)**		**—**
020	France	**35,457**	**788**	**(245)**		**—**
030	Germany	**11,644**	**309**	**(130)**		**—**
040	United States	**7,694**	**29**	**(3)**		**—**
050	Spain	**6,025**	**20**	**(5)**		
060	Luxembourg	**5,702**	**22**	**(7)**		
070	Other countries	**35,703**	**445**	**(97)**		**—**
080	**Off-balance-sheet exposures**	**129,684**	**339**		**70**	
090	France	**34,558**	**131**		**33**	
100	Germany	**25,653**	**113**		**14**	
110	Italy	**15,329**	**58**		**6**	
120	Netherlands	**10,081**	**—**		**1**	
130	Spain	**7,981**	**18**		**8**	
140	Other countries	**36,082**	**19**		**8**	
150	**Total**	**231,909**	**1,952**	**(487)**	**70**	**—**
At 31 Dec 2023						
010	On-balance-sheet exposures	95,534	1,659	(757)		—
020	France	37,368	1,026	(490)		—
030	Germany	12,593	123	(59)		—
040	Spain	6,238	30	(16)		—
050	Netherlands	4,490	15	(21)		—
060	United States	3,834	38	(9)		—
070	Other countries	31,011	427	(162)		—
080	Off-balance-sheet exposures	128,962	475		58	
090	France	35,412	86		23	
100	Germany	27,265	136		7	
110	Italy	12,651	73		6	
120	Spain	11,624	34		10	
130	Netherlands	9,044	—		1	
140	Other countries	32,966	146		11	
150	Total	224,496	2,134	(757)	58	—

Table 14: Credit quality of loans and advances to non-financial corporations by industry ('CQ5')

		a	c	e	f
		Gross carrying amount			
			of which: defaulted	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
	At 31 Dec 2024	**€m**	**€m**	**€m**	**€m**
010	Agriculture, forestry and fishing	**88**	**20**	**(5)**	**—**
020	Mining and quarrying	**449**	**246**	**—**	**—**
030	Manufacturing	**7,367**	**188**	**(84)**	**—**
040	Electricity, gas, steam and air conditioning supply	**979**	**16**	**(4)**	**—**
050	Water supply	**175**	**—**	**—**	**—**
060	Construction	**482**	**83**	**(9)**	**—**
070	Wholesale and retail trade	**3,607**	**170**	**(92)**	**—**
080	Transport and storage	**2,127**	**69**	**(19)**	**—**
090	Accommodation and food service activities	**450**	**18**	**(8)**	**—**
100	Information and communication	**1,066**	**15**	**(6)**	**—**
110	Financial and insurance actvities	**45**	**—**	**(1)**	**—**
120	Real estate activities	**4,248**	**146**	**(38)**	**—**
130	Professional, scientific and technical activities	**5,861**	**316**	**(87)**	**—**
140	Administrative and support service activities	**4,965**	**201**	**(73)**	**—**
150	Public administration and defense, compulsory social security	**4**	**—**	**—**	**—**
160	Education	**17**	**1**	**—**	**—**
170	Human health services and social work activities	**64**	**5**	**(3)**	**—**
180	Arts, entertainment and recreation	**193**	**2**	**(1)**	**—**
190	Other services	**991**	**—**	**(3)**	**—**
200	**Total**	**33,178**	**1,496**	**(433)**	**—**
	At 31 Dec 2023				
010	Agriculture, forestry and fishing	62	25	(9)	—
020	Mining and quarrying	338	187	—	—
030	Manufacturing	6,569	285	(132)	—
040	Electricity, gas, steam and air conditioning supply	876	5	(5)	—
050	Water supply	305	—	—	—
060	Construction	498	32	(18)	—
070	Wholesale and retail trade	4,315	191	(124)	—
080	Transport and storage	2,041	19	(17)	—
090	Accommodation and food service activities	486	43	(14)	—
100	Information and communication	1,391	24	(28)	—
110	Financial and insurance actvities	52	8	(2)	—
120	Real estate activities	4,621	141	(37)	—
130	Professional, scientific and technical activities	5,493	376	(198)	—
140	Administrative and support service activities	5,087	123	(77)	—
150	Public administration and defense, compulsory social security	5	—	—	—
160	Education	18	2	—	—
170	Human health services and social work activities	43	6	(3)	—
180	Arts, entertainment and recreation	98	3	(3)	—
190	Other services	1,592	73	(26)	—
200	Total	33,890	1,543	(693)	—

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

Table 15: Collateral obtained by taking possession and execution processes ('CQ7')

	At 31 Dec 2024		At 31 Dec 2023	
	Collateral obtained by taking possession		Collateral obtained by taking possession	
	Value at initial recognition	**Accumulated negative changes**	Value at initial recognition	Accumulated negative changes
	€m	**€m**	€m	€m
Property, plant and equipment ('PP&E')	**—**	**—**	—	—
Other than PP&E	**3**	**(1)**	3	(1)
– Residential immovable property	**1**	**—**	1	—
– Commercial Immovable property	**2**	**—**	2	—
– Other	**—**	**—**	—	—
Total	**3**	**(1)**	3	(1)

Table 16: Performing and non-performing exposures and related provisions ('CR1')

	Gross carrying amount/ nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
	Total	of which: stage 1	of which: stage 2	Total	of which: stage 2	of which: stage 3	Total	of which: stage 1	of which: stage 2	Total	of which: stage 2	of which: stage 3	Accumulated partial write-off	On performing exposures	On non-performing exposures
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
At 31 Dec 2024															
Cash balances at central banks and other demand deposits	52,691	52,673	18	—	—	—	—	—	—	—	—	—	—	—	—
Loans and advances	79,966	74,843	4,599	1,613	—	1,613	(125)	(40)	(85)	(361)	—	(361)	(10)	57,368	435
Central banks	1,602	1,602	—	—	—	—	—	—	—	—	—	—	—	1,532	—
General governments	1,737	1,698	39	—	—	—	—	—	—	—	—	—	—	203	—
Credit institutions	15,120	14,761	7	—	—	—	—	—	—	—	—	—	—	13,379	—
Other financial corporations	19,694	19,447	75	9	—	9	(3)	(2)	(1)	(6)	—	(6)	—	15,086	1
Non-financial corporations	31,682	27,494	4,188	1,496	—	1,496	(109)	(35)	(74)	(324)	—	(324)	(10)	17,281	359
– of which: SMEs	931	791	140	79	—	79	(8)	(5)	(3)	(26)	—	(26)	(10)	541	42
Households	10,131	9,841	290	108	—	108	(13)	(3)	(10)	(31)	—	(31)	—	9,887	75
Debt securities	20,646	20,584	46	—	—	—	—	—	—	—	—	—	—	3,297	—
Central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
General governments	14,962	14,962	—	—	—	—	—	—	—	—	—	—	—	2,238	—
Credit institutions	4,952	4,906	46	—	—	—	—	—	—	—	—	—	—	1,040	—
Other financial corporations	591	591	—	—	—	—	—	—	—	—	—	—	—	19	—
Non-financial corporations	141	125	—	—	—	—	—	—	—	—	—	—	—	—	—
Off-balance-sheet exposures	129,345	102,803	3,628	339	—	174	(32)	(11)	(15)	(38)	—	(14)	—	22	2
Central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
General governments	1,709	1,709	—	—	—	—	—	—	—	—	—	—	—	—	—
Credit institutions	36,902	34,883	7	—	—	—	—	—	—	—	—	—	—	—	—
Other financial corporations	16,783	15,302	31	3	—	—	(3)	(1)	—	—	—	—	—	—	—
Non-financial corporations	73,340	50,562	3,586	336	—	174	(29)	(10)	(15)	(38)	—	(14)	—	22	2
Households	611	347	4	—	—	—	—	—	—	—	—	—	—	—	—
Total	282,648	250,903	8,291	1,952	—	1,787	(157)	(51)	(101)	(399)	—	(376)	(10)	60,687	437

Table 16: Performing and non-performing exposures and related provisions ('CR1') (continued)

	Gross carrying amount/ nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
	Total	of which: stage 1	of which: stage 2	Total	of which: stage 2	of which: stage 3	Total	of which: stage 1	of which: stage 2	Total	of which: stage 2	of which: stage 3	Accumulated partial write-off	On performing exposures	On non-performing exposures
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
At 31 Dec 2023															
Cash balances at central banks and other demand deposits	61,366	61,337	30	—	—	—	—	—	—	—	—	—	—	—	—
Loans and advances	80,005	74,505	5,500	1,659	—	1,659	(132)	(51)	(81)	(625)	—	(625)	(11)	52,911	319
Central banks	5,076	5,011	65	—	—	—	—	—	—	—	—	—	—	5,009	—
General governments	726	684	42	—	—	—	—	—	—	—	—	—	—	236	—
Credit institutions	17,828	17,818	10	—	—	—	—	—	—	—	—	—	—	10,733	—
Other financial corporations	13,374	13,212	161	20	—	20	(6)	(1)	(4)	(11)	—	(11)	—	9,579	—
Non-financial corporations[1]	32,347	27,651	4,696	1,543	—	1,543	(108)	(40)	(67)	(586)	—	(586)	(11)	17,366	259
– of which: SMEs	1,435	1,195	240	184	—	184	(122)	(6)	(7)	(97)	—	(97)	(11)	931	77
Households	10,655	10,128	526	96	—	96	(18)	(9)	(9)	(28)	—	(28)	—	9,987	60
Debt securities	13,870	13,819	45	—	—	—	—	—	—	—	—	—	—	2,395	—
Central banks	3	3	—	—	—	—	—	—	—	—	—	—	—	—	—
General governments	9,368	9,368	—	—	—	—	—	—	—	—	—	—	—	1,593	—
Credit institutions	3,875	3,831	45	—	—	—	—	—	—	—	—	—	—	783	—
Other financial corporations	521	515	—	—	—	—	1	1	—	—	—	—	—	18	—
Non-financial corporations	103	103	—	—	—	—	—	—	—	—	—	—	—	—	—
Off-balance-sheet exposures	87,913	63,887	3,014	475	—	238	(26)	(9)	(9)	(32)	—	(13)	—	611	2
Central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
General governments	1,797	1,793	—	—	—	—	—	—	—	—	—	—	—	—	—
Credit institutions	3,339	1,353	3	—	—	—	—	—	—	—	—	—	—	—	—
Other financial corporations	12,394	11,018	149	13	—	10	(4)	—	—	—	—	—	—	212	—
Non-financial corporations	69,131	48,786	2,832	459	—	225	(22)	(8)	(9)	(32)	—	(13)	—	398	2
Households	1,252	936	29	3	—	2	—	—	—	—	—	—	—	1	—
Total	243,155	213,548	8,589	2,134	—	1,897	(158)	(60)	(90)	(657)	—	(638)	(11)	55,917	321

Table 16 provides information on the gross carrying amount of exposures and related impairment with further detail on the IFRS 9 stage, accumulated partial write off and collateral. The IFRS 9 stages have the following characteristics:

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

Table 17: Changes in the stock of non-performing loans and advances ('CR2')

	2024	2023
	Gross carrying amount	Gross carrying amount
	€m	€m
Initial stock of non-performing loans and advances	**1,659**	1,713
Inflows to non-performing portfolios*	**931**	1,265
Outflows from non-performing portfolios	**977**	1,319
– of which - due to write-offs	**212**	238
– of which - due to other situations	**765**	1,081
Final stock of non-performing loans and advances	**1,613**	1,659

* Inflows and outflows in the year to 31 Dec 2023 include assets totalling EUR 260m that were considered as held for sale in 4Q22.

Table 18: Maturity of exposures ('CR1-A')

		Net exposure value				
		On demand	**<= 1 year**	**> 1 year <= 5 years**	**> 5 years**	**Total**
		€m	**€m**	**€m**	**€m**	**€m**
1	**Loans and advances**	**775**	**28,424**	**24,689**	**10,650**	**81,093**
2	**Debt securities**	**141**	**3,482**	**11,258**	**5,765**	**20,646**
3	**Total at 31 Dec 2024**	**916**	**31,906**	**35,947**	**16,415**	**101,739**
1	Loans and advances	1,672	31,027	22,920	13,385	80,907
2	Debt securities	243	1,943	7,669	4,015	13,870
3	Total at 31 Dec 2023	1,915	32,970	30,589	17,400	94,777

Table 19: Specialised lending and equity exposures under the simple risk-weighted approach ('CR10')

		Specialised lending: Income-Producing Real Estate (Slotting approach)					
Regulatory categories	**Remaining maturity**	**On-balance sheet exposure**	**Off-balance sheet exposure**	**Risk weight**	**Exposure value**	**Risk weighted exposure amount**	**Expected loss amount**
		€m	**€m**	**%**	**€m**	**€m**	**€m**
Category 1	Less than 2.5 years	**265**	**21**	**50**	**286**	**161**	**—**
	Equal to or more than 2.5 years	**58**	**12**	**70**	**70**	**49**	**—**
Category 2	Less than 2.5 years	**46**	**2**	**70**	**47**	**33**	**—**
	Equal to or more than 2.5 years	**—**	**—**	**90**	**—**	**—**	**—**
Category 3	Less than 2.5 years	**25**	**—**	**115**	**25**	**29**	**1**
	Equal to or more than 2.5 years	**—**	**—**	**115**	**—**	**—**	**—**
Category 4	Less than 2.5 years	**—**	**—**	**250**	**—**	**—**	**—**
	Equal to or more than 2.5 years	**—**	**—**	**250**	**—**	**—**	**—**
Category 5	Less than 2.5 years	**75**	**—**	**—**	**75**	**—**	**38**
	Equal to or more than 2.5 years	**—**	**—**	**—**	**—**	**—**	**—**
Total at 31 Dec 2024	**Less than 2.5 years**	**411**	**23**		**433**	**223**	**39**
	Equal to or more than 2.5 years	**58**	**12**		**70**	**49**	**—**

		Specialised lending: Project Finance (Slotting approach)					
Regulatory categories	**Remaining maturity**	**On-balance sheet exposure**	**Off-balance sheet exposure**	**Risk weight**	**Exposure value**	**Risk weighted exposure amount**	**Expected loss amount**
		€m	**€m**	**%**	**€m**	**€m**	**€m**
Category 1	Less than 2.5 years	**40**	**—**	**50**	**40**	**28**	**—**
	Equal to or more than 2.5 years	**165**	**25**	**70**	**181**	**126**	**1**
Category 2	Less than 2.5 years	**20**	**—**	**70**	**20**	**14**	**—**
	Equal to or more than 2.5 years	**61**	**—**	**90**	**61**	**55**	**—**
Category 3	Less than 2.5 years	**—**	**—**	**115**	**—**	**—**	**—**
	Equal to or more than 2.5 years	**—**	**—**	**115**	**—**	**—**	**—**
Category 4	Less than 2.5 years	**—**	**—**	**250**	**—**	**—**	**—**
	Equal to or more than 2.5 years	**—**	**—**	**250**	**—**	**—**	**—**
Category 5	Less than 2.5 years	**—**	**—**	**—**	**—**	**—**	**—**
	Equal to or more than 2.5 years	**—**	**—**	**—**	**—**	**—**	**—**
Total at 31 Dec 2024	**Less than 2.5 years**	**60**	**—**		**60**	**42**	**—**
	Equal to or more than 2.5 years	**226**	**25**		**242**	**181**	**1**

	Equity exposures under the simple risk-weighted approach					
Categories	**On-balance sheet exposure**	**Off-balance sheet exposure**	**Risk weight**	**Exposure value**	**Risk weighted exposure amount**	**Expected loss amount**
	€m	**€m**	**%**	**€m**	**€m**	**€m**
Exchange-traded equity exposures			**290**			
Private equity exposures[1]			**190**			
Equity exposures[1]	**180**	**4**	**370**	**180**	**667**	**4**
Total at 31 Dec 2024	**180**	**4**		**180**	**667**	**4**

Table 19: Specialised lending and equity exposures under the simple risk-weighted approach ('CR10') (continued)

		Specialised lending: Income-Producing Real Estate (Slotting approach)					
Regulatory categories	Remaining maturity	On-balance sheet exposure €m	Off-balance sheet exposure €m	Risk weight %	Exposure value €m	Risk weighted exposure amount €m	Expected loss amount €m
Category 1	Less than 2.5 years	54	14	50	68	34	—
	Equal to or more than 2.5 years	220	30	70	250	149	1
Category 2	Less than 2.5 years	135	42	70	166	116	1
	Equal to or more than 2.5 years	—	—	90	—	—	—
Category 3	Less than 2.5 years	101	2	115	102	117	3
	Equal to or more than 2.5 years	—	—	115	—	—	—
Category 4	Less than 2.5 years	—	—	250	—	—	—
	Equal to or more than 2.5 years	—	—	250	—	—	—
Category 5	Less than 2.5 years	—	—	—	—	—	—
	Equal to or more than 2.5 years	—	—	—	—	—	—
Total at 31 Dec 2023	Less than 2.5 years	290	58		336	267	4
	Equal to or more than 2.5 years	220	30		250	149	1

		Specialised lending: Project Finance (Slotting approach)					
Regulatory categories	Remaining maturity	On-balance sheet exposure €m	Off-balance sheet exposure €m	Risk weight %	Exposure value €m	Risk weighted exposure amount €m	Expected loss amount €m
Category 1	Less than 2.5 years	5	—	50	5	2	—
	Equal to or more than 2.5 years	23	—	70	23	16	—
Category 2	Less than 2.5 years	10	—	70	10	7	—
	Equal to or more than 2.5 years	64	—	90	64	57	1
Category 3	Less than 2.5 years	—	15	115	3	3	—
	Equal to or more than 2.5 years	175	54	115	183	158	5
Category 4	Less than 2.5 years	—	—	250	—	—	—
	Equal to or more than 2.5 years	—	—	250	—	—	—
Category 5	Less than 2.5 years	—	—	—	—	—	—
	Equal to or more than 2.5 years	—	—	—	—	—	—
Total at 31 Dec 2023	Less than 2.5 years	15	15		18	12	—
	Equal to or more than 2.5 years	262	54		270	231	6

	Equity exposures under the simple risk-weighted approach					
Categories	On-balance sheet exposure €m	Off-balance sheet exposure €m	Risk weight %	Exposure value €m	Risk weighted exposure amount €m	Expected loss amount €m
Exchange-traded equity exposures	—	—	290	—	—	—
Private equity exposures[1]	—	—	190	—	—	—
Equity exposures[1]	239	2	370	241	885	6
Total at 31 Dec 2023	239	2		241	885	6

1 The private equity portfolio is not sufficiently diversified and is therefore risk-weighted at 370 per cent in accordance with article 155 of the CRR.

Past due but not impaired exposures, impaired exposures and credit risk adjustments ('CRA')

Past due but not impaired exposures, impaired exposures and impairment allowances, and other credit risk provisions are analysed using accounting values on a regulatory consolidation basis.

HSBC Continental Europe's approach to determining impairment allowances is explained in its Universal Registration Document 2024, and its definitions for accounting purposes of 'past due' and 'impaired' are set out on pages 188 and 200.

Under the accounting standards currently adopted by HSBC Continental Europe, impairment allowances, value adjustments and credit-related provisions for off-balance sheet amounts are treated as specific CRAs.

Expected Loss ('EL') and credit risk adjustments

Credit loss experience is analysed in order to assess the performance of our risk measurement and control processes, and to inform our understanding of the implications for risk and capital management of dynamic changes occurring in the risk profile of our exposures.

When comparing EL with measures of expected credit losses under IFRS 9, differences in the definition and scope should be considered. These differences can give rise to material differences in the way economic, business and methodological drivers are reflected quantitatively in the accounting and regulatory measures of loss.

In general, HSBC Continental Europe calculates ECL using three main components: a probability of default, a loss given default, and the exposure at default.

Expected credit losses include impairment allowances (or provision in the case of commitments and guarantees) for the 12-month ECL and lifetime ECL, and on financial assets that are considered to be in default or otherwise credit impaired.

ECL resulting from default events that are possible within the next 12 months are recognised for financial instruments in stage 1.

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.

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.

ECL resulting from default events that are possible beyond 12 months are recognised for financial instruments in stages 2 & 3.

Change in expected credit losses and other credit impairment charges represent the movement in the ECL during the year including write-offs, recoveries and foreign exchange.

EL represents the one-year regulatory expected loss accumulated in the book at the balance sheet date.

Credit risk adjustments encompass the impairment allowances or provisions balances, and changes in expected credit losses and other credit impairment charges.

The description of the approach and method adopted for determining credit risk adjustments is explained on page 186 of HSBC Continental Europe's Universal Registration Document 2024.

In addition, the reconciliation of changes in credit risk adjustments for impaired exposures is disclosed on page 198 of HSBC Continental Europe's Universal Registration Document 2024.

HSBC Continental Europe leverages the Basel IRB framework where possible, with recalibration to meet the differing IFRS 9 requirements as follows.

Model	Regulatory capital	IFRS 9
PD	– Through the cycle (represents long-run average PD throughout a full economic cycle). – The definition of default includes a backstop of 90+ days past due, although this has been modified to 180+ days past due for some portfolios, particularly France home loans.	– Point in time (based on current conditions, adjusted to take into account estimates of future conditions that will impact PD). – Default backstop of 90+ days past due for all portfolios.
EAD	– Cannot be lower than current balance.	– Amortisation captured for term products.
LGD	– Downturn LGD (consistent losses expected to be suffered 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 cost of capital. – All collection costs included.	– Expected LGD (based on estimate of loss given default including the expected impact of future economic conditions such as changes in value of collateral). – No floors. – Discounted using the original effective interest rate of the loan. – Only costs associated with obtaining/selling collateral included.
Other		– Discounted back from point of default to balance sheet date.

Risk mitigation

Mitigation of credit risk is a key aspect of effective risk management. Specific, detailed policies cover the acceptability, structuring and terms of various types of business with regard to the availability of credit risk mitigation; for example in the form of collateral security. These policies, and the setting of suitable valuation parameters, are subject to regular review to ensure that they are supported by empirical evidence and continue to fulfil their intended purpose.

Collateral

The most common method of mitigating credit risk is to take collateral. In our retail residential and commercial real estate ('CRE') businesses, a mortgage over the property is often taken to help secure claims. Another common form of security for the retail business in France is a guarantee from Crédit Logement (a Société de Financement regulated by the French Regulator ACPR). Crédit Logement guarantees 100 per cent of the amount of the residential home loan in case of default. Loans to private banking and higher wealth clients may be made against a pledge of eligible marketable securities, cash or real estate. Physical collateral is also taken in various forms of specialised lending and leasing transactions where income from the physical assets that are financed is also the principal source of facility repayment. In the commercial and industrial sectors, charges are created over business assets such as premises, stock and debtors.

Further information regarding charges held over residential and commercial property is provided on page 205, and about credit risk concentrations on page 182, of HSBC Continental Europe's Universal Registration Document 2024.

Financial collateral

In the institutional sector, trading facilities are supported by charges over financial instruments such as cash and debt securities. Financial collateral in the form of marketable securities is used in much of HSBC Continental Europe’s over-the-counter (‘OTC’) derivatives activities, and in securities financing transactions ('SFT') such as repos, reverse repos, securities lending and borrowing. Netting is used extensively and is a prominent feature of market standard documentation.

In the non-trading book, HSBC Continental Europe provides customers with working capital management products. Some of these products have loans and advances to customers and customer accounts where it has rights of offset, and comply with the regulatory requirements for on-balance sheet netting. Under on-balance sheet netting, the customer accounts are treated as cash collateral and the effects of this collateral are incorporated in our LGD estimates. For risk management purposes, the net exposures are subject to limits that are monitored, and the relevant customer agreements are subject to review and update, as necessary, to ensure the legal right of offset remains appropriate.

Other forms of Credit Risk Mitigation

Facilities to SMEs are commonly granted against guarantees given by their owners and/or directors. Guarantees may be taken from third parties where HSBC Continental Europe extends facilities without the benefit of any alternative form of security, e.g. where it issues a bid or performance bond in favour of a non-customer at the request of another bank.

Our Global Banking and Markets and Securities Services businesses utilise credit risk mitigation to manage the credit risk of its portfolios, with the goal of reducing concentrations in individual names, sectors or portfolios. The techniques in use include credit default swap (‘CDS’) purchases, structured credit notes and securitisation structures. Buying credit protection creates credit exposure against the protection provider, which is monitored as part of the overall credit exposure to them. Where applicable, the transaction is entered into directly with a central clearing house counterparty, otherwise our exposure to CDS protection providers is diversified among mainly banking counterparties with strong credit ratings.

In our corporate lending, HSBC Continental Europe also takes guarantees from corporates and export credit agencies. Corporates normally provide guarantees as part of a parent/subsidiary or common parent relationship and span a number of credit grades. Export credit agencies will normally be investment grade.

Policy and procedures

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

Valuing collateral

Valuation strategies are established to monitor collateral mitigants to ensure that they continue to provide the anticipated secure secondary repayment source. Market trading activities, such as collateralised OTC derivatives and SFTs, typically include daily valuations in support of margining arrangements. In the residential mortgage business, collateral values are determined through a combination of professional appraisals, external valuation database companies or house price indices. Specifically, HSBC Continental Europe utilises the notary price index ('INSEE') to update its mortgage portfolio value on a monthly basis. In addition, it obtains professional valuations for its high value mortgage loans (above EUR 3 million) annually for any loan impaired.

Revaluations are sought where, for example, as part of the regular credit assessment of the obligor, material concerns arise in relation to the performance of the collateral. Commercial real estate revaluation also commonly occurs where a decline in the obligor’s credit quality gives cause for concern that the principal payment source may not fully meet the obligation.

Recognition of risk mitigation under the IRB approach

Within an IRB approach, risk mitigants are considered in two broad categories: first, those that reduce the intrinsic PD of an obligor; and second, those that affect the estimated recoverability of obligations and thus LGD.

LGD estimates are affected by a wider range of collateral, including cash, charges over real estate property, fixed assets, trade goods, receivables. Unfunded mitigants, such as third-party guarantees, are also taken into consideration in LGD estimates where there is evidence that they reduce loss expectation.

The main providers of guarantees are banks, other financial institutions and corporates, the latter typically in support of subsidiaries of their company group. Across HSBC Continental Europe, the nature of such customers and transactions is diverse and the creditworthiness of guarantors accordingly spans a wide spectrum. The creditworthiness of providers of unfunded credit risk mitigation is taken into consideration as part of the guarantor’s risk profile when, for example, assessing the risk of other exposures such as direct lending to the guarantor. Internal limits for such contingent exposure are approved in the same way as direct exposures. EAD and LGD values, in the case of individually assessed exposures, are determined by approved internal risk parameters based on the nature of the exposure.

A range of collateral recognition approaches are applied to IRB capital treatments:

– unfunded protection, which includes guarantees, is reflected through adjustment or determination of PD or LGD;
– eligible financial collateral information is taken into account in LGD models (under Advanced IRB); and
– for all other types of collateral, including real estate, the LGD for exposures calculated under the IRB advanced approach is calculated by models. For IRB foundation, base regulatory LGDs are adjusted depending on the value and type of the asset taken as collateral relative to the exposure. The types of eligible mitigant recognised under the IRB foundation approach are more limited.

Table 24 below sets out, for IRB exposures, the exposure value and the effective value of credit risk mitigation expressed as the exposure value covered by the credit risk mitigant.

Recognition of risk mitigation under the standardised approach

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

Table 20 below reports the extent of credit risk mitigation techniques applicable to exposures under the standardised approach.

Table 20: CRM techniques overview: Disclosure of the use of credit risk mitigation techniques ('CR3')

	Unsecured carrying amount	Secured carrying amount	of which: secured by collateral	of which: secured by financial guarantees	of which: secured by credit derivatives
	€m	€m	€m	€m	€m
Loans and advances	**75,979**	**57,804**	**39,988**	**17,816**	**—**
Debt securities	**17,348**	**3,297**	**—**	**3,297**	**—**
Total at 31 Dec 2024	**93,327**	**61,101**	**39,988**	**21,113**	**—**
– of which: NPE	**816**	**436**	**252**	**184**	**—**
– of which: defaulted	**816**	**436**	**252**	**184**	**—**
Loans and advances	89,044	53,230	34,825	18,405	—
Debt securities	11,475	2,395	—	2,395	—
Total at 31 Dec 2023	100,519	55,625	34,825	20,800	—
– of which: NPE	715	319	156	163	—
– of which: defaulted	715	319	156	163	—

Table 21: Standardised approach – Credit risk exposure and CRM effects ('CR4')

	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWA density	
	On-balance sheet exposures	Off-balance sheet exposures	On-balance sheet exposures	Off-balance sheet amount	RWAs	RWA density
Exposure classes	€m	€m	€m	€m	€m	%
Central governments or central banks	**57,787**	**195**	**59,126**	**478**	**611**	**1**
Regional government or local authorities	**1,871**	**3**	**1,964**	**13**	**1**	**—**
Public sector entities	**5,942**	**720**	**5,824**	**253**	**—**	**—**
Multilateral development banks	**2,574**	**—**	**2,574**	**—**	**—**	**—**
International organisations	**3,429**	**—**	**3,429**	**—**	**—**	**—**
Institutions	**961**	**1,262**	**7,326**	**366**	**1,665**	**22**
Corporates	**10,477**	**8,558**	**8,299**	**1,209**	**7,281**	**77**
Retail	**6,379**	**864**	**465**	**54**	**381**	**74**
Secured by mortgages on immovable property	**3,238**	**86**	**3,238**	**16**	**1,230**	**38**
Exposures in default	**137**	**46**	**120**	**14**	**165**	**123**
Exposures associated with particularly high risk	**6**	**27**	**6**	**13**	**28**	**150**
Covered bonds	**42**	**—**	**42**	**—**	**4**	**10**
Equity[1]		**—**	**—**	**—**	**—**	**100**
Other items	**1,021**	**—**	**1,021**	**—**	**641**	**63**
Total at 31 Dec 2024	**93,864**	**11,761**	**93,434**	**2,416**	**12,007**	**13**
Central governments or central banks	72,250	774	73,480	614	751	1
Regional government or local authorities	1,398	100	1,479	32	5	—
Public sector entities	6,550	1,078	6,414	302	—	—
Multilateral development banks	460	—	460	—	—	—
International organisations	2039	—	2,039	—	—	—
Institutions	359	1,840	366	996	396	29
Corporates	6,133	4,474	5,359	1,096	5,269	82
Retail	477	1,214	415	180	419	70
Secured by mortgages on immovable property	3,167	52	3,167	18	1,227	39
Exposures in default	128	18	127	11	169	122
Exposures associated with particularly high risk	9	12	9	5	22	150
Equity[1]	—	—	—	—	—	—
Other items	1,426	—	1,426	—	909	64
Total at 31 Dec 2023	94,397	9,562	94,742	3,253	9,168	9

1 HSBC Continental Europe's significant equity investments in financial sector entities are reported under the IRB approach.

Table 22: Standardised approach – Exposures by asset classes and risk weights ('CR5')

	Risk weight							
Exposure classes	**0%**	**2%**	**4%**	**10%**	**20%**	**35%**	**50%**	**75%**
Central governments or central banks	**59,348**	**—**	**—**	**—**	**10**	**—**	**—**	**—**
Regional government or local authorities	**1,970**	**—**	**—**	**—**	**7**	**—**	**—**	**—**
Public sector entities	**6,077**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Multilateral development banks	**2,574**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
International organisations	**3,429**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Institutions	**—**	**54**	**—**	**—**	**7,251**	**—**	**344**	**—**
Corporates	**—**	**—**	**—**	**—**	**1,433**	**467**	**1,400**	**—**
Retail exposures	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**518**
Exposures secured by mortgages on immovable property	**—**	**—**	**—**	**—**	**—**	**2,540**	**712**	**—**
Exposures in default	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Exposures associated with particularly high risk	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Covered bonds	**—**	**—**	**—**	**42**	**—**	**—**	**—**	**—**
Other items	**56**	**—**	**—**	**—**	**406**	**—**	**—**	**—**
Total at 31 Dec 2024	**73,454**	**54**	**—**	**42**	**9,107**	**3,007**	**2,456**	**518**
Central governments or central banks	73,790	—	—	—	—	—	—	—
Regional government or local authorities	1,484	—	—	—	26	—	—	—
Public sector entities	6,716	—	—	—	—	—	—	—
Multilateral development banks	460	—	—	—	—	—	—	—
International organisations	2,039	—	—	—	—	—	—	—
Institutions	—	78	—	—	923	—	303	—
Corporates	—	—	—	—	501	388	1,006	—
Retail exposures	—	—	—	—	—	—	—	596
Exposures secured by mortgages on immovable property	—	—	—	—	—	2,377	808	—
Exposures in default	—	—	—	—	—	—	—	—
Exposures associated with particularly high risk	—	—	—	—	—	—	—	—
Covered bonds	—	—	—	—	—	—	—	—
Other items	105	—	—	—	514	—	—	—
Total at 31 Dec 2023	84,595	78	—	—	1,964	2,765	2,117	596

	Risk weight							
Exposure classes	**100%**	**150%**	**250%**	**370%**	**1250%**	**Others**	**Total**	**of which: unrated[1]**
Central governments or central banks	**4**	**—**	**242**	**—**	**—**	**—**	**59,604**	**343**
Regional government or local authorities	**—**	**—**	**—**	**—**	**—**	**—**	**1,977**	**—**
Public sector entities	**—**	**—**	**—**	**—**	**—**	**—**	**6,077**	**—**
Multilateral development banks	**—**	**—**	**—**	**—**	**—**	**—**	**2,574**	**—**
International organisations	**—**	**—**	**—**	**—**	**—**	**—**	**3,429**	**—**
Institutions	**42**	**—**	**—**	**—**	**—**	**—**	**7,691**	**70**
Corporates	**6,207**	**1**	**—**	**—**	**—**	**—**	**9,508**	**6,009**
Retail exposures	**—**	**—**	**—**	**—**	**—**	**—**	**518**	**518**
Exposures secured by mortgages on immovable property	**2**	**—**	**—**	**—**	**—**	**—**	**3,254**	**3,254**
Exposures in default	**72**	**62**	**—**	**—**	**—**	**—**	**134**	**134**
Exposures associated with particularly high risk	**—**	**19**	**—**	**—**	**—**	**—**	**19**	**19**
Covered bonds	**—**	**—**	**—**	**—**	**—**	**—**	**42**	**42**
Other items	**559**	**—**	**—**	**—**	**—**	**—**	**1,021**	**243**
Total at 31 Dec 2024	**6,886**	**82**	**242**	**—**	**—**	**—**	**95,848**	**10,632**
Central governments or central banks	5	—	299	—	—	—	74,093	299
Regional government or local authorities	—	—	—	—	—	—	1,511	—
Public sector entities	—	—	—	—	—	—	6,716	—
Multilateral development banks	—	—	—	—	—	—	460	—
International organisations	—	—	—	—	—	—	2,039	—
Institutions	57	1	—	—	—	—	1,362	117
Corporates	4,518	42	—	—	—	—	6,455	4,440
Retail exposures	—	—	—	—	—	—	596	596
Exposures secured by mortgages on immovable property	—	—	—	—	—	—	3,185	3,185
Exposures in default	77	61	—	—	—	—	138	138
Exposures associated with particularly high risk	—	14	—	—	—	—	14	14
Covered bonds	—	—	—	—	—	—	—	—
Other items	807	—	—	—	—	—	1,426	458
Total at 31 Dec 2023	5,464	119	299	—	—	—	97,996	9,247

1 Comparative figures for unrated exposure at 31 Dec 2023 have been updated for consistency.

Table 23: IRB approach – Effect on the RWAs of credit derivatives used as CRM techniques ('CR7')

	At 31 Dec 2024		At 31 Dec 2023	
	Pre-credit derivatives risk weighted exposure amount	Actual risk weighted exposure amount	Pre-credit derivatives risk weighted exposure amount	Actual risk weighted exposure amount
	€m	€m	€m	€m
Exposures under FIRB				
Central governments and central banks	5	5	5	5
Institutions	142	142	136	136
Corporates	8,306	8,306	7,550	7,550
– of which: SMEs	15	15	3	3
specialised lending	—	—	—	—
other	8,291	8,291	7,547	7,547
Exposures under AIRB				
Central governments and central banks	356	356	262	262
Institutions	575	575	477	477
Corporates	15,716	15,589	17,691	17,606
– of which: SMEs	17	17	38	38
specialised lending	—	—	—	—
other	15,699	15,572	17,653	17,568
Retail	224	224	3,736	3,736
– of which: retail – SMEs – Secured by immovable property collateral	78	78	176	176
retail – non-SMEs – Secured by immovable property collateral	—	—	2,209	2,209
retail – Qualifying revolving	—	—	1	1
retail – SMEs – Other	146	146	366	366
retail – Non-SMEs – Other	—	—	984	984
Total (including FIRB exposures and AIRB exposures)	25,324	25,197	29,857	29,772

Table 24: IRB approach – Disclosure of the extent of the use of CRM techniques ('CR7-A')

		Credit risk mitigation techniques				
		Funded credit protection ('FCP')				
	Total exposures[1]	Part of exposures covered by financial collateral	Part of exposures covered by other eligible collateral	Part of exposures covered by immovable property collateral	Part of exposures covered by receivables	Part of exposures covered by other physical collateral
	€m	%	%	%	%	%
A-IRB						
Central governments and central banks	3,058	—	—	—	—	—
Institutions	1,839	—	—	—	—	—
Corporates	32,540	3	8	6	1	1
– of which: Corporates – SMEs	24	—	95	91	4	—
Corporates – Specialised lending	—	—	—	—	—	—
Corporates – Other	32,516	3	8	6	1	1
Retail	624	—	—	—	—	—
– of which: Retail – Immovable property SMEs	152	—	—	—	—	—
Retail – Immovable property non-SMEs	—	—	—	—	—	—
Retail – Qualifying revolving	—	—	—	—	—	—
Retail – Other SMEs	472	—	—	—	—	—
Retail – Other non-SMEs	—	—	—	—	—	—
Total A-IRB at 31 Dec 2024	38,061	3	8	6	1	1
F-IRB						
Central governments and central banks	—	—	—	—	—	—
Institutions	1,071	—	—	—	—	—
Corporates	15,215	6	1	1	—	—
– of which: Corporates – SMEs	6	—	—	—	—	—
Corporates – Specialised lending	—	—	—	—	—	—
Corporates – Other	15,209	6	1	1	—	—
Total F-IRB at 31 Dec 2024	16,286	6	1	1	—	—

1 Specialised lending exposures under the slotting approach are not reported as credit risk mitigation is considered in the determination of grade. Equity exposures under the IRB simple risk-weight approach are also not reported as no credit risk mitigation is applied. Details of HSBC Continental Europe exposures to both classes are reported in Table 19 on page 24.

Table 24: IRB approach – Disclosure of the extent of the use of CRM techniques ('CR7-A') (continued)

	Credit risk mitigation techniques						Credit risk mitigation methods in the calculation of RWAs	
		Funded credit protection ('FCP')			Unfunded credit protection ('UFCP')			
	Part of exposures covered by other funded credit protection	Part of exposures covered by cash on deposit	Part of exposures covered by life insurance policies	Part of exposures covered by instruments held by a third party	Part of exposures covered by guarantees	Part of exposures covered by credit derivatives	RWAs without substitution effects (reduction effects only)	RWAs with substitution effects (both reduction and sustitution effects)
	%	%	%	%	%	%	€m	€m
A-IRB								
Central governments and central banks	—	—	—	—	—	—	357	356
Institutions	—	—	—	—	—	—	605	575
Corporates	—	—	—	—	2	—	15,558	15,588
– of which: Corporates – SMEs	—	—	—	—	—	—	17	17
Corporates – Specialised lending	—	—	—	—	—	—	—	—
Corporates – Other	—	—	—	—	2	—	15,541	15,571
Retail	—	—	—	—	—	—	224	224
– of which: Retail – Immovable property SMEs	—	—	—	—	—	—	78	78
Retail – Immovable property non-SMEs	—	—	—	—	—	—	—	—
Retail – Qualifying revolving	—	—	—	—	—	—	—	—
Retail – Other SMEs	—	—	—	—	—	—	146	146
Retail – Other non-SMEs	—	—	—	—	—	—	—	—
Total A-IRB at 31 Dec 2024	—	—	—	—	2	—	16,744	16,743
F-IRB								
Central governments and central banks	—	—	—	—	—	—	—	5
Institutions	—	—	—	—	—	—	140	142
Corporates	—	—	—	—	—	—	8,313	8,306
– of which: Corporates – SMEs	—	—	—	—	—	—	15	15
Corporates – Specialised lending	—	—	—	—	—	—	—	—
Corporates – Other	—	—	—	—	—	—	8,298	8,291
Total F-IRB at 31 Dec 2024	—	—	—	—	—	—	8,453	8,453

Table 25: IRB approach – Credit risk exposures by exposure class and PD range ('CR6')

PD scale	On-balance sheet expo-sures €m	Off-balance-sheet expo-sures pre-CCF €m	Expo-sure weigh-ted average CCF %	Expo-sure post CCF and post CRM €m	Expo-sure weigh-ted average PD %	Number of obligors	Expo-sure weigh-ted average LGD %	Expo-sure weigh-ted average matu-rity (years)	Risk weighted exposure amount after suppor-ting factors €m	Density of risk weigh-ted expo-sure amount %	Expec-ted loss amount €m	Value adjust-ments and provis-ions €m
AIRB – Central governments and central banks												
0.00 to <0.15	2,928	240	50.0	3,048	—	7	45.0	3.4	353	12	—	
– 0.00 to <0.10	2,928	6	50.0	2,931	—	4	45.0	3.4	294	10	—	
– 0.10 to <0.15	—	234	50.0	117	0.1	3	45.0	2.4	58	50	—	
0.15 to <0.25	—	—	—	—	—	1	—	—	—	—	—	
0.25 to <0.50	—	—	—	—	—	—	—	—	—	—	—	
0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	
0.75 to <2.50	3	14	100.0	3	0.9	4	45.0	1.1	3	101	—	
– 0.75 to <1.75	3	—	—	3	0.9	1	45.0	1.0	3	100	—	
– 1.75 to <2.5	—	14	100.0	—	2.3	3	45.0	5.0	—	159	—	
2.50 to <10.00	—	—	—	—	—	—	—	—	—	—	—	
– 2.5 to <5	—	—	—	—	—	—	—	—	—	—	—	
– 5 to <10	—	—	—	—	—	—	—	—	—	—	—	
10.00 to <100.00	—	—	—	—	13.0	1	45.0	1.0	—	207	—	
– 10 to <20	—	—	—	—	13.0	1	45.0	1.0	—	207	—	
– 20 to <30	—	—	—	—	—	—	—	—	—	—	—	
– 30 to <100	—	—	—	—	—	—	—	—	—	—	—	
100.00 (Default)	—	—	—	—	—	—	—	—	—	—	—	
Subtotal	**2,931**	**254**	**50.0**	**3,051**	**—**	**13**	**45.0**	**3.4**	**356**	**12**	**—**	**—**
AIRB – Institutions												
0.00 to <0.15	1,072	975	32.2	1,200	0.1	135	39.4	2.6	327	27	—	
– 0.00 to <0.10	796	609	40.9	847	—	88	37.1	1.8	124	15	—	
– 0.10 to <0.15	276	366	21.2	353	0.1	47	45.0	4.6	202	57	—	
0.15 to <0.25	171	239	39.4	265	0.2	16	44.9	1.5	143	54	—	
0.25 to <0.50	1	2	20.0	1	0.4	3	45.0	1.6	—	57	—	
0.50 to <0.75	1	1	36.4	2	0.6	7	45.0	0.9	1	63	—	
0.75 to <2.5	46	514	16.8	73	1.1	14	45.0	2.8	82	113	—	
– 0.75 to <1.75	46	475	22.2	73	1.1	13	45.0	2.8	82	113	—	
– 1.75 to <2.5	—	39	—	—	1.3	1	46.3	1.0	—	133	—	
2.5 to <10	—	22	21.2	5	7.8	1	45.0	5.0	12	256	—	
– 2.5 to <5	—	—	—	—	—	—	—	—	—	—	—	
– 5 to <10	—	22	21.2	5	7.8	1	45.0	5.0	12	256	—	
10 to <100	4	—	57.0	4	10.0	1	45.0	1.5	8	192	—	
– 10 to <20	4	—	57.0	4	10.0	1	45.0	1.5	8	192	—	
– 20 to <30	—	—	—	—	—	—	—	—	—	—	—	
– 30 to <100	—	—	—	—	—	—	—	—	—	—	—	
100.00 (Default)	—	—	—	—	100.0	1	45.0	1.0	2	563	—	
Subtotal	**1,295**	**1,753**	**31.5**	**1,550**	**0.2**	**178**	**40.7**	**2.4**	**575**	**37**	**—**	**1**
AIRB – Corporates – SME												
0.00 to <0.15	—	—	—	—	0.1	1	27.2	4.3	—	30	—	
– 0.00 to <0.10	—	—	—	—	—	—	—	—	—	—	—	
– 0.10 to <0.15	—	—	—	—	0.1	1	27.2	4.3	—	30	—	
0.15 to <0.25	1	—	298.0	1	0.2	3	21.6	4.8	—	32	—	
0.25 to <0.50	—	—	—	—	0.4	1	35.6	1.0	—	35	—	
0.50 to <0.75	1	—	—	1	0.6	3	24.0	3.2	—	33	—	
0.75 to <2.5	20	—	459.3	21	1.9	11	20.9	4.0	11	52	—	
– 0.75 to <1.75	4	—	1,167.0	5	1.0	8	29.1	4.8	2	39	—	
– 1.75 to <2.5	16	—	61.9	16	2.3	3	18.2	3.8	9	56	—	
2.5 to <10	—	—	—	—	6.6	2	26.8	4.4	—	118	—	
– 2.5 to <5	—	—	—	—	—	—	—	—	—	—	—	
– 5 to <10	—	—	—	—	6.6	2	26.8	4.4	—	118	—	
10 to <100	—	—	—	1	14.9	4	32.7	2.2	1	156	—	
– 10 to <20	—	—	—	—	10.3	2	31.2	2.6	1	139	—	
– 20 to <30	—	—	—	—	23.3	1	35.6	1.4	—	188	—	
– 30 to <100	—	—	—	—	36.0	1	35.6	1.0	—	206	—	
100.00 (Default)	2	—	—	2	100.0	2	20.4	4.8	4	255	—	
Subtotal	**24**	**—**	**455.6**	**26**	**8.6**	**27**	**21.5**	**4.0**	**16**	**67**	**—**	**—**

Table 25: IRB approach – Credit risk exposures by exposure class and PD range ('CR6') (continued)

PD scale	On-balance sheet exposures €m	Off-balance-sheet exposures pre-CCF €m	Exposure weighted average CCF %	Exposure post CCF and post CRM €m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors €m	Density of risk weighted exposure amount %	Expected loss amount €m	Value adjustments and provisions €m
AIRB – Corporates – other												
0.00 to <0.15	5,002	27,866	32.5	15,287	0.1	946	32.9	2.2	3,598	24	5	
– 0.00 to <0.10	2,808	20,594	35.2	10,549	0.0	662	32.3	2.2	1,833	17	2	
– 0.10 to <0.15	2,194	7,272	25.6	4,738	0.1	284	34.3	2.3	1,765	37	3	
0.15 to <0.25	3,182	5,267	24.1	4,857	0.2	520	33.1	2.0	2,240	46	5	
0.25 to <0.50	665	3,239	25.2	1,649	0.4	270	31.4	2.3	979	59	3	
0.50 to <0.75	1,840	2,313	25.1	2,424	0.6	1,046	26.3	2.6	1,468	61	5	
0.75 to <2.5	4,730	7,100	38.2	5,323	1.4	2,485	28.9	2.7	4,661	88	28	
– 0.75 to <1.75	3,275	3,835	37.4	4,512	1.2	1,904	28.8	2.6	3,762	83	21	
– 1.75 to <2.5	1,455	3,265	41.9	811	2.2	581	29.6	3.0	900	111	7	
2.5 to <10	1,297	921	43.4	1,598	4.6	1,184	29.8	2.9	1,964	123	26	
– 2.5 to <5	820	698	45.3	1,136	3.7	834	32.1	2.9	1,447	127	17	
– 5 to <10	477	224	36.8	462	6.8	350	24.2	3.0	517	112	9	
10 to <100	142	170	32.4	176	27.8	198	22.8	2.6	210	119	9	
– 10 to <20	102	134	21.8	111	10.4	97	28.3	1.8	166	149	4	
– 20 to <30	16	1	28.1	17	23.3	79	16.3	2.1	15	88	1	
– 30 to <100	24	35	69.1	48	70.0	22	12.2	4.5	29	60	4	
100.00 (Default)	653	92	29.7	681	100.0	331	17.2	3.5	451	66	167	
Subtotal	17,511	46,968	31.3	31,995	2.9	6,980	31.1	2.3	15,571	49	248	232
Wholesale AIRB – Total at 31 Dec 2024	21,761	48,975	31.4	36,622	2.5	7,198	32.7	2.4	16,518	45	248	233
AIRB – Secured by mortgage on immovable property SME												
0.00 to <0.15	—	—	—	—	0.0	2	24.2	—	—	2	—	
– 0.00 to <0.10	—	—	—	—	0.0	2	24.2	—	—	2	—	
– 0.10 to <0.15	—	—	—	—	—	—	—	—	—	—	—	
0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	
0.25 to <0.50	6	—	—	6	0.5	34	25.9	—	1	16	—	
0.50 to <0.75	10	—	1.9	10	0.6	76	24.9	—	2	18	—	
0.75 to <2.5	31	—	42.5	31	1.4	233	25.3	—	10	33	—	
– 0.75 to <1.75	24	—	18.0	24	1.1	178	25.5	—	7	29	—	
– 1.75 to <2.5	7	—	44.2	8	2.3	55	24.9	—	3	46	—	
2.5 to <10	91	—	32.3	91	4.3	663	25.0	—	58	64	1	
– 2.5 to <5	75	—	64.8	75	3.8	543	24.9	—	45	60	1	
– 5 to <10	16	—	28.0	16	6.8	120	25.4	—	13	83	—	
10 to <100	4	—	—	4	12.5	31	24.2	—	5	101	—	
– 10 to <20	4	—	—	4	12.0	30	24.3	—	5	100	—	
– 20 to <30	—	—	—	—	25.5	1	21.8	—	—	107	—	
– 30 to <100	—	—	—	—	—	—	—	—	—	—	—	
100.00 (Default)	9	—	—	9	100.0	58	24.7	—	2	26	3	
Subtotal	151	—	68.5	151	9.1	1,097	25.0	—	78	51	4	4
AIRB – Other SME												
0.00 to <0.15	1	—	118.5	—	0.0	31	14.9	—	—	1	—	
– 0.00 to <0.10	1	—	118.5	—	0.0	31	14.9	—	—	1	—	
– 0.10 to <0.15	—	—	—	—	—	—	—	—	—	—	—	
0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	
0.25 to <0.50	13	6	86.2	20	0.5	1,025	22.9	—	2	12	—	
0.50 to <0.75	24	15	85.3	41	0.6	2,293	24.0	—	6	14	—	
0.75 to <2.5	82	75	66.9	144	1.5	8,461	24.5	—	34	24	1	
– 0.75 to <1.75	59	61	63.4	106	1.2	6,317	25.0	—	25	24	—	
– 1.75 to <2.5	23	14	82.5	38	2.3	2,144	23.2	—	9	24	—	
2.5 to <10	138	93	52.0	206	4.8	13,845	24.0	—	63	31	2	
– 2.5 to <5	86	75	45.8	134	3.7	9,154	25.1	—	44	33	1	
– 5 to <10	52	18	78.6	72	6.7	4,691	21.8	—	19	27	1	
10 to <100	8	3	69.6	10	13.0	809	21.2	—	4	32	—	
– 10 to <20	8	3	69.6	10	12.0	790	22.0	—	3	33	—	
– 20 to <30	1	—	—	—	25.5	19	12.7	—	—	26	—	
– 30 to <100	—	—	—	—	—	—	—	—	—	—	—	
100.00 (Default)	45	8	47.3	51	100.0	2,292	21.9	—	37	72	16	
Subtotal	311	200	61.2	472	13.7	28,756	23.8	—	146	31	19	16

Table 25: IRB approach – Credit risk exposures by exposure class and PD range (‘CR6’) (continued)

PD scale	On-balance sheet expo-sures €m	Off-balance-sheet expo-sures pre-CCF €m	Expo-sure weigh-ted average CCF %	Expo-sure post CCF and post CRM €m	Expo-sure weigh-ted average PD %	Number of obligors	Expo-sure weigh-ted average LGD %	Expo-sure weigh-ted average matu-rity (years)	Risk weighted exposure amount after suppor-ting factors €m	Density of risk weigh-ted expo-sure amount %	Expec-ted loss amount €m	Value adjust-ments and provis-ions €m
Retail AIRB – Total at 31 Dec 2024	**462**	**200**	**61.3**	**623**	**12.5**	**29,853**	**24.1**	**—**	**224**	**36**	**23**	**20**
FIRB – Central governments and central banks												
0.00 to <0.15	—	—	75.7	34	—	—	45.0	2.5	5	15	—	
– 0.00 to <0.10	—	—	75.7	34	—	—	45.0	2.5	5	15	—	
– 0.10 to <0.15	—	—	—	—	—	—	—	—	—	—	—	
0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	
0.25 to <0.50	—	—	—	—	—	—	—	—	—	—	—	
0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	
0.75 to <2.5	—	—	—	—	—	—	—	—	—	—	—	
– 0.75 to <1.75	—	—	—	—	—	—	—	—	—	—	—	
– 1.75 to <2.5	—	—	—	—	—	—	—	—	—	—	—	
2.5 to <10	—	—	—	—	—	—	—	—	—	—	—	
– 2.5 to <5	—	—	—	—	—	—	—	—	—	—	—	
– 5 to <10	—	—	—	—	—	—	—	—	—	—	—	
10 to <100	—	—	—	—	—	—	—	—	—	—	—	
– 10 to <20	—	—	—	—	—	—	—	—	—	—	—	
– 20 to <30	—	—	—	—	—	—	—	—	—	—	—	
– 30 to <100	—	—	—	—	—	—	—	—	—	—	—	
100.00 (Default)	—	—	—	—	—	—	—	—	—	—	—	
Subtotal	**—**	**—**	**75.7**	**34**	**—**	**—**	**45.0**	**2.5**	**5**	**15**	**—**	**—**
FIRB – Institutions												
0.00 to <0.15	855	546	30.6	1,026	0.1	107	22.1	2.5	131	13	—	
– 0.00 to <0.10	754	535	30.6	918	0.1	74	22.9	2.5	114	12	—	
– 0.10 to <0.15	101	11	30.6	108	0.1	33	16.1	2.5	17	16	—	
0.15 to <0.25	10	3	20.0	10	0.2	5	14.9	2.5	2	17	—	
0.25 to <0.50	—	8	12.9	2	0.4	5	29.6	2.5	1	48	—	
0.50 to <0.75	36	4	20.0	37	0.6	4	12.1	2.5	8	22	—	
0.75 to <2.5	—	101	0.3	1	1.3	5	39.8	2.5	—	110	—	
– 0.75 to <1.75	—	101	0.3	1	1.3	5	39.8	2.5	—	110	—	
– 1.75 to <2.5	—	—	—	—	—	—	—	—	—	—	—	
2.5 to <10	—	—	—	—	—	—	—	—	—	—	—	
– 2.5 to <5	—	—	—	—	—	—	—	—	—	—	—	
– 5 to <10	—	—	—	—	—	—	—	—	—	—	—	
10 to <100	—	—	—	—	—	—	—	—	—	—	—	
– 10 to <20	—	—	—	—	—	—	—	—	—	—	—	
– 20 to <30	—	—	—	—	—	—	—	—	—	—	—	
– 30 to <100	—	—	—	—	—	—	—	—	—	—	—	
100.00 (Default)	—	—	—	—	—	—	—	—	—	—	—	
Subtotal	**901**	**662**	**25.7**	**1,076**	**0.1**	**126**	**21.8**	**2.5**	**142**	**13**	**—**	**—**
FIRB – Corporates – SME												
0.00 to <0.15	—	—	—	—	—	—	—	—	—	—	—	
– 0.00 to <0.10	—	—	—	—	—	—	—	—	—	—	—	
– 0.10 to <0.15	—	—	—	—	—	—	—	—	—	—	—	
0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	
0.25 to <0.50	—	—	50.0	—	0.4	1	45.0	2.5	—	60	—	
0.50 to <0.75	—	—	—	—	—	1	45.5	2.5	—	48	—	
0.75 to <2.5	—	—	50.0	—	2.3	3	45.0	2.5	—	84	—	
– 0.75 to <1.75	—	—	—	—	—	—	—	—	—	—	—	
– 1.75 to <2.5	—	—	50.0	—	2.3	3	45.0	2.5	—	84	—	
2.5 to <10	—	—	50.0	—	7.9	1	45.0	2.5	—	109	—	
– 2.5 to <5	—	—	—	—	—	—	—	—	—	—	—	
– 5 to <10	—	—	50.0	—	7.9	1	45.0	2.5	—	109	—	
10 to <100	6	—	—	6	34.6	2	45.0	2.5	15	255	1	
– 10 to <20	—	—	—	—	13.0	1	45.0	2.5	—	134	—	
– 20 to <30	—	—	—	—	—	—	—	—	—	—	—	
– 30 to <100	6	—	—	6	36.0	1	45.0	2.5	15	263	1	
100.00 (Default)	—	—	—	—	—	—	—	—	—	—	—	
Subtotal	**6**	**—**	**50.0**	**6**	**33.7**	**8**	**45.0**	**2.5**	**15**	**250**	**1**	**—**

Table 25: IRB approach – Credit risk exposures by exposure class and PD range ('CR6') (continued)

PD scale	On-balance sheet expo-sures €m	Off-balance-sheet expo-sures pre-CCF €m	Expo-sure weigh-ted average CCF %	Expo-sure post CCF and post CRM €m	Expo-sure weigh-ted average PD %	Number of obligors	Expo-sure weigh-ted average LGD %	Expo-sure weigh-ted average matu-rity (years)	Risk weighted exposure amount after suppor-ting factors €m	Density of risk weigh-ted expo-sure amount %	Expec-ted loss amount €m	Value adjust-ments and provis-ions €m
FIRB – Corporates – other												
0.00 to <0.15	1,975	8,622	41.0	5,910	0.1	852	43.9	2.5	1,796	30	3	
– 0.00 to <0.10	1,004	5,193	37.7	3,298	0.1	531	45.1	2.5	789	24	1	
– 0.10 to <0.15	971	3,428	46.0	2,612	0.1	321	42.3	2.5	1,007	39	2	
0.15 to <0.25	1,161	2,971	37.7	2,082	0.2	338	41.3	2.5	979	47	2	
0.25 to <0.50	844	1,823	37.8	1,468	0.4	320	40.1	2.5	876	60	2	
0.50 to <0.75	757	2,687	33.3	1,383	0.6	283	44.3	2.5	1,187	86	4	
0.75 to <2.5	1,778	2,498	31.8	2,176	1.3	769	35.9	2.5	1,974	91	12	
– 0.75 to <1.75	1,370	2,112	31.3	1,924	1.2	601	35.8	2.5	1,700	88	9	
– 1.75 to <2.5	408	386	35.2	252	2.2	168	37.1	2.5	274	109	3	
2.5 to <10	502	654	37.0	608	4.8	353	44.8	2.5	998	164	14	
– 2.5 to <5	278	496	34.0	311	3.6	252	44.9	2.5	476	153	6	
– 5 to <10	223	159	46.1	297	6.1	101	44.8	2.5	522	176	8	
10 to <100	314	251	49.0	215	13.6	54	45.0	2.5	464	216	13	
– 10 to <20	307	225	44.6	188	10.5	47	45.0	2.5	394	209	9	
– 20 to <30	1	—	—	1	23.3	3	45.0	2.5	3	250	—	
– 30 to <100	7	26	75.0	26	36.0	4	45.0	2.5	67	260	4	
100.00 (Default)	400	128	59.4	436	100.0	76	44.6	2.5	16	4	195	
Subtotal	7,731	19,634	38.2	14,278	3.8	3,045	42.0	2.5	8,290	58	245	168
FIRB – Total at 31 Dec 2024	8,638	20,296	37.8	15,394	3.6	3,179	40.6	2.5	8,452	55	246	168

Table 26: Scope of the use of IRB and SA approaches ('CR6-A')

		Exposure value subject to IRB approach €m	Total exposure value for exposures subject to the Standardised approach and to the IRB approach €m	Percentage of total exposure value subject to the permanent partial use of the SA %	Percentage of total exposure value subject to IRB Approach %	Percentage of total exposure value subject to a roll-out plan %
1	Central governments or central banks	3,058	78,457	96.2	3.8	—
1.1	– of which: Regional governments or local authorities	—	2,185	100.0	—	—
1.2	Public sector entities	—	6,553	100.0	—	—
2	Institutions	5,436	9,803	42.6	57.4	—
3	Corporates	57,267	76,681	21.0	79.0	—
3.1	– of which: Corporates – Specialised lending, excluding slotting approach	—	—	—	—	—
3.2	Corporates – Specialised lending under slotting approach	805	772	—	100.0	—
4	Retail	624	9,720	94.7	5.3	—
4.1	– of which: Retail – Secured by real estate SMEs	152	148	—	100.0	—
4.2	Retail – Secured by real estate non-SMEs	—	2,670	100.0	—	—
4.3	Retail – Qualifying revolving	—	—	—	—	—
4.4	Retail – Other SMEs	472	451	18.5	81.5	—
4.5	Retail – Other non-SMEs	—	6,451	100.0	—	—
5	Equity	1,322	1,322	100.0	—	—
6	Other non-credit obligation assets	—	1,021	100.0	—	—
7	**Total at 31 Dec 2024**	67,707	177,004			

Counterparty credit risk

Overview

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to honour a financial obligation in a timely fashion. Whenever there is a risk that a counterparty will not repay 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 ('CCR') considers the credit risk inherent in derivative and security financing trades. In these transactions 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 US dollar and the Japanese yen).

The table below sets out details of HSBC Continental Europe's counterparty credit risk exposures by exposure class and approach.

Further explanation of HSBC Continental Europe's approach to managing counterparty credit risk can be found on page 207 of HSBC Continental Europe's Universal Registration Document 2024.

Table 27: Analysis of CCR exposure by approach ('CCR1')

	Replace-ment cost ('RC')	Potential future exposure ('PFE')	EEPE	Alpha for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWAs
	€m	€m	€m		€m	€m	€m	€m
EU – Original Exposure Method (for derivatives)	—	—		—	—	—	—	—
EU – Simplified SA-CCR (for derivatives)	—	—		—	—	—	—	—
SA-CCR (for derivatives)	**1,778**	**2,424**		**1.40**	**5,882**	**5,882**	**5,882**	**2,257**
IMM (for derivatives and SFTs)			**5,789**	**1.40**	**8,105**	**8,105**	**8,105**	**2,212**
– of which: securities financing transactions netting sets			**—**		**—**	**—**	**—**	**—**
derivatives and long settlement transactions netting sets			**5,789**		**8,105**	**8,105**	**8,105**	**2,212**
Financial collateral comprehensive method (for SFTs)					**4,755**	**4,803**	**4,803**	**695**
Total at 31 Dec 2024					**18,742**	**18,790**	**18,790**	**5,164**

Table 28: Transactions subject to own funds requirements for CVA risk ('CCR2')

		At 31 Dec 2024		At 31 Dec 2023	
		Exposure value	**RWAs**	Exposure value	RWAs
		€m	**€m**	€m	€m
1	Total transactions subject to the Advanced method	**4,558**	**129**	3,331	121
2	(i) VaR component (including the 3× multiplier)		**31**		28
3	(ii) stressed VaR component (including the 3× multiplier)		**98**		93
4	Transactions subject to the Standardised method	**2,296**	**499**	2,354	626
5	**Total transactions subject to own funds requirements for CVA risk**	**6,854**	**628**	5,685	748

Table 29: Standardised approach – CCR exposures by regulatory exposure class and risk weights ('CCR3')

		Risk weight											
	Exposure classes	**0%**	**2%**	**4%**	**10%**	**20%**	**50%**	**70%**	**75%**	**100%**	**150%**	**Others**	**Total exposure value**
1	Central governments or central banks	**2,835**	**—**	**—**	**—**	**6**	**—**	**—**	**—**	**15**	**—**	**—**	**2,856**
2	Regional government or local authorities	**307**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**6**	**—**	**—**	**313**
3	Public sector entities	**254**	**—**	**—**	**—**	**90**	**—**	**—**	**—**	**—**	**—**	**—**	**344**
4	Multilateral development banks	**4**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**4**
5	International organisations	**31**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**31**
6	Institutions	**—**	**1,928**	**—**	**—**	**798**	**119**	**—**	**—**	**—**	**—**	**—**	**2,845**
7	Corporates	**—**	**—**	**—**	**—**	**—**	**2,972**	**—**	**—**	**121**	**—**	**—**	**3,093**
11	**Total exposure value 31 Dec 2024**	**3,431**	**1,928**	**—**	**—**	**894**	**3,091**	**—**	**—**	**142**	**—**	**—**	**9,486**
1	Central governments or central banks	5,096	—	—	—	41	—	—	—	32	—	—	5,169
2	Regional government or local authorities	327	—	—	—	—	—	—	—	3	—	—	330
3	Public sector entities	249	—	—	—	—	—	—	—	—	—	—	249
4	Multilateral development banks	8	—	—	—	—	—	—	—	—	—	—	8
5	International organisations	43	—	—	—	—	—	—	—	—	—	—	43
6	Institutions	—	2,835	—	—	737	128	—	—	—	—	—	3,700
7	Corporates	—	—	—	—	—	2,741	—	—	70	—	—	2,811
11	Total exposure value 31 Dec 2023	5,723	2,835	—	—	778	2,869	—	—	105	—	—	12,310

Table 30: IRB approach – CCR exposures by exposure class and PD scale ('CCR4')

	a	b	c	d	e	f	g
31 December 2024	**Exposure value**	**Exposure weighted average PD**	**Number of obligors**	**Exposure weighted average LGD**	**Exposure weighted average maturity (years)**	**RWEA**	**Density of risk weighted exposure amounts**
PD scale	**€m**	**%**		**%**		**€m**	**%**
AIRB – Corporates							
0.00 to <0.15	170	0.07	21	45.0	1.8	43	25.3
Sub-total	170	0.07	21	45.0	1.8	43	25.3
AIRB – Institutions							
0.00 to <0.15	2,161	0.06	182	45.0	1.4	455	21.1
0.15 to <0.25	51	0.22	21	45.0	1.0	22	43.1
0.25 to <0.50	34	0.37	15	45.0	1.5	22	64.7
0.50 to <0.75	11	0.63	3	45.0	1.0	7	63.6
0.75 to <2.50	16	1.39	12	48.9	1.5	18	112.5
2.50 to <10.00	0	4.20	1	45.0	0.0	0	—
Sub-total	2,273	0.08	234	45.0	1.4	524	23.1
AIRB – Total at 31 Dec 2024	2,443	0.08	255	45.0	1.4	567	23.2
FIRB – Corporates							
0.00 to <0.15	6,601	0.06	2,059	45.0	1.6	1,282	19.4
0.15 to <0.25	837	0.22	248	45.0	1.4	328	39.2
0.25 to <0.50	331	0.37	190	45.0	1.4	174	52.6
0.50 to <0.75	241	0.63	133	45.0	1.4	174	72.2
0.75 to <2.50	363	1.56	342	45.0	1.9	419	115.4
2.50 to <10.00	117	4.82	105	45.0	2.2	191	163.2
10.00 to <100.00	27	11.75	30	45.0	1.9	58	214.8
100.00 (Default)	20	100.00	13	45.0	2.5	0	—
Sub-total	8,537	0.51	3,120	45.0	1.6	2,626	30.8
FIRB – Institutions							
0.00 to <0.15	178	0.09	21	45.0	2.1	54	30.3
0.15 to <0.25	73	0.22	4	45.0	2.5	48	65.8
0.25 to <0.50	2	0.37	1	45.0	0.5	1	50.0
Sub-total	253	0.13	26	45.0	2.2	103	40.7
FIRB – Total at 31 Dec 2024	8,790	0.49	3,146	45.0	1.6	2,729	31.0
Total (all portfolios) at 31 Dec 2024	11,233	0.41	3,401	45.0	1.6	3,296	29.3

Table 31: Composition of collateral for CCR exposures ('CCR5')

		Collateral used in derivative transactions				**Collateral used in SFTs**			
		Fair value of collateral received		**Fair value of posted collateral**		**Fair value of collateral received**		**Fair value of posted collateral**	
		Segregated	**Un segregated**	**Segregated**	**Un segregated**	**Segregated**	**Un segregated**	**Segregated**	**Un segregated**
	Collateral type	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**
1	Cash – domestic currency	—	23,546	197	21,012	—	117	—	—
2	Cash – other currencies	—	5,153	—	3,946	—	26	—	—
3	Domestic sovereign debt	25	1,702	—	14	—	14,602	—	16,179
4	Other sovereign debt	1,405	11,909	434	584	—	48,826	—	44,967
6	Corporate bonds	120	12,467	195	—	—	4,465	—	925
7	Equity securities	—	7,224	—	—	—	527	—	597
8	Other collateral	—	545	—	—	—	—	—	—
9	**Total at 31 December 2024**	1,550	62,546	826	25,556	—	68,563	—	62,668

Table 32: Exposures to CCPs ('CCR8')

		31 December 2024	
		Exposure value	**RWEA**
		€m	**€m**
1	**Exposures to QCCPs (total)**		188
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	1,112	22
3	(i) OTC derivatives	94	2
4	(ii) Exchange-traded derivatives	59	1
5	(iii) SFTs	959	19
8	Non-segregated initial margin	816	16
9	Prefunded default fund contributions	0	150

Collateral arrangements

HSBC Continental Europe's policy is to revalue all traded transactions and associated collateral positions on a daily basis. An independent collateral management function manages the collateral process including pledging and receiving collateral and investigating disputes and non-receipts.

Eligible collateral types are controlled under a policy to ensure price transparency, price stability, liquidity, enforceability, independence, reusability and eligibility for regulatory purposes.

A valuation 'haircut' policy reflects the fact that collateral may fall in value between the date the collateral was called and the date of liquidation or enforcement.

Further information on gross fair value exposure and the offset due to legally enforceable netting and collateral is set out on in Note 17 on page 302 of HSBC Continental Europe's Universal Registration Document 2024.

Credit Valuation Adjustment ('CVA') hedges

In the normal course of business, HSBC Continental Europe enters into bilateral transactions that can generate risk exposure when there are no or only partial credit mitigants.

For non-CVA exempted counterparties, the bank computes own funds requirements for the credit valuation adjustment risk.

Credit derivatives can be used to hedge this credit exposure. The responsibility for hedging and/or mitigating credit exposure lies within the remit of the xVA Desk.

Credit rating downgrade

A credit rating downgrade clause in a master agreement or a credit rating downgrade threshold clause in a credit support annex ('CSA') is designed to trigger an action if the credit rating of the affected party falls below a specified level. These actions may include the requirement to pay or increase collateral, the termination of transactions by the non-affected party or the assignment of transactions by the affected party.

Market risk

Overview

Market risk is the risk that movements in market risk factors, including foreign exchange rates, commodity prices, interest rates, credit spreads and equity prices, will reduce HSBC Continental Europe's income or the value of its portfolios. Market risk is measured using internal market risk models approved by the ECB.

The table below set out details of the bank's market risk exposures by type and approach.

Further explanation of HSBC Continental Europe's approach to managing market risk can be found on page 208 of HSBC Continental Europe's Universal Registration Document 2024.

Table 33: Market risk under the standardised approach ('MR1')

		2024		2023	
		RWAs	**Capital required**	RWAs	Capital required
		€m	**€m**	€m	€m
	Outright products				
1	Interest rate risk (general and specific)[1]	**—**	**—**	—	—
3	Foreign exchange risk	**168**	**13**	94	8
9	**Total**	**168**	**13**	94	8

1 HSBC Continental Europe does not have specific risk positions related to securitisation at 31 December 2023 and 31 December 2024.

Table 34: Market risk under the Internal Model Approach ('IMA') ('MR2-A')

		2024		2023	
		RWAs	**Capital required**	RWAs	Capital required
		€m	**€m**	€m	€m
1	**VaR (higher of values a and b)**	**565**	**45**	1,089	87
(a)	Previous day's VaR ('VaRt-1')	**142**	**11**	259	21
(b)	Multiplication factor (mc) x average of previous 60 working days ('VaRavg')	**565**	**45**	1,089	87
2	**Stressed VaR (higher of values a and b)**	**1,748**	**140**	1,798	144
(a)	Latest available SVaR ('SVaRt-1')	**377**	**30**	527	42
(b)	Multiplication factor (ms) x average of previous 60 working days ('sVaRavg')	**1,748**	**140**	1,798	144
3	**Incremental risk charge (higher of values a and b)**	**814**	**65**	415	33
(a)	Most recent IRC value	**599**	**48**	350	28
(b)	Average IRC value	**814**	**65**	415	33
5	**Other**	**491**	**39**	596	48
6	**Total**	**3,618**	**289**	3,898	312

Non-financial Risk

Overview

In accordance with the French Order of 3 November 2014 as modified on 25 February 2021 and the Operational Risk Functional Instruction Manual, operational risk is defined within HSBC Group as a risk event which materialises due to:

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

This risk includes notably external or internal fraud risk, non-authorised activities, errors and omissions – including low probability events that would result in a high value loss should they arise – and risks related to models.

HSBC Continental Europe classifies losses using the following taxonomy, comprising seven level 1 risk categories: financial reporting and tax risk, financial crime and fraud risk, regulatory compliance risk, legal risk, resilience risk, model risk and people risk.

Further explanation of HSBC Continental Europe's approach to managing non-financial risk can be found on page 218 of HSBC Continental Europe's Universal Registration Document 2024.

Table 35: Operational risk – RWA ('OR1')

	2024		2023	
	RWAs	**Capital required**	RWAs	Capital required
	€m	**€m**	€m	€m
Own funds requirement for operational risk	**6,688**	**522**	6,188	495

Other risks

Further details of the other risks identified by HSBC Continental Europe are described in the Risks section of HSBC Continental Europe's Universal Registration Document 2024. In particular, details of HSBC Continental Europe's approach to sustainability, climate and environmental risk and to reputational risk can be found on pages 55, 226 and 236 respectively therein.

Liquidity and funding

Liquidity management across the HSBC Group

The HSBC Group's operating entities are predominantly defined on a country basis to reflect the local management of liquidity and funding. HSBC Group's general policy is that each defined operating entity should be self-sufficient in funding its own activities.

In line with the HSBC Group framework, HSBC Continental Europe liquidity group manages its liquidity and funding risks on a standalone basis assuming no reliance on any other Group entity unless pre-committed.

Strategies and processes in the management of liquidity risk

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 ('LFRF') which aims to allow it to withstand very severe liquidity stresses. It is designed to be adaptable to changing business models, markets and regulations.

HSBC Continental Europe manages liquidity and funding in accordance with the Group's LFRF, and with practices and limits set by the RMM and approved by the Board of Directors. HSBC Continental Europe's policy is that it should be self-sufficient in funding its own activities.

Structure and organisation of the liquidity risk management function

The Asset, Liability and Capital Management ('ALCM') team is responsible for the application of the LFRF within HSBC Continental Europe.

The LFRF is underpinned by a robust governance framework, the two major elements of which are:

- the Asset and Liability Management Committee; and
- the Annual Internal Liquidity Adequacy Assessment ('ILAA') process used to validate risk tolerance and set risk appetite.

Management of liquidity and funding risk

Liquidity coverage ratio

The LCR metric was designed to promote the short-term resilience of a bank's liquidity profile. It aims to ensure that a bank has an adequate stock of unencumbered high-quality liquid assets ('HQLA'), consisting of cash or assets that can be converted into cash at little or no loss of value in private markets, to meet its liquidity needs for a 30 calendar days liquidity stress scenario. In accordance with Regulation EU 2019/876 of the European Parliament ('CRR II'), published on 20 May 2019, the table below presents the average of the previous twelve month-end balances for each reporting date. As such, the LCR values reported below do not represent the point-in-time ratios at the end of the period.

Table 36: Quantitative information on LCR ('LIQ1')

	Quarter ended[1]							
	31 Dec 2024		30 Sep 2024		30 Jun 2024		31 Mar 2024	
	Total unweighted value	**Total weighted value**	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value
	€m	**€m**	€m	€m	€m	€m	€m	€m
Number of data points used in the calculation of averages	**12**		12		12		12	
High-quality liquid assets								
Total high-quality liquid assets ('HQLA')		**75,513**		76,113		76,475		76,235
Cash – Outflows								
Retail deposits and small business funding	**8,811**	**881**	12,501	1,156	18,111	1,573	23,732	1,990
– of which: stable deposits	**4,290**	**215**	6,709	335	10,339	517	14,071	704
less stable deposits	**4,521**	**666**	5,792	821	7,772	1,056	9,661	1,287
Unsecured wholesale funding	**91,707**	**41,380**	89,567	39,387	87,640	38,111	85,750	36,984
– Operational deposits (all counterparties) and deposits in networks of cooperative banks	**32,125**	**7,956**	32,352	8,015	32,582	8,074	32,974	8,172
– Non-operational deposits (all counterparties)	**58,704**	**32,546**	56,311	30,468	54,119	29,098	51,952	27,987
– Unsecured debt	**878**	**878**	904	904	939	939	825	825
Secured wholesale funding	**—**	**1,140**	—	1,307	—	1,276	—	1,270
Additional requirements	**64,596**	**16,459**	67,353	16,615	69,411	16,848	68,804	16,434
– Outflows related to derivative exposures and other collateral requirements	**4,314**	**4,031**	4,297	3,998	4,453	4,108	4,673	4,217
– Outflows related to loss of funding on debt products	**—**	**—**	—	—	—	—	—	—
– Credit and liquidity facilities	**60,282**	**12,428**	63,056	12,617	64,958	12,741	64,131	12,217
Other contractual funding obligations	**28,485**	**21,393**	28,521	21,990	27,926	22,117	26,887	21,735
Other contingent funding obligations	**31,453**	**1,573**	25,681	1,296	21,754	1,115	20,969	1,090
Total cash outflows	**—**	**82,826**	—	81,751	—	81,040	—	79,502
Cash – Inflows								
Secured lending transactions (including reverse repos)	**54,720**	**1,259**	50,754	1,436	45,999	1,523	42,651	1,656
Inflows from fully performing exposures	**6,853**	**5,903**	7,093	6,094	7,015	6,049	6,487	5,530
Other cash inflows	**33,166**	**25,137**	32,283	24,465	31,819	24,320	31,016	23,696
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)								
(Excess inflows from a related specialised credit institution)								
Total cash inflows	**94,739**	**32,299**	90,130	31,995	84,833	31,891	80,153	30,883
Fully exempt inflows								
Inflows subject to 90% cap								
Inflows subject to 75% cap	**94,739**	**32,299**	90,130	31,995	84,833	31,891	80,153	30,883
Total adjusted value								
Liquidity buffer		**75,513**		76,113		76,475		76,235
Total net cash outflows		**50,527**		49,756		49,148		48,620
Liquidity coverage ratio %[2]		**150**		153		156		157

1 The components of the LCR calculation have been represented in all periods to comply with EBA reporting requirements.
2 Ratio derived based on the average of the previous twelve month-end balances for each reporting date and does not represent the point-in-time ratio at the end of the period.

Net stable funding ratio

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

HSBC Continental Europe's NSFR was 137 per cent as at 31 December 2024.

The below table shows the NSFR as at period-end.

Table 37: Net Stable Funding Ratio ('LIQ2')

	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
	€m	€m	€m	€m	€m
At 31 Dec 2024					
Available stable funding ('ASF') items					
Capital items and instruments	**14,523**	**—**	**—**	**1,908**	**16,431**
Own funds	**14,523**	**—**	**—**	**1,908**	**16,431**
Other capital instruments	**—**	**—**	**—**	**—**	**—**
Retail deposits	**—**	**8,720**	**—**	**—**	**7,849**
Stable deposits	**—**	**4,150**	**—**	**—**	**3,943**
Less stable deposits	**—**	**4,570**	**—**	**—**	**3,906**
Wholesale funding	**—**	**116,493**	**2,620**	**21,243**	**62,458**
Operational deposits	**—**	**29,192**	**—**	**—**	**14,596**
Other wholesale funding	**—**	**87,301**	**2,620**	**21,243**	**47,862**
Interdependent liabilities	**—**	**—**	**—**	**—**	**—**
Other liabilities	**—**	**21,042**	**—**	**190**	**190**
NSFR derivative liabilities	**—**	**—**	**—**	**—**	**—**
All other liabilities and capital instruments not included in the above categories	**—**	**21,042**	**—**	**190**	**190**
Total available stable funding ('ASF')	**—**	**—**	**—**	**—**	**86,928**
Required stable funding ('RSF') items	**—**	**—**	**—**	**—**	**—**
Total high-quality liquid assets ('HQLA')	**—**	**—**	**—**	**—**	**1,544**
Assets encumbered for more than 12m in cover pool	**—**	**—**	**—**	**—**	**—**
Deposits held at other financial institutions for operational purposes	**—**	**—**	**—**	**—**	**—**
Performing loans and securities:	**—**	**33,370**	**6,945**	**50,020**	**49,816**
Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut	**—**	**16,539**	**1,162**	**—**	**915**
Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions	**—**	**9,874**	**2,059**	**6,742**	**8,404**
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs	**—**	**4,947**	**3,359**	**26,803**	**33,500**
– of which: with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	**—**	**80**	**78**	**4,034**	**3,673**
Performing residential mortgages	**—**	**296**	**228**	**8,703**	**—**
– of which: with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	**—**	**34**	**36**	**1,442**	**—**
Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products	**—**	**1,714**	**137**	**7,772**	**6,997**
Interdependent assets	**—**	**—**	**—**	**—**	**—**
Other assets:	**—**	**19,242**	**—**	**3,620**	**6,857**
Physical traded commodities	**—**	**—**	**—**	**3**	**2**
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	**—**	**186**	**—**	**—**	**415**
NSFR derivative assets	**—**	**1,495**	**—**	**—**	**1,495**
NSFR derivative liabilities before deduction of variation margin posted	**—**	**14,936**	**—**	**—**	**747**
All other assets not included in the above categories	**—**	**2,281**	**—**	**3,618**	**4,180**
Off-balance sheet items	**—**	**22,323**	**4,600**	**67,547**	**5,248**
Total RSF	**—**	**—**	**—**	**—**	**63,448**
Net Stable Funding Ratio (%)					**137**
At 30 Sep 2024					
Available stable funding ('ASF') items					
Capital items and instruments	12,643	—	—	1,660	14,303
Own funds	12,643	—	—	1,660	14,303
Other capital instruments	—	—	—	—	—
Retail deposits	—	8,760	—	—	7,884
Stable deposits	—	4,229	—	—	4,018
Less stable deposits	—	4,531	—	—	3,866
Wholesale funding	—	110,113	3,345	19,859	59,697
Operational deposits	—	19,672	—	—	9,836
Other wholesale funding	—	90,441	3,345	19,859	49,861
Interdependent liabilities	—	—	—	—	—
Other liabilities	—	34,003	—	183	183
NSFR derivative liabilities	—	—	—	—	—
All other liabilities and capital instruments not included in the above categories	—	34,003	—	183	183

Table 37: Net Stable Funding Ratio ('LIQ2') (continued)

	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
	€m	€m	€m	€m	€m
Total available stable funding ('ASF')	—	—	—	—	82,067
Required stable funding ('RSF') items	—	—	—	—	—
Total high-quality liquid assets ('HQLA')	—	—	—	—	1,571
Assets encumbered for more than 12m in cover pool	—	—	—	—	—
Deposits held at other financial institutions for operational purposes	—	—	—	—	—
Performing loans and securities:	—	40,629	5,123	45,635	45,916
Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut	—	20,170	493	—	1,089
Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions	—	13,379	1,208	4,814	6,419
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs	—	5,354	3,147	27,836	32,587
– of which: with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	—	132	101	5,638	3,782
Performing residential mortgages	—	161	157	6,640	—
– of which: with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	—	—	—	—	—
Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products	—	1,565	118	6,345	5,821
Interdependent assets	—	—	—	—	—
Other assets:	—	23,523	—	3,977	5,175
Physical traded commodities	—	—	—	4	3
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	—	—	—	—	196
NSFR derivative assets	—	383	—	—	383
NSFR derivative liabilities before deduction of variation margin posted	—	11,586	—	—	579
All other assets not included in the above categories	—	11,554	—	3,973	4,013
Off-balance sheet items	—	21,783	4,597	65,818	4,968
Total RSF	—	—	—	—	57,630
Net Stable Funding Ratio (%)					142
At 30 Jun 2024					
Available stable funding ('ASF') items					
Capital items and instruments	12,261	—	—	1,821	14,082
Own funds	12,261	—	—	1,821	14,082
Other capital instruments		—	—	—	—
Retail deposits		8,952	—	—	8,067
Stable deposits		4,343	—	—	4,126
Less stable deposits		4,609	—	—	3,941
Wholesale funding		120,008	5,041	20,057	61,878
Operational deposits		20,538	—	—	10,269
Other wholesale funding		99,470	5,041	20,057	51,609
Interdependent liabilities		—	—	—	—
Other liabilities		34,943	—	—	—
NSFR derivative liabilities	905	—			
All other liabilities and capital instruments not included in the above categories		34,943	—	—	—
Total available stable funding ('ASF')					84,027
Required stable funding ('RSF') items					
Total high-quality liquid assets ('HQLA')					4,265
Assets encumbered for more than 12m in cover pool		—	—	—	—
Deposits held at other financial institutions for operational purposes		—	—	—	—
Performing loans and securities:		38,680	6,817	47,400	48,148
Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		22,060	1,810	—	1,617
Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		9,130	1,834	5,367	7,093
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs		5,728	2,909	28,219	27,183
– of which: with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		196	125	5,608	3,806
Performing residential mortgages		161	158	6,675	5,833
– of which: with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		—	—	—	—
Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		1,600	105	7,139	6,422

Table 37: Net Stable Funding Ratio ('LIQ2') (continued)

	Unweighted value by residual maturity				
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
	€m	€m	€m	€m	€m
Interdependent assets		—	—	—	—
Other assets:		25,113	—	4,119	4,996
Physical traded commodities		—	—	3	3
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		48	—	—	41
NSFR derivative assets		72	—	—	72
NSFR derivative liabilities before deduction of variation margin posted		13,664	—	—	683
All other assets not included in the above categories		11,330	—	4,116	4,197
Off-balance sheet items		13,428	6,712	71,918	4,365
Total RSF		—	—	—	61,774
Net Stable Funding Ratio (%)					136
At 31 Mar 2024					
Available stable funding ('ASF') items					
Capital items and instruments	12,518	—	—	1,731	14,250
Own funds	12,518	—	—	1,731	14,250
Other capital instruments	—	—	—	—	—
Retail deposits	—	9,053	—	—	8,157
Stable deposits	—	4,367	—	—	4,148
Less stable deposits	—	4,686	—	—	4,009
Wholesale funding	—	112,749	5,148	18,495	60,501
Operational deposits	—	19,782	—	—	9,891
Other wholesale funding	—	92,967	5,148	18,495	50,610
Interdependent liabilities	—	—	—	—	—
Other liabilities	—	38,867	—	—	—
NSFR derivative liabilities	370	—	—	—	—
All other liabilities and capital instruments not included in the above categories	—	38,867	—	—	—
Total available stable funding ('ASF')					82,907
Required stable funding ('RSF') items					
Total high-quality liquid assets ('HQLA')		—	—	—	2,973
Assets encumbered for more than 12m in cover pool		—	—	—	—
Deposits held at other financial institutions for operational purposes		—	—	—	—
Performing loans and securities:		38,552	6,767	47,464	47,723
Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		20,451	1,415	—	1,337
Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		12,070	2,009	4,913	6,904
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs		4,538	3,109	29,482	27,822
– of which: with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		159	176	5,557	3,779
Performing residential mortgages		162	158	6,751	5,899
– of which: with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		—	—	—	—
Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		1,332	76	6,317	5,762
Interdependent assets		—	—	—	—
Other assets:		26,894	—	4,399	5,868
Physical traded commodities				3	3
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		16	—	—	320
NSFR derivative assets		430	—	—	430
NSFR derivative liabilities before deduction of variation margin posted		13,282	—	—	664
All other assets not included in the above categories		13,166	—	4,396	4,451
Off-balance sheet items		12,888	6,732	69,150	3,739
Total RSF					60,303
Net Stable Funding Ratio (%)					137

Internal Liquidity Metric ('ILM')
HSBC Continental Europe has developed an internal metric to assess the liquidity position of the bank over a time frame between LCR and NSFR. The ILM is composed by three scenarios (combined and idiosyncratic scenario of 3-month, market wide scenario of 12-months), mitigated by management actions, that models the combined impacts of a simultaneous market and idiosyncratic stress based on internally calibrated assumptions for outflows, inflows, and liquid asset buffer ('LAB') monetisation.

Liquid assets
Liquid assets comprise unencumbered liquid securities and available cash held by Markets Treasury and Global Markets. They are managed on a consolidated basis. The LFRF assigns ultimate control of all unencumbered assets and sources of liquidity to Markets Treasury.

The liquid asset buffer may also include securities in held-to maturity portfolios. To qualify as part of the liquid asset buffer, held-to-maturity portfolios must have a deep and liquid repo market in the underlying security.

Liquidity stress testing
HSBC Continental Europe undertakes liquidity stress testing to test that its risk appetite is appropriate, to validate that it can continue to operate under various stress scenarios and to test whether the stress assumptions within the LCR scenario are appropriate and conservative enough for the business. Stress-testing enables the management to make sure of the availability of the liquidity in a time of stress to continue to meet the liquidity requirements.

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

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

HSBC Group's business strategy and overall liquidity risk profile
The key aspects of the liquidity and funding risk management framework are:

- stand-alone management of liquidity and funding by operating entity;
- operating entity classification by Liquidity Monitoring Classification ('LMC') categorisation;
- minimum LCR & NSFR requirement;
- legal entity depositor concentration limit;
- three-month and 12-month cumulative rolling term contractual maturity limits covering deposits from banks, deposits from non-bank financial institutions and securities issued;
- annual individual liquidity adequacy assessment by principal operating entity;
- minimum LCR requirement by currency;
- intra-day liquidity;
- liquidity funds transfer pricing; and
- forward-looking funding assessments.

The framework and risk tolerance limits are approved by the RMM and the Board of Directors on the basis of recommendations made by the Risk Committee.

Overall adequacy of liquidity risk management
HSBC Continental Europe is required to manage liquidity and funding risks in accordance with the LFRF, including the preparation of an ILAA document, to ensure that:

- all material liquidity and funding risks are captured within the internal framework; and
- the risk tolerance/appetite set at HSBC Continental Europe's level is validated, supported by an assessment of vulnerabilities through severe stress scenarios.

The final conclusion of the ILAA, approved by the Board of Directors, is that HSBC Continental Europe:

- maintains liquidity resources which are adequate in both amount and quality;
- ensures its liquidity resources contain an adequate amount of HQLAs and maintains a prudent funding profile; and
- has put in place a liquidity risk management framework that is adequate with regard to HSBC Continental Europe's profile and strategy.

Further details of our Liquidity and funding risk may be found on page 215 of HSBC Continental Europe's Universal Registration Document 2024.

Interest rate risk in the banking book

Interest rate risk in the banking book ('IRRBB') is the risk of an adverse impact to earnings or capital due to changes in market interest rates. 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.

Risk management and governance
Within the Treasury function, ALCM 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. ALCM are 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. Group IRRBB as part of Group Treasury, Markets 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.

Interest rate risk that can be economically hedged may be transferred to the Markets Treasury business to manage, within Market Risk limits and in accordance with internal transfer pricing rules. Hedging is generally executed through interest rate derivatives or fixed-rate bonds. Any interest rate risk that Markets Treasury cannot economically hedge is not transferred and will remain within the global business from where the risks originate. At HSBC Continental Europe, most of the interest rate derivatives are accounted under the macro cash flow hedging accounting framework.

All material interest rate risks must be identified, measured, monitored, managed and controlled by metrics within limits. Key measures used to monitor IRRBB include: projected banking net interest income ('BNII') sensitivities and economic value of equity ('EVE') sensitivities under varying interest rate scenarios as prescribed by the regulators as well as internally calibrated shocks.

The principal part of our management of non-traded interest rate risk is to monitor the sensitivity of expected BNII under varying interest rate scenarios (i.e. simulation modelling) under a static balance sheet where all other economic variables are held constant.

Sensitivity of BNII reflects the bank's sensitivity of earnings due to changes in market interest rates. This is assessed over 1 year and 5 years and is calculated on a quarterly basis. Forecasts include business line rate pass-on assumptions, re-investment of maturing assets and liabilities at market rates per shock scenario, and prepayment risk.

An EVE sensitivity represents the expected movement in EVE due to pre-specified interest rate shocks, where all other economic variables are held constant. EVE measures the present value of the Banking Book Assets and Liabilities excluding equity, based on a run-off balance sheet. EVE sensitivity measures the impact to EVE from a movement in interest rates, including the assumed term profile of non-maturing deposits having adjusted for stability and price sensitivity. EVE provides a comprehensive view of the potential long-term effects of changes in interest rates. It is measured and reported as part of internal risk metrics, regulatory rules (including the Supervisory Outlier Test) and external Pillar 3 disclosures. HSBC Continental Europe monitors EVE sensitivities as a percentage of capital resources and this is calculated on a quarterly basis.

Hold-to-collect-and-sell stressed value at risk ('HTC&S SVaR') is a quantification of the potential losses (to a 99 per cent confidence level) from the portfolio of securities held under a held-to-collect-and-sell business model in the Markets Treasury business. The portfolio is accounted for at fair value through other comprehensive income, together with the derivatives held in designated hedging relationships with these securities. This is quantified based on the worst losses over a one-year period going back to the beginning of 2007, with an assumed holding period of 60 days. HTC&S SVaR applies the same models as those used for trading book capitalisation to the portfolio managed by Markets Treasury under this business model. Whilst HTC&S SVaR is measured weekly, other HTC&S sensitivities are monitored daily against risk limits which include breakdowns by currency, tenor basis, curve and asset class .

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

Interest rate shock and stress scenarios applied

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

The EVE sensitivities are based on the EBA Standard Outlier Test ('SOT') +/-200bps and the 6 BCBS Outlier Test shocks: Parallel Up, Parallel Down, Steepener, Flattener, Short rates shock up and Short rates shock down.

Key modelling and parametric assumptions used in calculating sensitivities include:

– for EVE sensitivities, commercial margins and other spread components have been excluded from the interest cash flow calculations and all balance sheet items are discounted at the risk free rates back to the reporting date;

– for NII sensitivities, a constant balance sheet is assumed, and we include commercial margins. All forecasted market rates are based on implied forward rates from the spot curves at each quarter-end; all interest rate shocks are parallel shocks; pass-on assumptions are applied for managed rate products; customer pricing includes flooring where there are contractual obligations, and customer optionality including prepayment and early redemption risk is included where present. The impact of flooring is limited in the current rate environment.

Non-maturing deposits ('NMD') are deposits that have no explicit maturity and no explicit repricing date, thus behaviouralisation assumptions are applied. Behavioural assumptions are reviewed and challenged at least on an annual basis. The repricing maturity of non maturity deposits is assessed using both:

– a historical analysis at product level to confirm the stable part of deposits in respect of past interest rate environment;

– business expectations of customer behaviour with respect to stressed scenarios.

As at 31 December 2024, repricing maturities for non-maturity deposits from retail and non-financial wholesale counterparties were:

in months	average repricing maturity	longest repricing maturity
Core part	**36**	**84**
Full amount	**15**	**84**

HSBC Continental Europe is exposed to a change of Eurozone interest rates curve on banking operations and structural elements of the balance sheet. Out of the set of Interest rates scenarios that are run, the two most adverse ones are a decrease of 200 basis points with respect to Banking Net Interest Income and an increase of 200 basis points with respect to Economic Value of Equity over the next 12 months.

Table 38: Interest rate risks of non-trading book activities ('IRRBB1')

	EVE sensitivity		BNII sensitivity[1]	
	31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
	€m	€m	**€m**	€m
Parallel shock up	**(414)**	(1,373)	**348**	332
Parallel shock down	**189**	692	**(371)**	(317)
Steepener shock	**67**	(335)		
Flattener shock	**(151)**	50		
Short rates shock up	**(254)**	(323)		
Short rates shock down	**268**	169		

The most adverse BNII sensitivity scenario over the next 12 months is the parallel down shock, resulting in a decrease in projected BNII of EUR (371) million as at 31 December 2024.

At 31 December 2024, the maximum decline in EVE was in the parallel up shock at EUR (414) million. This translates to 3% of tier 1 capital.

The changes in sensitivities have been driven by factors including balance sheet evolution, an increase in stabilisation activities in line with our strategy and modelling improvements.

Further details on our IRRBB may be found on page 217 of HSBC Continental Europe's Universal Registration Document 2024.

1 ΔNII values have been updated, for both reporting periods, to show Banking NII sensitivities to align with other disclosures.

Risk management of insurance operations

Following the sale of the French retail banking activity to CCF on 1 January 2024, CCF has become the main distributor in France for the French insurance business.

HSBC Continental Europe chooses to manufacture insurance products in dedicated subsidiaries based on an assessment of operational scale and risk appetite. Manufacturing insurance allows HSBC Continental Europe to retain the risks and rewards associated with writing insurance contracts by keeping part of the underwriting profit and investment income within the group.

Where HSBC Continental Europe does not have the risk appetite or operational scale to be an effective insurance manufacturer, it engages with a handful of leading external insurance companies in order to provide insurance products to customers. These arrangements are generally structured with exclusive strategic partners and earn HSBC Continental Europe a combination of commissions and fees.

HSBC Continental Europe measures the risk profile of its insurance manufacturing businesses using an economic capital approach, where assets and liabilities are measured on a market value basis and a capital requirement is held to ensure that there is less than a 1 in 200 chance of insolvency over the next year, given the risks that the business is exposed to. The methodology for the economic capital calculation is largely aligned to the pan-European Solvency II insurance capital regulations in force since 2016.

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.

Further details of the management of financial risks and insurance risk arising from the insurance operations are provided on pages 267 to 279 of HSBC Continental Europe's Universal Registration Document 2024.

Remuneration

As HSBC Continental Europe is part of an international banking group, its compensation 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 French Financial and Monetary Code, the remuneration policy is subject to annual independent audit performed by the Internal Audit department or risk permanent team. The compensation policy is also approved by the local Risk and Regulatory Compliance departments.

Governance

In accordance with local regulations, HSBC Continental Europe has set up a dedicated governance structure involving several separate governance bodies.

The Board of Directors of HSBC Continental Europe 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, comprising two independent non-executive Directors and a staff representative elected by the employees, prepares recommendations concerning the remuneration and remuneration principles to be approved by the Board of Directors, and gives its view on the Bank's policies and practices concerning compensation, ensuring that risk and compliance considerations are duly 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 functions 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 ensures that the remuneration policy is appropriate to attract, retain and motivate directors and senior management of the quality required to run HSBC Continental Europe successfully.
- It reviews the identification process of identified staff and approves the corresponding list.
- It reviews the 20 highest compensation packages 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 Executive Directors, the Chief Risk Officer and the Chief Compliance Officer and submits its recommendations to the Board of Directors.

The Remuneration 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).

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

In respect of 2024 performance year, the Remuneration Committee met on 12 December 2024 and 30 January 2025, with 100 per cent attendance. Its main work concerned the review of:

- HSBC's general remuneration policy in HSBC Continental Europe in respect of 2024 performance year, focusing mainly on context in which the remuneration policy applies, on regulations updates with regards to compensation, on risk takers identification process and on incentivising risk and compliance culture;
- the 20 highest remunerations in respect of the 2024 year;
- compensation proposals for the Chief Risk Officer and the Chief Compliance Officer;
- proposals to allow the Board of Directors to approve the terms of the remuneration for Andrew Wild, Christopher Davies and Joseph Swithenbank in respect of 2024; and
- the section of the corporate governance report on remuneration.

The Chairman of the Remuneration Committee reported to the Board on its work at the Board meeting on 7 February 2025.

No expert or external consultant advice was sought by the Remuneration Committee.

Main characteristics of the remuneration policy

The 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 Group and each of the business lines/functions at global, regional and local level, business competitiveness and the prudent management of risks for the 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 individual 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 Group's performance, help retain our employees and meet our regulatory obligations,
– 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 external competitiveness.

These increases, whether selective or collective, have to comply with the annual fixed pay budget, with any guidelines on their 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 Group and business lines' global performance.

The variable pay pool is set primarily at 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, and its affordability to fund this pool with its own results and its market position.

The Group variable pay pool is expected to reflect Group performance, based on a range of financial, non-financial and contextual factors. 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 CEO, 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 evolution of Profit Before Tax, growth in revenue, costs control, evolution in profitability through, in particular, return on risk tangible equity; and through non-financial metrics linked to sustainable risk such as reduction of carbon path, development of sustainable finance and to risks 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 acting 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's representation in senior roles in the organisation, engagement score, inclusion index. These indicators are included in performance scorecards and are compared to objectives set at the start of the year.

With effect from the start of 2024, a new remuneration approach has been introduced in order to determine individual variable pay for the greater part of our staff. 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, at the same grade and in the same geographical location. 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 the overall performance of the Group, the performance of the Business/Function an employee belongs to and finally the individual performance of employees.

For Senior Executives and employees in front line roles in Global Banking, Markets and Securities Services, Private Bank and in Asset Management, variable pay remains fully discretionary and linked only to individual performance.

This new approach takes effect in 2025 for staff in France and Spain. Implementation dates for Germany and Malta have yet to be agreed.

Individual employee performance is assessed throughout the year through routine discussions and feedback and, more formally, at the end of the year during the annual performance assessment. Performance is assessed against the following three ratings scale:

– Outstanding
– Performing
– Off track

Subject to local regulations, from 2024 onwards, employees must meet minimum standards for behaviour/conduct against HSBC values (Gateway approach). If they fail to meet these minimum standards, their performance is rated off track and they are ineligible for variable pay.

Individual performance assessment is based on the achievement of objectives agreed with the manager at the beginning of the year. Depending upon the role and position of employees in the organisation, these may include:

– 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 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.

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, variable pay may be reduced, capped or increased.

Lastly, a 'malus' policy now 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.

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

Since 2020, guaranteed bonuses are no longer awarded. 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, severance payments follow the provisions of legal or collective bargaining agreements.

It should be noted that beyond the Material Risk Takers population, (see below) a great majority of the company's senior managers are affected by the minimum deferral compensation rules laid down 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 CRDV identified staff (risk takers)

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 Financial and Monetary 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 in the Regulatory Technical Standard ('RTS') rules set by the European Bank Authority. Pursuant to these criteria, 320 Material Risk Takers have been identified at Group and local level in 2024.

For this population, variable remuneration is limited to twice the fixed remuneration (100% for Material Risk Takers in Malta), in accordance with the decision made by HSBC Continental Europe shareholders' Annual General Meeting on 23 May 2014. In order to maintain the competitiveness of Material Risk Takers remuneration, HSBC 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 is equal to or lower than than 1/3 of total remuneration and is equal to or lower than EUR 50,000, it is granted in cash and immediately paid.

For French employees, the deferred share-based portion does not vest 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.

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.

The following tables show the detailed remuneration awarded to Identified Staff in HSBC Continental Europe including its European subsidiaries and branches, for 2024.

Table 39: Remuneration awarded for the financial year ('REM1')

		2024				
		Management Body Supervisory function	Management Body Management function	Other Senior Management	Other identified staff	Total
		€m	€m	€m	€m	€m
Fixed remuneration	Number of identified staff	28	3	19	254	304
	Total fixed remuneration		1,9	8,1	47,3	57,3
	– of which: cash based[1]		1,9	8,1	47,3	57,3
	shares					
	shares-linked instruments					
	other instruments					
	other forms					
Variable Pay	Number of identified staff	28	3	19	254	304
	Total variable pay[2]		2,1	7,5	30,8	40,4
	– of which: cash based		1,1	3,6	15,7	20,3
	deferred		0,6	1,6	5,1	7,2
	– of which: shares[3]		1,1	3,7	14,1	18,9
	deferred		0,6	1,8	6,7	9,0
	share linked instruments					
	– of which: deferred					
	other instruments					
	– of which: deferred					
	other forms[4]		—	0,2	1,0	1,2
	deferred		—	0,2	0,9	1,1
Total remuneration			4,1	15,6	78,1	97,7

1 Cash based fixed remuneration is paid immediately.
2 Variable pay awarded in respect of 2024. In accordance with shareholders' approval received on 23 May 2014 for each MRT the variable pay component of total remuneration for any one year is limited to 200 per cent of fixed component of the total remuneration of the MRT (100% for Malta).
3 Share awards are made in HSBC Holdings plc shares. Vested shares are subject to a retention period of one year.
4 Indexed cash awarded to AIFM UCITS Risk takers.

Table 40: Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff) ('REM2')

	2024				
	Management Body Supervisory function	Management Body Management function	Other Senior Management	Other identified staff	Total
	€m	€m	€m	€m	€m
Guaranteed variable remuneration awards[1]					
Number of identified staff					
Total amount					
– of which: amount not taken into account in the bonus cap					
Severance payments awarded in previous periods paid in 2024 (2)					
Number of identified staff					
Total amount					
Severance payments awarded during 2024[2]					
Number of identified staff				3.0	
Total amount				0.8	
– of which: paid during the financial year				0.8	
deferred				—	
amount not taken into account in the bonus cap				0,4	
highest payment awarded to a single person				0.4	

1 No guaranteed bonuses have been awarded since 2020. They have been replaced by New Hire Indicative Variable Pay in exceptional circumstances for new hires and in the first year only. The circumstances in which HSBC might offer an indicative variable pay typically involve a critical new hire and would also depend on factors such as the seniority of the individual, whether the new hire candidate has any competing offers and the timing of the hire during the performance year.

Table 41: Deferred remuneration ('REM3')

	2024							
	Total amount of deferred remuneration awarded for previous performance periods	of which: due to vest in the financial year	of which: vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments	Total amount of deferred remuneration awarded before the financial year actually Paid out in the financial year	Total amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
	€m	€m	€m	€m	€m	€m	€m	€m
MB Supervisory function								
Cash based								
Shares								
Shares linked instrument								
Other instruments								
Other forms								
MB Management function	4,4	1,2	3,2	—	—	—	1,2	0,7
Cash based	1,5	0,3	1,2	—	—	—	0,3	—
Shares	2,8	0,9	2,0	—	—	—	0,9	0,7
Shares linked instrument	—	—	—	—	—	—	—	—
Other instruments	—	—	—	—	—	—	—	—
Other forms	—	—	—	—	—	—	—	—
Oher senior management	15,5	4,3	11,1	—	—	—	4,3	1,9
Cash based	5,3	1,1	4,1	—	—	—	1,1	—
Shares	9,8	3,1	6,6	—	—	—	3,1	1,9
Shares linked instrument	—	—	—	—	—	—	—	—
Other instruments	—	—	—	—	—	—	—	—
Other forms	0,4	0,1	0,3	—	—	—	0,1	0,1
Other identified staff	49,6	14,6	35,0	—	—	—	14,6	6,9
Cash based	15,4	3,3	12,1	—	—	—	3,3	—
Shares	30,8	10,4	20,4	—	—	—	10,4	6,1
Shares linked instrument	—	—	—	—	—	—	—	—
Other instruments	—	—	—	—	—	—	—	—
Other forms	3,5	0,9	2,5	—	—	—	0,9	0,8
Total amount	69,4	20,1	49,4	—	—	—	20,1	9,6

Table 42: Remuneration of EUR 1 million or more per year ('REM4')

€	Number of identified staff	Identified staff that are high earners as set out in article 450 (i) CRR
€1.000.001 – €1.500.000	11	12,710,884
€1.500.001 – €2.000.000	5	8,924,131
€2.000.001 – €2.500.000	1	2,296,055

Table prepared in Euros in accordance with Article 450 of the European Union Capital Requirements Regulation, using the exchange rates published by the European Commission for financial programming and Budget for December of the reported year as published on its website.

Table 43: Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff) ('REM5')

	2024									
	Management Body remuneration			Business areas						
€m	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
Total number of identified staff	28.0	3.0	31.0	79.0	23.0	9.0	44.0	102.0	16.0	304.0
– of which:										
members of the MB	28.0	3.0	31.0							31.0
other senior management				3.0	3.0	1.0	8.0	3.0	1.0	19.0
other identified staff				76.0	20.0	8.0	36.0	99.0	15.0	254.0
Total remuneration of identified staff		4,1	4,1	44,3	7,6	5,4	12,6	16,5	7,2	97,7
– of which:										
variable remuneration		2,1	2,1	21,8	2,4	3,0	4,3	3,7	3,2	40,4
fixed remuneration		1,9	1,9	22,5	5,2	2,5	8,4	12,8	4,0	57,3

ESG risks

Qualitative information on environmental risk

Strategy and Business processes

This section describes how HSBC Continental Europe:

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

Business strategy to integrate environmental factors and risks, taking into account their impacts on the business model, strategy and financial planning

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

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

HSBC Continental Europe's approach to sustainability is aligned to the HSBC Group strategy, taking into account local regulatory requirements.

Become a net zero bank

In 2020, the HSBC Group set an ambition to become a net zero bank by 2050. Since then, the HSBC Group, including HSBC Continental Europe, has made progress towards achieving this ambition – including providing and facilitating sustainable finance and investment for its customers, updating several of its sustainability risk policies, and setting 2030 targets for financed emissions in a range of high-emitting sectors. As the HSBC Group nears the mid-point towards its 2030 targets, it is taking stock of its progress so far. At the current pace of decarbonisation, a combination of different factors outside the HSBC Group's control such as technological advancements, diversification of the energy mix, market demand for climate solutions, evolving customer preferences and government leadership and effective policy has led to the transition being slower than envisaged by recent Paris-aligned net zero scenarios. Against this background, the HSBC Group has begun a review of its interim financed emissions targets and associated policies as part of the annual review of its net zero transition plan. This analysis is complex and presents considerable data and methodology challenges and it is going to take time to complete.

Thermal coal phase-out policy

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

- phasing out the financing of thermal coal-fired power and thermal coal mining by 2030 in markets in the EU and the Organisation for Economic Co-operation and Development ('OECD'), and by 2040 in other markets.
- 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.

Financed emissions

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

For more information, please refer to 'GHG Financed Emissions' on page 73.

Net zero in own operations

The HSBC Group has the ambition to become a net zero bank by 2050, which includes its operations. In order to contribute to the Group's ambition, HSBC Continental Europe is focused on key objectives of reducing greenhouse gas emissions, improving energy efficiency and partnering with suppliers.

Support customers on their transition to net zero

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

In 2024, HSBC Continental Europe provided and facilitated USD 23.7 billion of sustainable finance and investments (as defined in the HSBC Group's Sustainable Finance and Investment Data Dictionary 2024), bringing HSBC Continental Europe's cumulative amount since 2020 to USD 124.9 billion, which represents 32 per cent of the HSBC Group's total progress to date.

HSBC Group published its net zero transition plan in January 2024. It aims to provide an overview of the HSBC Group's approach to net zero. In its net zero transition plan, the HSBC Group committed to continually calibrate its approach to take into consideration the latest scientific methodologies, climate-related policy measures and developments in the real world.

Wholesale strategy

HSBC Continental Europe's strategy for the wholesale business is shared by Global Banking and Markets ('GBM') and Commercial Banking ('CMB'). Both strategies reflect the overarching objective to support clients in their transition to net zero by:

- understanding the impact of climate change on customers. HSBC Continental Europe is working with customers to capture holistic information on their exposure to the transition to net zero emissions, and the risks and opportunities in five key areas (emissions, reduction targets, plans, transition risks, physical risks). Customers are assessed through a Transition Engagement Questionnaire ('TEQ') that supports commercial decision-making and credit assessments, pricing and capital allocation. Lower risk customers are given a proxy score and Financial Institutions Group and Institutional Client Group customers a composite score. The score is used to support commercial decision-making and provides a quantitative value that helps embed climate risk into credit assessments.
- pivoting towards new economy sectors. HSBC Continental Europe is providing financing to new sectors such as renewable energy and energy transition infrastructure projects. In addition, CMB supports nascent technology areas through its Venture Debt and Climate Tech Fund propositions.
- leveraging sustainable supply chains. HSBC Continental Europe has started deploying sustainable supply chain solutions to help clients reduce their scope 3 emissions, implemented partnerships with ESG ratings agencies and consultants, and created digital sustainability tools for mid-market clients.
- building market-leading ESG capabilities. HSBC Continental Europe supports clients with a wider suite of products from the established sustainable bonds and loans to market driven solutions such as renewable financing, hedging and supply chain financing or on the advisory side natural resources investment banking and ESG solutions. Dedicated teams provide ESG support with an ESG taskforce in each market.

HSBC Continental Europe intentionally has not set any quantitative targets or limits which, at this time, would call into question individual customer relationships due only to higher environmental risks/low climate scores. For those clients where a low climate score implies a negative credit outlook and therefore increased concern on a client's ability to meet their financial obligations, HSBC Continental Europe has implemented an additional quarterly 'pockets of climate and environmental risk' credit risk review process for these clients. Furthermore, for a number of high transition risk sectors, HSBC Continental Europe has developed and implemented a new climate risk measure, based on the exposure weighted average climate score for the sector, which ensures that the average sector exposure to lower scoring/higher risk clients does not increase beyond an agreed risk appetite threshold. Monitored quarterly by Corporate and Institutional Banking Portfolio Management, any breach of risk appetite requires corrective action to bring the exposure weighted average score back within risk appetite, within an agreed timeframe.

Wealth and Personal Banking ('WPB') strategy

The overall ambition in WPB is to be the partner for customers' transition to a sustainable economy and help clients manage investments for positive long-term environmental and social impacts.

Key initiatives for Global Asset Management include:

- progressively aligning the investment platform to move towards net zero by 2050 (this includes a specific energy policy and a thermal coal policy for the investments activities);
- developing new investment solutions around climate and biodiversity for retail and institutional investors;
- being part of industry global initiatives around climate and biodiversity.

Global Asset Management (France) is developing a nature and biodiversity strategy which aims at:

- continue to engage with the corporate issuers which are on the priority list.
- strengthening its expertise through training plans, issuers analysis, research and the integration of biodiversity factors into the investment processes.
- developing and reviewing robust indicators from third-party suppliers, and then setting targets, for the purpose of quantifying progress over time, while recognising that this area is still evolving.

In private banking, HSBC Continental Europe has partnered with a market leading third-party ESG data provider, to launch the ESG Integrated Advisory Proposition which was implemented for HSBC Private Bank Luxembourg in November 2024. This client-centric advisory proposition is designed to identify sustainability preferences, integrate them seamlessly, match them with ESG data analytics, advise, and rebalance a client's portfolio. This entire end-to-end advisory process enables the client-facing teams to hold meaningful conversations with their clients on ESG & Sustainable Investing.

Objectives, targets and limits to assess and address environmental risk

In October 2020 the HSBC Group announced its ambition to become a net zero bank by 2050. In January 2024, the 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. This plan recognises the importance of safeguarding nature and the important role of nature in a net zero transition.

HSBC Continental Europe does not have an entity-level transition plan, and continues to review its approach to transition planning in line with regulatory requirements, available guidance, and industry practice. The entity-level actions taken by HSBC Continental Europe include: 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 and own operations, and how it partners externally in support of systemic change.

Climate risk indicators form part of HSBC Continental Europe's risk appetite statement and support it in contributing to the HSBC Group's net zero ambition. Quarterly climate RAS metrics are in place to monitor the exposure of HSBC Continental Europe corporate lending portfolio to six 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.

HSBC Continental Europe carried out its first Double Materiality Assessment ('DMA') in 2024. It has utilised both qualitative and quantitative assessments to identify and assess its climate and nature-related impacts, risks and opportunities ('IROs'), which helped it effectively understand where it has the most significant impact on climate change and nature, both directly and indirectly, and how climate and nature-related risks may impact its operations, financial performance, stability and reputation. HSBC Continental Europe has used three distinct timeframes for its DMA, short term up to 2025, medium term from 2026 to 2035 and long term from 2036 to 2050.

EU Taxonomy-aligned activities

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 Bank's banking book is a key driver of the green asset ratio ('GAR'). With Non-Financial Reporting Directive ('NFRD') counterparties only making up a fraction of the overall book 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 details, please refer to page 97 – EU Taxonomy economic performance indicators.

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

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

The HSBC Group's sustainability risk policies comprise its core net zero-aligned policies – thermal coal phase-out and energy – and its broader sustainability risk policies covering: agricultural commodities, forestry, mining and metals, and World Heritage Sites and Ramsar-designated wetlands. It also applies the Equator Principles when financing relevant projects.

Relationship managers ('RM') are the primary point of contact for HSBC Continental Europe customers and are responsible for checking annually whether customers meet applicable policies. A network of Sustainability Risk Managers provides local expertise, support, and guidance to the Businesses and to Risk (credit approvers). The sustainability risk analysis must be undertaken annually or more frequently if risk increases, with trigger events leading to re-assessment of sustainability risk.

When RM provide commentary within New Money requests, they can also assess the impact of new facilities on the Bank's own financed emissions via the use of a calculator that is used for credit decisioning, embedded in the pricing tool. This is currently in place for the Oil and Gas and Power and Utilities sectors and will be extended to others in due course.

In addition, the Transition Engagement Questionnaire ('TEQ') and Transition Plan Assessment ('TPA') processes enables RM to engage with their key wholesale clients to gather information and assess the alignment of their business models to net zero and their exposure to physical and transition risks. The responses to these questionnaires are used to create a climate risk score for the key wholesale customers.

In 2024, HSBC Continental Europe completed assessments for most customers in scope of the thermal coal phase-out policy. The Bank also completed assessments for customers that make the most material contribution to its financed emissions in the oil and gas, and power and utilities sectors.

Once completed, TPAs can be used to support business decisions in relation to the financed emissions portfolio management and alignment, and the climate risk management.

A dedicated section on nature topics has been added to the TEQ to capture information and data related to nature-related risks. This allows for the calculation of a nature score in addition to the climate score for HSBC Continental Europe key wholesale customers.

Processes and controls will continue to evolve as the Bank looks at net zero considerations for sectors, customers and deals with higher climate and nature-related impact and risk. These considerations include: adherence with the sustainability risk policies; climate-related credit risk; customer transition plan assessment outcomes (where relevant); reputational risk considerations; and financed and, where applicable, facilitated emissions implications (where transactions are in scope of the financed emissions disclosures). The Bank has dedicated governance, with escalation pathways for deals deemed high risk, including in terms of financed emissions.

Governance

This section describes HSBC Continental Europe's governance arrangements for ESG risks, specifically how the Board and management:

- discharge their responsibilities for setting the risk framework and overseeing the implementation of objectives, strategy and policies for environmental risk management across the relevant transmission channels;
- consider the short-, medium- and long-term effects of environmental factors and risks in its own work and integrates them into organisational structure within business lines and internal control functions; and
- incorporate the management of environmental factors and risk into internal governance, including the terms of reference for committees, the delegation of tasks and responsibilities, and the feedback loops between risk management and the management body across the relevant transmission channels.

It also describes:

- the established reporting lines and frequency of reporting for environmental risks; and
- the alignment of HSBC Continental Europe's remuneration policy to its environmental risk objectives.

Given the wide-ranging remit of sustainability matters, governance activities are managed through a combination of specialist governance infrastructure and regular meetings and committees, where appropriate. Sustainability-related risk is considered within the existing first and second lines of defence governance structure to ensure that senior management have adequate oversight of key sustainability-related issues. It is expected that HSBC Continental Europe's approach to ESG governance will continue to develop, in line with the evolving approach to sustainability matters, stakeholder and regulatory expectations. The below shows how sustainability-related risk governance is incorporated in HSBC Continental Europe's existing framework.

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

Responsibilities of the management body

The Board of Directors of HSBC Continental Europe determines the strategic orientation of HSBC Continental Europe's business and oversees the implementation thereof, including with respect to ESG related matters (in accordance with Article L225-35 of French Commercial Code). The Board oversees and monitors consistent implementation of HSBC Continental Europe's risk strategy, risk appetite and risk management framework.

Whilst the Board, as a collective body, bears the responsibility as explained above, it decided to be assisted by specialist committees in its tasks. Some aspects of ESG-matters are therefore covered in the work of said committees, according to their assignment.

The Risk Committee is accountable to the HSBC Continental Europe Board and oversees and advises the Board on risk-related matters impacting HSBC Continental Europe, including climate-related and environmental risks. The Audit Committee, also set up by the HSBC Continental Europe Board, is accountable to the Board, and its responsibilities include internal controls over, inter alia, reports as required by applicable laws and regulations. This includes all sustainability-related regulatory reports.

The Chief Executive Officer has the widest powers to act on behalf of HSBC Continental Europe in all circumstances (in accordance with Article L225-56 of French Commercial Code) 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. At the proposal of the Chief Executive Officer, the Board of Directors appointed two Deputy Chief Executive Officers and, in agreement with the Chief Executive Officer, determined the extent of their powers. From an executive perspective, the Chief Executive Officer and the Deputy Chief Executive Officers, supported by the Executive Committee, formulate the strategy of HSBC Continental Europe.

The induction programme for new Board members includes ESG trainings and regular ESG training sessions are provided to all Board members.

The Board of Directors of HSBC Continental Europe, its Risk Committee and its Audit Committee regularly receive updates on sustainability-related matters. In 2024, the Board reviewed the HSBC Continental Europe sustainability strategy and was regularly updated on climate-related and environmental risks. The Risk Committee reviewed climate-related and environmental risks at every quarterly meeting. The Audit Committee regularly reviewed internal controls pertaining to sustainability-related regulatory disclosures.

The Chief Executive Officer and the Deputy Chief Executive Officers, supported by the Executive Committee, worked on HSBC Continental Europe's ESG strategy and its operational plan for sustainable finance, while receiving regular updates from the members of the Executive Committee on sustainability-related matters.

Integration of environmental factors within business lines and internal control functions

HSBC Continental Europe's approaches to climate and environmental risk management are detailed in the section 'Risk Management'.

These approaches ensure that the Board, with its Risk Committee, and senior management have visibility and oversight over the key nature and climate risks.

Measures to manage environmental risk

Significant improvements have been made since 2023 to further embed climate-related and environmental risks within governance.

The governance framework has been strengthened to ensure that all upcoming sustainable finance regulations and obligations are understood and implemented whilst supporting the implementation of the net zero and business strategy. The ESG and Climate Governance Framework builds on existing governance structures with the addition of dedicated committees at executive level and working groups.

Sustainability-related risks are incorporated in HSBC Continental Europe's existing risk management processes and discussed in the Risk Committee. Sustainability is embedded into HSBC Continental Europe's daily activities, strategy and risk management practices, ensuring that potential impacts on financial and non-financial risks are evaluated. The management of environmental risks is integrated into the internal governance arrangements, including the role of committees, the allocation of tasks and responsibilities, and the feedback loop from risk management to the management body covering relevant transmission channels. The assessment of ESG risks has not led to a material increase in provisions or capital; potential medium and longer impacts are being monitored through stress test scenarios which are presented to the HSBC Continental Europe Risk Committee.

Board	The Board sets strategic direction, including for ESG, upon management's recommendation and oversees its execution
	— Risk Committee advises and supports the Board in the oversight of risk-related matters and enterprise risks
	— Audit Committee advises and supports the Board regarding matters relating to financial reporting and the effectiveness of internal financial control systems
General Management	The Chief Executive Officer is responsible for the management of the business as well as setting and implementing HSBC Continental Europe's strategy, including on ESG
	— Executive Committee is responsible, together with the CEO, for the development and implementation of the ESG Strategy
	— Sustainability Execution Group ('SEG') provides oversight of ESG transformation and sets strategic direction
	— Risk Management Meeting supports the Chief Risk Officer ('CRO') on enterprise-wide management of all risks, including key policies and frameworks for Nature-related risk management
	— Disclosure Steerco approves the financial and non-financial disclosures, including those related to ESG
Sustainability/ Climate Specific Forums	— Sustainable Finance Forums assess and approve products and transactions
	— Some businesses/functions have specific sustainability/climate forums e.g. ESG Data, Net Zero Own Operations, etc.
	— Climate and ESG Risk Oversight Forum oversees all activities relating to ESG risk management, including physical and transition risks

Role of committees and lines of reporting

HSBC Continental Europe's Board of Directors has been informed on a regular basis through the CEO, the Risk Committee Chair's report or the CRO's report on the climate-related and environmental risks in the overall business strategy and risk management framework.

At the management level, sustainability matters are governed mainly through: the Sustainability Execution Group and the Climate and ESG Risk Oversight Forum.

Risk Committee

In the framework of its oversight of risks and risk management, the Risk Committee is informed of the impact of climate-related and environmental risks on the financial and non-financial risks of HSBC Continental Europe, and reports it to the Board.

Sustainability Execution Group ('SEG')

The SEG, chaired by the HSBC Continental Europe CEO and co-chaired by the Head of ESG Execution, sets out a sustainability strategy in line with the HSBC Group and regulatory expectations, supervises the execution of ESG regulations, addresses any shortcoming including risks/issues escalated by Global Businesses/ Global Functions and the Climate & ESG Risks Oversight Forum ('CESGROF'). Inputs are sourced from various Sustainability/Climate Specific forums. The SEG reports to the Executive Committee and the Risk Management Meeting and, on a regional basis to the HSBC Bank plc SEG.

Climate and ESG Risk Oversight Forum ('CESGROF')
The CESGROF, chaired by the Head of Enterprise Risk Management, shapes and oversees HSBC Continental Europe's approach to managing climate-related and environmental risks. The forum ensures a regular review of climate-related and environment risks across HSBC Continental Europe through the three lines of defence enabling an assessment of the risks involved in the HSBC Continental Europe perimeter and how they are controlled and monitored, giving clear, explicit and dedicated focus to current and forward-looking aspects of risks. This committee has an escalation path to the HSBC Continental Europe Risk Management Meeting. The CESGROF is held 4 times during a calendar year.

Alignment of remuneration policy

The HSBC Group's approach to remuneration promotes sound and effective risk management to support its business objectives and the delivery of its strategy, the purpose being to align risk, performance, and reward.

With regards to environmental-related risks, they are now embedded in the HSBC Group, and subsequently HSBC Continental Europe, remuneration policy and practices. At a Global level, sustainability - related risks, among which environmental risks, are factored when determining variable pay pools taking into consideration performance against the risk appetite.

Further down, objectives related to climate and environmental risks are agreed at different levels of the organization, in business lines or functions, and if appropriate, cascaded to teams, managers and individuals. The completion of these objectives forms part of the annual performance assessment which determines the performance rating (outstanding, performing, or off-track) that directly impacts pay decisions, especially variable pay.

At the HSBC Group level, climate and sustainable finance targets (namely carbon reduction in our own operations and sustainable finance and investment) are included in the long-term incentive ('LTI') scorecard of Executive Directors, the performance against these being assessed at the end of the three-year performance period. Enhancing the identification and management of climate risk is also part of scorecards for Group Heads of Businesses and Regions, the Group Chief Risk and Compliance Officer and the Group Head of Internal Audit.

At HSBC Continental Europe level, most HSBC Continental Europe Executive Committee members have climate risk objectives in their annual incentive scorecards. Objectives are usually linked to the climate ambition of the Bank, developing sustainable finance, and supporting clients in their transition to net zero and a sustainable future. In many cases these objectives have been cascaded down to their team. To assess performance against these objectives, HSBC Continental Europe monitors a set of key performance and risk indicators, covering HSBC Continental Europe as a whole or specific to business lines and functions. Such indicators include themes related to emissions, consumption, waste, sustainable finance and investment, training, proportion of loans and risk-weighted assets aligned to customers in high transition risk sectors.

More widely, for the second year, all staff across HSBC Continental Europe were assigned an objective to complete at least two climate-related training modules out of 11 proposed to improve collective awareness and understanding of climate risks. The 2024 completion rate reached 97 per cent.

In addition, for HSBC Continental Europe in France, the new profit-sharing agreement, signed in 2024, included for the second year an environmental dimension through three 'climate-related objectives, namely the reduction of energy consumption, water consumption and paper purchases. The aim is to recognise and promote sustainable use of resources by employees; the initiative being fully consistent with the net zero ambition. Each of the three objectives is accompanied by a specific profit-sharing financial pool implemented on a progressive basis according to the level of achievement of each objective.

Risk management

This section describes:

- how HSBC Continental Europe integrates the short-, medium- and long-term effects of environmental factors and risks into its risk framework;
- the definitions, methodologies and international standards on which HSBC Continental Europe's environmental risk management framework is based;
- the processes it uses to identify, measure and monitor activity, exposure and collateral (where applicable) that are sensitive to environmental risks, and the risk transmission mechanisms involved;
- the activities, commitments and exposures that mitigate environmental risks in HSBC Continental Europe;
- the impact of the risk tools implemented by HSBC Continental Europe and the estimated impact of environmental risk on capital and liquidity risk profile;
- data availability, quality and accuracy, and the development of these in HSBC Continental Europe;
- the limits that HSBC Continental Europe sets on environmental risks (as drivers of prudential risks), and the processes for escalation and exclusion in the event of limit breaches; and
- the mechanisms through which environmental risks may translate into credit risk, liquidity and funding risk, market risk, operational risk and reputational risk.

Integration of effects of environmental factors and risks into the risk framework

HSBC Continental Europe manages climate and nature-related risks across its businesses and is incorporating environmental considerations within its traditional risk types in line with the HSBC Group-wide risk management framework. The climate and nature-related risk approaches aim to effectively manage the material climate and nature-related risks that could impact HSBC Continental Europe's operations, financial performance, financial stability and reputation. They are informed by the evolving expectations of the regulatory banking environment.

The HSBC Group climate risk approach and HSBC Continental Europe nature-related risk approach are aligned to the HSBC Group-wide risk management framework and three lines of defence model, which sets out how risks are identified, assessed and managed.

Overview of key drivers of climate and nature risks and their potential impacts on a sample of HSBC Continental Europe's key risks
Climate and nature-related risks are not stand-alone risks. They may have far-reaching, complex, and nuanced impacts across the risk taxonomy. These risks are incorporated within the risk management framework through the policies and controls for existing risks, where appropriate.

The 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 approach to manage nature risk.

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 ambition 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.

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.

The climate and nature risk annual materiality assessment helps HSBC Continental Europe understand how climate and nature-related risks may impact across the HSBC Group'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.

Climate 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	◆	◆	◆	◆	◆	◆
◆ Material impact on Taxonomy Risk Type						

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.

The assessment performed across financial and non-financial risk types on a yearly basis, climate and nature-related risks are also supporting:

– HSBC Continental Europe’s DMA exercise performed in the context of the CSRD to identify and assess environmental Impacts, Risks and Opportunities ('IROs)', which are material for HSBC Continental Europe.
– HSBC Continental Europe emerging risk reporting policies, processes, and controls across many areas of the HSBC Continental Europe’s organisation.

Definitions, methodologies and standards

HSBC Continental Europe's environmental risk management is based on the Group's Risk Management Framework, the HSBC Group's climate risk approach and HSBC Continental Europe's nature-related risk approach.

Approach to managing climate risk
Climate change poses different risks to the stability of the financial system and these risks are collectively referred to ‘climate risk’.

The climate risk approach identifies two primary drivers of climate risk:

– physical risk, which arises from the increased frequency and severity of extreme weather events, such as hurricanes and floods, or chronic gradual shifts in weather patterns or rises in the sea level; and
– transition risk, which arises 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, the following thematic issues have been identified related to climate risk, which are most likely to materialise in the form of reputational, regulatory compliance and litigation risks:

– net zero alignment risk, which arises from the risk of the HSBC Group failing to meet its net zero ambition or failing to meet external expectations related to net zero; 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.

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

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

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.

An Internal Nature Scenario Analysis ('INSA') was performed in the last quarter of 2024, expanding on the existing climate scenarios with nature variables sourced from available third-party frameworks and publications. In addition, nature metrics will be developed to ensure a monitoring of nature-related risk in line with the strategy defined.

The management of environmental risk is also supported by:

– The HSBC Group sustainability risk policies that impose restrictions on certain financing activities that may have material negative impacts on climate change and nature.
– Embedding climate and nature into decision-making and customer engagement.

The Environmental risk management framework is also considering 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.

HSBC Continental Europe’s approach will evolve based on data and methodology improvements as well as future alignment with updated industry guidance for environmental related risk methodologies.

HSBC Continental Europe continues to engage with investors, regulators, customers and third parties on environmental-related matters to enhance its approaches.

Processes to identify, measure and monitor activities and exposures sensitive to environmental risks

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

Key tools implemented in HSBC Continental Europe include:

– the Bank's annual materiality assessment which helps to identify and assess the most material climate and nature risk impacts;
– risk rating methodologies which set out how the Bank identifies, assess and manages its risks;
– negative news screening to identify any environmental thematic issues possibly leading to a climate risk within the Bank’s customer portfolios, including net zero alignment risk and risk of greenwashing;
– horizon scanning to identify potential opportunities and threats (regulatory development and stakeholder sentiment) in the risk environment and to identify policies and controls that need development to ensure resilience to the future risk environment;
– stress testing and scenario analysis to identify and size the range of climate risks over multiple time horizons. A first nature scenario analysis was performed in 2024 focused on building up nature-related risk knowledge and developing a foundational modelling approach that can be built upon in future years, as wider industry guidance and practice evolves;
– TEQ responses to understand corporate clients’ climate and nature strategies and risks;
– corporate customers’ transition plan to assess their compatibility with the HSBC Group’s net zero ambition and integrate the output into HSBC Continental Europe's client engagement strategy to support HSBC Continental Europe customers’ transition;
– tools (including ESG scoring tool) and metrics (including the wholesale risk appetite metrics, financed emissions and market risk stress loss indicators) to monitor and manage risk exposures;
– Internal Capital Adequacy Assessment/Internal Liquidity Adequacy Assessment Process to identify and measure climate risk impacts on capital and liquidity.

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

HSBC Continental Europe's approach to climate and nature-related risks is clearly delineated in its risk management framework and three lines of defense model, which set out how it identifies, assesses and manages its risks.

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

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 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.

In 2024, HSBC Continental Europe conducted a nature scenario analysis exercise focused on the wholesale lending portfolio 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.

On market risk, a nature internal scenario analysis was performed for all trading books and covers banking books as well in two scenarios: Nature Destruction (physical risk) and Nature Positive (Transition Risk).

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 HSBC 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 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. The HSBC Group also requires palm oil customers to obtain certification under the Roundtable on Sustainable Palm Oil. The HSBC 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 HSBC 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.

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. Alongside climate-related existing questions, nature-related questions were included in H2 2024 into HSBC Continental Europe’s client transition engagement questionnaire to cover topics including pollution, water, biodiversity, resource use and circular economy.

In the second line of defence, reputational and sustainability risks specialists in the Risk function provide local expertise, support, and guidance to the business and credit approvers on sustainability-related credit topics.

For more details, please refer to section 'HSBC’s sustainability risk policies at 'www.hsbc.com/who-we-are/esg-and-responsible-business/managing-risk/sustainability-risk'.

The environmental risk identification and assessment have been strengthened in 2024 with the implementation of the CSRD and the performance of the DMA. HSBC Continental Europe carried out its first double materiality assessment and has identified and assessed the sustainability-related Impacts, Risks and Opportunities ('IROs'), which are material to the Bank from an impact and financial perspective. The assessment included how the Bank affects climate change and nature through its financing and lending activities as well as how climate change and nature may represent a risk for HSBC Continental Europe business.

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, tools and systems, as well as existing HSBC Group and Continental Europe reporting and risk assessments outcomes.

The climate-related risks identified under the DMA process stem from climate transition and cover reputational, credit and regulatory risk. HSBC Continental Europe has not identified material nature-related financial risks. However, the Bank acknowledges the interconnectedness of nature-related impacts and dependencies and is aware that disruption to ecosystem services may cause indirect risks for the Bank, its employees and its customers.

The identification of the most material environmental risks impacting HSBC Continental Europe was performed in line with the HSBC Group Risk Management Framework (‘RMF’), applicable to all risks across the organisation and is refreshed annually. The identification and assessment of these risks also relies on risk management tools such as climate risk appetite and Key Risk Indicators, risk mapping, emerging risk, horizon scanning, stress testing and scenario analysis.

For more details, please refer to the HSBC Continental Europe Registration Document and Annual Financial Report – Section 'Climate and environmental risk management' page 226 - 'www.hsbc.com/investors/results-and-announcements/all-reporting/subsidiaries?page=1&take=20'.

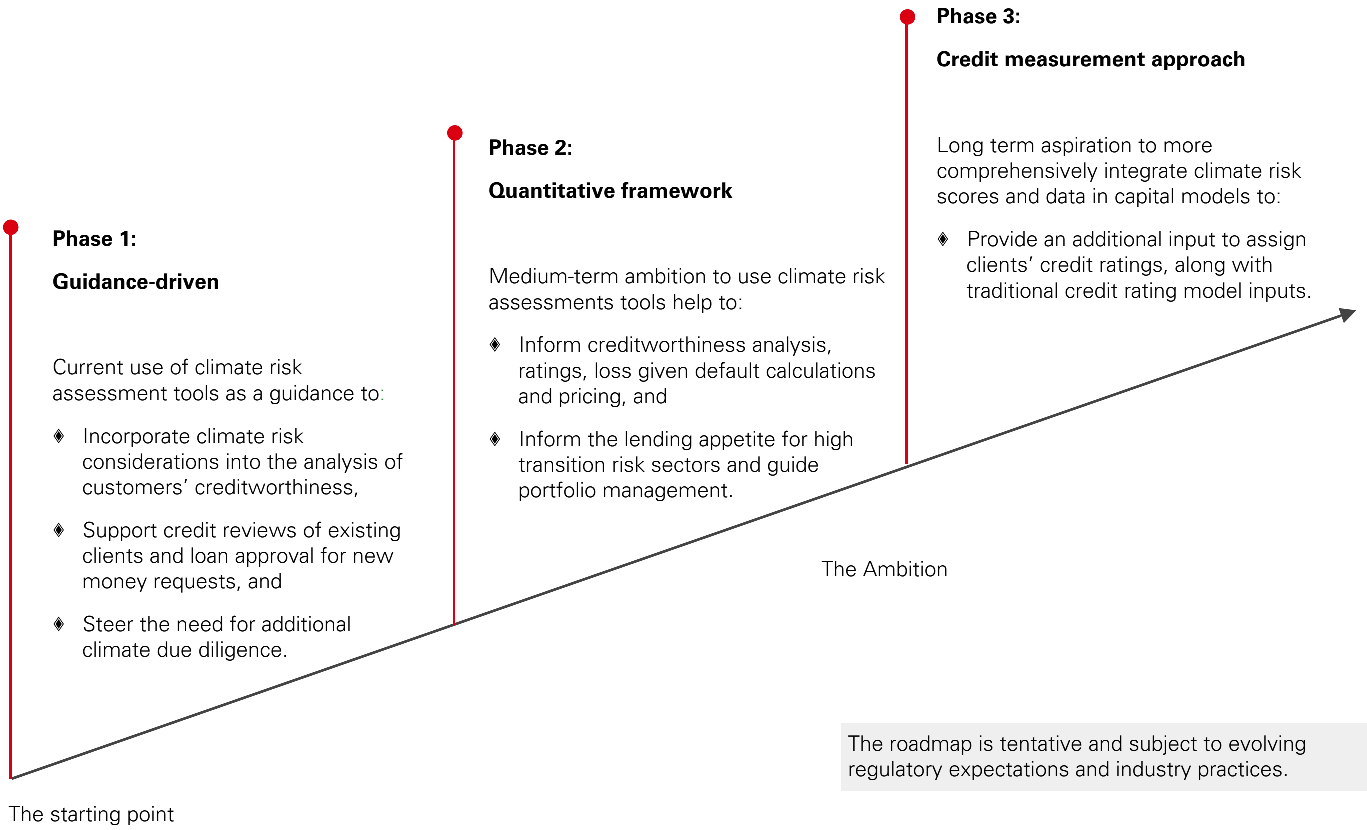
Climate and nature risk management

HSBC Continental Europe has started to embed climate and nature-related risk considerations in the Bank's day-to-day decision making through climate risk metrics, tools, scenario analysis, and policies.

The HSBC Credit Risk Management Policy and climate risk assessment tools support credit reviews and new financing requests for wholesale corporate customers by providing RMs and credit approvers with insight on corporate customers’ exposure to climate risks to help inform decisions. These processes will be enhanced in regards of nature consideration for a deployment across HSBC Continental Europe in the second half of 2025.

HSBC Continental Europe’s medium-term ambition is to use climate and nature-related risk assessment tools to inform creditworthiness analysis, ratings, collateral valuation, and inform the Bank’s lending appetite for high transition and material nature-related risk sectors and guide portfolio management. The long-term aspiration is to more comprehensively integrate climate and nature risk scores and data in capital models.

HSBC roadmap to embed climate risk in wholesale credit processes



Activities, commitments and exposures contributing to mitigate environmental risks

HSBC Continental Europe's action plan to achieve its objectives consists of embedding net zero by supporting its customers in high-emitting sectors notably through the provision of transition solutions.

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

In addition, HSBC Continental Europe applies, where relevant, the HSBC Group sustainability risks policies to its corporate clients to mitigate adverse environmental impacts within specific sectors. These policies include core net-zero policies (thermal coal phase-out and energy) and broader sustainability risk policies, which cover agricultural commodities, chemicals, forestry, mining and metals, and World Heritage Sites and Ramsar-designated wetlands. The HSBC Group’s thermal coal phase-out policy aims to support thermal coal phase-out aligned to science-based timeframes while the HSBC Group’s energy policy focuses on its ambition to financing the energy transition, which help HSBC Continental Europe mitigate its material impacts on climate change.

HSBC Continental Europe aims to continuously evolve its metrics and refine its methodology to align to regulatory changes, disclosure rules, and industry best practices. Currently, HSBC Continental Europe reports against climate and financed emissions related metrics, developed to monitor and manage its exposures, informed by standards including the Greenhouse Gas Protocol, the Partnership for Carbon Accounting Financials (‘PCAF’), the World Economic Forum ('WEF'), and the Sustainability Accounting Standards Board ('SASB'). By aligning its climate-related metrics to these reporting initiatives, HSBC Continental Europe contributes to develop a supportive environment for achieving net zero and mitigates the environmental risks resulting from reputational concerns as a result of climate action or inaction. Furthermore, HSBC became a signatory to Just and Urgent Energy Transition ('JUET') principles at the 2021 United Nations climate change conference ('COP26') and is actively working on how to embed just transition considerations into its net zero strategy, ensuring that its approach supports a fair and inclusive energy transition for all stakeholders. HSBC is also progressing on its outlined approach to incorporating Just Transition considerations and in 2024, the HSBC Group was the founding funder of the Just Transition Lab, hosted at the London School of Economics ('LSE') Grantham Research Institute, which published a compendium on just transition metrics, a policy brief on ‘Mobilising global debt markets for a just transition’ and a report of the just transition for the UN’s Net Zero Policy Taskforce.

Metrics, taxonomies and practices for Sustainable Finance continue to emerge and evolve across the jurisdictions in which the HSBC Group operates. HSBC Continental Europe’s methodologies, disclosures and targets may need to change in the light of evolving industry standards and regulatory guidance.

Partnerships for systemic change

Throughout 2024, HSBC Continental Europe continued to engage in partnerships to support its customers on their transition journey. This includes a partnership with ESG ratings provider EcoVadis in France, to help wholesale banking clients to understand and have plans to reduce their scope 3 emissions through scoring.

In Europe, Commercial Banking has been expanding its partnership and developing the ESG Directory, a list of third party ESG service providers that have been vetted by HSBC Continental Europe to help customers to navigate the complex and evolving sustainability landscape so they can meet their goals, wherever they are on their transition journey. The ESG Directory focuses on key areas where customers require support, such as setting strategy, disclosing against regulatory frameworks, assessing supply chains, assessing physical risk and second party opinion and energy efficiency.

HSBC continues to strengthen its partnerships for systemic change on nature across the public and private sectors, notably through the Climate Solutions Partnership with the World Resources Institute ('WRI') and the World Wide Fund for Nature ('WWF').

In 2024, HSBC Continental Europe was also involved in several partnerships which focus on scaling nature-based solutions. These partnerships, funded through the Bank's 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 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 climate.
- Earthworm Foundation, on the 'Living Soils', programme dedicated to regenerative agriculture and intended to promote agricultural practices that respect the earth and contribute to carbon capture.

Tools for identification, measurement and management of environmental risks

HSBC Continental Europe seeks to ensure that the financial services provided to its customers to support economic development do not result in an unacceptable impact on people or the environment.

The HSBC Group has established core net zero-aligned policies and broader sustainability policies, which set financing restrictions when the customer's activities may have direct or indirect adverse impacts on the environment or people.

Policies and procedures are used to define the minimum standards for the management of climate risks within the principal types impacted. Existing policies, minimum control standards and related procedures are assessed by the relevant Risk Stewards using a risk-based approach to determine if these already effectively manage climate risk, or if enhancements are required.

Examples of recent policy and control enhancements include:

- updates of credit risk policies to assess and manage climate and nature risks;
- development of climate risk guidelines for relationship managers to further embed climate risk considerations into credit risk assessments;
- guidance to enhance the integration of climate risk within Risk and Control Assessments ('RCAs') for Non-Financial Risk Types, and the documentation of climate risk in HELIOS, the HSBC operational risk management tool.

The HSBC Group determines whether a new sustainability risk policy needs to be introduced, or an existing policy needs to be updated, based on factors such as: the materiality of risk to its business; its exposure to the sector; the adverse environmental, climate or social impacts related to the sector's business practices and outputs; evolving scientific guidance; policy and regulatory requirements; and evolving industry practices.

RMs are primarily responsible for assessing whether HSBC Continental Europe's customers meet applicable policies by gathering information from customers' sustainability reports and climate disclosures, with input from technical experts in HSBC Sustainability Centre of Excellence and risk colleagues. In addition, RMs and local sustainability teams help Small and Medium-sized Enterprise ('SME') customers to access to a network of specialists offering local and international assistance, to support the development of their own approach to decarbonisation.

Each year, HSBC Continental Europe's businesses and functions perform a climate risk materiality assessment across financial and non-financial risks through various environmental scenarios, providing the Bank with holistic view of climate risk impacts across HSBC risk taxonomy, and identify potential gaps within the Bank climate risk management capabilities. Assessment is performed at sector, portfolio or activity level, depending on the risk type assessed.

In 2024, the approach was enhanced with the consideration of nature scenarios in addition to the climate ones. The outcome of this annual exercise also supported the identification of material climate and nature-related risks as part of the Bank's double materiality assessment.

Climate and nature scenarios have been developed considering physical risk, transition risk, net zero alignment risk and greenwashing risk drivers. This reflects HSBC Continental Europe's approach to include environmental considerations into its risk management framework.

HSBC Continental Europe's climate stress testing and scenario analysis are used to provide insights on the medium- and long-term effects of transition and physical risks across retail and wholesale banking portfolios. As well as undertaking regulatory-driven stress tests, internal stress tests are conducted to understand the nature and level of all material risks, quantify the impact of such risks and develop plausible business-as-usual mitigating actions. Climate scenario analysis is used to enrich HSBC Continental Europe's understanding of the risks and opportunities, drivers, dependencies, and challenges HSBC Continental Europe faces in future climate pathways.

HSBC Continental Europe's stress testing programme assesses its capital and liquidity strength through a rigorous examination of its resilience to external shocks.

HSBC Continental Europe developed an approach to allocate dedicated capital to climate risk in the Internal Capital Adequacy Assessment Process ('ICAAP'). It incorporated climate impacts on credit risk and traded risk in the Economic Capital in the 2024 Internal Climate Scenario Analysis ('ICSA') results with climate adjusted Credit Risk Rating notch movements. The ICAAP is reviewed on a quarterly basis. In 2024, the ICSA covers risks in wholesale credit, real estate, operational risk, liquidity risk and traded risk. The ICSA methodology was extended in 2024 to cover additional operational risk areas, with an assessment of financial reporting and regulatory compliance risks (greenwashing assessment) in addition to resilience risks (physical risk assessment). A new short-term scenario was introduced combining severe climate events with macro-economic impacts. Wholesale credit risk, traded risk and liquidity risk were also stressed under nature risk drivers during 2024. The Internal Nature Scenario Analysis ('INSA') covers selected high nature-risk sectors for a sample of companies, where data is currently available. The results of the internal scenario analysis performed for climate will be included in the 2024 Year-End ICAAP.

Results and outcome of the risk tools implemented and the estimated impact of environmental risk on capital and liquidity risk profile

Liquidity risk assessment

Climate and nature risk drivers may impact HSBC Continental Europe’s liquidity risk directly, through its ability to raise funds or liquidate assets, or indirectly through customers’ demands for liquidity, resulting in additional drawdowns on facilities and deposit outflows.

HSBC Continental Europe’s liquidity risk profile has been analysed with respect to nature and climate risks. The analysis used an internal scoring model to derive a risk ranking by industry based on HSBC Continental Europe’s wholesale customers’ profiles. The model explores how climate-related financial risks can arise and impact HSBC Continental Europe. By exploring several scenarios, it illustrates how climate and nature risk drivers may affect the Bank’s financial risks via micro and macroeconomic transmission channels.

HSBC Continental Europe has also built a scenario based-approach that considers losses and damages caused by severe environmental events due to biodiversity loss generating severe ecosystems impacts like drought and heat observed in recent years following global warming.

Acknowledging the Bank’s market footprint and the range of activities, it is difficult to conclude a direct link between climate and liquidity, at least over a liquidity stress horizon.

Analysis shows that overall impact from climate and nature risks is limited in the short term due to the overall well diversified exposure across industry and countries with relative limited exposure to risky sectors such as Oil & Gas, Metals & Mining or Agriculture & Soft Commodities. Risk levels may increase in the medium to long term as regulations increase and nature-related events become more frequent.

Capital risk assessment

HSBC Continental Europe has integrated environmental risks in the Risk Inventory for ICAAP using an assessment which identifies risk drivers that may impact HSBC Continental Europe on a medium (up to 10 years) or long (up to 25 years) time horizon.

The annual climate risk materiality assessment performed across financial and non-financial risks supports the identification of the most material risk types for inclusion in the capital assessment: credit risk, market risk and operational risk (resilience risk and risk of greenwashing).

In the ICAAP published in Q1 2024 on 2023 year-end data, the impact of climate on credit risk, market risk and operational risk on Economic Capital (‘EC’) has been assessed by leveraging enhanced ICSA outputs. The impact of climate risk on capital is currently not considered material over the capital planning horizon (less than 1 per cent of total Economic Capital) but it has the potential to grow and remains an area of focus.

For more details on ICAAP, please refer to the section 'Tools for identification, measurement and management of environmental risks.'

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

HSBC Continental Europe has a holistic approach to data governance encompassing all risk types as well as business lines and functions. This is set out within the HSBC Group Data Management Policy and Controls which covers Environmental Risk data. HSBC Continental Europe's data management standards are captured within its Data Management Procedures and align to Basel Committee on Banking Supervision 'Principles for Effective Risk Data Aggregation and Risk Reporting' (‘BCBS 239’) requirements. Further, Environmental Risk Data is also in scope for BCBS 239.

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

ESG Data Utility

HSBC Continental Europe is investing to develop wider ESG data and analytics capabilities. HSBC Continental Europe is building an ESG Data Utility to provide a centralised, trusted source of reusable data assets that can be provisioned across businesses, functions and Centre of Excellence to support sustainability initiatives. The ESG Data Utility will build data assets, dashboards, analytics and applications to deliver key requirements. This includes financed emissions, climate scenario analysis and stress tests, sustainable finance disclosures, policy implementation, climate and wider ESG risk management, and frontline business enablement (for example, customer transition assessments and ESG scores) as well as portfolio decision making and optimization.

An evolving approach

HSBC Continental Europe aims to evolve its metrics and refine its methodology in line with regulatory changes, disclosure rules and industry practice and standards.

Where appropriate, HSBC Continental Europe is working with data providers and scientific organisations to gather data and use forward-looking scenarios to improve analysis. HSBC Continental Europe also depends on climate-related data from customers and vendors, including emissions data, targets and transition plans. Currently this is a major challenge as data is incomplete, given limited disclosures, and can be inconsistent.

The methodology and data to assess financed emissions and set targets continues to evolve. HSBC Continental Europe plans to continue to engage with regulators, greenhouse gas accounting and disclosure standard setters and industry bodies to help shape the approach to measuring financed emissions and managing portfolio alignment to net zero.

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.

Metrics, taxonomies and practices for sustainable finance are continuing to emerge and evolve across the jurisdictions in which HSBC Continental Europe is operating. As HSBC Continental Europe considers evolving industry standards and as regulatory guidance evolves, methodologies, disclosures and targets may need to change. Nature is perhaps the most nascent area where requirements for how risk is assessed and managed will evolve. HSBC Continental Europe has participated in different pilots ahead of the launch of the Taskforce for Nature-related Financial Disclosures ('TNFD'), has started collecting data on customers’ actions to protect natural capital and biodiversity in transition plan assessments, and is monitoring the impact of HSBC Continental Europe own operations on nature.

Limit setting for environmental risks and escalation and exclusion triggers in the event of breaches

Climate risk forms part of HSBC Continental Europe’s risk appetite statement and supports it in contributing the HSBC Group's net zero ambition in an effective and sustainable manner.

HSBC Continental Europe's climate risk appetite is underpinned by a combination of:

- climate RAS metrics, which are supported by appetite and tolerance thresholds against which performance is measured and monitored.
- climate risk Key Metrics Indicators ('KMIs'), which are important for monitoring climate risk and can also be used as a tool to further refine metrics before rolling them out as formal RAS metrics.

The RAS is set in line with the Global Risk Appetite Framework.

The HSBC Continental Europe RMM and Risk Committee receive regular updates on the Bank climate and nature-related risk profile. Climate RAS metrics are reported quarterly to the CESGROF, Risk Management Meeting and Risk Committee. KMIs are reported quarterly to the CESGROF, monthly to the SEG and on a bi-annual basis to HSBC Continental Europe RMM and Risk Committee.

Climate scenario analysis is leveraged to identify high climate risk exposures across short, medium and long-term horizons, calibrate risk appetite and tolerance thresholds considering the different time horizons and design forward looking RAS and KMIs as climate scenario analysis methodology and data continue to evolve.

HSBC Continental Europe also engages with clients in high emissions sectors, such as thermal coal mining, oil and gas, and power and utilities, and expects them to formulate and publish transition plans that are consistent with the HSBC Group's ambitions and targets.

HSBC Continental Europe aims to undertake a review of the transition plans of its customers that are the most material to its portfolios and financed emissions targets. These reviews are conducted by the specialists from the Sustainability Centre of Excellence with input from relationship managers.

Regular engagement with energy customers on their transition plans is key to HSBC Continental Europe's approach. If after repeated engagement a customer transition plan is not compatible with the HSBC Group's ambitions and targets, HSBC Continental Europe will formally assess whether it continues to provide financing or advisory services for that customer taking into consideration their transition plan and holistic risks, including strategic considerations. Where additional oversight is required, HSBC Continental Europe also presents completed assessments to an internal advisory panel of senior representatives from across relevant business lines and functions. This process is designed to provide insights specific to each customer and their circumstances.

Links between environmental risks and credit risk, liquidity and funding risk, market risk, operational risk and reputational risk

HSBC Continental Europe seeks to manage climate risk across all its businesses in line with the HSBC Group-wide risk management framework and is incorporating climate considerations within its traditional risk types. In 2024, HSBC Continental Europe updated its qualitative assessment of how climate and nature-related risks (including net zero alignment risk and the risk of greenwashing) may impact all financial and non-financial risk types defined in HSBC taxonomy. Based on this assessment, HSBC Continental Europe carried out its first DMA to comply with the CSRD requirements, aiming at identifying material climate and nature-related impacts, risks and opportunities. HSBC Continental Europe may face the following risks resulting from climate and/or nature events:

- transition to a low carbon economy can materialize as an increased credit risk for HSBC Continental Europe. Climate-related regulatory, policy or technological developments may impact corporate customers' business models, resulting in financial difficulty for customers.
- physical risk with extreme weather events may disrupt customers or cause damage to their assets. For instance, for commercial real estate, properties may be impacted by adverse weather events, potentially affecting both property values and borrowers' ability to meet their financial commitments.
- liquidity risk may increase because climate and nature risks drivers may impact HSBC Continental Europe liquidity risk directly through its ability to raise funds or liquidate assets, or indirectly through customers' demands for liquidity. For instance, in the event of greenwashing or reputation concerns, clients could withdraw deposits, which could increase the liquidity risk.
- market risk may increase if the risks associated with climate and nature are not accurately reflected within HSBC Continental Europe trading book assets. Trading losses may result from increases in market volatility and widening spreads due to macro and micro economic impact of transition and physical risk. For instance, stock options of firms located in regions sensitive to physical events, such as hurricanes or floods, may experience an increase in price volatility.
- operational risk coming from physical risk faced on HSBC Continental Europe own operations and premises may increase, owing to the more frequent and severity of weather events and chronic shifts in weather patterns, which could affect its ability to conduct day-to-day operations. For instance, if physical hazards disrupt transportation facilities and telecommunications infrastructure, the Bank's operational ability may be reduced.
- regulatory compliance risk may result from the increasing pace, breadth and depth of climate-related regulatory expectations requiring implementation in short timeframes. For instance, greenwashing related to products offered by financial institutions is the focus of several new global regulations and could result in increased risk from product governance, mis-selling and marketing practices.
- conduct risks could develop in association with the increasing demand for 'green' products where there are differing and developing standards or taxonomies.

HSBC Continental Europe also faces increased reputational, legal and regulatory risks as progress is made towards the HSBC Group's net zero ambition, with stakeholders likely to place greater focus on the climate-related policies, the disclosures and the financing and investment decisions relating to the HSBC Group's climate ambition. Additional risks could be faced if HSBC Continental Europe is perceived to mislead stakeholders in respect of its climate strategy, the climate impact of a product or service, or the commitments of its customers.

HSBC Continental Europe may also be exposed to climate-related litigation risk, either directly if stakeholders think that HSBC Continental Europe is not adequately managing climate risks or indirectly if clients and customers are themselves the subject of litigation, potentially resulting in the re-evaluation of their assets. HSBC Continental Europe may also be exposed to nature-related risk beyond climate change. These risks arise when the provision of natural services such as water availability, air quality and soil quality is compromised by overpopulation, urban development, ecosystem degradation and loss induced by the economic activity and other environmental stresses beyond climate change. They can manifest themselves in a variety of ways, including through macroeconomic, market, credit, reputational, legal and regulatory risks, for both HSBC Continental Europe and its customers.

Qualitative information on social risk

Strategy and Business processes

This section describes how HSBC Continental Europe:

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

Business strategy to integrate social factors and risks, taking into account their impacts on the business model, strategy and financial planning

Social risk refers to the impact HSBC Continental Europe may have on its employees, customers and markets and communities within which it operates. A critical aspect of social risk is the Bank's focus on conduct risk. In this regard, HSBC Continental Europe concentrates on five clear outcomes:

- understanding customers' needs;
- providing products and services that offer a fair exchange of value;
- serving customers' ongoing needs and putting it right in case of mistakes;
- 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 these outcomes to be achieved are:

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

The conduct 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 each take the following approach:

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

HSBC Continental Europe is committed to being a leading employer in Europe and strives to energise its people so they can thrive and create a more empowered organisation that enables HSBC Continental Europe's strategic ambition and a lasting positive societal impact. This is driven through:

- championing employee engagement by fostering an inclusive culture, including an ambition for greater representation of women in HSBC Continental Europe's senior leadership, amongst other inclusion priorities. Raising awareness of the importance of inclusion across HSBC Continental Europe is key to this, through the Executive Committee and in its governance committees, as well as in its Inclusion working groups, collaborating closely with its Employee Resource Groups ('ERG's).
- establishing a unified and positive culture that unlocks HSBC Continental Europe's edge through leadership excellence and its employee value proposition. HSBC Continental Europe is also committed to fostering a supportive environment focused on mental health and well-being, encouraging its employees to adopt alternative and more flexible ways of working that suit their needs.
- enabling sustainable growth by supporting employees to develop skills to thrive today and in the future. Attracting, integrating, and retaining talented people is fundamental. HSBC Continental Europe also encourages staff to use a number of learning platforms, such as the integrated Degreed training platform, and take time regularly to explore learning opportunities to support their self-development, particularly regarding capabilities aligned to its strategic priorities, such as The Sustainability Academy, digital and people management.

Alongside this, HSBC Continental Europe, as part of the HSBC Group, encourages the protection of its employees' human rights, in line with HSBC's Human Rights Statement. HSBC Continental Europe requires its employees to treat colleagues with dignity and respect, further embedding an inclusive environment.

HSBC Continental Europe is committed to high standards of ethical behaviour and operates a zero-tolerance approach to bribery and corruption. It considers such activity to be unethical and contrary to good corporate governance and requires compliance with all anti-bribery and corruption laws in all markets and jurisdictions in which it operates. The Bank has a Global Financial Crime Policy which outlines key principles and minimum control requirements that enable HSBC Continental Europe to mitigate Bribery and Corruption risk, comply with France's Sapin II Law and to adopting a zero-tolerance attitude to corruption.

With respect to suppliers, the code of conduct, revised in 2023, sets out the HSBC Group's ambitions and areas of focus on the environment, diversity and human rights and outlines the minimum standards expected of suppliers on these issues. Commitment to the code is formalised with clauses in supplier contracts, which support the right to audit and act if a breach is discovered.

Objectives, targets and limits to assess and address social risk

HSBC Continental Europe adheres to the HSBC Group's Human Rights Statement, which describes the ways in which the 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.

In addition, HSBC Continental Europe has zero tolerance for harassment or 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 requires all its employees to treat each other with dignity and respect.

In regard to labour rights of its employees, HSBC Continental Europe is committed to upholding ethical standards and follows the HSBC Group-wide Modern Slavery and Human Trafficking Statement. This Statement sets out actions taken by the HSBC Group to help, detect, prevent and address human trafficking and modern slavery, including but not limited to child labour, forced labour and debt bondage.

Since achieving its ambition of having 30 per cent of senior leadership positions held by women in 2020, the HSBC Group set a new ambition to reach 35 per cent by 2025. The 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.

The HSBC Group Inclusion team distributes 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 the 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.

The risk management framework is underpinned by the HSBC Group’s values. This framework governs the approach to manage risks in the short, medium and long term. Within HSBC Continental Europe, controls are deployed to ensure an effective implementation across the organisation.

With regards to business strategy and performance, the management of risk within appetite is driven by setting minimum standards to ensure that HSBC Continental Europe:

- achieves regulatory compliance and good conduct outcomes throughout the customer lifecycle;
- markets and sells products in a way that recognises the needs and interests of customers,
- services customers’ ongoing needs and meets their reasonable expectations - including where HSBC Continental Europe undertakes these activities cross border;
- takes appropriate action to put things right when things go wrong;
- provides appropriate support to customers with enhanced care needs,
- exercises the appropriate expertise and understanding to manage the Bank's fiduciary duties.

Businesses must establish procedures and processes to ensure that operating arrangements achieve policy outcomes on an ongoing basis, and controls are operated and monitored effectively as described in the following Minimum Control Requirements:

- Risk Owners must have controls in place to ensure that sales journeys do not lead to mis-selling or mis-buying. They must be able to evidence that the sales processes in place meet regulatory requirements and deliver good Conduct Outcomes at the point of sale. This includes checks to validate sales journeys with respect to regulatory expectations and conduct outcomes - for example, through sales quality testing;
- where inappropriate sales outcomes are identified, Risk Owners must ensure appropriate remedial action is undertaken. Arrangements must be in place to identify and address the root causes of inappropriate sales outcomes in consultation with the relevant Risk Steward as appropriate. For example, the root cause of an inappropriate outcome could be the design of the sales journey or incentive arrangements leading to poor employee behaviour;
- Risk Owners must have controls in place to determine if the sale of products to customers outside of their country of residence could lead to entity licensing requirements arising.

Policies and procedures relating to engagement with counterparties on their strategies to mitigate and reduce socially harmful activities

HSBC Continental Europe sustainability risk policies are part of a broader risk management framework and aim to ensure that the financial services provided to customers do not result in an unacceptable impact on people or the environment. Hence, the communities served are identified as key stakeholders mentioned in the policies. HSBC Energy policy aims to support a just and affordable transition, recognizing the local realities in all the communities in which the HSBC Group operates. For example, HSBC Continental Europe will not provide financial services to customers involved directly in or sourcing from suppliers involved in exploitation of people and communities (HSBC Agricultural commodities policy - palm oil supply chain) or wood logged in violation of traditional and civil rights (HSBC Forestry policy). Through these policies HSBC Continental Europe is supporting the drive to eradicate socially harmful activities, raise awareness and bring a positive impact to the customers and communities it serves.

HSBC Continental Europe’s strategy, business models and procedures must support the needs of customers who require enhanced care. Customers with enhanced care needs are those who, due to their specific circumstances, are likely to harm and need additional support in their relationship with HSBC. The procedures must consider how customers with enhanced care needs will be identified and communicated with, and minimise the number of times a customer has to tell the Bank about their circumstances.

For more information on policies and procedures relating to engagement with customers with enhanced care needs, please refer to the section 'Activities and commitments to mitigate social risk" below.

Governance

This section describes HSBC Continental Europe’s governance arrangements for ESG risks, specifically how the Board and management:

- discharge their responsibilities for setting the risk framework and overseeing the implementation of objectives, strategy and policies for social risk management covering counterparties' approaches to:
  - Activities towards the community and society;
  - Employee relationships and labour standards;
  - Customer protection and product responsibility;
  - Human rights;
- incorporate the management of social factors and risk into internal governance, including the terms of reference for committees, the delegation of tasks and responsibilities, and the feedback loops between risk management and the management body.

It also describes:

- the established reporting lines and frequency of reporting for social risk; and
- the alignment of HSBC Continental Europe’s remuneration policy to its social risk objectives.

Responsibilities of the management body

For more information on the roles and responsibilities of the Board and General Management related to sustainability matters, please refer to the HSBC Continental Europe Registration Document and Annual Financial Report – the Sustainability Report, section 'Governance of sustainability matters' - 'www.hsbc.com/investors/results-and-announcements/annual-report'.

Activities towards the community and society

Please refer to the section 'Policies and procedures relating to engagement with counterparties on their strategies to mitigate and reduce socially harmful activities' above.

Employee relationships and labour standards

In relation to employee relationships and labour standards, please refer to the section 'Measures to manage social factors and risks in internal governance arrangements' below.

Customer protection and product responsibility

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

The HSBC Continental Europe products approval committee has the responsibility to provide the final approval before the launch of new product or service, and material change on existing product or service, by ensuring the product proposition is aligned with the HSBC Continental Europe strategy and the conduct rules.

Human rights

Protecting human rights is one of the components of HSBC Continental Europe's established Duty of Care Plan ('the Plan'). The Plan is monitored through 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 Teams. Any issue identified is escalated in the HSBC Continental Europe Climate and ESG Risk Oversight Forum which also has an escalation path to the HSBC Continental Europe Risk Management Meeting.

The Plan, containing reasonable measures to identify relevant risks and prevent serious human rights violations, serious bodily injury, and environmental damage, has been defined by HSBC Continental Europe and implemented in accordance with France's law which come into effect on the 27 March 2017. The Plan covers risks relating to HSBC Continental Europe's employees, banking activities, including customers, as well as suppliers and subcontractors. The Plan includes the following key themes: inclusion, occupational health and safety, human rights, customer engagement, whistleblowing system and procurement 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's code of conduct.

The Plan is supported by HSBC Group frameworks (Global Principles, risk management framework, Purpose-led Conduct approach and HSBC Purpose and Values), specific policies (supplier code of conduct, sustainability risk policies (agricultural commodities, energy, forestry, mining and metals and chemicals industry), whistleblowing policy) and statements (human rights, Modern Slavery & Human Trafficking, whistleblowing arrangements and Nature).

Measures to manage social factors and risks in internal governance arrangements

At HSBC Continental Europe, social factors and risks are internally governed through a range of committees and activities. HSBC Continental Europe expects that its approach to ESG governance is likely to continue to develop, in line with HSBC Continental Europe's evolving approach to sustainability matters and stakeholder expectations.

Social factors are managed in accordance with the Three Lines of Defence model, as outlined in its risk management framework, policies and procedures.

The CESGROF, chaired by HSBC Continental Europe's Head of Enterprise Risk Management, is a local governance meeting that convenes quarterly and is established to provide senior oversight of all risk activities related to the management of climate and ESG risks across the entity, including social risks where appropriate. The CESGROF is also responsible to assign and track mitigation or remediation actions as appropriate, as they relate to social matters discussed within the meeting. Any material social issues identified are escalated to the RMM and, if required, to the HSBC Continental Europe Risk Committee.

Social risk is part of ESG governance within HSBC Continental Europe, enhanced over recent years, to manage climate and environmental risks across the Bank as presented in the section 'Qualitative information on environmental risk' – section 'Governance' above. This approach offers effective feedback between risk management and the management body.

HSBC Continental Europe's Duty of Care Steering Committee, chaired by HSBC Continental Europe's Chief Risk Officer, monitors HSBC Continental Europe's Duty of Care Vigilance Plan; a plan containing reasonable measures to identify relevant risks and prevent serious human rights violations, serious bodily injury, and environmental damage, in accordance with French law. Any escalations are made to the aforementioned HSBC Continental Europe CESGROF.

HSBC Continental Europe's Head of Human Resources presents an update on people risk to the HSBC Continental Europe Risk Committee twice per annum, and presents the people strategy to the HSBC Continental Europe Board of Directors annually. Remuneration topics are also presented to the Remuneration Committee.

To ensure the management body is appropriately appraised, HSBC Continental Europe's Head of Human Resources also provides an update at each HSBC Continental Europe Executive Committee, providing the Chief Executive Officer with expertise on social factors pertaining to HSBC Continental Europe's employees, as well as oversight of performance against HSBC Continental Europe's people strategy and objectives. Further, updates are provided every two months to HSBC Continental Europe's RMM, with employee themes also discussed within the RMM of respective business lines and functions in the Region. Any actions or tasks that emerge from the updates provided by the Head of Human Resources are duly tracked through to completion.

HSBC Continental Europe's quarterly Whistleblowing Oversight Committee reports on the effectiveness of the whistleblowing arrangements across HSBC Continental Europe, including in its branches and subsidiaries. The Chair of the HSBC Continental Europe Audit Committee has the responsibility for ensuring and overseeing the integrity, independence and effectiveness of the whistleblowing arrangements. The HSBC Continental Europe Whistleblowing Oversight team, reporting to HSBC Continental Europe's Chief Compliance Officer, provides a report at least annually to the HSBC Continental Europe Audit Committee.

In Commercial Banking and Global Banking, the European Wholesale Sustainable Finance Forum ('SFF'), co-chaired by Regional Heads of Commercial Banking and Global Banking, reviews transactions terms weekly to ensure compliance with HSBC's standards for qualification as sustainability-linked, green use of proceeds or social use of proceeds. Further, the European ESG Bonds Committee reviews and assesses the labelling of debt capital markets ('DCM') transactions across wholesale banking, including appropriate labelling regarding social use of proceeds. Both Committees include senior First Line of Defence stakeholders with ESG expertise including Regulatory Compliance and regional representation from the relevant following teams: DCM Sustainable Bonds, senior management from DCM, and Reputational and Sustainability Risk; offering holistic review from a risk management and management body perspective. Where appropriate, the transaction or client is referred to the Regional Reputational Risk and Client Selection Committee ('RRCSC').

From a human rights perspective, in 2021, the HSBC Group enhanced its governance on human rights by appointing key members of the HSBC Group Executive Committee to its Human Rights Steering Committee, with the HSBC Group Chief Risk and Compliance Officer as Chair. The Human Rights Steering Committee is overseen by the Group Executive Committee.

Regarding internal capacity being built, the HSBC Continental Europe's Board of Directors and General Management participated in training on social aspects of ESG in 2024, notably human rights and Just Transition.

In 2024, the HSBC Group provided practical guidance and training, where relevant, to colleagues across the HSBC Group on how to identify and manage human rights risk. The HSBC Group continued to develop its in-house capability with the launch of further online resources. In 2024, the HSBC Group issued human rights due diligence good practice guidance tailored to procurement and corresponding high-level guidance for staff who manage relationships with business customers.

Lines of reporting

A risk report is produced at least annually on the main risks associated with social factors identified under the French Duty of Care law as part of the CESGROF to ensure proper consideration of key risks identified.

Aligned to the HSBC Group's risk appetite and risk management approach, HSBC Continental Europe has identified four key risk indicators ('KRIs') relating to its employees, concerning hiring, inclusion, mandatory training and personal conduct cases, which are internally reported on each quarter. Certain KRIs are included in the risk appetite statement reviewed by HSBC Continental Europe's Risk Committee and Board of Directors every quarter. Thresholds are defined for each KRI; should a KRI trend outside of such thresholds, a root cause analysis would be performed and an action plan would be defined to return the KRI to within appetite.

Refer to section 'Measures to manage social factors and risks in internal governance arrangements' above for frequency of reporting and information exchange on social risk within internal governance activities.

Alignment of the remuneration policy

Social risk is also considered as part of the remuneration policy and practices, which are designed to ensure each employee is treated fairly. To support this, pay analyses are performed every year to ensure consistency and fair treatment among employees regardless of any demographic characteristic such as gender, age or disability.

For instance, regarding HSBC Continental Europe France, a specific pool has been introduced to review and adjust any unjustified. Furthermore, both the attrition rate and retention rate of the best performers are monitored per business line monthly and shared with HSBC Continental Europe's Executive Committee. Where the attrition rate for certain roles is high, HSBC Continental Europe can decide, if appropriate, to make compensation counter offers to potential leavers or take any appropriate mitigating actions.

In addition, at the Group level, and subsequently at HSBC Continental Europe, there is an ambition to increase the representation of women in senior leadership roles and to improve the inclusion index score, as measured by the employee annual survey. This ambition is cascaded down in the organization to Heads of Business and Heads of Function in order for each of them to contribute to this ambition. For most of HSBC Continental Europe's Executive Committee members, including Executive Directors, this ambition is included in the part of their annual incentive scorecard related to social themes.

Moreover, each people manager in HSBC Continental Europe is assigned an inclusion goal aimed at identifying and proactively implementing initiatives serving to improve inclusion in their team. For example, this goal may cover the representation of applications for a position to be filled, the completeness of training on inclusion, the improvement of the inclusion index, and participation to inclusion initiatives.

As part of the annual goals of HSBC Continental Europe employees, all have a risk and compliance goal which requires adherence to laws, regulations, letter, intent and spirit of all policies and procedures, alignment to HSBC Continental Europe's values, "speak up" culture, and commitment to providing products and services aligned to customers' needs. Compliance with the risk goal is part of the annual performance assessment and subsequent pay decisions.

HSBC Continental Europe's approach to human rights is described in the above section 'Objectives, targets and limits to assess and address social risk'. Through the incentivisation compliance process, any breach has an impact on the individual's performance assessment and subsequently on their variable pay.

Risk management

This section describes:

- the definitions, methodologies and international standards on which HSBC Continental Europe's social risk management framework is based;
- the processes and tools it uses to identify, measure and monitor activity, exposure and collateral (where applicable) that are sensitive to social risk, and the risk transmission mechanisms involved;
- the activities, commitments and assets that mitigate social risk in HSBC Continental Europe;
- implementation of tools for identification and management of social risk;
- the limits that HSBC Continental Europe sets on social risk, and the processes for escalation and exclusion in the event of limit breaches; and
- the mechanisms through which social risks may translate into credit risk, liquidity and funding risk, market risk, operational risk and reputational risk.

Definitions, methodologies and standards

Social risks in banking may be understood as the risk of losses arising from any negative financial impact on the institution stemming from the implications of its business practices for society, including how their own employees, employees in their value chains and customers are treated.

HSBC Continental Europe refers to the list of social topics below defined by the European Commission in its Social Taxonomy issued in February 2022 in the context of it social risk management:

- labour rights;
- social protection and inclusion;
- non-discrimination;
- the right to health care, housing, education (including professional training) and food;
- assistance in the event of unemployment or self-employment;
- consumer protection;
- peaceful and inclusive societies; and
- the fight against corruption and tax evasion.

Stakeholders affected by these social topics include:

- entity's own workforce;
- end-users or consumers; and
- affected communities.

A specific social risk management approach is not implemented within HSBC Continental Europe. Social factors are integrated across the existing risk taxonomy and considered in application of:

- the Duty of Care French law;
- HSBC Risk Management Framework which is underpinned by the HSBC Group's values and governs its overall approach to managing risk;

– sustainability risk policies applied to corporate clients focusing on reputational, credit, legal and other risks related to customers' environmental and social impacts;
– '4Cs' (Capacity, Capability, Conduct and Culture) framework, used in conjunction with employment practices and relations policy to manage employee matters;
– international standards including, 'Ten Principles of UN Global Compact, ILO Conventions and Recommendations, OECD Guidelines for Multinational Enterprises, and UN Guiding Principles on Business and Human Rights'.

Processes to identify, measure and monitor activities and exposures sensitive to social risk

Social risk is not a standalone risk in the HSBC risk taxonomy. Instead, some social factors are considered across the existing HSBC risk taxonomy covering matters relating to HSBC Continental Europe own workforce, consumer protection and suppliers.

Human Resources procedures are defined in the functional Instruction Manual ('FIM'). This manual aims to ensure that HSBC Continental Europe, as an employer, takes all appropriate steps to meet employment laws, regulatory commitments, and obligations to its workforce. These include and are not limited to human rights violation, labour rights, income inequality, lack of human rights, privacy, poverty and non-discrimination matters. Failure to comply with the policy could result in financial loss, legal or regulatory action, reputational damage or impacts on employees and customers. A set of controls has been defined under the Non-Financial Risk Framework and in line with non-financial risk management principles. These allow HSBC Continental Europe to identify and manage risks and controls arising from social risks. The policy contains the minimum expectations and controls to manage non-financial risks within risk appetite.

The HSBC risk management procedures have continued to evolve during 2024. This included the development of global guidance on human rights, which incorporates the salient human rights issues assessment and provides colleagues with clear principles and practical advice, including case studies, on how to identify, prevent, mitigate and account for how impacts on human rights are addressed. The Bank is developing a human rights due diligence operating procedure for procurement that describes the due diligence process undertaken to identify suppliers that have a high risk of human rights issues and the process to be followed to review and address the risk. In addition, HSBC's supplier code of conduct was refreshed in 2024, setting its ambitions and areas of focus on the environment, inclusion and human rights, and outlines the minimum standards the Bank expects from its suppliers on these issues.

A review of HSBC Continental Europe businesses and functions' Risk and Control Assessment is performed once a year to ensure that social risks identified under the French Duty of Care law are duly considered. These risks include forced labour, fair conditions of work, health and safety, inclusion, right to privacy, cultural and land rights, right to dignity and justice and whistleblowing. The outcome is presented in the appropriate governance forum and material issues are escalated to the CESGROF for monitoring. The 2024 risk mapping exercise performed did not identified any material deficiencies in this perimeter.

Activities and commitments to mitigate social risk

In 2024, HSBC Continental Europe carried out its first DMA to comply with the CSRD requirements. Through its DMA, the Bank identified two material social-related risks, connected to privacy across its operations and value chain. Breaches of applicable privacy regulation, legislation or legal framework could lead to punitive action or financial penalty, as well as reputational risk.

HSBC Continental Europe proactively integrates data privacy considerations into all 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 all core operations, the Bank ensures that the protection of personal information and responsible data management remain central to its long-term business strategy. HSBC's 'Principles for the Ethical Use of Data and Artificial Intelligence' include how the HSBC Group seeks to respect the right to privacy while making use of these technologies.

HSBC Continental Europe also follows the Group-wide Modern Slavery and Human Trafficking Statement in connection with the Human Rights Statement. This statement sets out minimum standards to detect, prevent and address human trafficking and modern slavery, including but not limited to child labour, forced labour and debt bondage. The Bank also adheres to all procedures and risk management frameworks defined at the HSBC Group level following a UNGP-aligned review of salient human rights issues in 2022.

The HSBC Group has also focused on human rights risk management practices relating to the goods and services it buys from third parties and in respect of its business customers during 2024.

Suppliers

The HSBC Group's Supplier Code of Conduct ('the Code') was refreshed in 2024. The Code sets out the HSBC Group's ambitions and areas of focus with respect to the environment, diversity and human rights, and outlines the minimum standards it expects of its suppliers on these areas. The HSBC Group continues to formalise adherence to the Code in its supplier contracts, which includes the right to audit and act if a breach is discovered. Under the Code, the HSBC Group reserves the right to review suppliers' policies, procedures or any other documents related to compliance with the Code. In some cases, the HSBC Group may require an online or on-site audit of a supplier. For HSBC Continental Europe, 97.8 per cent of its contracted suppliers have signed the Code or have an accepted equivalent (compared with 90 per cent in 2023). The HSBC Group also issued human rights due diligence good practice guidance tailored to Procurement and corresponding high-level guidance for staff who manage HSBC relationships with business customers.

HSBC's Global Procurement team is also developing a Human Rights Due Diligence Standard Operating Procedure that describes the due diligence process undertaken to identify suppliers that have a high risk of human rights issues and the process to be followed to review and address the risk.

Workforce

HSBC Continental Europe is also committed to safeguarding the human rights of its workforce in compliance with the HSBC Group's Human Rights Statement which defines how the HSBC Group protects human rights across its activities and those of its business partners. HSBC Continental Europe requires all its employees to treat colleagues with dignity and respect. The HSBC Group has zero tolerance for harassment or unlawful discrimination. HSBC Continental Europe's employees are made aware of their employment rights and duties through a variety of channels, including written employment contracts and policies, and procedures in employee handbooks and on employee websites and a code of conduct. A range of speak-up channels are in place to listen to the concerns of employees, including a whistleblowing platform, 'HSBC Confidential', that allows concerns to be raised in confidence and, where preferred, anonymously. Employees are trained on a range of human rights related topics, including but not limited to inclusion, bullying and harassment, racism, and data privacy. In addition, employees receive regular training as part of 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.

Further, HSBC Continental Europe operates the below controls to ensure compliance with labour laws and regulations and anti-discrimination rules, mitigating social risk related to its employees:

– employment practices and relations: complying with employment laws, regulations and commitments to the workforce;
– conduct: managing poor behaviours and employee concerns;

- permissions to work: completeness of work permission records;
- employment law and regulatory developments: implementation of legislative or regulatory changes;
- external reporting submissions: quality checks on external reporting submissions;
- employee representative bodies: inventory of agreements and authority to create binding agreements;
- Material Risk Taker ('MRT') remuneration: completeness of MRT population and accuracy of remuneration delivered;
- working hours and overtime: completeness and accuracy of working hours and overtime records;
- employee concerns and complaints handling procedure: annual review to confirm it remains valid and authorisation of changes;
- employee investigations: closure accuracy and completeness checks;
- performance and reward sanctions: accurate capture of performance and reward adjustments aligned to the conduct and consequence management guidelines.

To deliver upon HSBC Continental Europe's ambition to promote an inclusive workforce, HSBC Continental Europe contributes to the HSBC Group's ambition of having 35 per cent of senior leadership positions held by women by 2025. HSBC Continental Europe's Executive Committee closely monitors progress. In addition, HSBC Continental Europe's people managers, aligned to the HSBC Group's People Management Policy, are expected to foster a values-driven, inclusive workplace, supporting strategic objectives, and actively addressing employee feedback to improve performance and meet the needs of customers, colleagues and communities. HSBC Continental Europe is also required 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 the HSBC Group approach.

HSBC's Vulnerable Employees Policy outlines the necessary steps which need to be taken to maintain a safe work environment for those with impaired movement, hearing, or vision. Where a new or existing member of staff informs HSBC Continental Europe of a disability or a medical condition that may pose a risk to their health and/or safety in the workplace, people managers must arrange an assessment of the hazards to which they are exposed and determine a safe system of work for them. Also, all internal and external facing digital applications that are created or updated by HSBC Continental Europe must comply with the Group Accessibility Standards. This ensures that digital experiences and applications comply with local disability, discrimination, and equality regulations.

HSBC Continental Europe has also implemented several initiatives aimed at embedding an inclusive culture into all aspects of its operations. This includes (i) launch of an Inclusion Survey in France and Germany in 2024, (ii) training and capability building related to workplace bias, work discrimination, and inclusion, (iii) embedding its Employee Resource Groups and (iv) gender pay gap reporting.

To mitigate overdue mandatory training, HSBC Continental Europe follows a procedure for managing mandatory training. This procedure ensures skill development, the completion of learning activities, and compliance with regulatory requirements. Effectiveness is monitored through training completion rates, with each business and function having on-demand access to completion data. Functional 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.

HSBC Continental Europe is committed to fostering a 'Speak Up culture', where all staff can work in a psychologically safe environment and 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. HSBC Continental Europe has established channels to speak up that are available to all employees. Senior leadership also 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 and Human Resources. In relation to personal conduct cases specifically, HSBC Continental Europe's Human Resources team handles cases where breaches in policy have been alleged or have materialised. 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 reminds line managers of poor personal conduct cases that may result in a restricted rating scale as part of the year-end performance and reward cycle.

Customers

In Commercial Banking and Global Banking, HSBC Continental Europe aims to engage with its customers and support them in adopting more sustainable practices. As part of the Sustainable Finance Forum ('SFF'), HSBC Continental Europe has implemented internal procedures to help to mitigate Sustainability, Reputational and Greenwashing risks associated with Sustainable Finance lending and trade finance products (including Green, Social, and Sustainable-linked Loans and/or trade facilities or products) and help develop robust business in support of sustainability. This procedure supports HSBC Continental Europe in meeting its external Sustainable Finance ambitions and aims.

HSBC's 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. HSBC's sustainability risk policies are reviewed periodically to ensure they reflect its priorities, and the HSBC Group continues to review policy implementation as it applies its policies in practice. All credible allegations of human rights violations are investigated through engagement with stakeholders when reported. They are then raised directly with the client 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 the RRCSC, 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.

Combatting financial crime, such as money laundering, fraud, corruption and tax evasion also plays an important role in mitigating wider social risks. HSBC Continental Europe's financial crime policies aim to ensure that risks identified by the Bank are appropriately mitigated. The HSBC Group's financial crime risk framework also helps to mitigate the risk of being associated with adverse human rights impacts, by helping to identify and assess the financial crime risk posed by its customers, employees and third parties.

For customers with enhanced care needs, HSBC Continental Europe's businesses must ensure that mechanisms are in place, and are monitored, to identify customers who are in, or approaching, financial difficulty in a fair and timely way. The businesses must ensure that customers are given the opportunity to discuss suitable solutions to manage their financial situation. HSBC products and services must be equally accessible to all eligible customers, and consideration must be given to providing appropriate products and services to customers with enhanced care needs. The treatment of customers with enhanced care needs must be reviewed at appropriate local management forums. Businesses must also monitor how their actions or lack of action affect the experience and outcomes of customers who need enhanced care, using insights to drive improvements, where necessary.

Investments

HSBC Asset Management has developed a responsible investment approach by launching its first responsible investment fund in 2001 and being one of the first signatories of the UN Principles for Responsible Investment in 2006. As an investor, HSBC Asset Management supports the ten core principles derived from the

Universal Declaration of Human Rights, the International Labour Organization Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the UN Convention against Corruption. These commitments are set out in its Policy on Responsible Investment.

HSBC Asset Management engages with companies under its Stewardship Plan on core themes material to investee companies and corresponding investments, including human rights. Engagements may be on a one-on-one basis, or collaboratively with other investors. In 2024, it has developed engagement guidelines, highlighting its expectations of good practice for companies, where human rights may be a material issue. The Global Voting Guidelines provide an overview of its approach to exercising its shareholder rights in respect of ESG issues, including human rights.

In 2024, HSBC Asset Management joined the Investor Initiative on Human Rights Data ('II-HRD'), a collaborative engagement initiative that aims to improve the depth and breadth of corporate human rights data available to investors and the transparency of human rights assessment criteria. This initiative seeks to address the industry-wide challenges commonly cited, including lack of transparent ESG ratings methodologies by commercial data providers and insufficient inclusion of human rights data.

Tools for identification and management of social risk

Social factors may have impacts across HSBC Continental Europe's risk taxonomy, such as that of not achieving the strategy or objectives as the result of failed internal processes, people and systems, or from external events.

HSBC Continental Europe has tools in place to identify social risks with employees, customers and suppliers, and to manage them.

HSBC Continental Europe is developing its Duty of Care vigilance plan ('Plan') which contains measures to identify and prevent risks associated to human rights violations, serious bodily injury, and environmental damage in accordance with current French law.

In relation to employees, social risks can stem from a failure to comply with employment law and regulations, or a failure to manage poor employee behaviour and concerns, which could result in legal action, regulatory censure, reputational damage, and financial losses.

More broadly, HSBC conducts an annual employee sentiment survey that allows the Bank to measure employee engagement and to capture views from understanding of strategy to wellbeing. HSBC Continental Europe also holds exchange meetings where employees are free to discuss any issues they wish with management without fear of recrimination.

To identify social risks with customers, HSBC Continental Europe applies the HSBC Group sustainability risk policies as part of the broader risk management framework, ensuring that the financial services provided do not result in an unacceptable impact on people. An annual review is carried out on Global Banking and Markets and Commercial Banking clients operating in sectors covered by the HSBC Group's sector policies, and all transactions in these sectors are also reviewed.

For more details, please refer to the section 'Activities and commitments to mitigate social risk' above.

Limits to social risk and cases to trigger escalation and exclusion in the case of breaching these limits

In relation to transactions at HSBC Continental Europe, limits to social risk are assessed on a case-by-case basis as part of established internal approval and escalation frameworks as part of the deal approval process, which can be escalated to the RRCSC if necessary.

For more details regarding the deal approval process, please refer to the section 'Measures to manage social factors and risks in internal governance arrangements' above.

Link between social risks and credit, liquidity and funding, market, operational and reputational risks in the risk management framework

In 2024, HSBC Continental Europe carried out its first DMA to comply with the CSRD. This assessment covered social topics covering the Bank's own workforce, workers in the value chain, affected communities and consumer and end users. HSBC Continental Europe has identified two material social-related risks connected to non-compliance with employees' and customers' data protection laws.

Inadequate compliance with data privacy laws may expose the Bank to fines, sanctions, criminal proceeding, and reputational damage, which would have a negative impact on HSBC Continental Europe's financial revenues. This assessment highlights the link between risks related to employees' and customers' human rights and operational and reputational risks. In addition, when the Bank faces a reputational risk, it may have difficulties to find market funding and/or experience deposit withdrawals from its customers, which could increase its liquidity and funding risk.

HSBC Continental Europe is committed to protecting and respecting its employees and customers' data, in accordance with the laws and regulations of the markets in which the Bank operates, by recruiting the right talents, investing in technology and systems and having the right controls, policies and processes in place. Regular employee training and awareness sessions on data privacy and security issues have been conducted throughout 2024. Data privacy is regularly reviewed at multiple governance forums, including at Board level, to help ensure there is appropriate oversight by senior executives. As part of its three lines of defence model, HSBC's Global Internal Audit function provides independent assurance as to whether data privacy risk management approaches and processes are designed and operating effectively. In addition, regular reviews and privacy risk assessments are performed.

HSBC Continental Europe will continue to progress on social related risk management in consideration of the nascent nature of this topic for the Bank and the limitations in availability of social-related data and methodologies.

Qualitative information on governance risk

This section describes how HSBC Continental Europe:

- integrates governance performance of its counterparties in its governance arrangements, including committees of the highest governance body, committees responsible for decision-making on economic, environmental, and social topics;
- takes account of its counterparty's highest governance body's role in non-financial reporting;
- integrates the governance performance of its counterparties in its governance arrangements and in its risk management arrangements including: ethical considerations, strategy and risk management, inclusiveness, transparency, management of conflict of interest, internal communication on critical concerns.

HSBC Continental Europe's integration in its governance arrangements of the governance performance of the counterparty

The integration of governance risks for customers and third parties can be taken into consideration, where relevant, through HSBC Continental Europe's financial crime risk management framework.

This financial crime framework is underpinned by a financial crime policy designed to enable adherence to applicable laws and regulations. This framework aims to protect customers, shareholders, staff, the communities in which HSBC Continental Europe operates, and the integrity of the financial system on which all market participants rely.

Financial crime includes fraud, bribery and corruption, tax evasion, sanctions and export control violations, money laundering, terrorist financing and proliferation.

Some of the controls that make up the financial crime risk management framework are:

'Know your customer' ('KYC') /Customer Due Diligence ('CDD') – this process looks at customer risk and takes into consideration, geographic exposure, business activity, legal entity type as well as the types of products and services used. It also identifies key controllers and beneficial ownership as per regulatory requirements. All customers and connected parties are screened for sanctions and negative news and, where certain risks cannot be mitigated, there is an escalation process in place to Risk and Compliance.

Further to the KYC/CDD, HSBC Continental Europe may request additional policy and risk management framework information as part of the Enhanced Due Diligence ('EDD') process. Upon receipt of the additional information, an independent risk assessment is completed. This risk assessment could include the management of certain risks, conflicts of interest, code of conduct, values and ethics, as well as the application of certain laws and regulations.

Additionally, HSBC Continental Europe performs risk assessments on third parties (also known as non-customer relationships). These parties are subject to due diligence and screening requirements. Third parties meeting specific criteria are assessed against a risk scoring methodology which indicates the level of due diligence that must be applied.

The HSBC Global Procurement team is developing a Human Rights Due Diligence Standard Operating Procedure that outlines the due diligence process undertaken to identify suppliers that have a high risk of human rights issues and the process to be followed to review and address the risk.

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.

Where relevant, issues are escalated to the RRCSC. The RRCSC is a committee established to provide recommendations on matters arising from customers and non-customers (e.g. third parties), transactions and wider reputational risks. The RRCSC is responsible for:

- facilitating decisions and ensuring that issues are appropriately tracked and solved;
- making decisions about relation between the Bank and customers;
- ensuring that appropriate consideration is given to conduct issues in respect of decisions made;
- ensuring issues are appropriately tracked and solved; and
- ensuring Client Selection Exit Management ('CSEM') and Reputational Risk policies are upheld and outcomes meet HSBC's Global Standards;
- escalating appropriate matters for higher level decision making (HSBC Continental Europe Risk Management Meeting as well as the Group RRCSC).

When required, reputational risk related matters are escalated to the Group Reputational Risk Committee.

Taking into account the role of the counterparties' highest governance body in non-financial reporting

HSBC Continental Europe has an ESG modelling framework designed to assess and rate the maturity and quality of its client's management of the environmental, social and governance factors impacting their business and operating environment. This framework has been developed with the HSBC Group to calculate a score for each client with completed TEQ to assess factors related to the clients' plans to transition. The wholesale TEQ currently covers climate and nature risk, and will be enhanced over time.

HSBC Continental Europe leverages key information from the TEQ together with contextual client information to review the transition plans of customers that are most material to its portfolios and financed emissions. For those customers for whom the Bank has completed such TPA, the role of the client's highest governance body has been assessed, including with regards to the production of the transition plan and/or other sustainability reports.

HSBC Continental Europe's integration in the governance arrangements of the governance performance of its counterparties

As part of the counterparty due diligence process, there may be adverse media or information, which could require further review and assessment of a counterparties' governance by HSBC Continental Europe specialised teams, such as Financial Crime or Reputational Risk. These in-depth governance assessments may include, reviewing codes of conduct, values and ethics, anti-bribery and corruption policies as well as risk management frameworks. The level of analysis will vary on a case-by-case basis, but it may include an assessment of the implication of the counterparties' management body, where relevant. Such assessments of the highest governance body are ad-hoc and are relatively rare.

Ethical considerations

As indicated in the section above, HSBC Continental Europe operates a robust onboarding process for customers and counterparties, which includes due diligence requirements. Where the Bank identifies activities that could cause material negative impacts, the Bank expects customers to demonstrate that they are identifying and mitigating risks responsibly, and the Bank will look to take required actions such as assessing a counterparties governance and risk management frameworks.

HSBC Continental Europe aims to engage with its customers and support them in adopting more sustainable practices considering that some customers operate in sectors where the risk of adverse human rights impact is high.

HSBC's sustainability risk policies for agricultural commodities, energy, forestry, mining and metals consider human rights issues such as forced labour, harmful or exploitative child labour and land rights. They also consider the rights of indigenous peoples such as 'free prior and informed consent', workers' rights, and the health and safety of communities.

The HSBC Group has also established Sustainable Procurement Procedures to help identify (and escalate, 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. These include enhanced procedures for human rights risk identification through the introduction of a human rights residual risk questionnaire for suppliers.

Strategy and risk management

HSBC Continental Europe is committed to the fair treatment of businesses that supply it with goods and services and expects them to operate responsibly in line with HSBC Continental Europe's values.

In addition, global standards and procedures for the onboarding and use of third-party suppliers are implemented. Suppliers are required to meet HSBC compliance standards and an assessment is performed to identify any financial stability concerns. During the selection and tender process, third party suppliers must complete a questionnaire which asks questions about their Carbon Emissions Reduction policy, whether climate goals are integrated into their strategy, and whether there is a dedicated diversity, equality and inclusion team in their workplace.

HSBC Continental Europe's contracts with third parties include clauses covering conflicts of interest, duty of care, sustainability and responsibility.

The HSBC Group's supplier code of conduct sets out the HSBC Group's ambitions and areas of focus on the environment, diversity and human rights, and outlines the minimum standards expected of suppliers on these issues. Commitment to this code of conduct is formalised with clauses in supplier contracts, which support the right to audit and act if a breach is discovered.

In the case of counterparties (customers), HSBC Continental Europe conducts due diligence with respect to a customer's strategy and risk management, which is outlined in the above section 'HSBC Continental Europe's integration in its governance arrangements of the governance performance of the counterparty'.

Inclusiveness
As a leading global employer, the HSBC Group's aim is to build an HR policy that helps to develop staff members, while helping them to achieve their full potential for the HSBC Group. In this regard, HSBC Continental Europe, as part of the HSBC Group, values difference and believes that differences make the business stronger.

The integration of counterparty inclusiveness will continue to evolve to align with industry practices and emerging standards.

Transparency
HSBC Continental Europe is committed to acting with integrity and conducting global activities in accordance with all applicable laws and regulations relating to financial crime risks, this includes considering the transparency of the counterparties with whom HSBC Continental Europe does business.

Furthermore, via the HSBC Group's Global Anti-Tax Evasion Facilitation Policy, HSBC Continental Europe applies key principles and minimum control requirements to managing the risk of counterparty tax evasion and facilitating or failing to prevent the facilitation of tax evasion. The Policy aims to ensure that HSBC Continental Europe's banking services are not associated with any arrangement known or suspected to be designed to facilitate tax evasion. Key controls to mitigate these risks include assessing the integrity of customers, third parties, new or significantly modified products, and strategic transactions to identify and assess these risks, the drafting of contractual clauses in contracts with third parties, the implementation of controls on supplier processes, the training of employees at the global level supplemented, where appropriate, by training of local teams, and incentives for whistleblowers.

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

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

– one client and another (client versus client);
– HSBC Continental Europe and a client (HSBC Continental Europe versus client);
– an employee and a client (employee versus client).

Under the Conflicts of Interests policy, business lines and functions in HSBC Continental Europe, must:

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

The integration of the counterparty's management of conflicts of interest will continue to evolve to align with industry practices and emerging standards.

Internal communication on critical concerns
HSBC Continental Europe will assess internal communication of critical concerns and material risks of a counterparty on a case-by-case basis. This will be assessed primarily in relation to material risk incidents with either a counterparty or supplier. The objective is to understand how quickly information is escalated and how the resolution of critical incidents is managed. Where a counterparty or a supplier incident is communicated to HSBC Continental Europe and it may impact HSBC Continental Europe operations, such operational incidents and near-misses, irrespective of their financial impact, are recorded in the Continental Europe's risk management tool and are subject to relevant risk governance.

HSBC Continental Europe's risk management of the governance performance of its counterparties

Counterparty ethical considerations, strategy and risk management as well as transparency may be considered as part of HSBC Continental Europe's due diligence processes outlined in the above section 'HSBC Continental Europe's integration in its governance arrangements of the governance performance of the counterparty'.

The reputational risk of counterparties is considered by specific committees. For more information, please refer to the above section 'HSBC Continental Europe's integration in the governance arrangements of the governance performance of its counterparties.

In the context of the implementation of the CSRD, HSBC Continental Europe has conducted a DMA on sustainability matters.

The integration in HSBC Continental's risk management of the governance performance of counterparties will continue to evolve to align with industry practices and emerging standards.

Scope of ESG reporting

The information reported in Tables 44 to 53 below relates to the principal operating entities within HSBC Continental Europe's prudential scope of consolidation, including all HSBC branches and subsidiaries at 31 December 2024. Subsidiaries engaged in insurance activities are excluded from the prudential consolidation. These tables provide information on non-trading book exposures; assets held for trading or held for sale are excluded.

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

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

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

Identification of companies excluded from Paris aligned benchmark

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

Exposure to companies excluded from Paris-aligned Benchmarks stands at EUR 1,432m (compared to EUR 1,596m at 31 December 2023).

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

Prior Period comparatives have not been restated for this amendment.

Counterparties are excluded based upon the criteria listed in Articles 12.1 and 12.2 of the Climate Benchmark Standards Regulation. The relevant articles and approach are set out below:

Approach to article 12.1

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

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

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

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

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

(g) companies that derive 50 per cent or more of their revenues from electricity generation with a GHG intensity of more than 100g CO_2e/kWh.

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

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

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

Approach to article 12.2

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

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

Data limitation

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

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

Identification of environmentally sustainable exposures (CCM)

HSBC Continental Europe is required to report the taxonomy-aligned exposures that are in accordance with EU Taxonomy Regulation 2020/852 and aligns with Table 49 Mitigating actions: Assets for the calculation of GAR (Template 7) for non-financial corporations.

Greenhouse Gases ('GHGs') financed emissions

Background

HSBC Group announced its ambition to become a net zero bank in October 2020, including an aim to align its financed emissions to net zero by 2050. Since then, the Group has published initial financed emissions targets for 2030. In the Net Zero Transition Plan ('NZTP') published in January 2024, the Group committed to continually calibrate its approach to the latest scientific methodologies, climate-related policy measures and developments in the real world given that the sector portfolios reflect progress in the real economy in the regions where it operates.

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

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

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

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

Coverage of the analysis – HSBC Group

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

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

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

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

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

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

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

Recommendations are provided to financial institutions to score and disclose data quality, and to seek to improve data quality over time.

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

– The ESG review in the HSBC Group Annual report and Accounts available on the HSBC Group website: www.hsbc.com/who-we-are/esg-and-responsible-business.

– The Financed Emissions and Thermal Coal Exposures Methodology, see www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.

HSBC Continental Europe Financed Emissions

HSBC Continental Europe has expanded the sectoral and on-balance sheet exposure coverage for financed emissions measurement.

To calculate annual on-balance sheet financed emissions, HSBC Continental Europe used drawn balances as at 31 December 2024 related to wholesale loans and advances to customers (corporate loans) and financial assets that are not insurance related (corporate debt). HSBC Continental Europe also now utilises NACE codes at individual obligor level aligned to the approach to the sectoral classification for balance sheet exposure. Given there is limited data availability at an individual obligor level, HSBC Continental Europe has estimated the emissions figures based upon industry averages at NACE level aligned to PCAF data quality score 5.

Plans to enhance methods to estimate counterparties' emission

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

HSBC Continental Europe understands the need to provide early transparency on climate disclosures but this needs to be balanced with the recognition that the existing data and reporting processes require significant enhancements. Estimates were used when client-reported data is not available. As data improves, the estimates will be replaced with reported figures.

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

Data and methodology limitations

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

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

Table 44: Banking book – climate change transition risk: Credit quality of exposures by sector, emissions & residual maturity (Template 1)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount (€m)					Accumulated impairment/ negative changes in fair value due to credit risk and provisions (€m)			GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent)							
31 Dec 2024			of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818	of which: environmentally sustainable (CCM)	of which: stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures		of which: Scope 3 financed emiss-ions	percentage of GHG emissions (column i) derived from company-specific reporting (%)	<= 5 years (€m)	> 5 year <= 10 years (€m)	> 10 year <= 20 years (€m)	> 20 years (€m)	Average weighted maturity (years)
Sector/Subsector																	
1	**Exposures towards sectors that highly contribute to climate change**[1]	21,213	1,413	253	2,810	1,099	(306)	(49)	(231)	16,119,620	13,961,510	0	18,510	2,197	483	23	2.4
2	**A – Agriculture, forestry and fishing**	88	—	—	3	20	(5)	—	(5)	80,778	69,490	0	86	1	1	—	2.2
3	**B – Mining and quarrying**	458	370	1	2	246	—	—	—	1,084,652	965,514	0	207	246	—	5	4.9
4	B.05 – Mining of coal and lignite	—	—	—	—	—	—	—	—	4,223	4,109	0	—	—	—	—	—
5	B.06 – Extraction of crude petroleum and natural gas	368	368	1	2	246	—	—	—	1,022,368	916,836	0	117	246	—	5	5.5
6	B.07 – Mining of metal ores	73	—	—	—	—	—	—	—	26,661	17,379	0	73	—	—	—	2.6
7	B.08 – Other mining and quarrying	17	2	—	—	—	—	—	—	31,361	27,160	0	17	—	—	—	1.9
8	B.09 – Mining support service activities	—	—	—	—	—	—	—	—	39	30	0	—	—	—	—	—
9	**C – Manufacturing**	8,245	354	40	594	326	(128)	(26)	(91)	7,155,118	6,432,300	0	7,947	270	17	11	1.7
10	C.10 – Manufacture of food products	728	—	—	39	8	(6)	(1)	(5)	704,268	632,856	0	639	76	13	—	2.2
11	C.11 – Manufacture of beverages	109	—	—	10	—	—	—	—	33,385	29,925	0	103	6	—	—	0.6
12	C.12 – Manufacture of tobacco products	111	—	—	—	—	—	—	—	6,755	6,239	0	111	—	—	—	2.5
13	C.13 – Manufacture of textiles	120	—	—	6	13	(4)	—	(4)	82,750	64,322	0	86	34	—	—	3.2
14	C.14 – Manufacture of wearing apparel	10	—	—	3	3	(2)	—	(2)	3,577	3,311	0	10	—	—	—	1.1
15	C.15 – Manufacture of leather and related products	69	—	—	—	—	—	—	—	14,079	13,355	0	69	—	—	—	3.5

Table 44: Banking book – climate change transition risk: Credit quality of exposures by sector, emissions & residual maturity (Template 1) (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount (€m)					Accumulated impairment/ negative changes in fair value due to credit risk and provisions (€m)			GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent)							
31 Dec 2024			of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818	of which: environmentally sustainable (CCM)	of which: stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures		of which: Scope 3 financed emiss-ions	percentage of GHG emissions (column i) derived from company-specific reporting (%)	<= 5 years (€m)	> 5 year <= 10 years (€m)	> 10 year <= 20 years (€m)	> 20 years (€m)	Average weighted maturity (years)
Sector/Subsector																	
16	C.16 – Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	130	—	—	1	—	(1)	(1)	—	59,969	52,295	0	122	8	—	—	2.8
17	C.17 – Manufacture of paper and paper products	69	—	11	15	1	(1)	—	(1)	58,201	37,697	0	69	—	—	—	0.2
18	C.18 – Printing and reproduction of recorded media	21	—	—	1	1	—	—	—	13,219	12,169	0	21	—	—	—	1.8
19	C.19 – Manufacture of coke and refined petroleum products	24	24	—	—	—	—	—	—	175,771	157,053	0	24	—	—	—	4.5
20	C.20 – Manufacture of chemicals and chemical products	626	—	—	21	10	(1)	—	(1)	853,343	709,736	0	625	1	—	—	1.4
21	C.21 – Manufacture of basic pharmaceutical products and pharmaceutical preparations	1,378	—	—	99	6	(2)	(2)	—	127,131	117,188	0	1,345	33	—	—	2.0
22	C.22 – Manufacture of rubber products	326	—	—	39	15	(2)	(1)	(1)	468,608	440,733	0	325	1	—	—	1.9
23	C.23 – Manufacture of other non-metallic mineral products	232	—	1	22	2	(1)	(1)	—	218,790	104,187	0	231	—	1	—	2.5
24	C.24 – Manufacture of basic metals	342	—	—	1	22	(7)	—	(7)	751,914	597,067	0	340	2	—	—	1.0

Table 44: Banking book – climate change transition risk: Credit quality of exposures by sector, emissions & residual maturity (Template 1) (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount (€m)					Accumulated impairment/ negative changes in fair value due to credit risk and provisions (€m)			GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent)							
31 Dec 2024			of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818	of which: environmentally sustainable (CCM)	of which: stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures		of which: Scope 3 financed emiss-ions	percentage of GHG emissions (column i) derived from company-specific reporting (%)	<= 5 years (€m)	> 5 year <= 10 years (€m)	> 10 year <= 20 years (€m)	> 20 years (€m)	Average weighted maturity (years)
Sector/Subsector																	
25	C.25 – Manufacture of fabricated metal products, except machinery and equipment	421	—	—	21	46	(7)	—	(7)	226,421	202,134	0	380	41	—	—	2.2
26	C.26 – Manufacture of computer, electronic and optical products	271	—	9	26	4	(7)	(3)	(4)	68,849	66,894	0	269	2	—	—	2.2
27	C.27 – Manufacture of electrical equipment	378	—	—	53	4	(13)	(13)	—	654,004	634,243	0	364	14	—	—	1.2
28	C.28 – Manufacture of machinery and equipment n.e.c.	407	—	14	110	26	(7)	(4)	(3)	840,153	833,742	0	396	9	2	—	2.6
29	C.29 – Manufacture of motor vehicles, trailers and semi-trailers	686	—	1	9	138	(38)	—	(34)	1,248,878	1,216,597	0	686	—	—	—	1.8
30	C.30 – Manufacture of other transport equipment	148	—	4	43	7	(7)	—	(6)	247,667	245,372	0	105	43	—	—	3.7
31	C.31 – Manufacture of furniture	4	—	—	—	—	—	—	—	3,386	3,282	0	3	—	1	—	4.9
32	C.32 – Other manufacturing	1,606	330	—	74	18	(21)	—	(15)	261,484	221,301	0	1,595	—	—	11	0.8
33	C.33 – Repair and installation of machinery and equipment	29	—	—	1	2	(1)	—	(1)	32,516	30,602	0	29	—	—	—	1.0
34	**D – Electricity, gas, steam and air conditioning supply**	1,120	667	66	243	16	(4)	(2)	—	1,581,766	1,073,910	0	800	220	93	7	3.6
35	D35.1 – Electric power generation, transmission and distribution	1,073	662	66	202	16	(3)	(1)	—	1,513,853	1,025,769	0	753	220	93	7	4.0
36	D35.11 – Production of electricity	623	362	66	76	16	(3)	(1)	—	849,294	597,779	0	445	78	93	7	4.8

Table 44: Banking book – climate change transition risk: Credit quality of exposures by sector, emissions & residual maturity (Template 1) (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount (€m)					Accumulated impairment/ negative changes in fair value due to credit risk and provisions (€m)			GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent)							
31 Dec 2024			of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818	of which: environmentally sustainable (CCM)	of which: stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures		of which: Scope 3 financed emissions	percentage of GHG emissions (column i) derived from company-specific reporting (%)	<= 5 years (€m)	> 5 year <= 10 years (€m)	> 10 year <= 20 years (€m)	> 20 years (€m)	Average weighted maturity (years)
Sector/Subsector																	
37	D35.2 – Manufacture of gas; distribution of gaseous fuels through mains	42	—	—	41	—	(1)	(1)	—	67,132	47,473	0	42	—	—	—	3.2
38	D35.3 – Steam and air conditioning supply	5	5	—	—	—	—	—	—	781	668	0	5	—	—	—	—
39	**E – Water supply; sewerage, waste management and remediation activities**	271	—	—	49	—	—	—	—	91,287	36,984	0	268	3	—	—	0.6
40	**F - Construction**	482	—	3	10	83	(9)	(1)	(7)	369,720	351,906	0	376	79	27	—	3.3
41	F.41 – Construction of buildings	207	—	2	5	68	(6)	—	(5)	190,343	185,851	0	135	55	17	—	3.9
42	F.42 – Civil engineering	150	—	1	—	10	(1)	(1)	—	91,502	84,826	0	118	22	10	—	3.8
43	F.43 – Specialised construction activities	125	—	—	5	5	(2)	—	(2)	87,875	81,229	0	123	2	—	—	1.7
44	**G – Wholesale and retail trade; repair of motor vehicles and motorcycles**	3,654	20	50	752	175	(95)	(7)	(86)	4,264,965	4,135,038	0	3,509	137	8	—	1.0
45	**H – Transportation and storage**	2,181	2	—	806	69	(19)	(5)	(12)	1,272,318	691,477	0	1,376	594	211	—	4.6
46	H.49 – Land transport and transport via pipelines	281	—	—	28	3	(1)	—	(1)	105,871	77,324	0	161	78	42	—	5.2
47	H.50 – Water transport	1,218	—	—	691	—	(5)	(5)	—	786,725	369,527	0	619	437	162	—	5.5
48	H.51 – Air transport	214	—	—	—	57	(10)	—	(9)	165,457	40,542	0	188	26	—	—	2.9
49	H.52 – Warehousing and support activities for transportation	468	2	—	87	9	(3)	—	(2)	214,149	203,984	0	408	53	7	—	2.4
50	H.53 – Postal and courier activities	—	—	—	—	—	—	—	—	116	100	0	—	—	—	—	2.0

Table 44: Banking book – climate change transition risk: Credit quality of exposures by sector, emissions & residual maturity (Template 1) (continued)

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	Gross carrying amount (€m)					Accumulated impairment/ negative changes in fair value due to credit risk and provisions (€m)			GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent)							
31 Dec 2024		of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818	of which: environmentally sustainable (CCM)	of which: stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures		of which: Scope 3 financed emiss-ions	percentage of GHG emissions (column i) derived from company-specific reporting (%)	<= 5 years (€m)	> 5 year <= 10 years (€m)	> 10 year <= 20 years (€m)	> 20 years (€m)	Average weighted maturity (years)
Sector/Subsector																
51 **I – Accommodation and food service activities**	450	—	—	16	18	(8)	—	(5)	67,046	58,075	0	434	7	9	—	1.9
52 **L – Real estate activities**	4,264	—	93	335	146	(38)	(8)	(25)	151,970	146,816	0	3,507	640	117	—	3.3
53 **Exposures towards sectors other than those that highly contribute to climate change**[1]	12,278	19	85	1,378	396	(126)	(18)	(95)				11,603	437	55	183	2.4
54 **K – Financial and insurance activities**	385	—	—	15	—	(1)	—	—				360	23	2	—	1.8
55 **Exposures to other sectors (NACE codes J, M – U)**	11,893	19	85	1,363	396	(125)	(18)	(95)				11,243	414	53	183	2.4
56 **TOTAL**	33,491	1,432	338	4,188	1,495	(432)	(67)	(326)	16,119,620	13,961,510	0	30,113	2,634	538	206	2.4

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.

Table 44: Banking book – climate change transition risk: Credit quality of exposures by sector, emissions & residual maturity (Template 1) (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount (€m)					Accumulated impairment/ negative changes in fair value due to credit risk and provisions (€m)			GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent)							
31 Dec 2023			of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818	of which: environmentally sustainable (CCM)	of which: stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures		of which: Scope 3 financed emissions	percentage of GHG emissions (column i) derived from company-specific reporting (%)	<= 5 years (€m)	> 5 year <= 10 years (€m)	> 10 year <= 20 years (€m)	> 20 years (€m)	Average weighted maturity (years)
Sector/Subsector																	
1	Exposures towards sectors that highly contribute to climate change	19,996	1,505	110	2,733	928	(354)	(30)	(304)				17,478	1,819	697	2	2.5
2	A – Agriculture, forestry and fishing	62	—	—	4	25	(9)	—	(9)				59	2	1	—	1.7
3	B – Mining and quarrying	338	268	—	23	187	—	—	—				149	189	—	—	5.7
4	B.05 – Mining of coal and lignite	—	—	—	—	—	—	—	—				—	—	—	—	—
5	B.06 – Extraction of crude petroleum and natural gas	308	268	—	1	187	—	—	—				121	187	—	—	6.0
6	B.07 – Mining of metal ores	—	—	—	—	—	—	—	—				—	—	—	—	—
7	B.08 – Other mining and quarrying	30	—	—	22	—	—	—	—				28	2	—	—	3.0
8	B.09 – Mining support service activities	—	—	—	—	—	—	—	—				—	—	—	—	—
9	C – Manufacturing	6,496	476	10	594	285	(131)	(8)	(119)				6,176	293	27	—	1.8
10	C.10 – Manufacture of food products	739	—	—	53	10	(8)	—	(7)				672	47	20	—	2.4
11	C.11 – Manufacture of beverages	51	—	—	17	1	(1)	—	(1)				45	6	—	—	1.9
12	C.12 – Manufacture of tobacco products	111	—	—	—	—	—	—	—				111	—	—	—	3.5
13	C.13 – Manufacture of textiles	102	—	—	44	14	(4)	—	(4)				66	36	—	—	4.2
14	C.14 – Manufacture of wearing apparel	26	—	—	2	17	(4)	—	(4)				25	1	—	—	2.1
15	C.15 – Manufacture of leather and related products	31	—	—	—	2	(1)	—	(1)				31	—	—	—	2.7

Table 44: Banking book – climate change transition risk: Credit quality of exposures by sector, emissions & residual maturity (Template 1) (continued)

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	Gross carrying amount (€m)					Accumulated impairment/ negative changes in fair value due to credit risk and provisions (€m)			GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent)							
31 Dec 2023		of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818	of which: environmentally sustainable (CCM)	of which: stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures		of which: Scope 3 financed emissions	percentage of GHG emissions (column i) derived from company-specific reporting (%)	<= 5 years (€m)	> 5 year <= 10 years (€m)	> 10 year <= 20 years (€m)	> 20 years (€m)	Average weighted maturity (years)
Sector/Subsector																
16 C.16 – Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	35	—	—	20	3	(2)	—	(2)				34	1	—	—	2.5
17 C.17 – Manufacture of paper and paper products	49	—	—	1	1	(1)	—	(1)				49	—	—	—	0.5
18 C.18 – Printing and reproduction of recorded media	72	—	—	1	2	(1)	—	(1)				71	1	—	—	3.1
19 C.19 – Manufacture of coke and refined petroleum products	54	54	—	—	—	—	—	—				54	—	—	—	0.2
20 C.20 – Manufacture of chemicals and chemical products	773	15	—	55	7	(3)	(1)	(2)				769	4	—	—	1.9
21 C.21 – Manufacture of basic pharmaceutical products and pharmaceutical preparations	234	—	—	—	—	—	—	—				196	38	—	—	3.6
22 C.22 – Manufacture of rubber products	263	5	—	29	2	(2)	(1)	(1)				251	12	—	—	2.1
23 C.23 – Manufacture of other non-metallic mineral products	329	25	—	12	5	(3)	—	(3)				321	7	1	—	1.8
24 C.24 – Manufacture of basic metals	271	—	—	5	1	—	—	—				268	3	—	—	1.0
25 C.25 – Manufacture of fabricated metal products, except machinery and equipment	303	—	—	19	46	(10)	—	(10)				267	35	1	—	2.0

Table 44: Banking book – climate change transition risk: Credit quality of exposures by sector, emissions & residual maturity (Template 1) (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount (€m)					Accumulated impairment/ negative changes in fair value due to credit risk and provisions (€m)			GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent)							
31 Dec 2023			of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818	of which: environmentally sustainable (CCM)	of which: stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures		of which: Scope 3 financed emissions	percentage of GHG emissions (column i) derived from company-specific reporting (%)	<= 5 years (€m)	> 5 year <= 10 years (€m)	> 10 year <= 20 years (€m)	> 20 years (€m)	Average weighted maturity (years)
Sector/Subsector																	
26	C.26 – Manufacture of computer, electronic and optical products	157	—	—	21	—	(1)	(1)	—				157	—	—	—	1.9
27	C.27 – Manufacture of electrical equipment	579	—	—	4	52	(24)	—	(24)				572	6	1	—	1.2
28	C.28 – Manufacture of machinery and equipment n.e.c.	450	—	4	115	70	(39)	(3)	(35)				438	10	2	—	2.5
29	C.29 – Manufacture of motor vehicles, trailers and semi-trailers	246	23	1	4	2	(1)	—	(1)				246	—	—	—	1.4
30	C.30 – Manufacture of other transport equipment	405	—	5	89	21	(3)	(1)	(2)				341	64	—	—	2.7
31	C.31 – Manufacture of furniture	72	—	—	1	1	(1)	—	(1)				48	22	2	—	3.7
32	C.32 – Other manufacturing	1,142	354	—	102	28	(22)	(1)	(19)				1,142	—	—	—	0.3
33	C.33 – Repair and installation of machinery and equipment	2	—	—	—	—	—	—	—				2	—	—	—	1.2
34	D – Electricity, gas, steam and air conditioning supply	890	526	15	32	5	(5)	—	(4)				766	29	93	2	2.8
35	D35.1 – Electric power generation, transmission and distribution	661	521	14	32	5	(5)	—	(4)				537	29	93	2	3.7
36	D35.11 – Production of electricity	575	437	14	32	—	—	—	—				475	5	93	2	3.8
37	D35.2 – Manufacture of gas; distribution of gaseous fuels through mains	5	5	1	—	—	—	—	—				5	—	—	—	0.2
38	D35.3 – Steam and air conditioning supply	224	—	—	—	—	—	—	—				224	—	—	—	—

Table 44: Banking book – climate change transition risk: Credit quality of exposures by sector, emissions & residual maturity (Template 1) (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount (€m)					Accumulated impairment/ negative changes in fair value due to credit risk and provisions (€m)			GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent)							
31 Dec 2023			of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818	of which: environmentally sustainable (CCM)	of which: stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures		of which: Scope 3 financed emissions	percentage of GHG emissions (column i) derived from company-specific reporting (%)	<= 5 years (€m)	> 5 year <= 10 years (€m)	> 10 year <= 20 years (€m)	> 20 years (€m)	Average weighted maturity (years)
Sector/Subsector																	
39	E – Water supply; sewerage, waste management and remediation activities	305	—	—	49	—	—	—	—				304	1	—	—	0.6
40	F - Construction	497	—	5	31	32	(17)	(1)	(15)				428	26	43	—	3.2
41	F.41 – Construction of buildings	447	—	3	21	23	(15)	(1)	(12)				380	24	43	—	3.3
42	F.42 – Civil engineering	31	—	1	—	8	(1)	—	(2)				31	—	—	—	0.3
43	F.43 – Specialised construction activities	19	—	1	10	1	(1)	—	(1)				17	2	—	—	2.3
44	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	4,319	233	7	660	190	(124)	(5)	(117)				4,238	70	11	—	1.3
45	H – Transportation and storage	2,062	2	—	813	19	(17)	(8)	(8)				1,368	461	233	—	4.3
46	H.49 – Land transport and transport via pipelines	310	1	—	11	13	(3)	—	(3)				282	20	8	—	2.0
47	H.50 – Water transport	1,104	—	—	745	—	(8)	(7)	—				546	345	213	—	5.8
48	H.51 – Air transport	97	—	—	1	—	—	—	—				90	7	—	—	2.2
49	H.52 – Warehousing and support activities for transportation	549	1	—	56	6	(6)	(1)	(5)				448	89	12	—	3.0
50	H.53 – Postal and courier activities	2	—	—	—	—	—	—	—				2	—	—	—	—
51	I – Accommodation and food service activities	486	—	—	111	43	(14)	—	(12)				462	17	7	—	2.5
52	L – Real estate activities	4,541	—	73	416	142	(37)	(8)	(20)				3,528	731	282	—	3.8
53	Exposures towards sectors other than those that highly contribute to climate change	14,095	91	39	1,922	615	(330)	(29)	(283)				13,190	724	70	111	2.2
54	K – Financial and insurance activities	52	—	—	—	8	(2)	—	(1)				41	4	7	—	4
55	Exposures to other sectors (NACE codes J, M – U)	14,043	91	39	1,922	607	(328)	(29)	(282)				13,149	720	63	111	2.2
56	TOTAL	34,091	1,596	149	4,655	1,543	(684)	(59)	(587)				30,668	2,543	767	113	2.4

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

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

During the year, EPCs were requested from corporate and retail customers to enable reporting of the level of energy and the corresponding EPC labels, for both residential and commercial property collateral. In some countries, EPC labels are not mandatory. Where EPCs do not incorporate a specific label, the EPC label is not estimated as per the reporting requirements. However, the energy consumption level used, for the score, has been estimated. To estimate energy levels for Germany, the average energy values of EPCs collected from each portfolio were used when specific data was unavailable. For France and Malta, where estimation is required, the level of energy has been estimated using a few different methods according to the data availability. The majority of energy level estimation is based on a mapping of property types with government statistics. In this context, for Malta, the information published in the paper 'Long Term Renovation Strategy 2050', issued by the Maltese Ministry for the environment-climate change and planning, has been leveraged while for French residential properties, information published in the paper 'The housing stock by level of energy category as of 1 January 2022' issued by the French Ministry of Ecological Transition, which provides average level of energy consumption, has been used. However, for French commercial properties, the ADEME (Agence De l'Environnement et de la Maîtrise de l'Energie) database named 'DPE Tertiaire depuis 2021', including EPCs established from July 2021, has been utilised to perform estimations on the level of energy consumption of commercial properties. The average level of energy consumption has been computed for each type of commercial asset (offices, education, restaurants, etc) to map and allocate them to the appropriate bucket of level of energy consumption.

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

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

The methodology used for determining energy efficiency is primarily based on estimations and is mainly dependent on external sources (ADEME and Government Statistics). This approach has limitations. For example, it has been confirmed by ADEME that there was no consistency check to ensure that the energy consumption for commercial EPCs was correctly reported within the ADEME database. Since EPCs are not mandatory for commercial buildings in France, except when there is a sale of a new construction, some EPCs are empty or report a very small level of energy (for example 0.1 kwh/m2/year), which may affect the computation of the average level of energy consumption used. Moreover, Maltese energy efficiency statistics are based on a reporting date of 2019 and energy level may have changed subsequently, for example where refurbishments have been made.

Although the sale of HSBC Continental Europe's French retail operations was completed on 1 January 2024, the Bank has retained a portfolio of retail home loans (comprised of mortgages and loans secured by Credit Logement guarantee) amounting to EUR 6.7bn (EUR7.1bn as at year-end 2023) which remains in scope of reporting for year-end 2024. For retail exposures, the EPC ratings have been estimated using information from a third-party provider utilising address and property data against public and private EPC databases and, where necessary, proximity statistical analysis on the basis of EPCs nearby and at the same address. This third-party data are treated as estimates. Collected EPCs from customers were treated as actual energy level and EPC label. Where no property data existed, energy levels were estimated based on the level of energy of collected and third party estimated EPCs.

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

HSBC Continental Europe aims to continue to engage with business and corporate customers for the information needed and to refine its methodology to align with the requirements.

Table 45: Banking book – climate change transition risk: Loans collateralised by immovable property – Energy efficiency of collateral (Template 2)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	Counterparty sector	**Total gross carrying amount**															
			Level of energy efficiency (EP score in kWh/m² of collateral)						**Level of energy efficiency (EPC label of collateral)**							**Without EPC label of collateral**	
			0; <= 100	**> 100; <= 200**	**> 200; <= 300**	**> 300; <= 400**	**> 400; <= 500**	**> 500**	**A**	**B**	**C**	**D**	**E**	**F**	**G**		**of which: energy efficiency (EP score in kWh/m² of collateral) estimated**
	31 Dec 2024	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**%**
1	**Total EU area**	**14,506**	**1,716**	**3,804**	**5,705**	**2,233**	**470**	**578**	**483**	**366**	**503**	**609**	**293**	**123**	**228**	**11,901**	**96**
2	– of which: Loans collateralised by commercial immovable property	**4,900**	**992**	**582**	**2,326**	**428**	**71**	**501**	**441**	**351**	**359**	**337**	**200**	**97**	**206**	**2,909**	**88**
3	– of which: Loans collateralised by residential immovable property	**9,603**	**724**	**3,221**	**3,379**	**1,805**	**399**	**75**	**42**	**15**	**144**	**272**	**93**	**26**	**22**	**8,989**	**99**
4	– of which: Collateral obtained by taking possession: residential and commercial immovable properties	**3**	**—**	**1**	**—**	**—**	**—**	**2**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**3**	**100**
5	– of which: Level of energy efficiency (EP score in kWh/m² of collateral) estimated	**11,546**	**916**	**2,920**	**5,128**	**1,941**	**384**	**257**								**11,412**	**100**
6	**Total non-EU area**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
7	– of which: Loans collateralised by commercial immovable property	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
8	– of which: Loans collateralised by residential immovable property	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
9	– of which: Collateral obtained by taking possession: residential and commercial immovable properties	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
10	– of which: Level of energy efficiency (EP score in kWh/m² of collateral) estimated	**—**	**—**	**—**	**—**	**—**	**—**	**—**								**—**	**—**
	31 Dec 2023																
1	Total EU area	14,584	1,611	4,391	4,864	2,690	542	486	421	284	360	427	292	96	57	12,647	100
2	– of which: Loans collateralised by commercial immovable property	4,305	870	827	1,328	759	117	404	384	256	237	203	218	79	47	2,881	100
3	– of which: Loans collateralised by residential immovable property	10,276	741	3,563	3,536	1,931	425	80	37	28	123	224	74	17	10	9,763	100
4	– of which: Collateral obtained by taking possession: residential and commercial immovable properties	3	—	1	—	—	—	2	—	—	—	—	—	—	—	3	100
5	– of which: Level of energy efficiency (EP score in kWh/m² of collateral) estimated	12,943	1,070	3,964	4,501	2,565	471	372								12,647	100
6	Total non-EU area																
7	– of which: Loans collateralised by commercial immovable property	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8	– of which: Loans collateralised by residential immovable property	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9	– of which: Collateral obtained by taking possession: residential and commercial immovable properties	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10	– of which: Level of energy efficiency (EP score in kWh/m² of collateral) estimated	—	—	—	—	—	—	—								—	—

Banking book – Climate change transition risk: Alignment metrics

Setting targets

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

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

The Group has set absolute emissions reduction targets for the oil and gas, and thermal coal mining sectors. For the power and utilities; cement; iron, steel and aluminium; aviation; and automotive sectors, the Group has set emissions intensity targets that allow it to deploy capital towards decarbonisation solutions. The Group has published initial financed emission targets for 2030.

Methodology for alignment metrics

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

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

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

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

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

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

An evolving approach

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

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

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

For further details of the Financed emissions approach including the data sources, recalculation policy, data and methodology limitations and sectoral approach please refer to:

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

Data and methodology limitations:

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

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

relationship managers based on their relationship and knowledge of the customer's activity, with supporting data from NACE codes assigned at the issuer level consistent with third party vendor datasets.

- NACE codes are assigned to a counterparty at the counterparty group level by calculating the NACE with the highest and second-highest approved lending limits. The calculation and methodology of financed emissions calculation are dependent upon the availability of data. For the calculation of financed emissions where the allocation of the emissions data is required at the subsidiary level – however, company reported emissions data may only be available at the consolidated level of a counterparty and not at the legal entity level of a counterparty – HSBC has used the counterparty Group level information. Sectors for balance sheet reporting are assigned at an individual obligor level and may therefore differ between the counterparty Group sectors used for financed emission reporting.
- HSBC Continental Europe's disclosures in Template 3 are aligned with the Group's methodology as financed emission's targets are set a global level and the calculation needs to be consistent across geographies. In Template 1, the report is stand-alone for HSBC Continental Europe and therefore the methodology aims at achieving maximum coverage and complying with regulatory requirements.
- The financed emission calculation only covers loan and advances to customers which reflect the most material part of the financing activity. Debt and equity holdings represent 1 per cent of the banking book exposure.
- Due to the time lag for emissions data from counterparties, the alignment metrics and the financed emissions are based on both balance sheet and emission figures from 2023 year-end. Third party datasets that feed into the analysis may have up to a two-year lag in reported emission figures, and HSBC is working with data providers to help reduce this. Mapping external datasets to the internal client entities is challenging due to complex company ownership structures.
- The latest thermal coal mining financed emissions is disclosed at HSBC Group level for year-end 2022 but there has been no disclosure in this EBA Pillar 3 report as there is no exposure for HSBC Continental Europe for year-end 2022.
- Most clients do not yet report the full scope of greenhouse gas emissions included in the analysis, in particular scope 3 emissions. In the absence of client-reported emissions, the Group estimated emissions using proxies based on company production and revenue figures. As data improves and coverage expands, estimates can be replaced with reported figures.
- The operating environment for climate analysis and portfolio alignment is maturing. HSBC continues to work to improve the data management processes, and are implementing steering mechanisms to align the provision of finance with the goals and timelines of the Paris Agreement.

Table 46: Banking book – indicators of potential climate change transition risk: alignment metrics (Template 3)

	a	b	c	d	e	f	g
	Sector	**NACE Sectors**	**Gross carrying amount (€m)[1]**	**Alignment metric[2]**	**Reference year**	**Distance to IEA NZE2050 as %[3]**	**Target (year of reference + 3 years)[7]**
1	**Power**	**3511**	**993**	**tCO2e/Gwh**	**2023**	**113**	**Not available**
2	**Fossil fuel combustion**	**0610; 0620**	**547**	**MtCO2e**	**2023**	**Not available[4]**	**Not available**
3	**Automotive**	**2910; 3091**	**308**	**tCO2e/million vkm**	**2023**	**124**	**Not available**
4	**Aviation**	**5110; 7735**	**659**	**tCO2e/million rpk**	**2023**	**38**	**Not available**
5	**Maritime transport[5]**	**Not available**	**Not available**	**Not available**	**Not available**	**Not available**	**Not available**
6	**Cement, clinker and lime production**	**2351**	**14**	**tCO2e/t cement**	**2023**	**48**	**Not available**
7	**Iron and steel, coke, and metal ore production**	**2410; 2442**	**46**	**tCO2e/t metal**	**2023**	**68**	**Not available**
8	**Chemicals[6]**	**Not available**	**Not available**	**Not available**	**Not available**	**Not available**	**Not available**

1 The gross carrying amount is reported as at December 2023.
2 For the oil and gas sector, absolute emissions are measured in million tonnes of carbon dioxide equivalent ('Mt CO2e'); for the power and utilities sector, intensity is measured in tonnes of carbon dioxide equivalent per gigawatt hour ('tCO2e/GWh'); for the cement sector, intensity is measured in tonnes of carbon dioxide equivalent per tonne of cement ('tCO2e/t cement'); for the iron, steel and aluminium sector, intensity is measured in tonnes of carbon dioxide equivalent per tonne of metal ('tCO2e/t metal'); for the aviation sector, intensity is measured in tonnes of carbon dioxide equivalent per million revenue passenger kilometres ('tCO2e/million rpk') and for the automotive sector, intensity is measured in tonnes of carbon dioxide equivalent per million vehicle kilometres ('tCO2e/million vkm').
3 PiT distance to 2030 NZE2050 scenario in % (for each metric).
4 The reason for not reporting the distance to IEA NZE 2050 for HSBC Continental Europe is because the Group's targets are expressed in percentage reduction from 2019 and there is no 2019 HSBC Continental Europe baseline (i.e. where to measure the reduction from) for fossil fuel combustion due to no target setting and baseline for regional reporting.
5 Following a reduction in the Group's exposure to the shipping sector after the strategic sale of part of the European shipping portfolio in 2023, and work undertaken to assess the materiality of the remaining portfolio from a financed emissions perspective, the Bank has concluded that the remaining exposure is not material enough to warrant setting a stand-alone target. This aligns with industry guidelines on sector inclusion for target setting.
6 Given Chemicals is not currently aligned to the in-scope sectors for the Group disclosures, it is not able to publish alignment metric for HSBC Continental Europe.
7 For financed emissions the Group do not plan to set 2026 targets. It sets targets in line with the industry guidelines by setting 2030 targets.

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

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

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

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

HSBC Continental Europe is also required to report the taxonomy-aligned exposures ('CCM') that are in accordance with the EU Taxonomy Regulation 2020/852 and aligns with Table 49 Mitigating actions: Assets for the calculation of GAR (Template 7) for non-financial corporations.

Table 47: Banking book – climate change transition risk: Exposures to top 20 carbon-intensive firms (Template 4)

		a	b	c	d	e
		Gross carrying amount €m (aggregate)	Gross carrying amount to the Top 20 counterparties compared to total gross carrying amount (aggregate)[1]	of which: environmentally sustainable (CCM)	Weighted average maturity (years)	Number of top 20 polluting firms included
1	**31 Dec 2024**	**544**	**0.53**	**0.07**	**0.23**	**6**
1	31 Dec 2023	734	0.77	0.06	0.08	6

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

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

Scope

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

The exposures include loans and advances, debt securities and equity instruments other than those held for trading or for sale. In addition, loans secured by residential and commercial property and repossessed real estate, including exposures to both financial and non-financial counterparties, have been separately disclosed. Collateralised loans to non-financial counterparties are also included in the sectoral breakdown.

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

Methodology

In accordance with Commission Implementing Regulation (EU) 2022/2453, the ThinkHazard! dedicated portal has been used as the data source to assess whether exposures are subject to climate change physical risk. Geographical locations have been mapped to physical risk data provided by the ThinkHazard! database. The ThinkHazard! timelines target the short-horizon period of 2025 to 2030.

ThinkHazard! is developed and maintained by the Global Facility for Disaster Reduction and Recovery. It provides a general view of hazards for a given location including climate-related (floods, water scarcity, wildfire, extreme heat, cyclone, landslide) and geophysical (volcano, tsunami, earthquake). The tool estimates the likelihood of these hazards affecting the selected area (very low, low, medium or high). The four hazard levels are derived from hazard maps, which present the spatial distribution of hazard intensity at a given frequency, or 'return period'. ThinkHazard! uses the return periods and damage intensity thresholds, the intensity above which damage would be expected to occur, to define the risk levels for each hazard. The hazard levels provided are based on published hazard data, provided by a range of private, academic and public organisations.

The geographical location in the ThinkHazard! database includes three levels of granularity for any given location: district, state, or country, with each having a defined risk profile.

Data limitations

For corporate loans, the disclosure is dependent on the availability of location information for one of the following three things: the collateral securing the loans (where relevant), the counterparties activities, or the head office. If any one of these three locations was found to be subject to high physical risk, the exposure is considered as high physical risk in the table. Based on the available data, the geographical location of the collateral, or activity of the counterparty, or their head office location was mapped at the most granular district or state level where possible; country level mapping was only used as a last resort. In 2024, a review was conducted to remap previously analysed country-level data to more granular levels, such as districts or states. This refinement improved the physical risk assessment by providing more localised insights, leading to changes in assessment ratings, particularly for both chronic and acute risks. As a result, the physical risk outcomes at the district or state level often indicated lower risk levels compared to broader country-level assessments. For retail loans, residential addresses were also considered. Where the counterparty's loan is backed by more than one collateral in the form of immovable property, the physical risk of each has been assessed and the highest physical risk is reported against that contract. Also, based on the available data, we calculated physical risk based on best available location of the exposure. For exposures in Malta, the physical risk impact data from the ThinkHazard! database was overlaid with local risk assessment based on the location of buildings in these localities.

The climate data from the ThinkHazard tool for France provides the maximum hazard level for France departments. As an example, 94 out of the 96 French departments have a high wildfire risk as indicated in the ThinkHazard database. As a result, this conservative view made France extremely sensitive to wildfire risk, which contributes to majority of French departments in the available dataset having the level of exposures reported as "sensitive to impact from acute climate change events" during interim reporting as at 30 June 2023. For context, the France retail portfolio is predominately located in more urban areas with approximately 70 per cent situated in major cities and their surrounding neighbourhoods, where we would expect the risk of wildfire to be reduced. Therefore, from 31 December 2023, in order to apply a more comprehensive physical risk data assessment to allow for a refined view of the impact to the portfolio, we engaged with our internal experts from Stress Testing and Property Portfolio Managers to develop management overlays on this wildfire risk.

For wildfire, the high risk zones of France were established using the DRIAS database (source: http://www.drias-climat.fr/), which provides climate projections produced by French and European climate modelling laboratories (Euro-CORDEX program). The database provides multiple sets of models and the median of these was retained for the analysis. The specific climate scenario projection used was RCP 8.5 (often referred to as "Business as usual" Downside Physical scenario - assumes continued rising emissions, leading to much higher levels of warming). The Retail portfolio was mapped to the obtained climate data points using longitude and latitude coordinates with high risk defined as those with a Fire Weather Index (FWI – a National meteorologically based index) larger than 60 for more than 10 days. The France departments with exposure and exceeding those thresholds were used for reporting as High Risk for wildfire. While the underlying DRIAS data is aligned with ThinkHazard tool data, the risk level has been downgraded as a result of management overlays to take account of a more realistic threshold for wildfire risk that is aligned with scientific research. This leads to only two regions from all French departments are still sensitive to high wildfire risk. These two regions are Languedoc-Rousillon and Provence-Alpes-Cote-d'Azur.

For EUR35m (0.1 per cent) of the total amount analysed in table 48 as at December 2024 for HSBC Continental Europe, we had limited or no data available to clearly identify the geographical location and assess the impact of the associated physical risk (compared to EUR675m representing 1 per cent in December 2023).

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

Assumptions

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

– The selection of acute and chronic risks;

– The inclusion of both climate and geophysical risks;

– The threshold for determining a location is subject to high physical risk.

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

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

Acute and chronic risks have been defined in accordance with European Bank for Reconstruction and Development ('EBRD') guidance produced for the TCFD in 2018, resulting in the following categorisation:

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

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

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

Chronic risks are those that carry a range of physical impacts of considerably longer duration than those posed by acute risks. They are best understood as processes instead of events. The followingclimate hazards are assumed to be chronic: water scarcity (dry ground) and extreme heat from sustained long-term increase in air temperature.

The ThinkHazard! tool rates each hazard for a given location as either very low, low, medium, high or returns no data. Our reporting in Template 5 is prepared on the following basis:

– A climate risk rating of High is assumed to imply that all the assets in that location are sensitive to physical climate risk;

– A combination of Medium and Low risks does not aggregate to a High Risk;

– Exposure to any one or more High climate risk perils is sufficient to expose all assets in that district to High physical risk. This is a conservative but rational approach as, in most cases, a high risk level from a single hazard such as wildfire, landslide, cyclone, volcanoes or earthquake would be expected to impact fully the value of a physical asset. However, for some hazards, such as extreme heat, water scarcity and floods, generally full damage or destruction of the asset would not be expected.

This methodology is expected to evolve over time in line with changes in market practice and regulation.

Table 48: Banking book – climate change physical risk: Exposures subject to physical risk (Template 5)

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount													
			of which: exposures sensitive to impact from climate change physical events												
			Breakdown by maturity bucket										Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
	Variable: Geographical area subject to climate change physical risk – acute and chronic events		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average Weighted maturity	of which: exposures sensitive to impact from chronic climate change events	of which: exposures sensitive to impact from acute climate change events	of which: exposures sensitive to impact both from chronic and acute climate change events	of which: Stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures
		€m	€m	€m	€m	€m	years	€m	€m	€m	€m	€m	€m	€m	€m
	31 Dec 2024														
	France														
1	A – Agriculture, forestry and fishing	**85**	**63**	**1**	**1**	**—**	**2.4**	**—**	**65**	**—**	**2**	**2**	**—**	**—**	**—**
2	B – Mining and quarrying	**447**	**200**	**246**	**—**	**—**	**5.0**	**—**	**140**	**306**	**2**	**246**	**—**	**—**	**—**
3	C – Manufacturing	**4,574**	**3,805**	**152**	**9**	**—**	**1.9**	**—**	**3,648**	**318**	**319**	**83**	**(25)**	**(6)**	**(15)**
4	D – Electricity, gas, steam and air conditioning supply	**678**	**550**	**40**	**42**	**7**	**3.2**	**—**	**517**	**122**	**116**	**—**	**(3)**	**(2)**	**—**
5	E – Water supply; sewerage, waste management and remediation activities	**39**	**33**	**—**	**—**	**—**	**1.7**	**—**	**24**	**9**	**1**	**—**	**—**	**—**	**—**
6	F – Construction	**445**	**281**	**70**	**13**	**—**	**3.5**	**—**	**364**	**—**	**7**	**76**	**(3)**	**(1)**	**(2)**
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	**2,507**	**2,034**	**55**	**1**	**—**	**1.1**	**—**	**2,060**	**30**	**597**	**57**	**(26)**	**(3)**	**(21)**
8	H – Transportation and storage	**1,491**	**980**	**301**	**82**	**—**	**4.0**	**—**	**1,074**	**289**	**408**	**4**	**(3)**	**(1)**	**(2)**
9	L – Real estate activities	**3,396**	**2,639**	**479**	**76**	**—**	**3.5**	**—**	**3,194**	**—**	**235**	**107**	**(31)**	**(5)**	**(22)**
10	Loans collateralised by residential immovable property	**7,150**	**470**	**300**	**2,808**	**1,994**	**16.5**	**—**	**5,563**	**9**	**157**	**49**	**(14)**	**(1)**	**(11)**
11	Loans collateralised by commercial immovable property	**4,265**	**3,302**	**628**	**63**	**—**	**3.4**	**—**	**3,993**	**—**	**230**	**156**	**(24)**	**(4)**	**(17)**
12	Repossessed collateral	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
13	**Other relevant sectors (breakdown below where relevant)**	**10,344**	**8,420**	**301**	**44**	**182**	**2.6**	**—**	**8,563**	**384**	**1,091**	**313**	**(101)**	**(14)**	**(79)**
14	I – Accommodation and food service activities	**285**	**263**	**5**	**8**	**—**	**2.2**	**—**	**276**	**—**	**11**	**12**	**(5)**	**—**	**(4)**
15	J – Information and communication	**732**	**597**	**44**	**7**	**—**	**2.6**	**—**	**635**	**13**	**95**	**9**	**(5)**	**(1)**	**(3)**
16	K – Financial and insurance activities	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
17	M – Professional scientific and technical activities	**3,466**	**2,306**	**113**	**6**	**—**	**2.1**	**—**	**2,380**	**45**	**342**	**154**	**(33)**	**(7)**	**(24)**
18	N – Administrative and support service activities	**4,955**	**4,482**	**128**	**5**	**182**	**3.1**	**—**	**4,570**	**227**	**435**	**133**	**(54)**	**(5)**	**(47)**
19	O – Public administration and defence compulsory social security	**4**	**4**	**—**	**—**	**—**	**3.5**	**—**	**4**	**—**	**—**	**—**	**—**	**—**	**—**
20	P – Education	**9**	**7**	**1**	**—**	**—**	**3.0**	**—**	**8**	**—**	**4**	**1**	**—**	**—**	**—**
21	Q – Human health and social work activities	**49**	**45**	**3**	**—**	**—**	**2.2**	**—**	**39**	**9**	**18**	**3**	**(1)**	**—**	**(1)**
22	R – Arts, entertainment and recreation	**184**	**157**	**7**	**18**	**—**	**4.1**	**—**	**182**	**—**	**5**	**1**	**(1)**	**—**	**—**
23	S – Other service activities	**660**	**559**	**—**	**—**	**—**	**0.7**	**—**	**469**	**90**	**181**	**—**	**(2)**	**(1)**	**—**

Table 48: Banking book – climate change physical risk: Exposures subject to physical risk (Template 5) (continued)

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount													
			of which: exposures sensitive to impact from climate change physical events												
			Breakdown by maturity bucket										Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
	Variable: Geographical area subject to climate change physical risk – acute and chronic events		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average Weighted maturity	of which: exposures sensitive to impact from chronic climate change events	of which: exposures sensitive to impact from acute climate change events	of which: exposures sensitive to impact both from chronic and acute climate change events	of which: Stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures
		€m	€m	€m	€m	€m	years	€m	€m	€m	€m	€m	€m	€m	€m
	31 Dec 2024														
	Other geographical areas														
1	A – Agriculture, forestry and fishing	**3**	**3**	**—**	**—**	**—**	**—**	**—**	**3**	**—**	**1**	**—**	**—**	**—**	**—**
2	B – Mining and quarrying	**11**	**6**	**—**	**—**	**5**	**—**	**—**	**11**	**—**	**—**	**—**	**—**	**—**	**—**
3	C – Manufacturing	**3,671**	**2,929**	**111**	**6**	**11**	**1.5**	**—**	**2,887**	**170**	**194**	**214**	**(79)**	**(18)**	**(55)**
4	D – Electricity, gas, steam and air conditioning supply	**442**	**215**	**125**	**47**	**—**	**3.7**	**—**	**209**	**178**	**125**	**16**	**—**	**—**	**—**
5	E – Water supply; sewerage, waste management and remediation activities	**232**	**232**	**—**	**—**	**—**	**0.3**	**—**	**232**	**—**	**48**	**—**	**—**	**—**	**—**
6	F – Construction	**37**	**26**	**—**	**—**	**—**	**0.9**	**—**	**26**	**—**	**—**	**—**	**—**	**—**	**—**
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	**1,147**	**1,006**	**1**	**—**	**—**	**0.3**	**—**	**992**	**15**	**70**	**101**	**(61)**	**(4)**	**(57)**
8	H – Transportation and storage	**690**	**279**	**276**	**129**	**—**	**6.1**	**—**	**548**	**136**	**394**	**64**	**(14)**	**(4)**	**(9)**
9	L – Real estate activities	**868**	**695**	**64**	**12**	**—**	**1.7**	**—**	**771**	**—**	**82**	**25**	**(2)**	**—**	**(1)**
10	Loans collateralised by residential immovable property	**2,453**	**355**	**90**	**212**	**184**	**11.2**	**—**	**841**	**—**	**16**	**19**	**(2)**	**(1)**	**(1)**
11	Loans collateralised by commercial immovable property	**635**	**371**	**57**	**12**	**—**	**2.4**	**—**	**440**	**—**	**80**	**29**	**(4)**	**—**	**(3)**
12	Repossessed collateral	**3**	**2**	**—**	**—**	**—**	**1.0**	**—**	**2**	**—**	**—**	**—**	**—**	**—**	**—**
13	**Other relevant sectors (breakdown below where relevant)**	**2,384**	**2,058**	**48**	**4**	**1**	**1.3**	**—**	**1,962**	**149**	**195**	**31**	**(4)**	**(1)**	**(1)**
14	I – Accommodation and food service activities	**165**	**128**	**1**	**—**	**—**	**1.0**	**—**	**129**	**—**	**—**	**2**	**(1)**	**—**	**(1)**
15	J – Information and communication	**460**	**429**	**1**	**—**	**1**	**2.0**	**—**	**391**	**40**	**35**	**—**	**—**	**—**	**—**
16	K – Financial and insurance activities	**385**	**303**	**—**	**—**	**—**	**1.7**	**—**	**303**	**—**	**15**	**—**	**(1)**	**—**	**—**
17	M – Professional scientific and technical activities	**707**	**635**	**35**	**3**	**—**	**1.0**	**—**	**564**	**109**	**77**	**—**	**—**	**—**	**—**
18	N – Administrative and support service activities	**264**	**242**	**—**	**—**	**—**	**1.4**	**—**	**242**	**—**	**38**	**29**	**(1)**	**—**	**—**
19	O – Public administration and defence compulsory social security	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
20	P – Education	**6**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
21	Q – Human health and social work activities	**44**	**30**	**—**	**—**	**—**	**2.6**	**—**	**30**	**—**	**29**	**—**	**(1)**	**(1)**	**—**
22	R – Arts, entertainment and recreation	**10**	**8**	**—**	**—**	**—**	**2.4**	**—**	**8**	**—**	**—**	**—**	**—**	**—**	**—**
23	S – Other service activities	**343**	**283**	**11**	**1**	**—**	**0.7**	**—**	**295**	**—**	**1**	**—**	**—**	**—**	**—**

Table 48: Banking book – climate change physical risk: Exposures subject to physical risk (Template 5) (continued)

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount													
			of which: exposures sensitive to impact from climate change physical events												
			Breakdown by maturity bucket					of which: exposures sensitive to impact from chronic climate change events	of which: exposures sensitive to impact from acute climate change events	of which: exposures sensitive to impact both from chronic and acute climate change events	of which: Stage 2 exposures	of which: non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
	Variable: Geographical area subject to climate change physical risk – acute and chronic events		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average Weighted maturity							of which: Stage 2 exposures	of which: non-performing exposures
		€m	€m	€m	€m	€m	years	€m	€m	€m	€m	€m	€m	€m	€m
	31 Dec 2024														
	Total														
1	A – Agriculture, forestry and fishing	88	66	1	1	—	2.3	—	68	—	3	2	—	—	—
2	B – Mining and quarrying	458	206	246	—	5	4.9	—	151	306	2	246	—	—	—
3	C – Manufacturing	8,245	6,734	263	15	11	1.7	—	6,535	488	513	297	(104)	(24)	(70)
4	D – Electricity, gas, steam and air conditioning supply	1,120	765	165	89	7	3.4	—	726	300	241	16	(3)	(2)	—
5	E – Water supply; sewerage, waste management and remediation activities	271	265	—	—	—	0.5	—	256	9	49	—	—	—	—
6	F – Construction	482	307	70	13	—	3.3	—	390	—	7	76	(3)	(1)	(2)
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	3,654	3,040	56	1	—	0.8	—	3,052	45	667	158	(87)	(7)	(78)
8	H – Transportation and storage	2,181	1,259	577	211	—	4.7	—	1,622	425	802	68	(17)	(5)	(11)
9	L – Real estate activities	4,264	3,334	543	88	—	3.2	—	3,965	—	317	132	(33)	(5)	(23)
10	Loans collateralised by residential immovable property	9,603	825	390	3,020	2,178	15.8	—	6,404	9	173	68	(16)	(2)	(12)
11	Loans collateralised by commercial immovable property	4,900	3,673	685	75	—	3.3	—	4,433	—	310	185	(28)	(4)	(20)
12	Repossessed collateral	3	2	—	—	—	1.0	—	2	—	—	—	—	—	—
13	**Other relevant sectors (breakdown below where relevant)**	12,728	10,478	349	48	183	2.4	—	10,525	533	1,286	344	(105)	(15)	(80)
14	I – Accommodation and food service activities	450	391	6	8	—	1.8	—	405	—	11	14	(6)	—	(5)
15	J – Information and communication	1,192	1,026	45	7	1	2.3	—	1,026	53	130	9	(5)	(1)	(3)
16	K – Financial and insurance activities	385	303	—	—	—	1.7	—	303	—	15	—	(1)	—	—
17	M – Professional scientific and technical activities	4,173	2,941	148	9	—	1.8	—	2,944	154	419	154	(33)	(7)	(24)
18	N – Administrative and support service activities	5,219	4,724	128	5	182	3.0	—	4,812	227	473	162	(55)	(5)	(47)
19	O – Public administration and defence compulsory social security	4	4	—	—	—	3.2	—	4	—	—	—	—	—	—
20	P – Education	15	7	1	—	—	3.0	—	8	—	4	1	—	—	—
21	Q – Human health and social work activities	93	75	3	—	—	2.4	—	69	9	47	3	(2)	(1)	(1)
22	R – Arts, entertainment and recreation	194	165	7	18	—	4.0	—	190	—	5	1	(1)	—	—
23	S – Other service activities	1,003	842	11	1	—	0.7	—	764	90	182	—	(2)	(1)	—

Table 48: Banking book – climate change physical risk: Exposures subject to physical risk (Template 5) (continued)

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount													
			of which: exposures sensitive to impact from climate change physical events												
			Breakdown by maturity bucket										Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
	Variable: Geographical area subject to climate change physical risk – acute and chronic events		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity	of which: exposures sensitive to impact from chronic climate change events	of which: exposures sensitive to impact from acute climate change events	of which: exposures sensitive to impact both from chronic and acute climate change events	of which: Stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures
		€m	€m	€m	€m	€m	years	€m	€m	€m	€m	€m	€m	€m	€m
	31 Dec 2023[1]														
	France														
1	A – Agriculture, forestry and fishing	51	43	2	1	—	2.1	—	46	—	—	25	(9)	—	(9)
2	B – Mining and quarrying1	328	137	188	—	—	5.9	—	139	186	23	187	—	—	—
3	C – Manufacturing	3,829	3,107	161	20	—	1.9	—	2,914	374	273	141	(64)	(3)	(59)
4	D – Electricity, gas, steam and air conditioning supply	730	691	29	6	2	1.9	—	658	70	29	—	(1)	—	—
5	E – Water supply; sewerage, waste management and remediation activities	41	35	1	—	—	3.0	—	27	9	—	—	—	—	—
6	F – Construction	455	273	22	17	—	3.2	—	312	—	21	19	(10)	—	(9)
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	3,245	2,722	46	6	—	1.6	—	2,751	23	265	114	(80)	(3)	(76)
8	H – Transportation and storage	1,347	949	215	20	—	3.2	—	572	612	481	6	(6)	(1)	(4)
9	L – Real estate activities	3,880	2,896	548	162	—	3.8	—	3,569	37	382	100	(19)	(4)	(10)
10	Loans collateralised by residential immovable property	7,547	468	148	2,629	2,653	17.5	—	5,892	6	369	32	(16)	(2)	(13)
11	Loans collateralised by commercial immovable property	3,683	2,978	389	115	—	3.6	—	3,450	32	410	29	(12)	(4)	(4)
12	Repossessed collateral	—	—	—	—	—	—	—	—	—	—	—	—	—	—
13	Other relevant sectors (breakdown below where relevant)	10,410	8,615	376	40	83	2.3	—	8,368	746	1,259	489	(266)	(19)	(240)
14	I – Accommodation and food service activities	360	329	11	4	—	2.5	—	344	—	29	20	(7)	—	(7)
15	J – Information and communication	1,084	989	37	13	—	2.3	—	1,016	23	127	21	(24)	(9)	(14)
16	K – Financial and insurance activities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
17	M – Professional scientific and technical activities	3,076	2,088	77	3	1	2.0	—	2,099	70	429	322	(160)	(2)	(155)
18	N – Administrative and support service activities	4,721	4,167	234	1	82	2.8	—	4,093	391	475	113	(66)	(5)	(56)
19	O – Public administration and defence compulsory social security	4	1	3	—	—	4.3	—	4	—	—	—	—	—	—
20	P – Education	15	10	2	—	—	2.8	—	12	—	—	—	—	—	—
21	Q – Human health and social work activities	25	21	3	—	—	2.5	—	14	10	2	3	—	—	—
22	R – Arts, entertainment and recreation	79	36	7	19	—	6.7	—	62	—	38	2	(2)	(2)	(1)

Table 48: Banking book – climate change physical risk: Exposures subject to physical risk (Template 5) (continued)

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount													
			of which: exposures sensitive to impact from climate change physical events												
			Breakdown by maturity bucket					of which: exposures sensitive to impact from chronic climate change events	of which: exposures sensitive to impact from acute climate change events	of which: exposures sensitive to impact both from chronic and acute climate change events	of which: Stage 2 exposures	of which: non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
	Variable: Geographical area subject to climate change physical risk – acute and chronic events		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which: Stage 2 exposures	of which: non-performing exposures
		€m	€m	€m	€m	€m	years	€m	€m	€m	€m	€m	€m	€m	€m
	31 Dec 2023[1]														
23	S – Other service activities	1,046	974	2	—	—	0.3	—	724	252	159	8	(7)	(1)	(7)
	Other geographical areas														
1	A – Agriculture, forestry and fishing	11	8	—	—	—	—	—	8	—	4	—	—	—	—
2	B – Mining and quarrying	10	10	—	—	—	—	—	10	—	—	—	—	—	—
3	C – Manufacturing	2,667	2,415	—	6	121	1.6	—	2,273	269	241	84	(25)	(3)	(22)
4	D – Electricity, gas, steam and air conditioning supply	160	68	48	—	—	6.0	—	58	58	1	5	—	—	—
5	E – Water supply; sewerage, waste management and remediation activities	264	247	—	—	—	—	—	247	—	48	—	—	—	—
6	F – Construction	42	29	—	—	—	1.6	—	29	—	—	—	—	—	—
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	1,074	996	—	—	1	0.4	—	988	9	250	35	(18)	(1)	(16)
8	H – Transportation and storage	715	293	203	8	210	6.4	—	711	3	322	8	(6)	(6)	—
9	L – Real estate activities	661	470	21	75	—	2.8	—	560	6	7	21	(1)	—	(1)
10	Loans collateralised by residential immovable property	2,729	301	122	243	232	12.8	—	898	—	19	10	(4)	(1)	(2)
11	Loans collateralised by commercial immovable property	622	325	7	65	—	3.3	—	397	—	25	23	(4)	(1)	(2)
12	Repossessed collateral	3	3	—	—	—	1.0	—	3	—	—	—	—	—	—
13	Other relevant sectors (breakdown below where relevant)	4,171	3,603	79	37	201	1.9	—	3,363	557	671	82	(29)	(4)	(22)
14	I – Accommodation and food service activities	126	79	—	1	—	2.0	—	80	—	68	2	(1)	—	(1)
15	J – Information and communication	338	306	—	—	—	2.2	—	303	3	2	—	—	—	—
16	K – Financial and insurance activities	52	3	—	—	—	3.1	—	3	—	—	—	—	—	—
17	M – Professional scientific and technical activities	2,465	2,196	39	17	178	2.1	—	2,143	287	378	15	(12)	(3)	(7)
18	N – Administrative and support service activities	450	417	—	—	23	0.9	—	440	—	92	—	(1)	(1)	—
19	O – Public administration and defence compulsory social security	1	1	—	—	—	—	—	1	—	—	—	—	—	—
20	P – Education	3	2	—	—	—	—	—	2	—	—	—	—	—	—
21	Q – Human health and social work activities	18	—	—	—	—	—	—	—	—	—	—	—	—	—

Table 48: Banking book – climate change physical risk: Exposures subject to physical risk (Template 5) (continued)

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount													
			of which: exposures sensitive to impact from climate change physical events												
			Breakdown by maturity bucket										Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
	Variable: Geographical area subject to climate change physical risk – acute and chronic events		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity	of which: exposures sensitive to impact from chronic climate change events	of which: exposures sensitive to impact from acute climate change events	of which: exposures sensitive to impact both from chronic and acute climate change events	of which: Stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures
		€m	€m	€m	€m	€m	years	€m	€m	€m	€m	€m	€m	€m	€m
	31 Dec 2023[1]														
22	R – Arts, entertainment and recreation	18	18	—	—	—	2.4	—	18	—	3	—	—	—	—
23	S – Other service activities	700	581	40	19	—	1.6	—	373	267	128	65	(15)	—	(14)
	Total														
1	A – Agriculture, forestry and fishing	62	51	2	1	—	1.8	—	54	—	4	25	(9)	—	(9)
2	B – Mining and quarrying	338	147	188	—	—	5.8	—	149	186	23	187	—	—	—
3	C – Manufacturing	6,496	5,522	161	26	121	1.8	—	5,187	643	514	225	(89)	(6)	(81)
4	D – Electricity, gas, steam and air conditioning supply	890	759	77	6	2	2.4	—	716	128	30	5	(1)	—	—
5	E – Water supply; sewerage, waste management and remediation activities	305	282	1	—	—	0.4	—	274	9	48	—	—	—	—
6	F – Construction	497	302	22	17	—	3.1	—	341	—	21	19	(10)	—	(9)
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	4,319	3,718	46	6	1	1.3	—	3,739	32	515	149	(98)	(4)	(92)
8	H – Transportation and storage	2,062	1,242	418	28	210	4.4	—	1,283	615	803	14	(12)	(7)	(4)
9	L – Real estate activities	4,541	3,366	569	237	—	3.6	—	4,129	43	389	121	(20)	(4)	(11)
10	Loans collateralised by residential immovable property	10,276	769	270	2,872	2,885	16.8	—	6,790	6	388	42	(20)	(3)	(15)
11	Loans collateralised by commercial immovable property	4,305	3,303	396	180	—	3.5	—	3,847	32	435	52	(16)	(5)	(6)
12	Repossessed collateral	3	3	—	—	—	1.0	—	3	—	—	—	—	—	—
13	Other relevant sectors (breakdown below where relevant)	14,581	12,218	455	77	284	2.2	—	11,731	1,303	1,930	571	(295)	(23)	(262)
14	I – Accommodation and food service activities	486	408	11	5	—	2.4	—	424	—	97	22	(8)	—	(8)
15	J – Information and communication	1,422	1,295	37	13	—	2.2	—	1,319	26	129	21	(24)	(9)	(14)
16	K – Financial and insurance activities	52	3	—	—	—	3.1	—	3	—	—	—	—	—	—
17	M – Professional scientific and technical activities	5,541	4,284	116	20	179	2.1	—	4,242	357	807	337	(172)	(5)	(162)
18	N – Administrative and support service activities	5,171	4,584	234	1	105	2.6	—	4,533	391	567	113	(67)	(6)	(56)
19	O – Public administration and defence compulsory social security	5	2	3	—	—	3.8	—	5	—	—	—	—	—	—
20	P – Education	18	12	2	—	—	2.4	—	14	—	—	—	—	—	—
21	Q – Human health and social work activities	43	21	3	—	—	2.4	—	14	10	2	3	—	—	—
22	R – Arts, entertainment and recreation	97	54	7	19	—	5.8	—	80	—	41	2	(2)	(2)	(1)
23	S – Other service activities	1,746	1,555	42	19	—	0.8	—	1,097	519	287	73	(22)	(1)	(21)

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 an investment in 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 of underlying assets.

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

Total covered assets

The calculation of the Taxonomy KPIs include 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 retail exposures not covered by the Taxonomy framework, exposures to EU and non-EU financial corporations not subject to NFRD disclosure obligations, 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.

Sovereigns

Sovereign exposures include exposures to central governments and supranational issuers and 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.

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 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.

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 periods as compared to the current period.

The Bank will continue to engage with customers, market data providers and standard setters to improve the quality and completeness of our 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 entered 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.

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

This table summarises stock and flow KPIs required to be disclosed by HSBC Continental Europe. KPIs in this table are calculated using counterparty turnover ratios.

Table 49: Summary of GAR KPIs (Template 6)

	KPI			
	Climate change mitigation	Climate change adaptation	Total (Climate change mitigation + Climate change adaptation)	Coverage (over total assets)
31 Dec 2024	%	%	%	%
GAR stock	**0.39**	**0.01**	**0.40**	**45.28**
GAR flow	**0.01**	**—**	**0.01**	**20.23**
31 Dec 2023				
GAR stock	0.12	0.01	0.13	47.69
GAR flow	—	—	—	

Mitigating actions: Assets for the calculation of GAR (Template 7)

This table presents assets used in the calculation of the GAR analysed by counterparty type and asset class. Total assets are further categorised between GAR assets in the numerator, GAR assets in the denominator, and assets excluded from the GAR calculation, with eligible and aligned GAR assets presented by climate objective. Minor amendments have been made to row labels 32 and 45 to clarify whether GAR assets form part of the numerator or denominator of the KPI.

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

This table is based on turnover KPIs reported by HSBC Continental Europe's counterparties.

The gross carrying amount reported excludes impairment allowances for all banking exposures. As a result, the total assets reported in this table is not comparable to the total assets reported in the Bank's balance sheet.

Table 50: Mitigating actions: Assets for the calculation of GAR (Template 7)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		At 31 December 2024															
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
			of which: to taxonomy relevant sectors (Taxonomy-eligible)					of which: to taxonomy relevant sectors (Taxonomy-eligible)					of which: to taxonomy relevant sectors (Taxonomy-eligible)				
				of which: environmentally sustainable (Taxonomy-aligned)					of which: environmentally sustainable (Taxonomy-aligned)					of which: environmentally sustainable (Taxonomy-aligned)			
	€m	Total gross carrying amount			of which: specialised lending	of which: transitional	of which: enabling			of which: specialised lending	of which: adaptation	of which: enabling			of which: specialised lending	of which: transitional /adaptation	of which: enabling
	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**	**—**	**2**	**5**	**12,748**	**440**	**—**	**21**	**144**
2	**Financial corporations**	**7,170**	**2,465**	**95**	**—**	**—**	**1**	**25**	**2**	**—**	**2**	**0**	**2,490**	**97**	**—**	**2**	**1**
3	Credit institutions	**6,577**	**2,463**	**95**	**—**	**—**	**—**	**8**	**1**	**—**	**1**	**0**	**2,470**	**96**	**—**	**1**	**—**
4	Loans and advances	**5,764**	**1,989**	**91**	**—**	**—**	**—**	**8**	**1**	**—**	**1**	**0**	**1,996**	**92**	**—**	**1**	**—**
5	Debt securities, including UoP	**813**	**474**	**4**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**474**	**4**	**—**	**—**	**—**
6	Equity instruments	**—**	**—**	**—**		**—**	**—**	**—**	**—**		**—**	**—**	**—**	**—**		**—**	**—**
7	Other financial corporations	**593**	**2**	**—**	**—**	**—**	**1**	**17**	**1**	**—**	**1**	**—**	**20**	**1**	**—**	**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	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
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 corporations (subject to NFRD disclosure obligations)**	**3,977**	**758**	**338**	**—**	**19**	**138**	**228**	**5**	**—**	**—**	**5**	**985**	**343**	**—**	**19**	**143**
21	Loans and advances	**3,928**	**751**	**334**	**—**	**19**	**136**	**228**	**5**	**—**	**—**	**5**	**979**	**339**	**—**	**19**	**141**
22	Debt securities, including UoP	**36**	**6**	**4**	**—**	**—**	**2**	**—**	**—**	**—**	**—**	**—**	**6**	**4**	**—**	**—**	**2**

Table 50: Mitigating actions: Assets for the calculation of GAR (Template 7) (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
			At 31 December 2024														
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
			of which: to taxonomy relevant sectors (Taxonomy-eligible)					of which: to taxonomy relevant sectors (Taxonomy-eligible)					of which: to taxonomy relevant sectors (Taxonomy-eligible)				
				of which: environmentally sustainable (Taxonomy-aligned)					of which: environmentally sustainable (Taxonomy-aligned)					of which: environmentally sustainable (Taxonomy-aligned)			
	€m	Total gross carrying amount			of which: specialised lending	of which: transitional	of which: enabling			of which: specialised lending	of which: adaptation	of which: enabling			of which: specialised lending	of which: transitional/adaptation	of which: enabling
23	Equity instruments	13	1	—		—	—	—	—		—	—	—	—		—	—
24	**Households**	9,134	9,130	—	—	—	—						9,129	—	—	—	—
25	– of which: loans collateralised by residential immovable property	9,111	9,112	—	—	—	—						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 governments financing	194	141	—	—	—	—	—	—	—	—	—	141	—	—	—	—
31	Collateral obtained by taking possession: residential and commercial immovable properties	3	2	—	—	—	—	—	—	—	—	—	3	—	—	—	—
32	**Total GAR Assets (in the numerator)**	20,478	12,496	433	—	19	139	253	7	—	2	5	12,748	440	—	21	144
	Assets excluded from the numerator for GAR calculation (covered in the denominator)																
33	**EU Non-financial corporations (not subject to NFRD disclosure obligations)**	24,220															
34	Loans and advances	23,949															
35	Debt securities	86															
36	Equity instruments	185															
37	**Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)**	5,320															
38	Loans and advances	5,301															
39	Debt securities	19															
40	Equity instruments	—															
41	Derivatives	98															

Table 50: Mitigating actions: Assets for the calculation of GAR (Template 7) (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
			At 31 December 2024														
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
				of which: to taxonomy relevant sectors (Taxonomy-eligible)					of which: to taxonomy relevant sectors (Taxonomy-eligible)					of which: to taxonomy relevant sectors (Taxonomy-eligible)			
					of which: environmentally sustainable (Taxonomy-aligned)					of which: environmentally sustainable (Taxonomy-aligned)					of which: environmentally sustainable (Taxonomy-aligned)		
	€m	Total gross carrying amount			of which: specialised lending	of which: transitional	of which: enabling			of which: specialised lending	of which: adaptation	of which: enabling			of which: specialised lending	of which: transitional/adaptation	of which: enabling
42	On demand interbank loans	1,857															
43	Cash and cash-related assets	53															
44	Other assets (e.g. Goodwill, commodities etc.)	57,892															
45	**Total Assets (in the denominator) (GAR)**	**109,918**															
	Other assets excluded from both the numerator and denominator for GAR calculation																
46	Sovereigns	14,367															
47	Central banks exposure	52,454															
48	Trading book	66,006															
49	**Total Assets excluded from numerator and denominator**	**132,827**															
50	**Total Assets**	**242,745**															

Table 50: Mitigating actions: Assets for the calculation of GAR (Template 7) (continued)

		a	b c	d	e	f	g h	i	j	k	l	m	n	o	p
			At 31 December 2023												
			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)		
	€m	Total gross carrying amount		of which: specialised lending	of which: transitional	of which: enabling		of which: specialised lending	of which: adaptation	of which: enabling			of which: specialised lending	of which: transitional/ adaptation	of which: enabling
	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	—	10,753	159	—	30	31
2	Financial corporations	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 corporations (subject to NFRD disclosure obligations)	2,780	149	—	20	31	10	—	10	—	578	159	—	30	31
21	Loans and advances	2,721	137	—	18	27	10	—	10	—	564	147	—	28	27
22	Debt securities, including UoP	51	9	—	2	1	—	—	—	—	11	9	—	2	1

Table 50: Mitigating actions: Assets for the calculation of GAR (Template 7) (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
			At 31 December 2023														
			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)		
	€m	Total gross carrying amount			of which: specialised lending	of which: transitional	of which: enabling			of which: specialised lending	of which: adaptation	of which: enabling			of which: specialised lending	of which: transitional/adaptation	of which: enabling
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 governments financing	124		—	—	—	—		—	—	—	—	124	—	—	—	—
31	Collateral obtained by taking possession: residential and commercial immovable properties	3		—	—	—	—		—	—	—	—	3	—	—	—	—
32	Total GAR Assets (in the numerator)	17,906		149	—	20	31		10	—	10	—	10,753	159	—	30	31
	Assets excluded from the numerator for GAR calculation (covered in the denominator)																
33	EU Non-financial corporations (not subject to NFRD disclosure obligations)	25,639															
34	Loans and advances	25,503															
35	Debt securities	28															
36	Equity instruments	109															
37	Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)	5,693															
38	Loans and advances	5,669															
39	Debt securities	24															
40	Equity instruments	—															
41	Derivatives	169															

Table 50: Mitigating actions: Assets for the calculation of GAR (Template 7) (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
			At 31 December 2023														
			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)		
	€m	Total gross carrying amount			of which: specialised lending	of which: transitional	of which: enabling			of which: specialised lending	of which: adaptation	of which: enabling			of which: specialised lending	of which: transitional/adaptation	of which: enabling
42	On demand interbank loans	2,034															
43	Cash and cash-related assets	102															
44	Other assets (e.g. Goodwill, commodities etc.)	73,288															
45	Total Assets (in the denominator) (GAR)	124,831															
	Other assets excluded from both the numerator and denominator for GAR calculation																
46	Sovereigns	9,974															
47	Central banks exposure	64,425															
48	Trading book	62,552															
49	Total Assets excluded from numerator and denominator	136,951															
50	Total Assets	261,782															

GAR % (Template 8)

This table presents stock of eligible and aligned exposures as a proportion of total covered assets, and flow of eligible and aligned exposures as a proportion of total new covered assets.

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

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

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

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

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

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

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

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

This table is based on Turnover KPIs reported by HSBC Continental Europe's counterparties.

Table 51: Mitigating actions – GAR % (Template 8)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		At 31 Dec 2024: KPIs on stock															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
		Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					
			of which: environmentally sustainable					of which: environmentally sustainable					of which: environmentally sustainable				
	% (compared to total covered assets in the denominator)			of which: speci-alised lend-ing	of which: trans-itional	of which: enab-ling			of which: speci-alised lend-ing	of which: adapt-ation	of which: enab-ling			of which: specia lised lend-ing	of which: trans-itional/ adapt-ation	of which: enab-ling	Propo-rtion of total assets cove-red
		%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
1	GAR		0.39					0.01					0.40				45.28
2	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	—	—	0.01	11.60	0.40	—	0.02	0.14	8.44
3	Financial corporations	2.24	0.09	—	—	—	0.02	—	—	—	—	2.26	0.09	—	—	—	2.95
4	Credit institutions	2.24	0.09	—	—	—	0.02	—	—	—	—	2.26	0.09	—	—	—	2.71
5	Other financial corporations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.24
6	– of which: investment firms	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Table 51: Mitigating actions – GAR % (Template 8) (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		At 31 Dec 2024: KPIs on stock															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
		Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					
			of which: environmentally sustainable					of which: environmentally sustainable					of which: environmentally sustainable				Proportion of total assets covered
	% (compared to total covered assets in the denominator)			of which: specialised lending	of which: transitional	of which: enabling			of which: specialised lending	of which: adaptation	of which: enabling			of which: specialised lending	of which: transitional/ adaptation	of which: enabling	
		%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
7	– of which: management companies	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8	– of which: insurance undertakings	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.20
9	Non-financial corporations subject to NFRD disclosure obligations	0.69	0.30	—	0.02	0.13	0.21	0.01	—	—	0.01	0.90	0.31	—	0.02	0.14	1.65
10	Households	8.31	—	—	—	—						8.31	—	—	—	—	3.76
11	– of which: loans collateralised by residential immovable property	8.30	—	—	—	—						8.30	—	—	—	—	3.75
12	– of which: building renovation loans	—	—	—	—	—						—	—	—	—	—	—
13	– of which: motor vehicle loans	0.01	—	—	—	—						0.01	—	—	—	—	0.01
14	Local government financing	0.13	—	—	—	—						0.13	—	—	—	—	0.08
15	Housing financing	—	—	—	—	—						—	—	—	—	—	—
16	Other local governments financing	0.13	—	—	—	—	—	—	—	—	—	0.13	—	—	—	—	0.08
17	Collateral obtained by taking possession: residential and commercial immovable properties	—	—	—	—	—						—	—	—	—	—	—

Table 51: Mitigating actions – GAR % (Template 8) (continued)

		q	r	s	t	u	v	w	x	y	z	aa	ab	ac	ad	ae	af
		Period ended 31 Dec 2024: KPIs on flows															
		Climate Change Mitigation (CCM)					**Climate Change Adaptation (CCA)**					**TOTAL (CCM + CCA)**					
		Proportion of new eligible assets funding taxonomy relevant sectors					**Proportion of new eligible assets funding taxonomy relevant sectors**					**Proportion of new eligible assets funding taxonomy relevant sectors**					**Proportion of total new assets covered**
			of which: environmentally sustainable					**of which: environmentally sustainable**					**of which: environmentally sustainable**				
	% (compared to total covered assets in the denominator)			**of which: specialised lending**	**of which: transitional**	**of which: enabling**			**of which: specialised lending**	**of which: adaptation**	**of which: enabling**			**of which: specialised lending**	**of which: transitional/ adaptation**	**of which: enabling**	
		%	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
1	GAR		**0.01**					—					**0.01**				**20.23**
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	**0.73**	**0.01**	—	—	**0.01**	—	—	—	—	—	**0.73**	**0.01**	—	—	**0.01**	**20.23**
3	Financial corporations	**0.39**	—	—	—	—	—	—	—	—	—	**0.39**	—	—	—	—	**12.80**
4	Credit institutions	**0.39**	—	—	—	—	—	—	—	—	—	**0.39**	—	—	—	—	**12.74**
5	Other financial corporations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	**0.06**
6	– of which: investment firms	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7	– of which: management companies	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8	– of which: insurance undertakings	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9	Non-financial corporations subject to NFRD disclosure obligations	**0.06**	**0.01**	—	—	**0.01**	—	—	—	—	—	**0.06**	**0.01**	—	—	**0.01**	**7.05**
10	Households	**0.24**	—	—	—	—						**0.24**	—	—	—	—	**0.22**
11	– of which: loans collateralised by residential immovable property	**0.23**	—	—	—	—						**0.23**	—	—	—	—	**0.21**
12	– of which: building renovation loans	—	—	—	—	—						—	—	—	—	—	—
13	– of which: motor vehicle loans	**0.01**	—	—	—	—						**0.01**	—	—	—	—	**0.01**
14	Local government financing	**0.04**	—	—	—	—						**0.04**	—	—	—	—	**0.16**
15	Housing financing	—	—	—	—	—						—	—	—	—	—	—
16	Other local governments financing	**0.04**	—	—	—	—	—	—	—	—	—	**0.04**	—	—	—	—	**0.16**
17	Collateral obtained by taking possession: residential and commercial immovable properties	—	—	—	—	—						—	—	—	—	—	—

Table 51: Mitigating actions – GAR % (Template 8) (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		At 31 Dec 2023: KPIs on stock															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
		Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					
			of which: environmentally sustainable					of which: environmentally sustainable					of which: environmentally sustainable				
	% (compared to total covered assets in the denominator)			of which: specialised lending	of which: transitional	of which: enabling			of which: specialised lending	of which: adaptation	of which: enabling			of which: specialised lending	of which: transitional/ adaptation	of which: enabling	Proportion of total assets covered
		%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
1	GAR		0.12					0.01					0.13				47.69
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation		0.12	—	0.01	0.01		0.01	—	0.01	—	8.61	0.13	—	0.02	0.01	6.84
3	Financial corporations		—	—	—	—		—	—	—	—	0.21	—	—	—	—	1.99
4	Credit institutions		—	—	—	—		—	—	—	—	0.21	—	—	—	—	1.94
5	Other financial corporations		—	—	—	—		—	—	—	—	—	—	—	—	—	0.05
6	– of which: investment firms		—	—	—	—		—	—	—	—	—	—	—	—	—	—
7	– of which: management companies		—	—	—	—		—	—	—	—	—	—	—	—	—	—
8	– of which: insurance undertakings		—	—	—	—		—	—	—	—	—	—	—	—	—	—
9	Non-financial corporations subject to NFRD disclosure obligations		0.12	—	0.01	0.01		0.01	—	0.01	—	0.46	0.13	—	0.02	0.01	1.06
10	Households		—	—	—	—				—		7.84	—	—	—	—	3.74
11	– of which: loans collateralised by residential immovable property		—	—	—	—				—		7.83	—	—	—	—	3.73
12	– of which: building renovation loans		—	—	—	—				—		—	—	—	—	—	—
13	– of which: motor vehicle loans		—	—	—	—				—		0.01	—	—	—	—	0.01
14	Local government financing		—	—	—	—				—		0.10	—	—	—	—	0.05
15	Housing financing		—	—	—	—				—		—	—	—	—	—	—
16	Other local governments financing		—	—	—	—		—	—	—	—	0.10	—	—	—	—	0.05
17	Collateral obtained by taking possession: residential and commercial immovable properties		—	—	—	—				—		—	—	—	—	—	—

Table 51: Mitigating actions – GAR % (Template 8) (continued)

		q	r	s	t	u	v	w	x	y	z	aa	ab	ac	ad	ae	af
		Year ended 31 Dec 2023: KPIs on flows															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
		Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					
			of which: environmentally sustainable					of which: environmentally sustainable					of which: environmentally sustainable				
	% (compared to total covered assets in the denominator)			of which: specialised lending	of which: transitional	of which: enabling			of which: specialised lending	of which: adaptation	of which: enabling			of which: specialised lending	of which: transitional/ adaptation	of which: enabling	Proportion of total new assets covered
		%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
1	GAR		—					—					—				
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation		—	—	—	—		—	—	—	—	0.12	—	—	—	—	
3	Financial corporations		—	—	—	—		—	—	—	—	0.01	—	—	—	—	
4	Credit institutions		—	—	—	—		—	—	—	—	0.01	—	—	—	—	
5	Other financial corporations		—	—	—	—		—	—	—	—	—	—	—	—	—	
6	– of which: investment firms		—	—	—	—		—	—	—	—	—	—	—	—	—	
7	– of which: management companies		—	—	—	—		—	—	—	—	—	—	—	—	—	
8	– of which: insurance undertakings		—	—	—	—		—	—	—	—	—	—	—	—	—	
9	Non-financial corporations subject to NFRD disclosure obligations		—	—	—	—		—	—	—	—	0.03	—	—	—	—	
10	Households		—	—	—	—				—		0.08	—	—	—	—	
11	– of which: loans collateralised by residential immovable property		—	—	—	—				—		0.08	—	—	—	—	
12	– of which: building renovation loans		—	—	—	—				—		—	—	—	—	—	
13	– of which: motor vehicle loans		—	—	—	—				—		—	—	—	—	—	
14	Local government financing		—	—	—	—				—		—	—	—	—	—	
15	Housing financing		—	—	—	—				—		—	—	—	—	—	
16	Other local governments financing		—	—	—	—		—	—	—	—	—	—	—	—	—	
17	Collateral obtained by taking possession: residential and commercial immovable properties		—	—	—	—				—		—	—	—	—	—	

Mitigating Actions - BTAR (Template 9)

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

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

The Bank has analysed available estimates from third party data vendors. These use two approaches depending on data availability. Where possible, counterparty level information is used to produce client level estimates: this could include the use of parent ratios as a proxy. Otherwise they rely on using the counterparty's NACE code to derive industry sector averages as a proxy. Both approaches depend on the availability of reported information and the industry averages are mostly based on reporting from very few companies. Given its current population of non-NFRD counterparties, HSBC Continental Europe would have to rely on the NACE data approach for eligibility and alignment estimates. Since the degree of confidence that can be placed in these proxies is assessed as low, HSBC Continental Europe has chosen not to publish a BTAR.

On 26 February 2025, the European Commission published the first of a series of simplification Omnibus packages. This includes proposed amendments to sustainable finance reporting and sustainability due diligence and was accompanied by proposed changes to the EU Taxonomy Regulation. HSBC Continental Europe will continue to monitor progress and review the scope of its reporting.

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

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

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

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

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

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

Table 52: Other climate change mitigating actions that are not covered in the EU Taxonomy (Template 10)

	a	b	c	d	e	f
	Type of financial instrument	**Type of counterparty**	**Gross carrying amount €m**	**Type of risk mitigated (Climate change transition risk)**	**Type of risk mitigated (Climate change physical risk)**	**Qualitative information on the nature of the mitigating actions**
	31 Dec 2024					
1	**Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)**	Financial corporations	**416**	**Y**	**Y**	The proceeds from these bonds are used for climate change transition risk purposes, and are deployed to sustainable investments such as green buildings, clean transportation, renewable energy, deployment of innovative low-carbon technologies and other decarbonisation and carbon reduction projects. Some bonds support projects which contribute to mitigate climate physical risk, such as the conservation and restoration of ecosystems, which helps to create natural barriers against climate-related physical events.
2		Non-financial corporations	—			
3		– of which: Loans collateralised by commercial immovable property	—			
4		Other counterparties	**215**	**Y**	**Y**	The proceeds from these bonds are invested in projects with a climate change transition risk and/or physical risk mitigation objective. Financings are intended to be deployed to transition projects such as energy efficient buildings, clean transportation and renewable energy. Some bonds support projects which contribute to mitigate climate physical risk, such as measures for reducing flood risk, e.g. rainwater drainage systems, and coastal protection e.g. drains, paving and elevated quaysides.

Table 52: Other climate change mitigating actions that are not covered in the EU Taxonomy (Template 10) (continued)

	a	b	c	d	e	f
	Type of financial instrument	Type of counterparty	Gross carrying amount €m	Type of risk mitigated (Climate change transition risk)	Type of risk mitigated (Climate change physical risk)	Qualitative information on the nature of the mitigating actions
	31 Dec 2024					
5	**Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)**	Financial corporations	**57**	**Y**	**N**	These loans are assessed as green either; to support green issuances, part of the original $100bn investing/ financing commitment, or are part of the current ambition of investing/ financing $750bn to $1tn in sustainable projects by 2030. They mainly finance renewable energy projects,which support the transition to a lower carbon economy.
6		Non-financial corporations	**760**	**Y**	**N**	These loans are assessed as green either; to support green issuances, part of the original $100bn investing/ financing commitment, or are part of the current ambition of investing/ financing $750bn to $1tn in sustainable projects by 2030.They finance green building projects, renewable energy, clean transportation, energy efficiency infrastructure and pollution prevention and control projects, which all support the transition to a lower carbon economy.
7		– of which: Loans collateralised by commercial immovable property	—			
8		Households	**4**	**Y**	**N**	These loans finance housing refurbishment and green car loans in order to improve energy efficiency and contribute to mitigating transition risk.
9		– of which: Loans collateralised by residential immovable property	—			
10		– of which: building renovation loans	1			
11		Other counterparties	—			

Table 52: Other climate change mitigating actions that are not covered in the EU Taxonomy (Template 10) (continued)

	a	b	c	d	e	f
	Type of financial instrument	Type of counterparty	Gross carrying amount €m	Type of risk mitigated (Climate change transition risk)	Type of risk mitigated (Climate change physical risk)	Qualitative information on the nature of the mitigating actions
	31 Dec 2023					
1	Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	259	Y	N	The proceeds from these bonds are used for climate change transition risk purposes, and are deployed to sustainable investments such as green buildings, clean transport, renewable energy, eco-efficiency and circular economy products, territorial mobility and soft urban transport, sustainable water use, waste management, energy efficiency, pollution prevention and research and development of low carbon technologies.
2		Non-financial corporations				
3		– of which: Loans collateralised by commercial immovable property				
4		Other counterparties	191	Y	Y	The proceeds from these bonds are invested in projects with a climate change transition risk and/or physical risk mitigation objective. Financings are intended to be deployed to transition projects such as energy efficient buildings, clean transportation and renewable energy. Some bonds support projects which contribute to mitigate climate physical risk, including water management.
5	Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	71	Y	N	These loans are assessed as green either; to support green issuances, part of the original $100bn investing/financing commitment, or are part of the current ambition of investing/financing $750bn to $1tn in sustainable projects by 2030. They mainly finance renewable energy and green building projects, which support the transition to a lower carbon economy.
6		Non-financial corporations	585	Y	N	These loans are assessed as green either; to support green issuances, part of the original $100bn investing/financing commitment, or are part of the current ambition of investing/financing $750bn to $1tn in sustainable projects by 2030. They finance green building projects, renewable energy, clean transportation and energy efficiency infrastructure projects, which all support the transition to a lower-carbon economy.
7		– of which: Loans collateralised by commercial immovable property				
8		Households	4	Y	N	These loans finance housing refurbishment and green car loan in order to improve energy efficiency and contribute to mitigating transition risk.
9		– of which: Loans collateralised by residential immovable property				
10		– of which: building renovation loans				
11		Other counterparties				

Appendix I - Counter-cyclical capital buffer

The countercyclical capital buffer is an additional capital buffer introduced by Basel III to achieve the broad macroprudential goal of protecting the banking sector in periods of excess aggregate credit growth. National macroprudential authorities set the countercyclical buffer rate, usually within a 0-2.5 per cent range. Increases are announced at least a year in advance under normal circumstances.

The buffer for exposure to the French economy is set by the French High Council for Financial Stability. Throughout 2024, this rate was 1 per cent.

The table below shows the make-up of HSBC Continental Europe's countercyclical capital buffer. The effective rate for the countercyclical capital buffer rose to 0.88 per cent in 2024.

Table 53: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (‘CCyB1’)

	General credit exposures		Trading book exposures		Securitisation exposures	Own funds requirements					
	SA	IRB	Sum of long/ short positions for SA	Internal models	Total Exposure value of securitisation positions in the banking book	of which: General credit exposures	of which: General trading book	of which: Securiti-sation exposures	Total	Own funds require-ments weights	CCyB rate
Country	€m	€m	€m	€m	€m	€m	€m	€m	€m	%	%
Albania	—	—	—	—	—	—	—	—	—	—	—
Algeria	0.2	0.2	—	—	—	0.2	—	—	0.2	0.01	—
Andorra	—	—	—	—	—	—	—	—	—	—	—
Argentina	0.5	0.4	—	—	—	—	—	—	—	—	—
Armenia	—	0.6	—	—	—	0.1	—	—	0.1	—	1.50
Australia	0.3	3.2	—	—	—	0.4	—	—	0.4	0.02	1.00
Austria	32.3	626.1	—	—	—	28.3	—	—	28.3	1.07	—
Azerbaijan	49.6	—	—	—	—	0.1	—	—	0.1	—	—
Bahamas	—	21.8	—	—	—	0.1	—	—	0.1	—	—
Bahrain	—	36.5	—	—	—	—	—	—	—	—	—
Bangladesh	—	13.4	—	—	—	0.1	—	—	0.1	—	—
Barbados	—	26.3	—	—	—	0.8	—	—	0.8	0.03	—
Belgium	149.0	707.3	—	—	—	35.7	—	—	35.7	1.35	1.00
Bermuda	—	165.0	—	—	—	1.6	—	—	1.6	0.06	—
Botswana	—	—	—	—	—	—	—	—	—	—	—
Brazil	1.6	43.9	—	—	—	0.4	—	—	0.4	0.01	—
Bulgaria	—	7.1	—	—	—	0.1	—	—	0.1	—	2.00
Canada	4.6	147.4	—	—	—	6.5	—	—	6.5	0.25	—
Cayman Islands	1.5	40.7	—	—	—	0.3	—	—	0.3	0.01	—
Chile	—	52.8	—	—	—	3.1	—	—	3.1	0.12	0.50
China	1.3	5.1	—	—	—	0.1	—	—	0.1	—	—
Colombia	—	8.2	—	—	—	0.2	—	—	0.2	0.01	—
Costa Rica	0.2	—	—	—	—	—	—	—	—	—	—
Côte D'Ivoire	—	—	—	—	—	—	—	—	—	—	—
Croatia	—	—	—	—	—	—	—	—	—	—	1.50
Curaçao	—	—	—	—	—	—	—	—	—	—	—
Cyprus	0.6	16.0	—	—	—	0.5	—	—	0.5	0.02	1.00
Czech Republic	10.7	440.8	—	—	—	22.4	—	—	22.4	0.85	1.25
Denmark	0.1	1,628.1	—	—	—	37.9	—	—	37.9	1.43	2.50
Dominican Republic	—	—	—	—	—	—	—	—	—	—	—
Ecuador	—	—	—	—	—	—	—	—	—	—	—
Egypt	1.2	156.4	—	—	—	1.4	—	—	1.4	0.05	—
Estonia	—	—	—	—	—	—	—	—	—	—	1.50
Faroe Islands	0.9	—	—	—	—	0.1	—	—	0.1	—	—
Finland	—	110.7	—	—	—	2.4	—	—	2.4	0.09	—
France	8,798.6	16,609.2	—	—	7,297.8	831.3	—	103.1	934.4	35.34	1.00
Germany	671.6	10,294.0	—	—	769.8	484.5	—	6.8	491.3	18.58	0.75
Ghana	—	246.4	—	—	—	—	—	—	—	—	—
Gibraltar	—	—	—	—	—	—	—	—	—	—	—
Greece	2.6	282.5	—	—	—	10.3	—	—	10.3	0.39	—
Guadeloupe	—	—	—	—	—	—	—	—	—	—	—
Guatemala	—	—	—	—	—	—	—	—	—	—	—
Guernsey	—	15.5	—	—	—	0.3	—	—	0.3	0.01	—
Hong Kong	3.4	332.5	—	—	—	3.2	—	—	3.2	0.12	0.50
Hungary	—	423.5	—	—	—	8.0	—	—	8.0	0.30	0.50
Iceland	—	—	—	—	—	—	—	—	—	—	2.50

Table 53: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer ('CCyB1') (continued)

	General credit exposures		Trading book exposures		Securitisation exposures	Own funds requirements					
	SA	IRB	Sum of long/short positions for SA	Internal models	Total Exposure value of securitisation positions in the banking book	of which: General credit exposures	of which: General trading book	of which: Securitisation exposures	Total	Own funds requirements weights	CCyB rate
Country	€m	€m	€m	€m	€m	€m	€m	€m	€m	%	%
India	1.5	8.2	—	—	—	0.1	—	—	0.1	—	—
Indonesia	1.0	82.0	—	—	—	5.4	—	—	5.4	0.21	—
Ireland	459.9	2,053.8	—	—	—	80.8	—	—	80.8	3.06	1.50
Isle Of Man	43.3	1.5	—	—	—	3.5	—	—	3.5	0.13	—
Israel	1.4	6.7	—	—	—	0.1	—	—	0.1	—	—
Italy	241.7	1,283.2	—	—	530.9	59.3	—	7.2	66.5	2.52	—
Japan	—	0.3	—	—	—	—	—	—	—	—	—
Jersey	—	19.9	—	—	—	0.2	—	—	0.2	0.01	—
Jordan	—	—	—	—	—	—	—	—	—	—	—
Kazakhstan	49.0	—	—	—	—	—	—	—	—	—	—
Kenya	—	—	—	—	—	—	—	—	—	—	—
Korea, Republic Of	—	0.1	—	—	—	—	—	—	—	—	1.00
Kuwait	—	—	—	—	—	—	—	—	—	—	—
Latvia	—	—	—	—	—	—	—	—	—	—	0.50
Lebanon	—	—	—	—	—	—	—	—	—	—	—
Liberia	—	—	—	—	—	—	—	—	—	—	—
Libya	—	—	—	—	—	—	—	—	—	—	—
Liechtenstein	—	348.7	—	—	—	6.0	—	—	6.0	0.23	—
Lithuania	—	1.0	—	—	—	—	—	—	—	—	1.00
Luxembourg	483.7	3,642.2	—	—	—	144.7	—	—	144.7	5.47	0.50
Malaysia	1.4	10.9	—	—	—	0.2	—	—	0.2	0.01	—
Malta	2,860.0	0.2	—	—	—	125.7	—	—	125.7	4.75	—
Marshall Islands	—	—	—	—	—	—	—	—	—	—	—
Martinique	—	—	—	—	—	—	—	—	—	—	—
Mauritius	—	17.9	—	—	—	0.3	—	—	0.3	0.01	—
Mexico	6.0	129.4	—	—	—	4.0	—	—	4.0	0.15	—
Monaco	—	1.8	—	—	—	—	—	—	—	—	—
Montenegro	—	2.5	—	—	—	—	—	—	—	—	—
Morocco	—	0.3	—	—	—	—	—	—	—	—	—
Netherlands	1,050.4	3,889.5	—	—	590.0	189.4	—	5.1	194.5	7.35	2.00
New Caledonia	1.0	—	—	—	—	0.1	—	—	0.1	—	—
New Zealand	0.2	17.9	—	—	—	1.8	—	—	1.8	0.07	—
Norway	0.1	120.7	—	—	—	2.4	—	—	2.4	0.09	2.50
Oman	—	15.7	—	—	—	0.7	—	—	0.7	0.02	—
Pakistan	—	—	—	—	—	—	—	—	—	—	—
Panama	0.1	126.5	—	—	—	0.6	—	—	0.6	0.02	—
Paraguay	2.3	—	—	—	—	—	—	—	—	—	—
Peru	—	0.1	—	—	—	—	—	—	—	—	—
Philippines	—	0.1	—	—	—	—	—	—	—	—	—
Poland	210.4	777.7	—	—	—	40.4	—	—	40.4	1.53	—
Portugal	12.3	40.9	—	—	—	1.8	—	—	1.8	0.07	—
Puerto Rico	0.1	—	—	—	—	—	—	—	—	—	—
Qatar	4.6	87.4	—	—	—	2.2	—	—	2.2	0.08	—
Réunion	—	—	—	—	—	—	—	—	—	—	—
Romania	—	5.7	—	—	—	0.1	—	—	0.1	0.01	1.00
Russian Federation	0.2	0.8	—	—	—	0.1	—	—	0.1	0.01	—
Saudi Arabia	0.5	48.1	—	—	—	0.1	—	—	0.1	—	—
Serbia	—	—	—	—	—	—	—	—	—	—	—
Seychelles	—	—	—	—	—	—	—	—	—	—	—
Sierra Leone	—	—	—	—	—	—	—	—	—	—	—
Singapore	0.1	44.3	—	—	—	2.5	—	—	2.5	0.10	—
Slovakia	0.2	47.5	—	—	—	1.0	—	—	1.0	0.04	1.50
Slovenia	—	0.5	—	—	—	—	—	—	—	—	0.50
South Africa	1.0	—	—	—	—	—	—	—	—	—	—
Spain	345.3	1,854.5	—	—	213.6	107.6	—	2.7	110.3	4.17	—
Sri Lanka	0.1	—	—	—	—	—	—	—	—	—	—
Sweden	33.6	316.5	—	—	—	14.0	—	—	14.0	0.53	2.00
Switzerland	69.4	1,087.8	—	—	—	42.9	—	—	42.9	1.62	—
Taiwan, Province Of China	1.8	0.4	—	—	—	0.1	—	—	0.1	0.01	—

Table 53: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer ('CCyB1') (continued)

	General credit exposures		Trading book exposures		Securitisation exposures	Own funds requirements					
	SA	IRB	Sum of long/ short positions for SA	Internal models	Total Exposure value of securitisation positions in the banking book	of which: General credit exposures	of which: General trading book	of which: Securiti-sation exposures	Total	Own funds require-ments weights	CCyB rate
Country	€m	€m	€m	€m	€m	€m	€m	€m	€m	%	%
Thailand	0.6	63.5	—	—	—	0.1	—	—	0.1	0.01	—
Tunisia	—	0.1	—	—	—	—	—	—	—	—	—
Turkey	47.6	83.7	—	—	—	3.8	—	—	3.8	0.14	—
Ukraine	0.8	—	—	—	—	—	—	—	—	—	—
United Arab Emirates	33.6	111.3	—	—	—	2.9	—	—	2.9	0.11	—
United Kingdom	1,365.0	1,954.8	—	—	—	117.0	—	—	117.0	4.42	2.00
United States	68.7	2,744.8	—	—	—	75.1	—	—	75.1	2.84	—
Viet Nam	1.0	2.2	—	—	—	0.1	—	—	0.1	—	—
Virgin Islands, British	—	85.5	—	—	—	1.5	—	—	1.5	0.06	—
Total	17,130.9	53,601.1	—	—	9,402.0	2,519.4	—	124.9	2,644.3	100.00	

Table 54: Amount of Institution specific countercyclical Capital buffer ('CCyB2')

	2024	2023
Total Risk Exposure Amount (€m)	63,297	59,515
Institution specific countercyclical capital buffer rate (%)	0.88	0.60
Institution specific countercyclical capital buffer requirement (€m)	557	355

Appendix II

Summary of disclosures with held due to their immateriality, confidentiality or proprietary nature

CRR reference	Description	Rationale
442(c)	Credit Risk Adjustments – In relation to exposure to credit risk and dilution risk, the total amount of exposures after accounting offsets and without taking into account the effects of credit risk mitigation.	Materiality The disclosure has been made after taking into account the effects of credit risk mitigation; there are no significant differences between exposures pre- and post-credit risk mitigation at exposure class level.

Appendix III

Abbreviations

The following abbreviated terms are used throughout this document.

A	
ADEME	Agence De l'Environnement et de la Maîtrise de l'Energie
AFL	Accelerating Female Leadership
AFS[1]	Available-for-sale
AGM	Annual General Meeting
AIL	Accelerating into Leadership
ALCM	Asset, Liability and Capital Management
ALCO	Asset and Liability Management Committee
AT1 capital	Additional tier 1 capital
B	
BCBS	Basel Committee on Banking Supervision
bps	basis points
BSM	Balance Sheet Management
C	
CCM	Environmentally sustainable
CCP	Central counterparty
CCR[1]	Counterparty credit risk
CDP	Carbon Disclosure Project
CDS[1]	Credit default swap
CEO	Chief Executive Officer
CESGROF	Climate and Environmental, Social and Governance Risk Oversight Forum
CET1[1]	Common Equity Tier 1
CIU	Collective investment undertakings
CoS	Chief of Staff
CRA[1]	Credit risk adjustment
CRD IV[1]	Capital Requirements Directive
CRE[1]	Commercial real estate
CRM	Credit risk mitigation/mitigant
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CSA	Credit Support Annex
CSO	Chief Sustainability Officer
CSRD	Corporate Sustainability Reporting Directive
CVA	Credit valuation adjustment
D	
D-SIB	Domestic-Systemically Important Bank
E	
EAD[1]	Exposure at default
EBA	European Banking Authority
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECB	European Central Bank
EEA	European Economic Area
EL[1]	Expected loss
ELCs	Entity Level Controls
EPBD	Energy Performance of Building Directive
EPC	Energy Performance Certificate
ESG	Environmental, Social and Governance
ESRS	European Sustainability Reporting Standards
EU	European Union
EVE[1]	Economic value of equity
F	
FIM	Functional Instruction Manual
FPC[1]	Financial Policy Committee (UK)
FSB	Financial Stability Board
G	
GAR	Green Asset Ratio
GCEL	Global Coal Exit List
GB	Global Banking
GHG	Greenhouse gas
GOGEL	Global Oil and Gas Exit List

Group	HSBC Holdings together with its subsidiary undertakings
H	
HCSF	High Council for Financial Stability
HR	Human Resources
HSBC	HSBC Holdings together with its subsidiary undertakings
HTC&S SVaR	Hold-to-collect-and-sell stressed value at risk
I	
IAA[1]	Internal Assessment Approach
ICAAP[1]	Internal Capital Adequacy Assessment Process
ICG	Individual capital guidance
IEA	International Energy Agency
IFRSs	International Financial Reporting Standards
ILAA	Individual Liquidity Adequacy Assessment
ILR	Inherent Liquidity Risk
IMA	Internal Models Approach
IMM1	Internal Model Method
INSEE	Notary price index
IPU	Intermediate Parent Undertaking
IRB[1]	Internal ratings based approach
IRC[1]	Incremental risk charge
ITS	Implementing Technical Standard
L	
LAB	Liquid Asset Buffer
LCR	Liquidity Coverage Ratio
LFRF	Liquidity and Funding Risk Management Framework
LGD[1]	Loss given default
M	
MI	Management Information
MREL	Minimum requirements for own funds and eligible liabilities
MRT	Material Risk Taker
MSS	Market Security Services
N	
NACE	The Statistical Classification of Economic Activities in the European Community
NFRD	Non-financial Reporting Directive
NGO	Non-Governmental Organisation
NPS	Net Promoter Score
NQH	Non Qualifying Hedge
NSFR	Net Stable Funding Ratio
NZBA	Net-Zero Banking Alliance
NZE	Net-Zero Emission
O	
OCR	Overall Capital Requirement
OECD	Organisation for Economic Cooperation and Development
OTC[1]	Over-the-counter
P	
P1R	Pillar 1 requirement
P2G	Pillar 2 guidance
P2R	Pillar 1 requirement
PD[1]	Probability of default
PFE[1]	Potential future exposure
POCI	Purchased or originated credit-impaired
PP&E	Property plant and equipment
PRA[1]	Prudential Regulation Authority (UK)
R	
RAS	Risk appetite statement
RBM[1]	Ratings Based Method
RMM	Risk Management Meeting of the Group Management Board
RNIV	Risks not in VaR

RRCSC	Reputational Risk and Client Selection Committee
RWA[1]	Risk-weighted asset
S	
S&P	Standard and Poor's rating agency
SBTI	Science Based Targets Initiative
SOT	Standard Outlier Test
STD[1]	Standardised approach
SA-CCR	Standardised approach for counterparty credit risk
SFM[1]	Supervisory Formula Method
SFT[1]	Securities Financing Transactions
SME	Small and medium-sized enterprise
SRB	Single Resolution Board
SREP	Supervisory Review and Evaluation Process
T	
TCFD	Task Force on Climate-related Financial Disclosure
TLAC[1]	Total Loss Absorbing Capacity
TNFD	Task Force on Nature-related Financial Disclosure
TTC[1]	Through-the-cycle
T1 capital	Tier 1 capital
T2 capital	Tier 2 capital
U	
UK	United Kingdom
UNGC	United Nations Global Compact
V	
VaR[1]	Value at risk
W	
WPB	Wealth Management and Private Banking

1 Full definition included in Glossary on the HSBC website www.hsbc.com.

Appendix IV

Cautionary statement regarding forward-looking statements

These Pillar 3 Disclosures 2024 contain certain forward looking statements with respect to HSBC Continental Europe's ('the company') financial condition; results of operations and business, including the strategic priorities; financial, investment and capital targets; and the company's ability to contribute to the HSBC group's (the "Group") environmental, social and governance ('ESG') targets, commitments and ambitions described herein.

Statements that are not historical facts, including statements about the company's beliefs and expectations, are forward-looking statements. Words such as 'may', 'will', 'should', 'expects', 'targets', 'anticipates', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'potential' and 'reasonably possible', or the negative thereof, other variations thereon or similar expressions are intended to identify forward-looking statements. These statements are based on current plans, information, data, estimates and projections, and therefore undue reliance should not be placed on them.

Forward-looking statements speak only as of the date they are made. The company 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 statements. Written and/or oral forward-looking statements may also be made in the Group's periodic reports to the US Securities and Exchange Commission, offering circulars and prospectuses, press releases and other written materials, and in oral statements made by the company's Directors, officers or employees to third parties, including financial analysts.

Forward looking statements involve inherent risks and uncertainties. Readers are cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement. These include, but are not limited to:

– changes in general economic conditions in the markets in which the company operates, such as new, continuing or deepening recessions, prolonged inflationary pressures and fluctuations in employment and creditworthy customers beyond those factored into consensus forecasts (including, without limitation, as a result of the Russia-Ukraine war and, to a lesser extent, the Covid-19 pandemic); the Russia-Ukraine war and the Covid-19 pandemic and their impact on global economies and the markets where the company operates, which could have a material adverse effect on (among other things) the company's financial condition, results of operations, prospects, liquidity, capital position and credit ratings; deviations from the market and economic assumptions that form the basis for the company's ECL measurements (including, without limitation, as a result of the Russia-Ukraine war, inflationary pressures and the Covid-19 pandemic); changes in foreign exchange rates and interest rates; volatility in equity markets; lack of liquidity in wholesale funding or capital markets, which may affect the company's ability to meet its obligations under financing facilities or to fund new loans, investments and businesses; geopolitical tensions or diplomatic developments, both in Europe and in other regions such as Asia, producing social instability or legal uncertainty, such as the Russia-Ukraine war (including the continuation and escalation thereof) and the related imposition of sanctions and trade restrictions, the EU's relationship with the UK, supply chain restrictions and disruptions, sustained increases in energy prices and key commodities and diplomatic tensions between China and the US, extending to the EU and the UK, alongside other potential areas of tension, which may adversely affect the group by creating regulatory, reputational and market risks; the efficacy of government, customer, and the company's and the Group's actions in managing and mitigating ESG risks, in particular climate risk, nature-related risks and human rights risks, and in supporting the global transition to net zero carbon emissions, each of which can impact the company both directly and indirectly through its customers and which may result in potential financial and non-financial impacts; illiquidity and downward price pressure in national real estate markets; adverse changes in central banks' policies with respect to the provision of liquidity support to financial markets; heightened market concerns over sovereign creditworthiness in over-indebted countries; adverse changes in the funding status of public or private defined benefit pensions; societal shifts in customer financing and investment needs, including consumer perception as to the continuing availability of credit; exposure to counterparty risk, including third parties using the company as a conduit for illegal activities without the company's knowledge; the discontinuation of certain key IBORs and the development of near risk-free benchmark rates, as well as the transition of legacy IBOR contracts to near risk-free benchmark rates, which exposes the company to material execution risks, including in relation to the effectiveness of the Group's IBOR remediation strategy, and increases some financial and non-financial risks; and price competition in the market segments that the company serves;

– changes in government policy and regulation, including the monetary, interest rate and other policies of central banks and other regulatory authorities in the principal markets in which the company operates and the consequences thereof (including, without limitation, actions taken as a result of the impact of the Russia-Ukraine war on inflation and as a result of the Covid-19 pandemic); initiatives to change the size, scope of activities and interconnectedness of financial institutions in connection with the implementation of stricter regulation of financial institutions in key markets worldwide; revised capital and liquidity benchmarks, which could serve to deleverage bank balance sheets and lower returns available from the current business model and portfolio mix; changes to tax laws and tax rates applicable to the company, including the imposition of levies or taxes designed to change business mix and risk appetite; the practices, pricing or responsibilities of financial institutions serving their consumer markets; expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; the EU's relationship with the UK, which continues to be characterised by uncertainty and political disagreement, particularly with respect to the regulation of financial services, despite the signing of the Trade and Cooperation Agreement between the EU and the UK; changes in macro-economic and fiscal policy, which may result in fluctuations in the value of currencies; general changes in government policy that may significantly influence investor decisions; the costs, effects and outcomes of regulatory reviews, actions or litigation, including any additional compliance requirements; and the effects of competition in the markets where we operate, including increased competition from non-bank financial services companies; and

– factors specific to the company and the Group, including the company's success in adequately identifying the risks it faces, such as the incidence of loan losses or delinquency, and managing those risks (through account management, hedging and other techniques); the company's ability to achieve its financial, investment, capital targets and the achievement of the Group's ESG targets, commitments and ambitions, which may result in the company's failure to achieve any of the expected benefits of its strategic priorities; model limitations or failure, including, without limitation, the impact that high inflationary pressures, rising interest rates and the consequences of the Covid-19 pandemic have had on the performance and usage of financial models, which may require the company to hold additional capital, incur losses and/or use compensating controls, such as judgemental post-model adjustments, to address model limitations; changes to the judgements, estimates and assumptions the company bases its financial statements on; changes in the company's ability to meet the requirements of regulatory stress tests; a reduction in the credit ratings assigned to the company or any of its subsidiaries, which could increase the cost or decrease the availability of the company's funding and affect its liquidity position and net interest margin; changes to the reliability and security of the company's data management, data privacy, information and technology infrastructure, including threats from cyber-attacks, which may impact its ability to service clients and may result in financial loss, business disruption and/ or loss of customer services and data; the accuracy and effective use of data, including internal management information that may not have been independently verified; changes in insurance customer behaviour and insurance claim rates; the company's dependence on loan payments and dividends from subsidiaries to meet its obligations; changes in accounting standards, including the implementation of IFRS 17 'Insurance Contracts', which may have a material impact on the way the company prepares its financial statements and (with respect to IFRS 17) may negatively affect the profitability of HSBC's insurance business; changes in the company's ability to manage third-party, fraud and reputational risks inherent in its operations; employee misconduct, which may result in regulatory sanctions and/or reputational or financial harm; changes in skill requirements, ways of working and talent shortages, which may affect the company's ability to recruit and retain senior management and diverse and skilled personnel; and changes in the company's ability to develop sustainable finance and climate-related products consistent with the evolving expectations of its regulators, and the company's capacity to measure the climate impact from its financing activity (including as a result of data limitations and changes in methodologies), which may affect the Group's ability to achieve its climate ambition, targets and commitments, and increase the risk of greenwashing. Effective risk management depends on, among other things, the company's ability through stress testing and other techniques to prepare for events that cannot be captured by the statistical models it uses; the company's success in addressing operational, legal and regulatory, and litigation challenges; and other risks and uncertainties we identify in the Risk section on pages 164 to 239 of the Universal Registration Document 2024.

HSBC Continental Europe

38 Avenue Kléber
75116 Paris
France
Telephone: (33 1) 40 70 70 40
www.hsbc.fr