HSBC Holdings plc
Annual Report and Accounts 2024

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HSBC | Opening up a world of opportunity

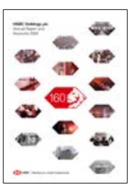
Opening up a world of opportunity

Our ambition is to be the preferred international financial partner for our clients.

Our purpose, ambition and values reflect our strategy and support our focus on execution.

Read more on our values and strategy on pages 5 and 11.

Contents



Cover image: Opening up a world of opportunity
This year's annual report marks 160 years since our founding and celebrates our rich history of shaping finance around the world. To mark this occasion, our special anniversary cover encapsulates the depth and the breadth of our services, and our commitment to connecting people and businesses through our global network – creating opportunities, driving progress and pioneering new ideas.

This Strategic Report was approved by the Board on 19 February 2025.

Sir Mark E Tucker
Group Chairman

A reminder
The currency we report in is US dollars.

Our approach to ESG reporting
We embed our ESG reporting and Task Force on Climate-related Financial Disclosures ('TCFD') within our Annual Report and Accounts. Our TCFD disclosures are highlighted with the following symbol: TCFD

Use of alternative performance measures
We supplement our IFRS Accounting Standards figures with non-IFRS Accounting Standards measures used by management internally that constitute alternative performance measures under European Securities and Markets Authority guidance and non-GAAP financial measures defined in and presented in accordance with US Securities and Exchange Commission rules and regulations. These measures are highlighted with the following symbol: ◆

Further explanation may be found on page 29.

Targets and forward guidance
We do not reconcile our forward guidance on RoTE excluding the impact of notable items, target basis operating expenses, dividend payout ratio target basis or banking net interest income ('banking NII') to their equivalent reported measures.

For our financial targets, medium-term is defined as between three to five years, and long term as five to six years, from 1 January 2025.

See page 2 for details on our forward guidance and outlook.

None of the websites referred to in this Annual Report and Accounts 2024 for the year ended 31 December 2024 (including where a link is provided), and none of the information contained on such websites, are incorporated by reference in this report.

in linkedin.com/company/hsbc

Performance in 2024

HSBC is one of the largest banking and financial services organisations in the world.

We have a clear strategy to deliver revenue and profit growth, enhance customer service and create long-term shareholder value.

Financial performance indicators

Our financial performance indicators demonstrate our continued focus on the delivery of sustainable returns for our shareholders. They also provide insight into the performance that has driven the outcomes of our financial targets.

- Read more on our financial performance in 2024 on pages 2 and 27.
- For an explanation of performance against our key Group financial targets, see page 25.
- For a reconciliation of alternative performance measures to their reported equivalents, see page 124.

Return on average tangible equity

14.6%

(2023: 14.6%)
Return on average tangible equity excluding notable items of 16.0% (2023: 16.2%)

Profit before tax

$32.3bn

(2023: $30.3bn)

Net interest income

$32.7bn

(2023: $35.8bn)
Banking net interest income of $43.7bn (2023: $44.1bn)

Operating expenses

$33.0bn

(2023: $32.1bn)
Target basis operating expenses up 5% to $32.6bn

Common equity tier 1 capital ratio

14.9%

(2023: 14.8%)

Dividend per share in respect of 2024

$0.87

Inclusive of a special dividend of $0.21 per share.
(2023 dividend per share: $0.61)

Strategic performance indicators

Our strategy supports our ambition of being the preferred international financial partner for our clients.

We are committed to building a business for the long term, developing relationships that last.

- Read more on our strategy on pages 11 to 13.
- Read more on multi-jurisdictional client revenue on page 125.
- Read more on how we set and define our ESG metrics on page 17.
- Read more on our definition of sustainable finance and investment on page 45.

Grow our Wealth business

$64bn

Net new invested assets generated in 2024, of which $47bn were in Asia.
(2023: $84bn generated, of which $47bn were in Asia)

Serve our clients internationally

62%

Wholesale multi-jurisdictional client revenue is generated by clients banking with us across multiple markets.
(2023: 61%)

Gender representation

34.6%

Senior leadership roles held by women.
(2023: 34.1%)

Sustainable finance and investment

$393.6bn

Cumulative total provided and facilitated since 1 January 2020.
(2023: $294.4bn)

Highlights

Financial performance reflected business growth, particularly in Wealth. We continued to make progress in reshaping the Group and we have announced a simplification of our organisation structure to accelerate strategic delivery.

Financial performance (vs 2023)

- **Profit before tax rose by $2.0bn to $32.3bn,** including a $1.0bn net favourable impact from notable items. In 2024, these included a gain of $4.8bn on the disposal of our banking business in Canada, the impacts of the disposal of our business in Argentina, comprising a $1.0bn loss on disposal, and the recycling of foreign currency reserve losses and other reserves of $5.2bn. In 2023, notable items included an impairment of $3.0bn on our associate, Bank of Communications Co., Limited ('BoCom'), disposal losses of $1.0bn on Treasury repositioning and risk management and a $1.6bn gain recognised on the acquisition of Silicon Valley Bank UK Limited ('SVB UK'). **Profit after tax increased by $0.4bn to $25.0bn.**
- **Constant currency profit before tax excluding notable items increased by $1.4bn to $34.1bn,** primarily reflecting revenue growth in Wealth and Personal Banking ('WPB') and Global Banking and Markets ('GBM'), partly offset by a rise in operating expenses, in line with our cost growth targets.
- **Revenue of $65.9bn was stable.** There was growth in revenue from higher customer activity in Wealth in WPB, and in Equities and Securities Financing in GBM. In addition, 2023 included disposal losses of $1.0bn related to Treasury repositioning and risk management. This was offset by the net adverse impact of certain strategic transactions described above, as well as a $0.2bn loss on the early redemption of legacy securities.
- **Constant currency revenue excluding notable items rose by $2.9bn to $67.4bn.**
- **Net interest income ('NII') decreased by $3.1bn,** reflecting the impact of business disposals and higher funding costs associated with the redeployment of our commercial surplus to the trading book, where the related revenue is recognised in 'net income from financial instruments held for trading or managed on a fair value basis', partly offset by higher NII in HSBC UK, reflecting the benefit of our structural hedge. **Banking NII of $43.7bn fell by $0.4bn or 1% compared with 2023,** as increased deployment of our commercial surplus to the trading book only partly mitigated the reductions in NII.
- **Net interest margin ('NIM') of 1.56% decreased by 10 basis points ('bps'),** mainly due to increased deployment of our commercial surplus to the trading book.
- **Expected credit losses and other credit impairment charges ('ECL') of $3.4bn were stable.** ECL were $1.8bn in Commercial Banking ('CMB') and $0.2bn in GBM. This included stage 3 charges relating to the commercial real estate sector in mainland China ($0.4bn), the onshore Hong Kong real estate sector ($0.1bn), and a charge related to a single CMB customer in the UK. ECL in WPB were $1.3bn and primarily related to our legal entities in Mexico, Hong Kong and the UK. **ECL were 36bps of average gross loans, including loans and advances classified as held for sale** (2023: 32bps).
- **Operating expenses grew by $1.0bn or 3% to $33.0bn,** mainly due to higher spend and investment in technology and the impacts of inflation, partly offset by reductions related to our business disposals in Canada and France, and from lower levies in the UK and the US.
- **Target basis operating expenses rose by 5%, in line with our cost growth target.** This increase primarily reflected higher spend and investment in technology, and the impact of inflation. This is measured on a constant currency basis, excluding notable items, the impact of retranslating the prior year results of hyperinflationary economies at constant currency, and the direct costs from the sales of our French retail banking operations and our banking business in Canada.
- **Customer lending balances fell by $8bn on a reported basis but rose by $14bn on a constant currency basis.** Growth included lending balance growth in CMB and higher mortgage balances in WPB.
- **Customer accounts rose by $43bn on a reported basis, and $75bn on a constant currency basis,** with growth across all of our global businesses, primarily in Asia.
- **Common equity tier 1 ('CET1') capital ratio of 14.9% rose by 0.1 of a percentage point,** mainly due to capital generation and a reduction in RWAs through strategic transactions, offset by dividends, share buy-backs and organic balance sheet growth.
- The Board has approved a **fourth interim dividend of $0.36 per share, resulting in a total of $0.87 per share in respect of 2024,** inclusive of a special dividend of $0.21 per share. **We also intend to initiate a share buy-back of up to $2bn,** which we expect to complete by our first quarter 2025 results announcement.

Outlook

- We have announced measures to simplify the Group and we are focused on opportunities that build on our strong platform for growth.
- **We are now targeting a mid-teens return on average tangible equity ('RoTE') in each of the three years from 2025 to 2027** excluding notable items, while acknowledging the outlook for interest rates remains volatile and uncertain, particularly in the medium term.
- **We expect banking NII of around $42bn in 2025.** Our current expectation reflects modelling of a number of market-dependent factors. If changes in these factors impact the output of our modelling, we would update our expectation for 2025 Banking NII in future quarterly results announcements.
- We retain a Group-wide focus on cost discipline. **We are targeting growth in target basis operating expenses of approximately 3% in 2025 compared with 2024.**
- Our target basis operating expenses for 2025 excludes the direct cost impact of the business disposals in Canada and Argentina, notable items and the impact of retranslating the prior year results of hyperinflationary economies at constant currency.
- Our cost target includes the impact of simplification-related saves associated with our announced reorganisation, which aims to generate approximately **$0.3bn of cost reductions in 2025,** with a commitment to an **annualised reduction of $1.5bn in our cost base expected by the end of 2026.** To deliver these reductions, we plan to incur severance and other up-front costs of $1.8bn over 2025 and 2026, which will be classified as notable items. We are focused on opportunities where we have a clear competitive advantage and accretive returns, and we aim to redeploy around $1.5bn of additional costs from non-strategic activities into these areas, over the medium term.
- **We expect ECL charges as a percentage of average gross loans to continue to be within our medium-term planning range of 30bps to 40bps in 2025** (including lending held for sale balances).

- Over the medium to long term, we continue to expect **mid-single digit percentage growth for year-on-year customer lending balances.**
- We expect **double-digit percentage average annual growth in fee and other income in Wealth** over the medium-term.
- **We intend to continue to manage the CET1 capital ratio within our medium-term target range of 14% to 14.5%, with a dividend payout ratio target basis of 50% for 2025,** excluding material notable items and related impacts.

Our targets and expectations reflect our current outlook for the global macroeconomic environment and market-dependent factors, such as market-implied interest rates (as of mid-January 2025) and rates of foreign exchange, as well as customer behaviour and activity levels.

We do not reconcile our forward guidance on RoTE excluding the impact of notable items, target basis operating expenses, dividend payout ratio target basis or banking NII to their equivalent reported measures.

Reshaping the Group for growth

- **We continue to make progress on reshaping the Group.** In 2024, we completed the sales of our retail banking operations in France, and exited our businesses in Canada and Argentina. We have also enhanced the efficiency of the Group through smaller inorganic actions.
- **In 2024, we served our customers through three global businesses, Wealth and Personal Banking, Commercial Banking and Global Banking and Markets.** In October 2024, we announced that we are simplifying our organisational structure to accelerate delivery against our strategic priorities. Effective 1 January 2025, the Group operates through four new businesses: Hong Kong, UK, Corporate and Institutional Banking, and International Wealth and Premier Banking.
- **In January 2024, we completed the sale of our retail banking operations in France.** In accordance with the terms of the sale, we retained a €7.1bn ($7.4bn) portfolio of home and other loans. During the fourth quarter of 2024 we began to actively market this retained portfolio for sale. On 1 January 2025 we reclassified this portfolio as hold-to-collect-and-sell and expect to recognise an estimated $1bn fair value pre-tax loss in 'other comprehensive income' in equity on the remeasurement of the financial instruments in 1Q25.
- **In March 2024, we completed the sale of HSBC Bank Canada.** The completion of the transaction resulted in a $4.8bn gain on sale, inclusive of the recycling of foreign currency translation and other reserves losses. Following completion of the sale, the Board approved a special dividend of $0.21 per share, which was paid on 21 June 2024.
- **In December 2024, we completed the sale of our business in Argentina.** The completion of the transaction resulted in a pre-tax loss on sale of $1.0bn during 2024 and a $5.2bn recycling of foreign currency translation reserve losses and other reserves to the income statement in 4Q24.
- **During 2024, we completed the sale of our business in Russia** and recognised foreign currency translation reserve losses of approximately $0.1bn. We also completed **the sale of our operations in Armenia** and **exited our retail banking operations in Mauritius**.
- We also announced **divestments in our private banking business in Germany and our business in South Africa,** and we signed a memorandum of understanding in relation to the **planned sale of our France life insurance business.** In addition, we have launched a strategic review of our business in Malta. The review is at an early stage and no decisions have been made.
- In January 2025, as part of our efforts to simplify HSBC and increase leadership in our areas of strength, **we announced that we will begin to wind down our mergers and acquisitions ('M&A') and equity capital markets activities in the UK, Europe, and the US,** subject to local legal requirements. We will retain more focused M&A and equity capital markets capabilities in Asia and the Middle East.
- **In June 2024, we completed the acquisition of Citi's retail wealth management portfolio in mainland China.** This portfolio complements our growing set of wealth businesses and our ambition to be the leading international wealth manager for mass affluent and high net worth individuals in mainland China.
- **In January 2024, we acquired SilkRoad Property Partners Group –** expanding our real estate investment capabilities in Asia-Pacific, aligning with our ambition of becoming a top direct real estate investment manager in the region.

Acquisitions and disposals that are classified as material notable items form part of 'strategic transactions' and their impacts are separately presented in our financial reporting. Read more on the financial impact of our strategic transactions on page 102.

Read more on our organisational update on page 5.

ESG update

Transition to net zero

- Supporting the transition to net zero is a key priority for HSBC. In our net zero transition plan published in January 2024, we committed to continually calibrate our approach to take into consideration the latest scientific methodologies, climate-related policy measures and developments in the real world. **As we near the mid-point towards our 2030 targets, we have begun a review of our interim 2030 financed emission targets and associated policies.** This forms part of our annual net zero transition plan review as referenced in our 3Q24 earnings release in October.
- In 2020, we set an ambition to achieve net zero in our own operations and supply chain by 2030. We have made good progress in reducing our scope 1 and 2 emissions and are currently on track to deliver reductions of more than 90% by 2030 compared to our 2019 baseline. However, progress in reducing emissions in the scope 3 supply chain component is proving slower than we anticipated. We currently expect a 40% emissions reduction across our operations, travel and supply chain by 2030 which would mean that we would need to rely heavily on carbon offsets to achieve net zero in our supply chain by 2030. As such, **we have revisited our ambition,** taking into account latest best practice on carbon offsets. **We are now focused on achieving net zero in our operations, travel and supply chain by 2050.**
- Since 2020, **we have provided and facilitated $393.6bn of sustainable finance and investment,** which was an increase of $99.2bn in the past year. This consisted of green and social financing, alongside other forms of sustainable financing and investment.
- We have continued to focus on financing our clients' transition needs. In 2024, we launched HSBC Infrastructure Finance to help realise the financing and advisory opportunities in creating the infrastructure for a low carbon economy. We have also continued to focus on emerging climate technologies and supply chain decarbonisation.
- We have continued to participate in cross sector efforts to support customers' transitions.

Build inclusion and resilience

- In 2024, **34.6% of senior leadership roles were held by women, and we are on track to achieve our ambition of 35% by 2025**. We also continued to work towards meeting our ethnicity ambitions.
- Digital accessibility is important to us. We are using the power of technology to help provide a great digital experience for our customers and employees, including people with disabilities and those who are neurodivergent. We also expanded our efforts to support customers with disabilities in our branch spaces.

Act responsibly

- We have strengthened our AI governance processes to help ensure the responsible development and use of AI and launched www.hsbc.com/ai to increase the transparency of our AI strategy with clients and investors.
- We continued to develop our understanding of our salient human rights issues. In 2024, we focused on our approach to human rights risk management relating to the goods and services we buy from third parties and in respect of our business customers.

Who we are

HSBC is one of the largest banking and financial services organisations in the world.

Guided by our purpose of opening up a world of opportunity, our ambition is to be the preferred international financial partner for our clients.

Our global reach

In 2024, we served around 41 million customers worldwide through a network covering 58 countries and territories.

Our customers range from individual savers and investors to some of the world's biggest companies, governments and international organisations. We aim to connect them to opportunities and help them to achieve their ambitions.

For further details of our customers and approach to geographical information, see page 96.

Assets of
$3.0tn

Approximately
41m
Customers bank with us

Operations in
58
Countries and territories

We employ approximately
211,000
Full-time equivalent staff

Our global businesses in 2024

In 2024, we served our customers through three global businesses, which focused on delivering growth in areas where we have distinctive capabilities and have significant opportunities. Our 2024 operating segment results are presented on this basis. Effective 1 January 2025, the Group will operate through four new businesses which are detailed on page 5.

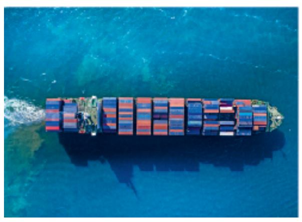
Wealth and Personal Banking ('WPB')

WPB helped millions of our customers look after their day-to-day finances and manage, protect and grow their wealth.

For further details, see page 30.

Commercial Banking ('CMB')

Our global reach and expertise helped domestic and international businesses around the world unlock their potential.



For further details, see page 32.

Global Banking and Markets ('GBM')

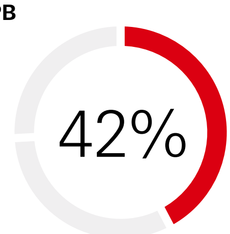
GBM provided a comprehensive range of financial services and products to corporates, governments and institutions.

For further details, see page 34.

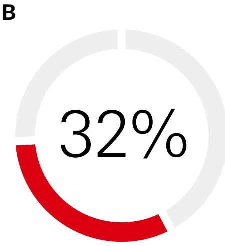
For further details on our organisational update, see page 5.

Revenue in 2024 by global business[1]

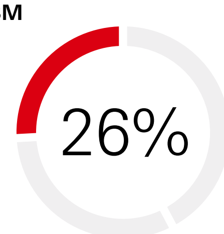
WPB



CMB



GBM



1 Calculation is based on revenue of our global businesses excluding Corporate Centre. Corporate Centre had negative revenue of $1,929m in 2024. See page 36 for details of Corporate Centre results in 2024.

Our new organisational structure

Effective from 1 January 2025, we have implemented a new organisational business structure that aims to unleash our full potential by building on our strong progress in recent years and driving our success into the future.

Hong Kong

Being the market leader in our home market of Hong Kong is one of our clear strengths and remains a strategic priority.

UK

Our UK ring-fenced bank has a leading market position in our home market of the UK and will continue to be a critical pillar of our strategy.

Corporate and Institutional Banking

Our new Corporate and Institutional Banking business is a market leader in cross-border transaction banking and capital markets and integrates our Commercial Banking business (outside the UK and Hong Kong) with our Global Banking and Markets business.

International Wealth and Premier Banking

This business brings together Premier focused banking (outside Hong Kong and the UK), our Global Private Bank, and our wealth manufacturing businesses of Asset Management and Insurance.

Group Operating Committee

To align with the new structure, a new Group Operating Committee comprised of 12 members now serves as the leading decision-making committee of the Group, replacing the Group Executive Committee of 18 members. The Group's functions are also being realigned to support the new business structure.

* Both our Hong Kong and UK businesses will serve our personal banking customers and commercial clients residing in these home markets.

For further details on our senior management team, see page 242.

Our values

Our values help define who we are as an organisation, and are key to our long-term success.

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

Our stakeholders

Building strong relationships with our stakeholders helps enable us to deliver our strategy in line with our long-term values, and operate the business in a sustainable way.

Our stakeholders are the people who work for us, bank with us, own us, regulate us, and live in the societies we serve and the planet we all inhabit. These human connections are complex and overlap.

Many of our employees are customers and shareholders, while our business customers are often suppliers. Guided by our purpose, we aim to create value for our customers and shareholders.

Our size and global reach mean our actions can have a significant impact. We are committed to doing business responsibly, and thinking for the long term. This is key to delivering our strategy.

For further details of how we are engaging with our stakeholders, see page 16.

Group Chairman's shareholder letter

Sir Mark E Tucker
Group Chairman

2024 was a year of strong performance. We continued to help our customers navigate challenges and capture meaningful opportunities, whilst providing increased returns for our shareholders. Looking ahead, we have the right people and structure to drive accelerated growth in 2025 and beyond.

In 2024, global economic growth was mixed. In the West, the US remained an outperformer, while growth across Europe was disappointing. In Asia and the Middle East, there was broadly steady growth. With inflation falling and with signs of the labour market softening, the US Federal Reserve was able to start cutting rates, as did most advanced economies.

This was against a backdrop of significant geopolitical uncertainty, heightened by numerous and consequential elections across the world. The war in Ukraine, now entering its fourth year, and the conflicts and continuing tensions in the Middle East, have had a tragic human impact. Our thoughts are with all those who have suffered and continue to experience the devastating consequences.

In this context, our focus is on our customers, leveraging our global network to help them navigate the challenges and capture the opportunities that emerge. That approach, combined with the disciplined execution of our strategy, delivered another strong financial performance and increased returns in 2024.

And we are very well positioned for the future.

HSBC's 160th Anniversary
2025 will mark HSBC's 160th anniversary.

In 1865, HSBC's founders started out with a clear and simple objective: to establish a bank in Hong Kong and Shanghai that would facilitate local and international trade, connecting East and West, and the many places in-between.

That objective is as relevant and significant today as it was then.

2024 progress and performance
In 2024, we delivered profit before tax of $32.3bn - an increase of $2.0bn compared with 2023. Our return on average tangible equity was 14.6%, or 16% excluding the impact of notable items.

We delivered increased returns for our shareholders. The Board approved a fourth quarterly dividend of $0.36 per share, bringing the total dividend announced for 2024 to $0.87 per share. This includes the special dividend of $0.21 per share that was paid in June following the completion of the sale of HSBC Bank Canada. In addition, we announced three share buy-backs in respect of 2024 worth a total of $9bn. And today, we announced a further share buy-back of up to $2bn.

Since the start of 2023, we have repurchased 11% of the issued share count. Combined with our sustained levels of profitability, this led to greater earnings and dividends per share for our shareholders.

Dividends paid in 2024, together with a more than 20% increase in the share price, delivered a total shareholder return for the year of more than 30%.

Our performance demonstrates that our strategy is working. To maintain, and indeed accelerate, the momentum, we are being very deliberate in creating investment capacity for priority areas, focusing on long-term strategic growth.

Optimising cost and capital allocation, we completed the sale of our businesses in Canada, Russia, Argentina, and Armenia, as well as our retail banking operations in France and Mauritius. We announced the planned sale of our business in South Africa and of our private banking business in Germany, as well as the planned sale of our life insurance business in France.

In parallel, our strategic investments are yielding significant results. In Wealth, for instance, revenue grew by 18% in 2024, including a 21% increase in fee and other income. The continued inflow of Net New Invested Assets and growth in total customers point to the material upside opportunity. In Hong Kong, for instance, we added approximately 800k new-to-bank customers.

"Our performance demonstrates that our strategy is working. To maintain, and indeed accelerate, the momentum, we are being very deliberate in creating investment capacity for priority areas, focusing on long-term strategic growth."

At the same time, we secured multiple additional licences to expand our operations in mainland China. In India, we received an approval earlier this year to open bank branches in 20 new cities that are at the centre of the expanding wealth and international opportunity.

We will continue to focus on and invest in growth opportunities where we have a clear competitive advantage.

Leadership and Board Changes
Following Noel Quinn's decision to retire as Group Chief Executive, the Board ran a rigorous and robust process to appoint his successor.

I would like to once again pay tribute to Noel's exceptional leadership and thank him for his unwavering commitment and dedication to HSBC during his 37 years of service. We wish him the very best in all of his future endeavours.

In September, Georges Elhedery became our Group Chief Executive. He brings a wealth of experience and an outstanding track record of delivery, achieved over a career spent working in Asia, the Middle East and Europe.

In a little over five months, he has already made his mark.

From 1 January 2025, we began operating through four businesses: Hong Kong, the UK, Corporate and Institutional Banking, and International Wealth and Premier Banking. The objective is to create a simpler and more dynamic organisation - with faster decision-making and clear lines of accountability.

Georges was succeeded as Group Chief Financial Officer by Pam Kaur, who joined the Board as an Executive Director, having previously served as Group Chief Risk and Compliance Officer.

At the 2024 Annual General Meeting ('AGM'), David Nish retired from the Board. David made invaluable contributions over eight years, particularly as Chair of the Group Audit Committee and as Senior Independent Director. Ann Godbehere took over as Senior Independent Director. Ann's extensive financial services experience, over a 30-year career spanning insurance, retail and private banking, and wealth management, positions her very well for this role. Brendan Nelson took over as Chair of the Group Audit Committee. His UK and international financial and auditing expertise and experience are enormously valuable.

In 2024, the Board held meetings in mainland China, Dubai, Singapore, New York, and London. On each occasion, we had the privilege and pleasure to meet with valued clients, government officials, regulators, and colleagues.

Our AGM in London and the Informal Meeting of our Hong Kong Shareholders provided substantive opportunities to engage with our shareholders, on important issues related to the Group.

Global outlook
The economic outlook remains uncertain with potential downside risks to global growth from trade frictions and supply chain disruptions. Inflation has declined but is proving stubborn and could be impacted by oil and gas prices, as well as any trade tariffs.

Global growth is expected to remain fairly stable in 2025, with the US still likely to remain the major engine of growth. However, policy priorities are adding to uncertainties regarding growth prospects around the world. Already, it appears that the improvement in world trade growth may be starting to falter.

In China, the package of fiscal and monetary measures announced in the final quarter of 2024 was welcome and helped it reach its annual target of 'around 5%' GDP growth. Aided by its transformation to a consumption-led and innovation-focused economic model, we expect it to deliver a comparable performance in 2025. Hong Kong should also continue to expand, with its growth directly linked to mainland China.

Elsewhere in Asia, changing supply chains and resilient local demand helped to drive growth in a number of markets, including India. Over the longer term, the demographic dividend will benefit countries like India and markets across South and Southeast Asia.

As this happens, we also continue to see great potential in the fast-growing corridor between Asia and the Middle East, where strong demographics combine with large scale capital spending on infrastructure and further diversification, which are set to continue.

In Europe, with inflation pressures easing and interest rates on a downward trajectory, consumer spending should rise. As a result, we expect the Eurozone to expand this year. Meanwhile, the new UK government is pursuing a pro-growth agenda, which we fully support.

Our people
I want to end by expressing the Board's immense appreciation and gratitude to all our colleagues for driving our Group forward.

All that we delivered in 2024 was only made possible by their sustained efforts, energies, and execution focus. They are the lifeblood of the HSBC Group, serving our customers and creating value for shareholders.

Sir Mark E Tucker
Group Chairman

19 February 2025

Group CEO's shareholder letter

Georges Elhedery
Group CEO

A simple, more agile, focused organisation built on our core strengths, delivering sustainable strategic growth for our customers and shareholders.

RoTE
14.6%
(2023: 14.6%)

RoTE excluding notable items
16.0%
(2023: 16.2%)

Profit before tax
$32.3bn
(2023: $30.3bn)

Dear fellow shareholders,

The opportunity to lead HSBC is a privilege. Even more so as we celebrate our 160th anniversary. Like each of my predecessors, I see my responsibility as delivering sustainable strategic growth for our shareholders. This begins by putting our customers at the centre of everything we do. Our financial strength, international network, heritage, and brand mean we build upon firm foundations.

We look to the future with confidence.

We begin from a position of strength, which is reinforced by our 2024 performance. During the year, we delivered a return on average tangible equity ('RoTE') of 14.6%. This includes several notable items, in particular related to strategic disposals. Excluding these, our RoTE was 16.0%, achieving our 'mid-teens' target. Our common equity tier 1 ('CET1') capital ratio was 14.9%, reflecting our long-standing financial strength. With our continued focus on cost discipline, we managed cost growth on our target basis of around 5%, which was in line with our targeted cost growth. This strong performance enabled us to announce $26.9 billion in returns to our shareholders through dividends and share buy-backs, which we expect to remain central to our strategy.

Simple, more agile, focused
The world in which we operate is changing quickly. We are adapting to help our customers navigate new complexities. By doing so, we will open up a world of opportunity as we serve their needs, delivering on our strategy.

Since assuming the role in September, I have focused on injecting energy and intent into the way we deliver our strategy. We are being more agile in the way we allocate our resources and invest to prepare for the future. That includes retiring non-strategic assets and embracing the productive power of new technologies and tools to modernise HSBC and enhance the way we serve our customers.

We have renewed vigour in finding the efficiencies that will optimise our resource allocation, be that geographical, business line or balance sheet. This will enhance the way we actively and dynamically manage costs and capital, and target investments.

We will be guided by three overarching priorities:

– Focus on our customers, delivering high levels of satisfaction;

– Drive long-term growth by focusing on our strengths, increasing our leadership and market share in the areas where we can generate attractive returns;

– Simplify our structure and operating model. Reshape and rationalise our portfolio, to meet the needs of a fast-changing world.

To achieve this, I have put in place a smaller, core team of exceptionally talented leaders. They are each committed to fostering a culture of excellence for our colleagues, driven by a growth-orientated mindset. HSBC's many talented colleagues around the world are key to delivering the exceptional customer experience that will drive our future growth.

We have also simplified the organisation in two important ways.

First, by moving away from a complex matrix governance structure built around three business lines and five geographical regions to create four new businesses. Each firmly rooted in our core strengths:

– Corporate and Institutional Banking, which combines our two wholesale businesses;

– International Wealth and Premier Banking, to focus on accelerating the build out of our global wealth proposition;

"Our ambition is to unlock HSBC's full potential for the benefit of all our stakeholders, provide excellent customer outcomes that enhance our franchise and brand, generating the strategic growth that will deliver attractive returns for you, our shareholders."

– Our two home markets of Hong Kong and the UK, where we have scale and market-leading positions.

HSBC's supporting infrastructure is being simplified and realigned to enable these four businesses to grow.

Simply put, we are aligning our structure to our strategy.

Second, we are significantly improving our operating model, led by a tighter team at the Group Operating Committee, that will:

– Provide clarity of accountability, empower colleagues to make faster decisions and accelerate the pace at which we generate greater productivity;
– Make HSBC simple, with fewer management lines and layers, and less committees, designed to reduce bureaucracy, create closer collaboration, emphasise teamwork, and facilitate the flow of ideas and innovation;
– Adapt quickly to the factors that are shaping the economies and industries in which our customers operate;
– Sharpen and strengthen our focus on capital efficiency and firm-wide risk management.

This will create a step change in the way we work, the way we serve customers and the way we generate sustainable strategic growth, driving higher returns for our shareholders.

In short, unlocking HSBC's full potential.

Designed to deliver strong, sustainable strategic growth

For 160 years, HSBC has been defined by its financial strength and international network. Both remain enablers of everything we do. What is changing is the clarity, speed and intensity with which we are repositioning HSBC around our four complementary, clearly differentiated businesses.

Corporate and Institutional Banking ('CIB') is an international wholesale bank with significant competitive advantages. It has a powerful deposit franchise with financing capabilities supported by the strength of our balance sheet and our network. It has the products and skills required to serve the global banking needs of international corporate clients, particularly in transaction banking where we continue to invest. This positions us to better capture global and intra-regional flows as supply chains reconfigure, new trade routes emerge, economies grow, and customers' expectations of financial services evolve.

The future economy will require financing and investment in sectors such as advanced technologies, specifically digitalisation, computing and generative AI, as well as clean energy and healthcare. CIB is well positioned to facilitate this by helping entrepreneurs to secure the capital they need to build the businesses of the future and by supporting our customers as they look to decarbonise.

International Wealth and Premier Banking ('IWPB') is ideally placed to capture the increasing number of affluent and high-net-worth customers. Especially those with international banking needs who seek new investment opportunities to help them to protect and grow their wealth. Our recognised brand, financial strength and complementary footprints across Asia and the Middle East serve to reinforce HSBC's position in the world's fastest-growing wealth markets. We also have an asset management business with distinct specialism in both regions offering customers access to investment opportunities across asset classes.

The Hong Kong and UK businesses give us strong platforms in our home markets. We serve personal banking customers and small and medium enterprises in these businesses. In Hong Kong specifically, where HSBC was founded, Hang Seng Bank, a customer-centric community bank, is a strategically important investment of the HSBC Group, which enhances the strength of our franchise and market-leading position. We also have a fast-growing insurance manufacturing business in Hong Kong, leveraging the inflows that are propelling Hong Kong to become the leading international wealth hub. In the UK, we have a leading retail, commercial and innovation-focused bank which continues to build market share.

Customers in Hong Kong and the UK with global banking needs will be able to access the power of our international network through our CIB and IWPB businesses, that are anchored in these two leading international financial centres.

Financial strength

CET1 ratio

14.9%

(2023: 14.8%)

In 2024, our strong financial performance enabled us to announce

$26.9bn

in returns to our shareholders through dividends and share buy-backs.

Cost discipline

Operating expenses

$33.0bn

(2023: $32.1bn)

Target basis operating expenses up 5% to $32.6bn

Delivering on our priorities to customers and shareholders

HSBC is a highly connected, global organisation. Our international network is a significant differentiator.

By refocusing on our core strengths, we are creating a simple, more agile, focused organisation structured to better serve our customers and deliver for our shareholders.

We have taken the first deliberate and decisive steps. We continue to move at pace and with a relentless focus on actively managing our costs. Not as a one off, but as an embedded mindset.

How we deliver on our three priorities is equally important. We are instilling a culture of excellence, leadership and accountability throughout the firm. We are also undergoing a comprehensive transformation of our operations, modernising our infrastructure, and investing in technology such as AI, generative AI, data and analytics. This will enhance customer experience as well as drive operational excellence.

The aim being to create a refocused, reinvigorated HSBC, firmly rooted in four complementary businesses with the ambition to generate high levels of total shareholder returns.

Today's actions define a confident future

I am confident about our future and what we can achieve.

As we celebrate our 160th anniversary, our history and heritage stand us in good stead. In so many ways, adapting to new economic realities and technologies is what we have always done. It brings out the best in our people and culture, especially when acting as a trusted advisor to our customers as they navigate the world's economic uncertainties and look towards new opportunities.

As we look to the future, our strategic priorities are clear, our leadership team is now in place, supported by a simplified structure that enables action.

We have clarity on who we are and what we seek to achieve. We are driven by a precision of purpose that guides the way we do business, the values we uphold and the way we serve our customers, colleagues and communities.

We are prioritising a high-performance culture where employees are passionate about what they can achieve and rewarded for their strong customer focus, skills, ambition and initiative. We will invest in our people, one of our most valuable assets, providing them with expansive career opportunities and supporting them in developing future-focused skills, establishing HSBC as an employer of choice and a great place to work.

A strong culture and effective leadership will be key to our long-term success.

I would like to thank all of my colleagues for their valuable contributions to our results. It is a privilege to work with such talented people. Their dedication, commitment, and desire to deliver for our customers differentiates HSBC and is key to delivering long-term growth.

The actions we are taking will have clear and tangible impact. Our ambition is to unlock HSBC's full potential for the benefit of all our stakeholders, provide excellent customer outcomes that enhance our franchise and brand, generating the strategic growth that will deliver attractive returns for you, our shareholders.

Georges Elhedery
Group CEO

19 February 2025

Our strategy

During 2024, we continued to implement our strategy aligned to our purpose, values and ambition.

On 22 October 2024, we announced that we would simplify our organisational structure to help accelerate delivery against our strategic priorities. Effective 1 January 2025, we are operating through four new businesses: Hong Kong, UK, Corporate and Institutional Banking, and International Wealth and Premier Banking. The Group's functions are being realigned to support the four businesses. For 2024, the bank operated under, and our reporting remained aligned to, our prior global business structure, Wealth and Personal Banking, Commercial Banking and Global Banking and Markets.

Building leadership where we are strong

Our strategic priorities remain clear. We aim to maintain and build on our leadership in Hong Kong and the UK. International connectivity distinguishes HSBC – indeed, international trade has always been at the heart of our business. We were founded in Hong Kong in 1865 and by 1875 had expanded into seven countries across Asia, Europe and North America.

We are committed to building on our strong platform for growth. HSBC is a highly connected, global business and the plans we set out in October 2024 aim to increase our leadership and market share in areas where we have competitive advantage, deliver best-in-class products and service excellence to our customers, and create a simple, more agile, focused organisation with clearer lines of accountability and faster decision making.

2024 results

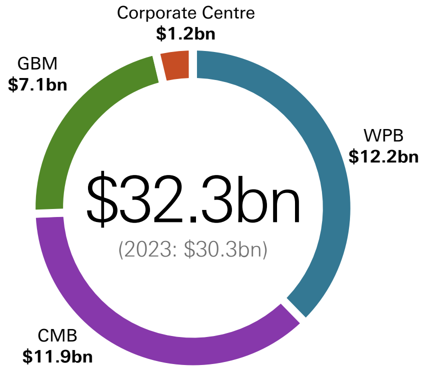
We delivered a good set of results again in 2024. Our reported profit before tax was $32.3bn. During 2024, we reported several notable items, in particular related to the disposal of our businesses in Canada and Argentina. To facilitate comparison across periods, we also consider profit before tax excluding notable items and the impact of foreign currency translation. On this basis, profit before tax was $34.1bn, compared with $32.7bn in 2023. Our reported revenue of $65.9bn was broadly stable compared with 2023. Excluding notable items and in constant currency, we grew revenue by 5% compared with 2023.

In 2024, we achieved a RoTE of 14.6%. During 2024, we reported several notable items, in particular related to strategic disposals. To facilitate comparison across periods, we also consider our RoTE excluding the impact of notable items. In 2024, RoTE excluding notable items was 16.0%, achieving our target of 'mid-teens'. We delivered a 16.2% RoTE excluding notable items in 2023.

14.6%

Return on average tangible equity
(2023: 14.6%)

Reported profit before tax



Progress in our affluent and wealth businesses

In WPB, revenue increased by 7% compared with 2023 on a constant currency basis.

We continued to demonstrate strategic progress during 2024, building our affluent and wealth propositions, taking advantage of the growth of wealth assets, specifically in Asia. At 31 December 2024, wealth balances in WPB were $1.8tn, an increase of 7% compared with 2023. Within this we attracted net new invested assets of $64bn in 2024, with $47bn booked in Asia. Wealth deposits, including Premier and Global Private Banking deposits, grew to $555bn.

Revenue in Wealth was up $1.3bn or 18% on a constant currency basis, with an increase in Asia of 32%. This supports our medium term target to grow Wealth fees and other income at a double-digit percentage compound annual growth rate over the medium term. Our total invested assets were $1.3tn, up from $1.2tn in 2023. There was a strong performance in our WPB insurance business, which delivered revenue growth of 32% to $1.8bn. Our insurance manufacturing new business contractual service margin ('CSM') of $2.5bn increased by 49% compared with $1.7bn in 2023. The growth in CSM underpins our potential future revenue from this business.

$1.8tn

Wealth balances
Increased by 7% compared with 2023

Progress in our wholesale businesses

In CMB, revenue declined by 4% compared with 2023 on a constant currency basis. This was primarily due to the non-recurrence of a gain in 2023 on the acquisition of SVB UK. In GBM, constant currency revenue grew by 11% compared with 2023.

Our strength in international connectivity is a key differentiator. We partner with our clients as they expand internationally. The reconfiguration of global supply chains plays to our strength in network business: in our 58 markets, we are well placed to help clients manage increased complexity.

Transaction banking is a leading HSBC proposition. We ranked second by Global Payments Solutions ('GPS') revenue in the first three quarters of 2024[1]. We also facilitated over $850bn in trade[2] and have been ranked first in revenue for the last seven consecutive years[3]. We generated revenue of $26.3bn from transaction banking during 2024, which was broadly stable compared with 2023. We were ranked joint second in Global Foreign Exchange ('GFX') revenue[4] and second in APAC securities services in the first three quarters of 2024[5].

$850bn

Trade volume facilitated

1 Source: Coalition Greenwich Competitor Analytics – 9M24.
2 HSBC internal management information, excluding Hang Seng, Malaysia and Germany.
3 Source: Coalition Greenwich Competitor Analytics – 9M24.
4 Source: Coalition Greenwich Competitor Analytics – 9M24.
5 Source: Coalition Greenwich Competitor Analytics – 9M24.

Performance across geographies

Hong Kong
We have the leading banking franchise in Hong Kong, with $575bn in customer deposits and market leadership in a number of product areas[6]. In 2024, reported revenue was $21.2bn, an increase of 6%. We welcomed 799,000 new-to-bank customers in WPB, with the rate of growth accelerating from 345,000 in the first half of 2024, to 454,000 in the second half. Our 2024 full year new-to-bank customers numbers grew by 66% compared with 2023. We also continued to solidify our leadership position and grow our WPB business. In our wholesale businesses, we focused on maintaining our leading position across multiple products. In trade finance, our market share was 29.2%, an increase of 3.5 percentage points from 2023[7].

UK
HSBC UK has a top 3 franchise[8] with $340bn in customer deposits. Reported revenue was $12.8bn in 2024, a decrease of 5%, although it represented an increase of 5% excluding the $1.6bn gain on acquisition of Silicon Valley Bank UK – a notable item in 2023. We continued to grow our CMB business and we are 'Share Leader' in UK corporate banking with 75% market penetration, according to Coalition Greenwich. In our WPB business, we grew mortgage lending balances by $4.6bn since 31 December 2023 on a constant currency basis, taking our UK mortgage market share from 8.0% to 8.1%[9]. In the UK, we see the opportunity to continue building our mortgage franchise and build share in small and medium-sized enterprise ('SME') banking.

Other markets
In addition to Hong Kong and the UK, we have an established presence in a number of markets, including mainland China, India, Singapore and the UAE. These markets are well connected to international trade, wealth and investment flow and are key to our international connectivity.

In 2024, we reported profit before tax of $3.2bn in our mainland China business, including a $2.2bn share of profit from our associate, BoCom. We have a strong client franchise in mainland China, helping to support clients' international needs. We were the Best Trade/Supply Chain Finance Bank in 2024[10]. We also completed the acquisition of Citi's retail wealth management portfolio, and supported by our expanded onshore Global Private Banking business, grew our wealth invested assets by 61% compared with 2023.

In India, we reported a profit before tax of $1.7bn. We aim to continue growing our wholesale franchise by taking advantage of corporate supply chains. In 2024, we were recognised by Euromoney as the number one International Bank in India. We are also tapping into the wealth pools of the Indian diaspora through Global Private Banking. In 2024, we remained the top foreign bank for non-resident Indians in wealth[11]. In January 2025, we received permission to open 20 further branches, the largest such approval for a foreign bank in over a decade.

In Singapore, we generated profit before tax of $1.4bn. Singapore is our primary wholesale offshore booking centre and wealth hub within the ASEAN region and is a centre for our transaction banking operations. In 2024, we were recognised by Euromoney as the Best International Bank and the Best Cash Management Bank in Singapore. We continued to grow our Premier and Wealth balances in Singapore in 2024.

In the UAE, we generated $0.9bn in profit before tax. We continue to be the largest foreign bank in the UAE[12] and aim to continue growing our institutional and international wholesale banking business, leveraging the vital role the UAE and the Middle East play in global trade. In 2024, we were ranked number one in equity and debt capital markets in MENAT for the 4th consecutive year[13] and Euromoney recognised us as the UAE's Best International Bank. We established onshore Global Private Banking in 2022 and have continued to invest in our wealth platforms including our global online trading platform WorldTrader, launched in 2024. Our Wealth invested assets grew by 25% compared with 2023, and we saw an increase of 8% in our international new-to-bank customers during the same period.

As noted above, from 1 January 2025, we are operating through four businesses, while during 2024, we operated through three global businesses: WPB, CMB and GBM.

799,000

Hong Kong WPB new-to-bank customers

75%

UK corporate banking market penetration

6 HSBC internal analysis based on loans and advances to customers and customer accounts in our Hong Kong legal entity as of 30 June 2024, and the financial data presented in the 2Q24 results announcements of 13 selected peer banks.
7 Source: HKMA.
8 HSBC internal analysis based on the 9M24 PBT of HSBC UK and the financial data presented in the 3Q24 results announcements of four selected peer banks.
9 Source: Bank of England.
10 Source: Corporate Treasurer Awards 2024.
11 Source: Indian Mutual Fund Industry.
12 HSBC internal analysis based on 9M24 revenue, deposits and advances, using peers' published results.
13 Source: Bloomberg league table.

Reshaping and focusing the Group

We have continued to make progress in reshaping the Group. In 2024, we completed the sales of our businesses in Canada, Russia, Armenia and Argentina. Furthermore, we disposed of our retail banking operations in France and Mauritius.

We also announced planned disposals in our private banking business in Germany and our business in South Africa. We signed a memorandum of understanding in relation to the planned sale of our France life insurance business and have launched a strategic review of our business in Malta. The review is at an early stage and no decisions have been made.

We completed the acquisition of Citi's retail wealth management portfolio in mainland China and SilkRoad Property Partners Group in Singapore.

We expect further reshaping actions as we align the Group with our four businesses.

Deposit strength core to our strategy

We are proud of our deposit strength across all of our franchises, which has built steadily since our founding. We have a total deposit base of $1.65tn, comprised primarily of current and savings accounts. Our balance sheet is also highly liquid with customer loans of $0.93tn, representing 56% of customer deposits. We operate with a customer deposits surplus of $724bn relative to customer loans. We hold a surplus of deposits in each of our major functional currencies, including US dollars, Hong Kong dollars, sterling, renminbi and the euro. We also operate a surplus of customer deposits relative to customer loans in our major operating entities, including The Hongkong and Shanghai Banking Corporation Limited, HSBC UK and HSBC Bank plc.

The long 2009-2021 period of close-to-zero central bank interest rates and very low government bond yields in many of our operational currencies constrained our earnings in prior years. One contributor to our rise in profits in recent years has been a return of central bank interest rates and government bond yields to levels more typical of prior decades.

Over the period from 2022 to 2024, we increased both the size and duration of our structural hedge, further stabilising our banking NII. The sensitivity of our banking NII to a 100bps parallel downward shift in interest rates has reduced from c.$(7)bn at 30 June 2022, to $(2.9)bn at 31 December 2024. This was primarily due to hedging actions, although higher prevailing interest rates also contributed to a reduction in sensitivity. The Group expects to further increase the size and duration of the structural hedge, subject to market conditions.

$1.65tn

Customer deposit balances
(2023: $1.61tn)

$0.93tn

Customer loans
(2023: $0.94tn)

Improving operational excellence through artificial intelligence

We are transforming our operations to enhance customer experiences through the use of artificial intelligence ('AI') and automation to help deliver faster, personalised and more seamless services. Through the reduction of inefficiencies and streamlining processes we will help provide quicker responses and better journeys for our customers. The investments we are making in Technology will contribute to a simpler, safer organisation with operational resilience and stability at its core, helping to create lasting value for both our customers and stakeholders.

By harnessing AI capabilities, HSBC aims to improve customer service through AI supported mobile apps and strengthened contact centre capabilities, as well as improving process efficiency in onboarding, know-your-customer, and credit applications. We are supporting our engineers through the scaled roll out of coding assistants to improve technology productivity, and we are using AI to help protect the bank and our customers more effectively against fraud and cyber crime.

We are committed to the responsible use of AI, ensuring that our initiatives align with industry and regulatory standards and best practices. Our governance frameworks aim to enable robust prioritisation of use cases whilst mitigating potential risk associated with AI deployment.

Our ambitions

Mid-teens RoTE extended
During 2024, we announced our intention to target a mid-teens RoTE[1], excluding the impact of notable items, for 2025. Alongside our 2024 annual results, we have extended this target to each of 2025, 2026 and 2027. We will consider our cost and investment plans within this framework.

Simplification
With our 2024 results, we have announced that we aim to generate approximately $0.3bn of cost reductions in 2025, with a commitment to an annualised reduction of $1.5bn in our cost base expected by the end of 2026. These savings are primarily people-related organisational design reductions, have negligible impact on revenues and are aligned to the strategic reorganisation of the Group.

We have simplified our businesses in our domestic markets, Hong Kong and the UK. Our scale retail and commercial banking platforms here will benefit from shorter lines of decision making, empowering our colleagues to get things done.

We plan to intensify successful partnerships between our domestic markets and our international franchises, CIB and IWPB, for those clients with more complex and networked needs. Ensuring we continue to provide the services and products our global scale enables us to create is key to our growth. We will continue to service Wealth clients; and internationally active commercial and corporate clients in Hong Kong and the UK on an integrated basis.

Growth
We are focused on growth opportunities within our strategy that play to our strengths, while maintaining tight cost discipline and continuing to invest in growth and efficiency. We see growth opportunities in each of our four franchises. In CIB, these include further expanding our international network businesses, notably transaction banking. In IWPB, we intend to particularly focus on building our successful wealth business, especially in Asia. In Hong Kong, we intend to support continued growth in non-resident customer numbers and will seek to build on our strong SME proposition. In the UK, we see the opportunity to continue building our mortgage franchise and build share in SME banking.

We will consider using cost savings generated through business disposals for incremental re-investment into our core franchises. This would be in addition to our ongoing investments.

Capital generation
Our business model is designed to be highly capital generative. In 2024, our common equity tier 1 ('CET1') capital ratio grew from 14.8% to 14.9% as at 31 December 2024. During the calendar year, we paid $5.5bn ordinary dividends with respect to 2024, we expect to pay a further $6.4bn through the fourth interim dividend and we expect to repurchase $11bn of our shares for cancellation with respect to 2024. The capital generated on the disposal of our Canadian banking operations supported the $0.21 per share special dividend paid in 2Q24, representing a further $3.9bn distribution. We aim to maintain a CET1 capital ratio in the range of 14 to 14.5% over the medium term. Our primary use of capital generation is to pay an ordinary dividend of 50% of profit attributable to ordinary shareholders, excluding material notable items and related impacts (our dividend payout ratio target basis[1]). Our preferred use of capital after paying the dividend is to support the growth of our four businesses.

In recent years, much of our income growth has come from capital-light income streams, such as deposit revenue from higher interest rates; and from fee income, notably in Wealth. Our RWAs of $838.3bn at 31 December 2024 remained broadly stable compared with 31 December 2022. Combined with strategic actions, this enabled the Group to buy back 11% of its outstanding shares in two years, while reporting a CET1 ratio rising from 14.2% to 14.9% over the two years.

Should organic growth in any given year require less incremental capital than the Group has retained after paying ordinary dividends to our shareholders, we plan to consider further share buy-backs.

c.$1.5bn
Annualised reduction in our cost base by the end of 2026

14-14.5%
CET1 capital ratio over the medium term

50%
Dividend payout ratio target basis[1]

1 We do not reconcile our forward guidance on RoTE excluding the impact of notable items, target basis operating expenses, dividend payout ratio target basis or banking NII to their equivalent reported measures.

ESG overview

Our approach to environmental, social and governance is rooted in creating long-term value for our customers and the economies that we serve.

Our approach

Our approach to ESG is focused on creating long-term value for our customers and wider stakeholders. We focus our efforts on three areas: the transition to net zero, building inclusion and resilience, and acting responsibly.

Our approach to the transition
Supporting the transition to net zero is a key priority for HSBC. We believe the transition to net zero will help make the global economy stronger and more resilient against mounting climate impacts. In October 2020, we announced our ambition to become a net zero bank by 2050. We believe supporting our customers' transition both benefits their business and helps generate long-term financial returns for our shareholders.

Since we set our net zero ambition, collective global efforts have driven progress in some vital areas of the decarbonisation challenge. Billions of dollars have been allocated to clean energy. Falling costs of renewables and advancements in clean technologies have accelerated their adoption. And while it is taking time for more nascent industries such as hydrogen, carbon capture and storage and sustainable aviation fuel to scale, with supportive government policies and industrial strategies their adoption can be accelerated, and their costs reduced.

We have always recognised that the transition would not be linear. Yet while the transition has progressed, the global pace of change remains insufficient. As the UN's latest Emission Gap report recently warned, current government policies, conventional energy demand, clean technology adoption, and wider consumption patterns are not yet aligned with the Paris Agreement goal of holding the temperature increase to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels.

As a bank, our ability to finance our customers' transition and, in turn, progress toward and meet our targets, relies on decarbonisation solutions scaling across sectors, alongside growing demand from our customers for capital to transition their business models. Ambitious and credible governmental policy measures also remain fundamental prerequisites for decarbonising the real economy at sufficient pace. We are limited by, and cannot on our own overcome, the present lag in policy measures and the overall slower pace of the transition. These factors put our customers', and our own, net zero ambitions at risk.

In our net zero transition plan published in January 2024, we committed to continually calibrate our approach to take into consideration the latest scientific methodologies, climate-related policy measures and developments in the real world given that our sector portfolios reflect progress in the real economy in the regions where we operate. As we near the mid-point towards our 2030 targets, it is important to take stock of our own progress so far. We have made good progress in reducing the emissions from our own operations but more uneven progress towards our ambitions for our financed emissions footprint.

Net zero in our own operations, business travel and supply chain
In 2020, we set an ambition to reach net zero in our operations and supply chain by 2030 and we continue to make good progress in driving down our direct emissions, which are largely derived from energy consumption. We are currently on track to achieve a reduction in our scope 1 and 2 emissions of more than 90% by 2030 compared with our 2019 baseline, through a programme of energy efficiency initiatives and significant investment in renewable power. However, progress in reducing emissions in the scope 3 supply chain component is proving slower than we anticipated, driven mainly by the slower pace of the transition across the real economy.

It has become clear that we would need to rely heavily on carbon offsets to achieve net zero in our supply chain by 2030. This approach would not be aligned with recently updated guidance from the Science Based Targets Initiative on the role of offsets in meeting corporate net zero claims.

As such, we have revisited this ambition to take into account latest best practice guidance. We are now focused on cutting emissions across our operations, travel and supply chain to achieve net zero by 2050. We expect to continue to report on our progress up to 2030 and beyond. Presently, across our operations, business travel and supply chain, we expect to achieve a reduction of around 40% in emissions by 2030.

Interim financed emissions targets
Our strategy is to support emission reductions in the wider economy by working with our portfolio of customers to facilitate the emission reductions they are seeking to make. That is what we consider when setting financed emissions targets. To the extent our customers are facing challenges, especially in light of the slower pace of the transition, there is no real benefit to society in simply sending those customers to another organisation that may be less committed to supporting their transition.

As such, we are supporting both new and existing customers that are making positive steps to transition to a net zero economy. We continue to focus on engaging with our customers on their transition plans, considering our strategic business lines and markets, managing the products and services we offer, and adapting the financing choices we make to help move the world towards a resilient, net zero economy.

However, as we have set out in our net zero transition plan, we must acknowledge that our influence on the decarbonisation of individual companies and the industries and economies in which our customers operate has limits. There are fundamental prerequisites, outside of our control, which impact our ability to meet our 2030 interim financed emissions targets and ultimately reach our net zero ambition. These include technological advancements, diversification of the energy mix, market demand for climate solutions, evolving customer preferences, and government leadership and effective policy.

At the current pace of decarbonisation, a combination of the above factors has led to the transition being slower than envisaged by recent Paris-aligned net zero scenarios. Moreover, certain high emitting sectors are not yet currently on a 1.5°C pathway. Until the real economy makes significant progress in decarbonising, our own progress towards our 2030 targets and 2050 net zero ambition will be constrained.

Against this background, we have begun a review of our interim financed emissions targets and associated policies as part of the annual review of our net zero transition plan that we referenced in our 3Q24 earnings release in October. This analysis is complex: it presents considerable data and methodology challenges and it is going to take time to complete.

As we calibrate our approach for the latest context, we 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 we serve. In doing so we plan to draw on the latest scientific evidence and credible industry-specific pathways while, at the same time, maintaining our commitment under our 2021 Climate Resolution.

We have been clear on our commitment to being transparent on the risks, challenges and opportunities arising from our ambition to be net zero by 2050. As such, we intend to provide the results of our review in our net zero transition plan update, which we expect to be released in the second half of 2025.

We remain committed to net zero, recognising it is a priority for our customers to support their growth and prosperity over the long term. While no single actor can drive the transition alone, we will continue to actively look for opportunities to support our customers' transition and engage in the ongoing efforts to achieve the goals of the Paris Agreement.

Build inclusion and resilience

To help create long-term value for all stakeholders, we focus on fostering inclusion and building resilience for our colleagues, our customers and the communities we operate within.

For colleagues, we focus on creating an inclusive, healthy and rewarding environment as this helps us to attract, develop and retain the best talent, and we support their resilience through access to well-being and learning resources.

We strive to provide an inclusive and accessible banking experience for our customers. We do this by providing resources that help them manage their finances, and services that help them protect what they value.

In 2024 we updated our global philanthropy strategy to align with our ESG areas of focus: 'transition to net zero'; and 'building inclusion and resilience', allowing us to work alongside the communities we operate within to help create change.

Act responsibly

We are focused on operating a strong and sustainable business that puts the customer first, values good governance, and gives our stakeholders confidence in how we do what we do. Our conduct approach guides us to do the right thing and to focus on the impact we have on our customers and the financial markets in which we operate. Customer experience is at the heart of how we operate. We aim to act responsibly and with integrity across the value chain.

Engaging with our stakeholders and our material ESG topics

We know that engaging with our stakeholders is core to being a responsible business. To determine material topics that our stakeholders are interested in, we conduct a number of activities throughout the year, including engagements outlined in the table below. Disclosure standards such as the TCFD, World Economic Forum ('WEF') Stakeholder Capitalism Metrics and Sustainability Accounting Standards Board ('SASB'), as well as the ESG Guide under the Hong Kong Stock Exchange Listing Rules and other applicable rules and regulations, are considered as part of the identification of material issues and disclosures.

Our stakeholders	How we engage
Customers	Our customers' voices are heard through our everyday interactions with them, customer surveys, listening to their complaints, and online feedback through social media and third-party financial websites and forums.
Employees	Our colleagues' voices are heard through our annual Snapshot survey, exchange sessions, town hall meetings, leadership summits, and our 'speak-up' channels, including our global whistleblowing platform, HSBC Confidential.
Investors	We engage with our investors through our AGMs, virtual and in-person meetings, investor roadshows, conferences and investor surveys, seeking to respond to questions they raise and to convey their views to senior management.
Communities	We regularly engage with non-governmental organisations ('NGOs'), charities and civil society groups both directly and through cross-industry forums, as well as through partnerships. Our Climate Advisory Panel, comprising representatives from NGOs and industry experts, provides independent advice and challenge.
Regulators and governments	We proactively engage with regulators, governments and international leaders to build strong relationships, responding to consultations via industry bodies to help shape our approach to financed emissions methodologies, scenario analysis and portfolio alignment to support the transition to net zero in the global economy.
Suppliers	Our code of conduct sets out our expectations and the minimum standards we expect from our suppliers on the environment, diversity, and human rights. We have begun direct engagement with our highest-emitting suppliers to understand their carbon reduction targets and disclosure plans.

Material topics highlighted through our engagement[1]

- Customer advocacy
- Cybersecurity
- Employee training
- Inclusion
- Employee engagement
- Supporting our customers – financed emissions
- Embedding net zero into the way we operate
- Sustainability risk policies, including thermal coal phase-out policy and energy policy
- Net zero transition plan
- Financial inclusion and community investment
- Climate risk
- Anti-bribery and corruption
- Conduct and product responsibility
- Supply chain management
- Human rights

1 These form part of our ESG disclosures suite together with other requirements, and are not exhaustive or exclusive to one stakeholder group. For further details of our disclosures, see our ESG review and ESG Data Pack, as well as our ESG reporting centre at www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.

Our ESG ambitions, metrics and targets TCFD

We have established ambitions and targets that guide how we do business, including how we operate and how we serve our customers. These include targets designed to help track our progress against our environmental and social sustainability goals. They also help us to improve employee advocacy and the representation of senior leadership, as well as strengthen our market conduct. The targets for these measures are linked to the pillars of our ESG strategy: transition to net zero, building inclusion and resilience, and acting responsibly.

To help us achieve our ESG ambitions, a number of measures are included in the annual incentive and long-term incentive scorecards of the Group CEO, Group CFO and Group Executives that underpin the ESG metrics in the table below.

For a summary of how all financial and non-financial metrics link to executive remuneration, see pages 296 to 308 of the Directors' remuneration report.

In our previous disclosures and in our net zero transition plan we have highlighted the risks, dependencies and uncertainties associated with our approach and progress towards our ESG ambitions. For further details on our climate reporting, see the ESG review page 43.

The table below sets out some of the key ESG metrics we use to measure progress against our ambitions. For further details of how we are doing, see the ESG review on page 41.

Environmental: Transition to net zero[1]

Sustainable finance and investment[2]

$393.6bn

Cumulative total provided and facilitated since 1 January 2020. (2023: $294.4bn)

Ambition: Provide and facilitate $750bn to $1tn of sustainable finance and investment by 2030.

Net zero in our own operations[3]

66.1%

Reduction in absolute operational greenhouse gas emissions from 2019 baseline. (2023: 57.3%)

Updated ambition: Become a net zero bank by 2050.

Financed emissions[4]

7 sectors

Number of sectors where we have set interim financed emissions targets, comprising five on-balance sheet and two combined financed emissions targets. Ambition: Align our financed emissions to achieve net zero by 2050.

Social: Build inclusion and resilience

Gender representation[5]

34.6%

Senior leadership roles held by women. (2023: 34.1%)

Ambition: Achieve 35% senior leadership roles held by women by 2025[6].

Black heritage[5]

3.0%

Senior leadership roles held by Black heritage colleagues in the UK and US combined. (2023: 3.0%)

Ambition: 3.4% of senior leadership roles held by Black heritage colleagues in the UK and US combined by 2025[6].

Inclusion Index[7]

78%

Inclusion index score. (2023: 78%)

Ambition: Maintain 75% in the Snapshot Inclusion index.

Governance: Acting responsibly

Conduct training[8]

99%

Employees who completed conduct training in 2024. (2023: 98%)

Target: At least 98% of employees complete conduct and financial crime training each year.

Customer satisfaction[9]

4 out of 6

WPB markets that sustained top-three rank and/or improved in customer satisfaction. (2023: 3 out of 6)

Target: To be ranked top three and/or improve customer satisfaction rank.

3 out of 6

CMB markets that sustained top-three rank and/or improved in customer satisfaction. (2023: 5 out of 6)

Target: To be ranked top three and/or improve customer satisfaction rank.

1 For further details of our approach to transition to net zero, methodology and third-party limited assurance reports on financed emissions, sustainable finance and investment progress, and our own operations' scope 1, 2 and 3 (business travel and supply chain) greenhouse gas emissions data, see www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.
2 In October 2020, we announced our ambition to provide and facilitate between $750bn to $1tn of sustainable finance and investment by 2030. For further details and breakdown, see the ESG review on page 45. For details of how this ambition links with the scorecards, see page 297.
3 This absolute greenhouse gas emission figure covers scope 1, scope 2 and scope 3 (business travel) emissions. For further details of how this ambition links with the scorecards, see page 297.
4 See page 48 for further details of our interim targets, which include combined on-balance sheet financed emissions and facilitated emission targets for two emissions intensive sectors: oil and gas, and power and utilities. The remaining five sectors for which we have set on-balance sheet financed emissions targets are: cement; iron, steel and aluminium; aviation; automotive; and thermal coal mining.
5 Senior leadership is classified as those at band 3 and above in our global career band structure. For further details, see the ESG review on page 65. For further details of how this ambition links with the scorecards, see page 297.
6 These numerical ambitions do not form part of any US-based senior leader performance or other objectives, or in other jurisdictions where application of such should not apply under local law.
7 For further details, see the ESG review on page 67. For details of how this ambition links with the scorecards, see page 297.
8 The completion rate shown relates to the 'Conduct Matters' training module that was launched in December 2023 and concluded in 2024, and covers permanent and non-permanent employees (where legally permissible to assign training). For completion rates related to financial crime training, see the ESG review on page 80.
9 The markets where we report rank positions for WPB and CMB – the UK, Hong Kong, mainland China, India, Mexico and Singapore – are in line with the annual executive scorecards. For further details of customer satisfaction, see the ESG review on page 77. For further details of how this target links with the scorecards, see page 297.

Task Force on Climate-related Financial Disclosures ('TCFD') TCFD

The Financial Stability Board's Task Force on Climate-related Financial Disclosures ('TCFD') recommendations set an important framework for understanding and analysing climate-related risks, and we are committed to regular and transparent reporting to help communicate and track our progress. We also seek to advocate for the same from our customers, suppliers and the industry.

We have set out our key climate-related financial disclosures throughout the Annual Report and Accounts 2024 and related disclosures. We recognise that further work lies ahead as we continue to develop our management and reporting capabilities. In 2024, we enhanced our disclosures, such as the portfolio breakdown for Energy Performance Certificate ('EPC') ratings into owner-occupied and buy-to-let properties.

We have considered our 'comply or explain' obligation under both the UK Financial Conduct Authority's Listing Rules and Sections 414CA and 414CB of the UK Companies Act 2006, and confirm that we have made disclosures consistent with the TCFD Recommendations and Recommended Disclosures, including its annexes and supplemental guidance, save for certain items, which we summarise below.

- We set interim 2030 financed emissions targets. However, we use different time horizons for climate risk management. For climate risk, we define short term as time periods up to 2026; medium term between 2027 and 2035; and long term between 2036 and 2050. For financed emissions we do not plan to set 2026 targets. In 2024, we disclosed interim 2030 targets for financed emissions for seven sectors as outlined on page 52. Following this, we have set combined on-balance sheet financed emissions and facilitated emissions targets for two emissions intensive sectors: oil and gas, and power and utilities. We have also set targets for on-balance sheet financed emissions for the following five sectors: cement; iron, steel and aluminium; aviation; automotive; and thermal coal mining.
- The methodology and data used for financed emissions is evolving. We expect industry guidance, market practice, data availability, scenarios and regulatory disclosure requirements to continue to change, along with the shape of our own business. We have begun a review of our 2030 financed emissions targets and associated policies, as part of the annual review of our NZTP that we referenced in our 3Q24 earnings release in October.
- We do not fully disclose impacts from climate-related opportunities on financial planning and performance, including on revenue, costs and the balance sheet, quantitative scenario analysis, detailed climate risk exposures for all sectors and geographies or physical risk metrics. This is due to transitional challenges in relation to data limitations, although nascent work is ongoing in these areas. We expect these data limitations to be addressed in the medium term as more reliable data becomes available and technology solutions are implemented.
- We currently focus on disclosing only four out of 15 categories of scope 3 greenhouse gas emissions including business travel, supply chain and financed emissions, following our internal materiality assessment. In relation to financed emissions, we publish on-balance sheet financed emissions for a number of sectors, covering 2.7% of our loans and advances to customers at 31 December 2023, as detailed on page 56. We also publish facilitated emissions for the oil and gas, and power and utilities sectors. Data quality of future disclosures on financed emissions and related risks are reliant on our customers publicly disclosing their greenhouse gas emissions, targets and plans, and related risks. We recognise the need to provide early transparency on climate disclosures but balance this with the recognition that existing data and reporting processes continue to require significant enhancements.

For a full summary of our TCFD disclosures, including detailed disclosure locations for additional information, see pages 444 to 450.

ESG disclosure map and directory

The table below sets out the key non-financial information, including risks and policies on environmental, social and governance matters, and where it can be found:

Transition to net zero	**At a glance**	Read more on our approach to the transition and understanding our climate reporting	Page 42
	Supporting our customers	Read more on our progress made against our $750bn to $1tn sustainable finance and investment ambition	Page 45
	Partnering for systemic change	Read more on how we partner externally in support of systemic change, including an update on our Climate Solutions Partnership	Page 47
	Embedding net zero	Read more on our progress made against our ambition to achieve net zero in our financed emissions by 2050	Page 48
		Read more on our progress in decarbonising our own operations and supply chain	Page 58
		Read more on our sustainability risk policies and our thermal coal exposures	Page 61
	Detailed Task Force on Climate-related Financial Disclosures ('TCFD')	We make disclosures consistent with Task Force on Climate-related Financial Disclosures ('TCFD') recommendations, highlighted with the symbol: TCFD	Page 444
Build inclusion and resilience	**Inclusion disclosures**	Read more on how we are building an inclusive environment that reflects our customers and communities, and our latest pay gap statistics	Page 63
	Pay gap disclosures		Page 65
Act responsibly	**How we govern ESG**	Read more on our approach to ESG governance and human rights	Page 74
	Human rights disclosures		Page 75
	How our ESG ambitions link to executive remuneration	Read more on our ESG ambitions embedded in executive remuneration	Page 17 Pages 284 to 300
ESG Data Pack	**Detailed ESG information**	Our ESG Data Pack provides more granular ESG information, including the breakdown of our sustainable finance and investment progress, and complaints volumes	www.hsbc.com/esg

Responsible business culture

We have a responsibility to help protect our customers, our communities and the integrity of the financial system.

Employee matters

We are building a responsible business culture that values difference, takes responsibility, seeks different perspectives and upholds good standards of conduct.

There may be times when our colleagues need to speak up about behaviours in the workplace and in the first instance we encourage colleagues to speak to their line manager. Our annual employee survey showed that 85% of colleagues have trust in their direct manager. HSBC Confidential is our whistleblowing channel, which allows colleagues past and present to raise concerns confidentially and, if preferred, anonymously (subject to local laws). Our Snapshot survey showed that 80% of colleagues feel able to speak up when they see behaviours they consider to be wrong.

Our inclusion index measures our colleagues' sense of belonging and psychological safety within the organisation, and in 2024 this remained unchanged at 78%.

To help address under-representation across our colleague base, we have an ambition to achieve a 35% representation of women in senior leadership roles (classified as those at band 3 and above in our global career band structure) by 2025[1]. We remain on track, having achieved 34.6% in 2024.

We have an ambition to increase our Black heritage senior leader representation in both the UK and US combined to 3.4% by 2025[1]. In 2024 we maintained our position at 3.0%.

Our hiring practices are merit-based, and we seek to ensure that every candidate, regardless of their identity and background, has an equal opportunity to demonstrate their skill and potential. We have identified specific Group-wide priorities, which we track and monitor progress against. We adapt implementation of our strategy across international operations to ensure it remains relevant locally. We have enabled 93% of our colleagues to disclose their ethnicity, with 67% currently choosing to do so, where this is legally permissible.

1 These numerical ambitions do not form part of any US-based senior leader performance or other objectives, or in other jurisdictions where application of such should not apply under local law.

The table below outlines high-level representation metrics.

All employees

Male	48.8%
Female	51.2%

Senior leadership[1]

Male	65.4%
Female	34.6%

Holdings Board

Male	46.2%
Female	53.8%

1 Senior leadership is classified as those at band 3 and above in our global career band structure.

For further details of how we look after our people, including our inclusion ambitions, how we encourage our employees to speak up, and our approach to employee conduct, see the Social section of the ESG review on page 63.

Listening to our customers

We continue to listen, learn and act on our customers' feedback. We use the net promoter system to share customer feedback with our front-line teams, allowing them to respond directly to customers. We also have dedicated global forums to promote ongoing improvement of our customers' experience.

Social matters

We aim to help provide people and communities with the skills and knowledge needed to thrive through the transition to a sustainable future. For this reason, we focus our support on programmes that help build inclusion and resilience. We also support climate solutions and innovation, and contribute to disaster relief. For examples of our programmes, see the 'Engaging with our communities' section of the ESG review on page 72.

Human rights

As set out in our Human Rights Statement, we recognise the role of business in respecting human rights. Our approach is guided by the UN Guiding Principles on Business and Human Rights ('UNGPs') and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct. Our Human Rights Statement and annual statements under the UK Modern Slavery Act, are available on www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre. For further details of our approach, see the 'Human rights' section of the ESG review on page 75.

Anti-corruption and anti-bribery

We are required to comply with all applicable anti-bribery and corruption laws in every market and jurisdiction in which we operate. We seek to focus on the spirit of relevant laws and regulations to demonstrate our commitment to ethical behaviours and conduct as part of our environmental, social and corporate governance.

Environmental matters

For details of our climate ambition and carbon emission metrics, see the ESG review on page 42.

Group non-financial and sustainability information statement

This section primarily covers Group non-financial and sustainability information as required by applicable regulations. Other related information can be found as follows:

- For further details of our key performance indicators, see page 1.
- For further details of our business model, see page 4.
- For further details of our principal risks and how they are managed, see pages 37 to 39.
- For further details of our TCFD disclosures, including alignment with sections 414CA and 414CB of the Companies Act 2006, see pages 444 to 450.

Helping to boost reforestation in the Amazon basin

We acted as sole bookrunner and structuring bank for the World Bank's $225m, 9-year principal-protected Amazon reforestation-linked outcome bond, their largest outcome bond issued to date. Under this bond, up to $36m of capital will be mobilised to support reforestation activities undertaken by Mombak, the Brazilian project sponsor. Mombak intends to use these funds to reforest degraded land with native tree species, and in doing so seek to generate carbon removal credits.

This transaction is the first ever carbon removal credit-backed financing in international debt capital markets. It represents a new, blended finance solution to help lower the cost of capital for highly capital-intensive, nature-based solutions.

Board decision making and engagement with stakeholders

The Board is committed to effective engagement with our stakeholders and seeks to understand their interests and the impacts on them when making decisions.

Section 172(1) statement

The Board recognises the importance of engaging with stakeholders effectively to ensure their interests and priorities are understood and given due consideration in Board discussions and decision-making. In 2024, the Directors took part in a comprehensive stakeholder engagement programme, meeting with stakeholders directly where practicable and ensuring the outcomes of engagement activities were reported to the Board. Further details of the Board's engagement with stakeholders are set out below. Our section 172(1) statement is set out on pages 20 to 23 and describes how the Directors have had regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006 when discharging their duty to promote the success of the company. It includes examples of principal decisions taken by the Board and how relevant stakeholder impacts were considered as part of the Board's decision-making.

Directors' engagements with key stakeholders in 2024

Stakeholders	Engagement	Impact and outcomes
Customers We recognise that the greater our understanding of our customers' needs, the better we can help support them to achieve their financial aims and succeed in our purpose and strategy.	– Meetings with key customers in various regions and engagement events with business customers to discuss challenges and opportunities in their relevant markets. – Introductory meetings between the new Group CEO and key clients across global markets. – Regular reports to the Board on customer matters, including operational resilience, customer experiences across the Group and results of retail customer surveys, including changes to net promoter scores.	– Continued engagement with customers around the world helped to further the Board's understanding of their respective needs, including how the Group can support customers to achieve their varied goals, including during their transition to net zero. – Customer surveys provided insights into how the Group can drive meaningful improvements in outcomes for customers. – Reports from management highlight where there are opportunities for innovation and collaboration with our customers and support the Board's oversight of Group activities to ensure such innovations are aligned with Group risk appetite and strategic objectives.
Employees We want to continue to be a positive place to work and build careers, with the success of the Group's strategy dependent upon having motivated people with the expertise and skills required to deliver it.	– Regular internal communications and presentations from the Group CEO and Group CFO to keep the workforce informed of business performance, and leadership and other organisational changes. – Employee events, including leadership forums, webcasts, town halls, off-sites and employee exchange sessions, as well as events that form part of the workforce engagement programme led by the dedicated workforce engagement non-executive Director, including visits to several Global Service Centres. – Participation in sessions with senior leaders in multiple jurisdictions to discuss Group performance and strategy, including a global town hall co-hosted by the Group CEO for global sustainability colleagues to discuss sustainability matters. – Interaction with leads of employee resource groups and participation at multiple events in many jurisdictions.	– Meeting with colleagues across jurisdictions allowed Directors to hear first-hand views on important issues, including inclusion matters, talent development and the employee experience. – Workforce engagements and interactions helped to ensure continued connectivity between the Board and the workforce, inform Board discussions and decision making and enhance understanding of the Group culture across different geographies. Such engagements also help enable the Board to put into perspective employee Snapshot survey results and monitor activity in response to matters raised. – Directors taking part in the Bank Director Programme shared their experiences and knowledge with the employees enrolled to qualify as Group subsidiary directors. Such sessions provided participants with the opportunity to ask questions and demonstrate how good governance practices are embedded throughout the Group. Following the success of this programme, a second Director-sponsored development programme launched in November 2024, aimed at prospective and existing employee subsidiary chairs. – Internal communications by executive Directors helped increase awareness among the workforce of Group performance and significant developments during the year, including changes to executive leadership and the organisational structure. This engagement aims to promote better understanding of and engagement with the Group's strategic aims across the workforce. Employee engagement with Group strategy is monitored through annual Snapshot surveys, the results of which are presented to the Board.

Stakeholders	Engagement	Impact and outcomes
Investors We seek to understand investor needs and sentiment through ongoing dialogue and a variety of engagements with both retail and institutional investors.	– The Group Chairman and the Group CEO held a Q&A session with retail shareholders at the annual Informal Shareholders' Meeting in Hong Kong. – As part of the hybrid 2024 AGM, shareholders were able to ask questions of the Board during the meeting, either virtually or in person. – Directors attended the inaugural HSBC Global Investment Summit held in Hong Kong in April 2024, at which the Group Chairman and Group CEO also presented. – The Group Chairman and the Senior Independent Director met with a number of large institutional investors. – The Group CEO and the Group CFO, together and separately, attended meetings with investors. – In addition to routine meetings with top investors and proxy advisors, the Group Remuneration Committee Chair led a consultation with shareholders on proposed updates to the Directors' Remuneration Policy, which will be put to shareholder vote at the 2025 AGM. – The Group Chairman and the Group CEO and Group CFO presented the interim and year-end results to analysts and investors and engaged in Q&A sessions.	– Regular interactions with institutional and retail investors throughout the year helped the Board to understand investor sentiment regarding material matters such as strategy delivery and outlook, transition to net zero, and to gauge investors' continued support for the Group. – Q&A sessions at analyst and investor briefings and meetings with Directors and senior management provide investors with the opportunity to learn more about the Group's strategic direction and offered the Board insight into investor priorities and areas of interest. – The outcomes of targeted engagement at management level on key topics of investor interest were reported to the Board to help enable its continued monitoring of responses to key matters of strategic importance, which during the year has included our first net zero transition plan and financial targets. – For details of the Group Remuneration Committee Chair's engagements with key investors and proxy advisory firms, and how they were taken into account by the Group Remuneration Committee in its decision making and in the development of the Directors' Remuneration Policy, see the Directors' remuneration report on pages 279 to 317. – Building on the success of the inaugural HSBC Global Investment Summit, a second summit has been scheduled to take place in 2025. The summit provides a forum for open and frank exchange of thoughts and ideas between world-class experts, political leaders, institutional investors and top decision-makers.
Communities We seek to play an important role in supporting the communities in which we operate through our corporate social responsibility and broader engagement activities.	– Directors met with an environmental non-profit organisation affiliated with WWF to discuss the Group's ongoing partnership arrangements. – Director attendance at summits to facilitate engagement with philanthropic partners and civil society on issues relevant to our communities, such as the World Economic Forum, Abu Dhabi Sustainability Week and New York Climate Week. – Meetings with members of the Sustainable Markets Initiative Council to discuss priorities and opportunities.	– Meetings with charitable partners enabled the Directors to better understand the Group's impact within local communities as an employer, sponsor, collaborator and supporter. – These engagements provided opportunities for Directors to learn from and engage in an exchange of knowledge and ideas with subject-matter experts in areas including nature conservation, sustainable aviation fuel and carbon reduction solutions. These in turn, give context for Board decision-making on sustainability matters and inform discussions about the Group's own net zero ambitions.
Regulators and governments Maintaining constructive dialogue and relations with the relevant authorities in the markets in which we operate helps support the achievement of our strategic aims.	– Various meetings across our key markets with heads of state, international leaders and government officials. – Regular meetings with and presentations from our regulators, including the PRA and FCA, as well as introductory meetings with the newly appointed Group CEO. – Presentations made by the Group Chairman and Group CEO at regulatory forums. – Targeted outreach to key international regulatory bodies and government officials on key topics of regulatory and community interest, including our net zero transition, changes to executive leadership and geopolitical matters. – Regular reports and updates to the Board from management regarding regulatory and political developments relevant to the Group.	– Frequent and varied engagements between the Board and heads of state, international leaders, government officials and regulators provided an opportunity for open dialogue on matters of regulatory interest and strategic importance. – Through meetings with international officials, and at presentations given by the Group Chairman, Group CEO and other senior leaders at regulatory forums, Directors were able to communicate the Group's strategy, perspectives and insights while helping to ensure that they remained abreast of political and regulatory developments. It also allowed the Board opportunities to share perspectives on industry best practices. – Regular reports from management enabled the Board to monitor the Group's responses to geopolitical and regulatory changes and ensure that appropriate resources and controls are in place. Such reports are critical to ensuring that the Board continues to understand and meet its regulatory obligations, and also provide valuable context to the Board's strategic discussions.
Suppliers We engage with suppliers, which helps us operate our business effectively and execute our strategy.	– Regular reports were provided to the Board from the Group Chief Operating Officer which included outcomes of engagement with suppliers and updates on supplier risks and priorities across the Group. – Meetings with key suppliers to discuss how technology solutions may be enhanced through AI and data and opportunities for innovation, particularly in the areas of improving customer experience, risk management and operational resilience, and regulatory compliance.	– Meeting with our suppliers helped the Directors understand our suppliers' challenges, where there are opportunities for collaboration and innovation and where there are opportunities within our own operations. – Management reports enabled the Board, supported by the Group Risk Committee, to monitor management of third-party risk, the delivery of the Group data programme, and to ensure that sustainable capabilities are in place for delivery of the Group's strategic objectives. – It is important for the Board to understand the Group's supply chain and how suppliers' operations align to our values and codes of conduct. Board reports on such matters, and on the outcomes of supplier engagements, provide context and support the Board's understanding when reviewing and approving the annual statement under the UK Modern Slavery Act.

Principal strategic decisions

The Board is responsible for setting and monitoring execution against the Group strategy. When taking principal decisions in 2024, the Directors considered the likely short- and long-term consequences of the decision, how it aligned with our strategic priorities, and any other relevant matters, including those arising under section 172(1) of the Companies Act 2006, in accordance with their duties.

To enable the Board to operate effectively in this regard, good governance practices have been adopted and are implemented in the course of Board meetings administration. Governance features as an agenda item at all scheduled Board meetings. Papers presented to the Board for its consideration are expected to follow a template to help ensure that Directors have the appropriate information to take informed decisions. The template requires authors to, among other things, describe any steps taken or to be taken, to engage with relevant stakeholders, explain the extent to which stakeholders are, or will be impacted by the matter under consideration, and how this has influenced the recommendation to the Board. The following pages describe some examples of how the Board operated during the year with regard to the matters under sections 172(1) (a) – (f) of the Companies Act 2006 in the course of taking principal strategic decisions.

Executive Director Changes

In April 2024, the Group announced that Sir Noel Quinn would be retiring from his role as Group CEO and the Board began a formal process to appoint a successor. As Group CEO, Sir Noel Quinn drove a transformative phase for the bank, leading the execution of its revenue repositioning and overall simplification through disposal of non-core assets. In making the decision to appoint a new Group CEO, the Board had in mind the overall strategic direction and desired culture of the Group and the skills and experience required to navigate the next phase of growth and development.

The Board takes a long-term view to succession planning and keeps this under continual review, supported by the dedicated work of the Nomination & Corporate Governance Committee. Upon confirmation of Sir Noel Quinn's retirement, a formal executive search process was undertaken, supported by an external executive search agency and led by the Nomination & Corporate Governance Committee. The search process considered internal and external candidates with the depth of knowledge and understanding required to lead an organisation with the global scale and complex nature of HSBC.

In July 2024, the Board announced its decision to appoint Georges Elhedery, then Group CFO, as Group CEO. In determining that Georges Elhedery was the right candidate for the role, the Board took into account his exceptional leadership and proven track record of leading through change, driving growth, delivering simplification, prudent risk management and cost discipline. Georges has extensive international experience and during his time at HSBC has developed strong and productive relationships with various stakeholders, evidenced through positive feedback received from analysts, investors and colleagues.

The Board's decision to appoint Georges in the role of Group CEO was further influenced by his clear and ambitious vision of HSBC's ability to deliver for its customers, investors, employees and communities with a strong focus on execution. Since his appointment, Georges has prioritised meetings with customers, employees and other stakeholders in HSBC's home markets as well as key growth areas to continue to develop these relationships in his new role.

The Board, together with the Nomination & Corporate Governance Committee, undertook a further executive search process to appoint a successor to the role of Group CFO. Following Board approval, it was announced in July 2024 that Jonathan Bingham would be appointed as interim Group CFO, with effect from 2 September 2024, to provide strategic leadership and continuity during the search for a permanent candidate. In October 2024, the company announced that Pam Kaur, then Group Chief Risk and Compliance Officer, would be appointed as Group CFO with effect from 1 January 2025. In taking this appointment decision, the Board took into consideration Pam's strong technical expertise and appreciation of the global challenges facing the Group, and the banking industry more broadly, together with her reputation within HSBC.

Throughout the executive Director appointment processes, both the Board and the Nomination & Corporate Governance Committee oversaw engagement with regulators and the necessary regulatory approval processes. See the Nomination & Corporate Governance Committee Report on page 259 for further information about the appointment and induction process of the Group CEO and the Group CFO respectively, and the Board's succession planning activities.

Group Strategy

Over the last five years, the Group has repositioned its portfolio away from non-core markets and directed revenue into higher growth areas. Through meetings with, and regular updates from senior management across the Group, the Board continues to monitor strategic execution and alignment over geographical and business areas, including in the context of changing geopolitical and macroeconomic factors, with due regard to the impacts of its operations on stakeholders. The Board took time during the year to consider strategic key performance indicators and the Group CEO provided regular updates and progress reports on these.

The Board receives regional strategic updates from management to inform its understanding of business performance and alignment with long-term Group strategy. During the year, and following conclusion of the sale of HSBC Bank Canada, the Board endorsed a number of transactions to further the Group's core ambitions. One such transaction was the sale of the Group's business in Argentina. A strategic review of the business was undertaken which considered whether it supported our strategy for international expansion and growth.

The review concluded that HSBC Argentina, as a largely domestically-focused business, had limited connectivity with the Group's international network, and further contributed to earnings volatility when its results were converted to USD. Consideration was given to regulatory matters, the impacts of a sale on our employees and customers, particularly the impacts of migration and continuity of services, and it was concluded that the prospective buyer was well positioned to take the business forward. The Board also took the decision to explore the sale of the Group's private banking business in Germany, in alignment with the Group's strategic direction. Following a review, it was noted that the German business was primarily focused on domestic clients and had not been integrated into the Global Private Banking business more widely. It was

Group Strategy continued

determined that, to maintain focus on Global Private Banking's strategic objectives and prioritise focus on our international connectivity to scale growth in alignment with our strategy, it would be favourable for the business to enter into an arrangement with an organisation better placed to grow and invest in the business. The Board supported a sale of the private banking business to a suitable buyer.

Following Georges Elhedery's appointment as Group CEO, he has been focused on driving a more streamlined and dynamic organisational structure to enable the Board and management to execute at pace. During the year, the Board provided oversight and challenge to management on plans to accelerate the delivery of this strategy. In October 2024, the Board approved a simplification of the Group's organisational structure, to take effect from 1 January 2025, in order to create a more agile business that makes it easier for colleagues to achieve best in class service for our customers, and drive the future success of the Group for the benefit of all our stakeholders over the long term.

As part of its meetings, the Board monitors the results of the annual employee Snapshot survey and receives regular updates on customer initiatives and priorities from across the Group. Annual Snapshot survey results have indicated that employees want to be empowered to get things done, which is one of our core values. This feedback, together with the Board's ongoing monitoring of customer needs, helped inform the Board's consideration of the new structure, with its key aims: to simplify and improve internal decision-making processes and accountability; and enable colleagues to be better positioned to serve our customers quickly and effectively.

The Board further considered the impacts of organisational changes on employees and our relationships with customers, investors and regulators. The new structure will help foster clearer communication, empower teams, and reduce the complexity of reporting lines, with a focus on improving the employee experience at the Group and ultimately providing better outcomes for our customers and communities. The Board will oversee and monitor the implementation of the new organisational structure and its impacts over the course of 2025.

As HSBC accelerates delivery of its strategy, the Board has also given considerable thought to how to optimise the Group's governance and leadership structure, while continuing to generate sustainable returns and maintain a reputation for high standards of business conduct.

During the year, the Board looked closely at formulating the right organisational structure to create a transparent and accountable leadership team and has overseen significant changes to the Group Executive Committee ('GEC') and approved several key appointments. In conjunction with the wider business simplification, from 1 January 2025, the Board endorsed that the 18 member GEC would be replaced by a new Group Operating Committee comprised of 12 members, which will serve as the leading executive decision-making committee for the Group. In taking the decision to approve this change, the Board had regard to the governance and oversight requirements of the Group, and the likely impacts on employees and customers and our ongoing commitments to our regulators.

The Board has further reviewed the Committee structure and identified areas of improvement, leading to the creation of a new Board Sustainability Working Group ('SWG') (see page 249), changes to the Group's Technology and Operations Committee (see page 276) and combining of the ESG Committee and Sustainability Execution Committee (see page 249) as explained in further detail below.

Sustainability

The Board is responsible for setting the Group's ESG strategy and takes a direct and active role in monitoring the Group's progress towards its ESG ambitions. ESG remains an important area of focus for the Board, and ESG matters were considered at most of its meetings during the course of the year. An ESG dashboard is presented to the Board regularly, which contains key metrics to help the Board monitor progress against the Group's ESG ambitions and drive informed discussions and decision making.

In January 2024, the Group published its first net zero transition plan which outlines the proposed steps for delivering the Group's ambition to align its financing portfolio to net zero by 2050. Since its publication, the Board has been informed of feedback from customers, investors and shareholder groups, and government officials, all of which have provided valuable context to Board discussions on the progress and development of its sustainability agenda.

In recognition of the complexity of the sustainability landscape and real-world transition challenges, the Board established the SWG, comprised of five non-executive Directors and supported by members of executive management, including the Group CEO and Group CFO. This working group has an initial remit to provide oversight and guidance in relation to the Group's sustainability activities, including the targets and timelines set out in the net zero transition plan, key sustainability risk policies and communication with key stakeholder groups. The SWG provides strategic input and guidance as appropriate and its areas of focus and priority are kept under review as needed. The SWG is actively involved in the consideration of our approach to net zero transition, covered in more detail within our ESG update on page 3 and our ESG overview on page 15.

As part of the Board's aim to simplify and optimise the Group's governance and leadership frameworks, the Board also reviewed the effectiveness of the executive level ESG governance structure and associated reporting to the Board. Following this review, in 2024 the Board endorsed the rationalisation of the ESG Committee and Sustainability Execution Committee into a single governance body, the 'ESG Committee'. The newly constituted ESG Committee continues to report to the new Group Operating Committee, with escalation of matters to the SWG or the Board, as appropriate. This consolidation allows for greater Board oversight of significant ESG and sustainability matters, and more streamlined reporting of key matters up to Board level.

Remuneration

Our remuneration policy supports the achievement of our strategic objectives by aligning reward with our long-term sustainable performance.

Remuneration for our executive Directors

At the 2025 Annual General Meeting ('AGM'), we will be seeking shareholder approval for a new executive Director remuneration policy.

Over several years, the Group Remuneration Committee has expressed concerns around the competitiveness of the executive Director remuneration opportunity and indicated a preference to operate a policy with a higher proportion of the package based on variable pay linked to performance, aligned to practice among our international peers.

The removal of the limits on the ratio between fixed and variable pay by the UK regulators provides an opportunity to revisit our current Directors' remuneration policy and the Committee feels that now is the right time to set a policy that better reflects the Group's focus on long-term sustainable performance.

After careful consideration, the Committee concluded that the current variable pay framework of an annual incentive and single performance-based long-term incentive is most appropriate. The Committee considered the right approach is to unwind the changes made in 2014, when the 2:1 pay ratio was introduced and to reset the maximum opportunity.

The Committee reflected on the appropriate maximum opportunity for the Group CEO and Group CFO considering (i) the maximum opportunity in 2014; (ii) market data for our international banking peers and the largest FTSE 30 companies, reflecting that HSBC is one of the world's leading international banks; and (iii) compression challenges within the senior HSBC team.

We will continue to set a scorecard of stretching and quantitative financial and strategic performance targets aligned to our strategy and stakeholder interests. Maximum pay outcomes will be delivered only for exceptional performance as required by these targets.

The Committee engaged with major investors on the new remuneration policy and the Chair of the Committee met with many shareholders directly. Shareholders we spoke to were generally supportive of our proposal and their feedback has directly influenced the final policy. We would like to thank our shareholders for the time taken to engage with us during the year.

For details of our proposed executive Director remuneration policy, see page 284.

2024 remuneration decisions
The Committee considered carefully the wider context in which performance was delivered in 2024 and judged that the overall scorecard outcome for both Sir Noel Quinn and Georges Elhedery was appropriate against the targets set at the start of the year for financial, strategic and personal measures.

The Committee also carefully considered the executive Directors' pay outcomes in the context of pay decisions made for the wider workforce and determined that these were an appropriate reflection of Group, business and individual performance delivered in 2024.

Executive Directors' scorecard outcomes
(% of maximum opportunity)

2024 annual incentive

Sir Noel Quinn	**77.81%**
Georges Elhedery	**78.79%**

2022–2024 long-term incentive

Sir Noel Quinn	**75.00%**
Georges Elhedery	**75.00%**

For details of Directors' pay and performance for 2024, see the Directors' remuneration report on page 296.

Remuneration for our colleagues

Our focus remains on taking actions that improve our ability to attract, retain and energise colleagues to deliver high performance and growth.

Rewarding colleagues responsibly
Fixed pay increases for 2025 were determined based on consistent principles to help address wage inflation in the markets where we operate.

We will award an average global fixed pay increase of 3.6% in 2025, compared with 4.4% for the previous year, reflecting that projected wage inflation is lower in many of our markets.

We continue to review all wages globally against local Living Wage benchmarks to help ensure we pay responsibly and provide financial security to colleagues. We are proud to have been certified by the Fair Wage Network as a global Living Wage employer for 2025.

Recognising colleagues' success
We introduced new performance routines and changes to performance assessment for over 200,000 colleagues in 58 markets.

We also introduced a new variable pay structure for over 150,000 colleagues, providing more clarity around variable pay levels for on-target performance, and how this is impacted by Group, business and individual performance.

The Group Remuneration Committee determined overall variable pay of $3,800m (2023: $3,774m). This followed a review of our performance against financial and non-financial metrics set out in the Group risk framework. Our highest performers received the largest increases in variable pay compared with the previous year.

Variable pay pool
($m)

For details of how the Group Remuneration Committee sets the pool, see page 283.

Supporting colleagues to grow
In our employee Snapshot survey, 78% of respondents said they believe HSBC genuinely cares about their well-being, a record high. We have been ranked number one for workplace mental health for the third year running in the Global CCLA Corporate Mental Health Benchmark 2024. We have prioritised supporting colleagues to work flexibly, balancing customer needs, social connection and individual flexibility.

Financial overview

In assessing the Group's financial performance, management uses a range of financial measures that focus on the delivery of sustainable returns for our shareholders and maintaining our financial strength.

Executive summary

We delivered a strong performance in 2024 with reported profit before tax of $32.3bn, up $2.0bn or 6% compared with 2023. Our financial performance demonstrates the progress against our strategic priorities.

In 2024, we achieved a return on average tangible equity ('RoTE') of 14.6% and a RoTE excluding notable items of 16.0%. We have now further extended our mid-teens RoTE target in each of the three years from 2025 to 2027, excluding notable items.

This section sets out our key Group financial targets and the progress we made towards these in 2024, and our expectations for 2025 and beyond. We also include a more detailed table covering further key financial metrics that we consider insightful for understanding the Group's performance.

The Group financial results that follow provide more detailed insight into the performance that has driven the outcomes of our financial targets. It covers income statement performance on both a reported and constant currency basis, and the main factors impacting the strength of our balance sheet, capital and liquidity position.

Group financial targets

Return on average tangible equity excluding notable items

16.0%

(2023: 16.2%)

In 2024, RoTE was 14.6%, in line with 2023.

For the purposes of measuring performance against our Group target, we adjust RoTE to exclude notable items. From 1 January 2024, we revised the adjustments made to RoTE from excluding only the impact of strategic transactions and the impairment of BoCom, to exclude all notable items. This was intended to improve alignment with the treatment of notable items in our other income statement disclosures. RoTE excluding notable items has been re-presented for 2023 on the revised basis and we no longer disclose RoTE excluding strategic transactions and the impairment of BoCom.

RoTE excluding notable items was 16.0%, a decrease of 0.2 percentage points compared with 2023.

We are now targeting a mid-teens RoTE in each of the three years from 2025 to 2027 excluding notable items.

Our targets and expectations reflect our current outlook for the global macroeconomic environment and market-dependent factors, such as market-implied interest rates as of mid-January 2025 and rates of foreign exchange, as well as customer behaviour and activity levels.

Target basis operating expenses

$32.6bn

(2023: $31.1bn)

In 2024, reported operating expenses increased by 3.0% compared with 2023. Target basis operating expense growth was 5.1% compared with 2023, in line with our target of approximately 5%. Growth primarily reflected higher investment spend, including in technology and from inflationary pressures.

Our target basis operating expenses for 2024 excluded the direct cost impact of the disposals in France and Canada from the 2023 baseline. It is measured on a constant currency basis and excludes notable items and the impact of retranslating the prior year results of hyperinflationary economies at constant currency.

We retain a Group-wide focus on cost discipline. **We are targeting growth in target basis operating expenses of approximately 3% in 2025 compared with 2024.** Our target basis operating expenses for 2025 excludes the direct cost impact of the business disposals in Canada and Argentina, notable items and the impact of retranslating the prior year results of hyperinflationary economies at constant currency.

Our cost target includes the impact of simplification-related savings associated with our announced reorganisation, which aims to generate approximately **$0.3bn of cost reductions in 2025,** with a commitment to an **annualised reduction of $1.5bn in our cost base expected by the end of 2026**. To deliver these reductions, we plan to incur severance and other up-front costs of $1.8bn over 2025 and 2026, which will be classified as notable items.

Capital and dividend policy CET1 ratio

14.9%

Dividend payout ratio in respect of 2024

50%

on a dividend payout ratio target basis.

At 31 December 2024, our CET1 capital ratio was 14.9% which was higher than our medium-term target range of 14% to 14.5%. We intend to continue to manage the CET1 ratio to within this range.

The total dividend per share in 2024 of $0.87 included a special dividend of $0.21 per share that was paid in June following the completion of the sale of HSBC Bank Canada. On a dividend payout ratio target basis, this resulted in a payout ratio of 50% of earnings per share. For the purposes of computing our target basis dividend payout ratio, we exclude from dividends per share the special dividend of $0.21 per share, and we exclude from earnings per share material notable items and related impacts. See page 121 for our calculation of earnings per share.

The Board has established a target basis dividend payout ratio of 50% for 2025, subject to meeting capital requirements. This policy is designed to provide sustainable cash dividends, while retaining the flexibility to invest and grow the business, supplemented by additional shareholder distributions, if appropriate.

Key financial metrics

Reported results	For the year ended 31 Dec 2024	2023	2022
Profit before tax ($m)	**32,309**	30,348	17,058
Profit after tax ($m)	**24,999**	24,559	16,249
Revenue ($m)	**65,854**	66,058	50,620
Cost efficiency ratio (%)	**50.2**	48.5	64.6
Net interest margin (%)	**1.56**	1.66	1.42
Basic earnings per share ($)	**1.25**	1.15	0.72
Diluted earnings per share ($)	**1.24**	1.14	0.72
Dividend per ordinary share (in respect of the period) ($)[1]	**0.87**	0.61	0.32
Dividend payout ratio (%)[2]	**50**	50	44

Alternative performance measures	2024	2023	2022
Constant currency profit before tax ($m)	**32,309**	29,903	16,302
Constant currency revenue ($m)	**65,854**	64,912	49,587
Constant currency cost efficiency ratio (%)	**50.2**	48.5	65.0
Constant currency profit before tax excluding notable items ($m)	**34,122**	32,680	23,057
Constant currency revenue excluding notable items ($m)	**67,434**	64,489	53,383
Constant currency profit before tax excluding notable items and strategic transactions ($m)	**34,037**	32,217	N/A
Constant currency revenue excluding notable items and strategic transactions ($m)	**67,256**	63,043	N/A
Expected credit losses and other credit impairment charges ('ECL') as % of average gross loans and advances to customers (%)	**0.36**	0.34	0.36
Expected credit losses and other credit impairment charges ('ECL') as % of average gross loans and advances to customers, including held for sale (%)	**0.36**	0.32	0.36
Basic earnings per share excluding material notable items and related impacts ($)	**1.31**	1.22	N/A
Return on average ordinary shareholders' equity (%)	**13.6**	13.6	9.0
Return on average tangible equity (%)	**14.6**	14.6	10.0
Return on average tangible equity excluding notable items (%)	**16.0**	16.2	11.8
Target basis operating expenses ($m)	**32,648**	31,074	N/A

Balance sheet	At 31 Dec 2024	2023	2022
Total assets ($m)	**3,017,048**	3,038,677	2,949,286
Net loans and advances to customers ($m)	**930,658**	938,535	923,561
Customer accounts ($m)	**1,654,955**	1,611,647	1,570,303
Average interest-earning assets ($m)	**2,099,285**	2,161,746	2,143,758
Loans and advances to customers as % of customer accounts (%)	**56.2**	58.2	58.8
Total shareholders' equity ($m)	**184,973**	185,329	177,833
Tangible ordinary shareholders' equity ($m)	**154,295**	155,710	146,927
Net asset value per ordinary share at period end ($)	**9.26**	8.82	8.01
Tangible net asset value per ordinary share at period end ($)	**8.61**	8.19	7.44

Capital, leverage and liquidity	2024	2023	2022
Common equity tier 1 capital ratio (%)[3,4]	**14.9**	14.8	14.2
Risk-weighted assets ($m)[3,4]	**838,254**	854,114	839,720
Total capital ratio (%)[3,4]	**20.6**	20.0	19.3
Leverage ratio (%)[3,4]	**5.6**	5.6	5.8
High-quality liquid assets (liquidity value) ($m)[4,5]	**649,210**	647,505	647,046
Liquidity coverage ratio (%)[4,5,6]	**138**	136	132
Net stable funding ratio (%)[4,5,6,7]	**143**	138	141

Share count	2024	2023	2022
Period end basic number of $0.50 ordinary shares outstanding, after deducting own shares held (millions)	**17,918**	19,006	19,739
Period end basic number of $0.50 ordinary shares outstanding and dilutive potential ordinary shares, after deducting own shares held (millions)	**18,062**	19,135	19,876
Average basic number of $0.50 ordinary shares outstanding, after deducting own shares held (millions)	**18,357**	19,478	19,849

For reconciliation and analysis of our reported results on a constant currency basis, including lists of notable items, see page 99. Definitions and calculations of other alternative performance measures are included in 'Reconciliation of alternative performance measures' on page 120.

1 In 2024, dividend per share includes the special dividend of $0.21 per ordinary share arising from the proceeds of the sale of our banking business in Canada to Royal Bank of Canada.

2 In 2024 and 2023, our dividend payout ratio was adjusted for material notable items and related impacts, including all associated income statement impacts relating to those items. In 2022, our dividend payout ratio was adjusted for the loss on classification to held for sale of our retail banking business in France, items relating to the sale of our banking business in Canada, and the recognition of certain deferred tax assets.

3 Unless otherwise stated, regulatory capital ratios and requirements are based on the transitional arrangements of the Capital Requirements Regulation in force at the time. References to EU regulations and directives (including technical standards) should, as applicable, be read as references to the UK's version of such regulation or directive, as onshored into UK law under the European Union (Withdrawal) Act 2018, and as may be subsequently amended under UK law.

4 Regulatory numbers and ratios are as presented at the date of reporting. Small changes may exist between these numbers and ratios and those submitted in regulatory filings. Where differences are significant, we may restate in subsequent periods.

5 The liquidity coverage ratio is based on the average value of the preceding 12 months. The net stable funding ratio is based on the average value of four preceding quarters.

6 We enhanced our liquidity consolidation process in 2Q24 by revising provisions that addressed historical limitations. As our Group LCR and NSFR are reported on an average basis, the benefit of these changes incrementally increased our LCR and NSFR by circa 3% and 11% during the year, respectively. Compared to year ended 31 December 2023, the increase in LCR was mainly driven by these enhancements. The associated NSFR increase driven by these changes was partly offset by higher required stable funding primarily due to a rise in financial investments and derivatives activities.

7 We enhanced our calculation processes during 1Q24 and our NSFR comparatives have been restated.

Basis of presentation

Impact of strategic transactions
To aid the understanding of our results, we separately disclose the impact of strategic transactions classified as material notable items on the results of the Group and our global businesses. Material notable items are a subset of notable items and categorisation is dependent on the nature of each item in conjunction with the financial impact on the Group's income statement. Strategic transactions classified as material notable items comprise the disposal of our retail banking operations in France, our banking business in Canada, the sale of our business in Argentina and the acquisition of SVB UK.

The impacts quoted include the gains or losses on classification to held for sale or on acquisition and all other related notable items. They also include the distorting impact between the periods of the operating income statement results related to acquisitions and disposals that affect period-on-period comparisons. It is computed by including the operating income statement results of each business in any period for which there are no results in the comparative period. We consider the monthly impacts of distorting income statement results when calculating the impact of strategic transactions. See page 102 for supplementary analysis of the impact of strategic transactions.

Constant currency performance
Constant currency performance is computed by adjusting reported results of comparative periods for the effects of foreign currency translation differences, which distort period-on-period comparisons.

We consider constant currency performance to provide useful information for investors by aligning internal and external reporting, and reflecting how management assesses period-on-period performance.

Notable items
We separately disclose 'notable items', which are components of our income statement that management would consider as outside the normal course of business and generally non-recurring in nature. We now disclose 'profit before tax excluding notable items' and 'revenue excluding notable items'. We have introduced these new measures due to the significant impact of notable items on the Group's results. We consider profit before tax excluding notable items and revenue excluding notable items as useful information in understanding period-on-period performance.

Certain notable items are classified as 'material notable items', which are a subset of notable items. Categorisation as a material notable item is dependent on the nature of each item in conjunction with the financial impact on the Group's income statement.

The tables on pages 99 to 101 and pages 113 to 118 detail the effects of notable items on each of our global business segments and legal entities during 2024, 2023 and 2022.

Management view of revenue on a constant currency basis
Our global business segment commentary includes tables that provide breakdowns of revenue on a constant currency basis by major product. These reflect the basis on which revenue performance of the businesses is assessed and managed.

Global Trade Solutions
During 2024, we renamed our Global Trade and Receivables Finance business as Global Trade Solutions ('GTS'), to better reflect our broad suite of products and the focus we place on serving our clients globally.

Comparative periods
Unless otherwise stated, all performance commentary that follows compares our results in 2024 with those in 2023.

Reported results (vs 2023)

Reported profit
Reported profit before tax of $32.3bn was $2.0bn or 6% higher. This included a net $1.0bn favourable impact from notable items.

In 2024, notable items included a gain of $4.8bn following the disposal of our banking business in Canada, and losses associated with the sale of our business in Argentina, comprising a $1.0bn loss on disposal, as well as the recycling of foreign currency reserve losses and other reserves of $5.2bn. In 2023, notable items included an impairment of $3.0bn on our associate, Bank of Communications Co., Limited ('BoCom'), which followed the reassessment of our accounting value-in-use. They also included disposal losses of $1.0bn on Treasury repositioning and risk management and a $1.6bn gain recognised on the acquisition of Silicon Valley Bank UK Limited ('SVB UK').

For further details on our value-in-use assessment for associates, see page 88.

The increase in reported profit before tax also included revenue growth from Wealth products in WPB and in Equities and Securities Financing in GBM.

Reported operating expenses increased by $1.0bn, mainly due to higher spend and investment in technology and the impacts of inflation, partly offset by reductions related to our business disposals in Canada and France, and from a reduction in levies in the UK and the US. Target basis operating expenses rose by 5% compared with 2023, in line with our cost growth target.

Reported profit after tax of $25.0bn was $0.4bn higher than in 2023. This included the impact of an increase in the Group's effective tax rate, notably due to the impact of our business disposals in Canada and Argentina.

Reported revenue
Reported revenue of $65.9bn was broadly stable. There was growth in revenue from higher customer activity in Wealth in WPB, and in Equities and Securities Financing in GBM. In addition, reported revenue in 2023 included disposal losses of $1.0bn related to Treasury repositioning and risk management. These items were broadly offset by the net adverse impact of certain strategic transactions described above, as well as a $0.2bn loss on the early redemption of legacy securities, and a reduction from the results of the businesses that have now been disposed.

NII of $32.7bn fell by $3.1bn, and included the adverse impact of foreign currency translation differences of $1.6bn and the impact from the early redemption of legacy securities of $0.2bn. The reduction included the effect of the disposal of our banking business in Canada. The fall in NII also reflected an increase of $2.7bn in funding costs associated with the redeployment of our commercial surplus into the trading book, where the related revenue is recognised in 'net income on financial instruments held for trading or managed on a fair value basis'.

These reductions were in part mitigated by higher NII in HSBC UK, including the benefit of our structural hedge. In Markets Treasury NII increased due to reinvestments in our portfolio at higher yields. Banking NII of $43.7bn fell by $0.4bn or 1%, as increased deployment of our commercial surplus to the trading book partly mitigated the reductions in NII.

Revenue in 2024 was adversely affected by a $0.8bn impact of hyperinflationary accounting in Argentina, including the devaluation of the Argentinian peso, compared with a $1.4bn adverse impact in 2023.

Reported ECL
Reported ECL charges of $3.4bn were stable compared with 2023. This reflected reductions in CMB and GBM, offset by an increase in WPB.

Reported results continued

Reported results	2024 $m	2023 $m	2022 $m	2024 vs 2023 $m	%	of which strategic transactions[1] $m
Net operating income before change in expected credit losses and other credit impairment charges ('revenue')	**65,854**	66,058	50,620	**(204)**	**—**	**(3,947)**
ECL	**(3,414)**	(3,447)	(3,584)	**33**	**1**	**72**
Net operating income	**62,440**	62,611	47,036	**(171)**	**—**	**(3,875)**
Total operating expenses	**(33,043)**	(32,070)	(32,701)	**(973)**	**(3)**	**1,100**
Operating profit	**29,397**	30,541	14,335	**(1,144)**	**(4)**	**(2,775)**
Share of profit in associates and joint ventures less impairment	**2,912**	(193)	2,723	**3,105**	**>100**	**—**
Profit before tax	**32,309**	30,348	17,058	**1,961**	**6**	**(2,775)**
Tax expense	**(7,310)**	(5,789)	(809)	**(1,521)**	**(26)**	
Profit after tax	**24,999**	24,559	16,249	**440**	**2**	
Revenue excluding notable items	**67,434**	65,723	54,222	**1,711**	**3**	
Profit before tax excluding notable items	**34,122**	33,198	23,560	**924**	**3**	

1 For details, see 'Impact of strategic transactions' on page 102.

Notable items	2024 $m	2023 $m	2022 $m
Revenue			
Disposals, acquisitions and related costs[1]	**(1,343)**	1,298	(2,737)
Fair value movements on financial instruments[2]	**—**	14	(618)
Restructuring and other related costs	**—**	—	(247)
Disposal losses on Markets Treasury repositioning	**—**	(977)	—
Early redemption of legacy securities	**(237)**	—	—
Currency translation on revenue notable items	**—**	88	(174)
Operating expenses			
Disposals, acquisitions and related costs	**(199)**	(321)	(18)
Impairment of non-financial items	**—**	—	—
Restructuring and other related costs	**(34)**	136	(2,882)
Currency translation on operating expenses notable items	**—**	—	(62)
Share of profit in associates and joint ventures less impairment			
Impairment of interest in associate	**—**	(3,000)	—

1 The amount in 2024 includes a $1.0bn loss on disposal and a $5.2bn loss on the recycling in foreign currency translation reserve losses and other reserves arising on sale of our business in Argentina. This was partly offset by a gain of $4.8bn on the sale of our banking business in Canada, inclusive of fair value gains on related hedging and recycling of related reserves. The amount in 2023 included a gain recognised in respect of the acquisition of SVB UK of $1.6bn. The amount in 2022 included losses from classifying businesses as held for sale as part of a broader restructuring of our European business of which $2.4bn related to the sale of our retail banking operations in France.
2 Fair value movements on non-qualifying hedges in HSBC Holdings.

ECL charges in CMB were $1.8bn in 2024, and in GBM charges were $0.2bn. This included charges of $0.4bn in respect of commercial real estate in mainland China and of $0.1bn in the Hong Kong real estate sector. This compared with charges of $1.0bn and $0.1bn respectively in these sectors in 2023. In addition, ECL in 2024 in CMB included a charge related to a single exposure in the UK, while charges in HSBC Bank UK reduced compared with 2023. In GBM, charges in 2024 also benefited from a release of stage 3 allowances in HSBC Bank plc related to a single exposure.

In WPB, ECL charges were $1.3bn. These primarily related to our legal entity in Mexico, reflecting growth in our unsecured lending portfolio and unemployment trends, and also in Hong Kong and the UK.

For further details of the calculation of ECL, see pages 147 to 160.

Reported operating expenses

Reported operating expenses of $33.0bn were $1.0bn or 3% higher, including favourable foreign currency translation differences between the periods of $0.6bn. The increase reflected higher spend and investment in technology and inflationary impacts, while performance-related pay remained stable. Operating expenses were also adversely impacted by the non-recurrence of a $0.2bn reversal of historical asset impairments in 2023.

These increases were partly offset by a favourable impact from the UK bank levy of $0.1bn, as 2023 included adjustments relating to prior years, and from the non-recurrence of a $0.2bn charge incurred in the US relating to the FDIC special assessment.

The number of employees expressed in full-time equivalent staff ('FTE') at 31 December 2024 was 211,304, a decrease of 9,557 compared with 31 December 2023, primarily reflecting the completion of the sales of our banking business in Canada, our retail banking operations in France and our business in Argentina. The number of contractors at 31 December 2024 was 4,226, a decrease of 450.

Reported share of profit in associates and joint ventures less impairment

Reported share of profit in associates and joint ventures less impairment of $2.9bn was $3.1bn higher than in 2023. This primarily reflected the non-recurrence of an impairment charge in 2023 of $3.0bn relating to our investment in BoCom due to a reduction to the accounting value-in-use of the investment. In addition, there was an increase in the share of profit from Saudi Awwal Bank ('SAB').

Tax expense

Tax in 2024 was a charge of $7.3bn, representing an effective tax rate of 22.6%, compared with 19.1% in 2023. The effective tax rate for 2024 was increased by 4.8 percentage points by the non-deductible loss on disposal of our business in Argentina and by 0.7 percentage points by the tax charge arising under the Global Minimum Tax rules, and reduced by 3.6 percentage points by the non-taxable gain on disposal of our banking business in Canada. The effective tax rate for 2023 was increased by 2.3 percentage points by the non-deductible impairment of investments in associates, and reduced by 1.6 percentage points by the release of provisions for uncertain tax positions and by 1.5 percentage points by the non-taxable accounting gain arising on the acquisition of SVB UK.

Reported profit after tax in 2024

$25.0bn

(2023: $24.6bn)

Constant currency results

Results – on a constant currency basis	2024 $m	2023 $m	2022 $m	2024 vs 2023 $m	%	of which strategic transactions[1] $m
Revenue	**65,854**	64,912	49,587	**942**	**1**	**(3,890)**
ECL	**(3,414)**	(3,259)	(3,615)	**(155)**	**(5)**	**36**
Total operating expenses	**(33,043)**	(31,494)	(32,229)	**(1,549)**	**(5)**	**992**
Operating profit	**29,397**	30,159	13,743	**(762)**	**(3)**	
Share of profit in associates and joint ventures less impairment	**2,912**	(256)	2,559	**3,168**	**>100**	**–**
Profit before tax	**32,309**	29,903	16,302	**2,406**	**8**	**(2,862)**
Revenue excluding notable items	**67,434**	64,489	53,383	**2,945**	**5**	
Profit before tax excluding notable items	**34,122**	32,680	23,057	**1,442**	**4**	

1 For details, see 'Impact of strategic transactions' on page 102.

Profit before tax of $32.3bn was $2.4bn higher than in 2023 on a constant currency basis. Constant currency profit before tax excluding notable items of $34.1bn was $1.4bn or 4% higher.

Revenue increased by $0.9bn or 1% on a constant currency basis, and included a $3.9bn net adverse impact from strategic transactions. The growth in revenue reflected the impact of higher customer activity in our Wealth products in WPB, and in Equities and Securities Financing in GBM. NII fell due to business disposals and a loss on the early redemption of legacy securities in 2024.

The reduction also included higher funding costs associated with the redeployment of our commercial surplus into the trading book, where the related revenue is recognised in 'net income on financial instruments held for trading or managed on a fair value basis', partly offset by higher NII in HSBC UK, including the benefit of our structural hedge. On a constant currency basis, banking NII of $43.7bn increased by $1.5bn or 4%.

ECL were $0.2bn or 5% higher on a constant currency basis. This included an increase in WPB, mainly in our legal entity in Mexico, from higher unsecured lending and unemployment trends, and from higher charges in our main legal entities in Hong Kong and the UK. This was partly offset by reductions in CMB and GBM including lower stage 3 charges, including charges relating to the commercial real estate sector in mainland China, and in CMB, lower charges in HSBC UK. The reduction in CMB was partly offset by a charge in 2024 related to a specific exposure in the UK.

Operating expenses were $1.5bn or 5% higher on a constant currency basis, primarily reflecting higher spend and investment in technology and inflationary impacts, partly offset by continued cost discipline. The favourable impacts from the completion of disposals in Canada and France were largely offset by the adverse impact of re-translating the results of hyperinflationary economies at constant currency. Target basis operating expenses rose by $1.6bn or 5% compared with 2023.

Share of profit in associates and joint ventures less impairment of $2.9bn was $3.2bn higher on a constant currency basis, and included the non-recurrence of a $3.0bn impairment of our investment in BoCom due to a revision to the accounting value-in-use of the investment. The increase also included a higher share of profit from SAB.

Balance sheet and capital

Balance sheet strength

Total assets of $3.0tn were $22bn lower than at 31 December 2023 on a reported basis, and included adverse effects of foreign currency translation differences of $66bn.

On a constant currency basis, total assets rose by $45bn, mainly from an increase in financial investments, and higher derivative and trading asset balances. This was partly offset by a reduction in assets held for sale, notably following the completion of our disposals in France, Canada and Argentina.

Reported loans and advances to customers fell by $8bn. On a constant currency basis, loans and advances increased by $14bn. The increase included lending balance growth in CMB, together with mortgage lending growth in WPB.

Reported customer accounts of $1.7tn increased by $43bn. On a constant currency basis, they grew by $75bn, with growth across all of our global businesses, mainly in Asia.

Loans and advances to customers as a percentage of customer accounts was 56.2%, compared with 58.2% at 31 December 2023.

Distributable reserves

The distributable reserves of HSBC Holdings at 31 December 2024 were $28.3bn, a $2.6bn decrease since 31 December 2023, primarily driven by $27.4bn of dividends on ordinary shares, additional tier 1 coupon and share buy-back payments, offset by $24.8bn in profits and other reserves movements generated in 2024. Distributable reserves are sensitive to impairments of investments in subsidiaries to the extent they are not offset by the realisation of related reserves. Further details on HSBC Holdings' intentions to increase distributable reserves in 2025 are provided in the Corporate Governance report on page 318.

Capital position

We actively manage the Group's capital position to support our business strategy and meet our regulatory requirements at all times, including under stress, while optimising our capital efficiency. To do this, we monitor our capital position using a number of measures. These include our capital ratios and the impact on our capital ratios as a result of stress.

Our CET1 capital ratio at 31 December 2024 was 14.9%, up marginally compared with the prior year as capital generation and a reduction in RWAs through strategic transactions were offset by dividends, share buy-backs and organic balance sheet growth. In January 2025, the PRA announced the delay of Basel 3.1 implementation to 1 January 2027 pending US developments. We expect that the impact on our CET1 ratio will be a modest benefit.

Liquidity position

We actively manage the Group's liquidity and funding to support the business strategy and meet regulatory requirements at all times, including under stress. To do this, we monitor our position using a number of risk appetite measures, including the liquidity coverage ratio and the net stable funding ratio. During 2024, the average high-quality liquid assets we held was $649.2bn. This excludes high-quality liquid assets in legal entities which are not transferable due to local restrictions.

For further details, see page 204.

Common equity tier 1 ratio (%)

14.9%

(2023: 14.8%)

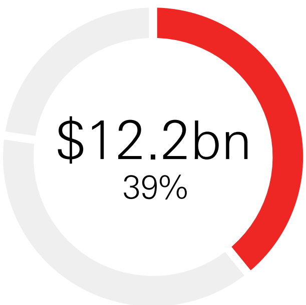
Global businesses

During the year we served our customers through three global businesses. The following pages set out how each global business has performed. From 1 January 2025, we have simplified our structure as explained on page 5.

Wealth and Personal Banking

Our WPB business served 40 million customers globally, including 7.7 million who are international, from retail customers to ultra high net worth individuals and their families.

Contribution to Group profit before tax



Calculation is based on profit before tax of our global businesses excluding Corporate Centre.

To meet our customers' needs, WPB offered a full suite of products and services across transactional banking, lending and wealth.

WPB continued to invest in our key strategic priorities of expanding our Wealth franchise in Asia, developing our transactional banking and lending capabilities, and addressing our customers' international needs.

Performance in 2024 reflected strong growth in Wealth, with double digit growth across Retail investment distribution, Private Banking and life insurance as well as growth in asset management. We also saw moderate balance sheet growth, and increases in our invested assets and wealth deposits. The results included growth in operating expenses, reflecting investment and inflationary impacts.

Divisional highlights

21%

Growth in wealth non-interest income compared with 2023.

12%

Growth in contractual service margin in insurance since 2023, up to $12.1bn.

Results – on a constant currency basis	2024 $m	2023 $m	2022 $m	2024 vs 2023 $m	%	of which strategic transactions[2] $m
Net operating income	**28,674**	26,848	20,772	**1,826**	**7**	**(636)**
ECL	**(1,335)**	(935)	(1,160)	**(400)**	**(43)**	**(22)**
Operating expenses	**(15,204)**	(14,352)	(14,141)	**(852)**	**(6)**	**651**
Share of profit in associates and JVs	**47**	64	29	**(17)**	**(27)**	**–**
Profit before tax	**12,182**	11,625	5,500	**557**	**5**	**(7)**
RoTE[1] (%)	**29.0**	28.5	13.8			

1 RoTE (annualised) in 2023 and 2022 included a 0.3 and 4.7 percentage point adverse impact from the impairment losses relating to the sale of our retail banking operations in France respectively.
2 Impact of strategic transactions classified as material notable items. For details, see 'Impact of strategic transactions' on page 102.

International customers are those who bank in more than one market, those whose address is different from the market we bank them in and customers whose nationality, or country of birth for non-resident Indians and overseas Chinese, is different to the market we bank them in. Customers may be counted more than once when banked in multiple countries.

Our new Premier proposition

Kicking off in three markets – Hong Kong, Singapore and the UK – the new HSBC Premier proposition focuses on our strengths in wealth, health, travel and international services, combining the expertise of our Premier Relationship Managers with digital financial planning solutions to help affluent customers navigate important investment decisions. We partnered with top brands to provide an exclusive set of travel, dining, international property and health and well-being services via the HSBC Premier Mastercard credit card. Building on our core international capabilities, such as international credit history transfer and round the clock 24/7 account servicing, the updated HSBC Premier enables us to support a new generation of customers, while also deepening relationships with millions of our existing clients.

Management view of revenue	2024 $m	2023 $m	2022 $m	2024 vs 2023 $m	%	of which strategic transactions[4] $m
Wealth	**8,758**	7,446	6,973	**1,312**	**18**	**(235)**
– investment distribution	**2,925**	2,517	2,469	**408**	**16**	**(167)**
– Global Private Banking	**2,612**	2,268	2,039	**344**	**15**	**—**
net interest income	**1,193**	1,167	975	**26**	**2**	**—**
non-interest income	**1,419**	1,101	1,064	**318**	**29**	**—**
– life insurance	**1,840**	1,396	1,337	**444**	**32**	**(10)**
– asset management	**1,381**	1,265	1,128	**116**	**9**	**(58)**
Personal Banking	**19,352**	20,240	15,884	**(888)**	**(4)**	**(669)**
– net interest income	**17,980**	18,940	14,597	**(960)**	**(5)**	**(578)**
– non-interest income	**1,372**	1,300	1,287	**72**	**6**	**(91)**
Other[1]	**564**	(838)	(2,085)	**1,402**	**>100**	**268**
– of which: impairment (loss)/reversal relating to the sale of our retail banking operations in France[2]	**28**	4	(2,374)	**24**	**>100**	**24**
Net operating income[3]	**28,674**	26,848	20,772	**1,826**	**7**	**(636)**

1 'Other' includes Markets Treasury, HSBC Holdings interest expense and hyperinflation. It also includes the distribution and manufacturing (where applicable) of retail and credit protection insurance, disposal gains and other non-product-specific income.
2 The amounts associated with the sale of our retail banking operations in France include all related impacts disclosed in notable items, which are presented across various lines in our consolidated income statement.
3 'Net operating income' means net operating income before change in expected credit losses and other credit impairment charges (also referred to as 'revenue').
4 Impact of strategic transactions classified as material notable items. For details, see 'Impact of strategic transactions' on page 102.

Notable items – on a reported basis	2024 $m	2023 $m	2022 $m
Revenue			
Disposals, acquisitions and related costs	**28**	4	(2,212)
Restructuring and other related costs	**—**	—	98
Disposal losses on Markets Treasury repositioning	**—**	(391)	—
Currency translation on revenue notable items	**—**	34	(158)
Operating expenses			
Disposals, acquisitions and related costs	**(3)**	(53)	(7)
Restructuring and other related costs	**(10)**	20	(357)
Currency translation on operating expenses notable items	**—**	—	(3)

Financial performance

Profit before tax of $12.2bn was $0.6bn higher than in 2023 on a constant currency basis. The growth reflected higher Wealth revenue, as we continued to execute on our strategy. This was partly offset by a $0.2bn reduction from the sale of our banking business in Canada, which completed in 1Q24. Net interest income ('NII') grew by 2% compared with 2023, while fee income increased by 12%. Operating expenses grew by $0.9bn and there was an increase in ECL of $0.4bn, both on a constant currency basis.

Revenue of $28.7bn was $1.8bn or 7% higher on a constant currency basis. Wealth performed strongly, up $1.3bn. This included double-digit percentage growth in life insurance, Global Private Banking and investment distribution, as well as growth in asset management. This was partly offset by a reduction in Personal Banking NII of $1.0bn, due to the impact of the disposals in France and Canada and margin compression, partly offset by balance sheet and non-NII growth.

In Wealth, revenue of $8.8bn was up $1.3bn or 18%.

- Investment distribution revenue grew by $0.4bn, or 16%, driven by higher sales of mutual funds, structured products and bonds due to our continued investment in Wealth and improved market sentiment, including in our entities in Asia.
- Global Private Banking revenue was $0.3bn or 15% higher, primarily driven by a strong performance in brokerage and trading in our entities in Asia.
- Life insurance revenue was $0.4bn or 32% higher. The growth included an increase in earnings from contractual service margin ('CSM') release, largely due to continued growth in the CSM balance. The year-on-year increase in revenue also included the impact of corrections to historical valuation estimates recognised in 2023. Insurance manufacturing new business CSM of $2.5bn was 49% higher than in 2023, mainly in our legal entities in Hong Kong.
- Asset management revenue was $0.1bn or 9% higher, driven by a 7% increase in assets under management due to inflows and positive market movements. This was partly offset by a reduction in revenue due to the sale of our banking business in Canada.

In Personal Banking, revenue of $19.4bn was down $0.9bn or 4%.

- Net interest income was $1.0bn or 5% lower due to the impact of the sales of our banking businesses in France and Canada and narrower margins. Compared with 2023, lending balances were broadly stable with growth mainly in mortgages in HSBC UK and our legal entity in the US. This was offset by the reclassification of the France retained loans to Corporate Centre. Unsecured lending balances increased, including in HSBC UK and our legal entities in Asia and Mexico. Deposit balances grew by $24bn, including in our legal entities in Asia and the UK.

Other revenue increased by $1.4bn, mainly due to a $1.1bn increase in revenue allocated from Markets Treasury, including from the non-recurrence of 2023 disposal losses on repositioning and risk management, the non-recurrence of a loss on sale of our business in New Zealand in 2023 of $0.1bn and higher interest income earned on own capital.

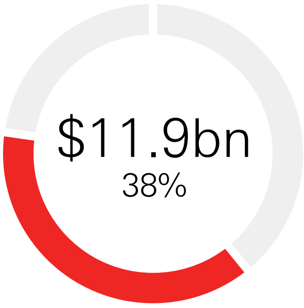
ECL were $1.3bn, an increase of $0.4bn compared with 2023 on a constant currency basis, reflecting higher charges in our legal entity in Mexico, mainly in our unsecured portfolio, due to portfolio growth and unemployment trends. In addition, we had higher charges in our legal entities in Hong Kong and the UK as a result of portfolio growth.

Operating expenses of $15.2bn were 6% higher on a constant currency basis, reflecting continued investments in Wealth in Asia, higher spend and investment in technology, higher performance-related pay and from the impact of higher inflation. These were partly offset by continued cost discipline and the impact of the disposals in France and Canada.

Commercial Banking

Our CMB business served around 1.2[1] million customers across 48 countries and territories, ranging from small enterprises to large companies operating globally.

Contribution to Group profit before tax



Calculation is based on profit before tax of our global businesses excluding Corporate Centre.

CMB partnered with businesses around the world, supporting every stage of their growth, international ambitions and sustainability transitions. CMB delivered value to clients through our international network, financing strength, digital capabilities and our universal banking offering, including our global trade and payments solutions.

HSBC has been recognised as the World's best Trade Finance Bank and the World's best Payments and Treasury Bank (Euromoney Awards) and we continue to invest in capabilities to assist clients in fulfilling their business needs more efficiently.

We have completed our first full year of HSBC Innovation Banking with global revenue now standing at $0.7bn, and over 1,200 new customers onboarded in 2024.

CMB profit before tax compared with 2023 was impacted by the non-recurrence of the gain on acquisition of SVB UK recognised in 2023. Excluding this, there was a good 2024 performance, with growth in revenue due to balance sheet growth, continued momentum in growing our multi-jurisdictional client base, and investment in our core transaction banking capabilities leading to higher fee income. Revenue also benefited from the growth in GBM collaboration income. The increase in operating expenses reflected the impact of hyperinflation in Argentina, increased technology spend and investment, incremental costs associated with HSBC Innovation Banking and inflationary pressures.

1 The number of customers reduced due to the sale of our banking business in Canada.

Divisional highlights

10%

Increase in loans and advances to customers in Global Trade Solutions, compared with 2023, on a constant currency basis.

$25bn

CMB grew deposits by $25bn or 5% compared with 2023.

Results – on a constant currency basis	2024 $m	2023 $m	2022 $m	2024 vs 2023 $m	%	of which strategic transactions[2] $m
Net operating income	**21,580**	22,396	16,207	**(816)**	**(4)**	**(2,228)**
ECL	**(1,815)**	(2,006)	(1,868)	**191**	**10**	**69**
Operating expenses	**(7,906)**	(7,234)	(6,810)	**(672)**	**(9)**	**255**
Share of profit/(loss) in associates and JVs	**1**	(1)	1	**2**	**>100**	**—**
Profit before tax	**11,860**	13,155	7,530	**(1,295)**	**(10)**	**(1,904)**
RoTE[1] (%)	**20.0**	23.4	13.7			

1 RoTE in 2023 included a 3.1 percentage point favourable impact from the gain recognised on the acquisition of SVB UK.
2 Impact of strategic transactions classified as material notable items. For details, see 'Impact of strategic transactions' on page 102.

An international partner for a global travel retailer

Our 15-year partnership with Swiss-based Avolta reflects a deep collaboration that has supported Avolta's international expansion. During the pandemic, we worked closely with Avolta to help them navigate the travel retail sector's challenges. This year, beyond transaction banking and credit solutions, we served as lead global coordinator and physical bookrunner on a €500m bond, reaffirming our commitment to Avolta's strategic goals. As an innovative and rapidly-evolving company, Avolta needs a banking partner that matches their pace. Utilising our international network and expertise in key markets across the US, Europe and Asia, we have helped unlock global opportunities for Avolta and their customers, fostering a robust partnership centred on growth and innovation.

Management view of revenue	2024 $m	2023 $m	2022 $m	2024 vs 2023 $m	%	of which strategic transactions[4] $m
Global Trade Solutions	**1,992**	1,969	2,045	**23**	**1**	**(39)**
Credit and Lending	**5,183**	5,239	5,728	**(56)**	**(1)**	**(281)**
Global Payments Solutions	**11,880**	12,125	6,911	**(245)**	**(2)**	**(225)**
Markets products, Insurance and Investments and Other[1]	**2,525**	3,063	1,523	**(538)**	**(18)**	**(1,683)**
– of which: share of revenue for Markets and Securities Services and Banking products	**1,382**	1,295	1,181	**87**	**7**	
– of which: gain on the acquisition of Silicon Valley Bank UK Limited	**—**	1,659	—	**(1,659)**	**(100)**	**(1,659)**
Net operating income[2]	**21,580**	22,396	16,207	**(816)**	**(4)**	**(2,228)**
– of which: transaction banking[3]	**14,867**	15,077	9,853			

1 Includes a gain on the acquisition of SVB UK and CMB's share of revenue from the sale of Markets and Securities Services and Banking products to CMB customers. GBM's share of revenue from the sale of these products to CMB customers is included within the corresponding lines of the GBM management view of revenue. Also includes allocated revenue from Markets Treasury, HSBC Holdings interest expense and hyperinflation.
2 'Net operating income' means net operating income before change in expected credit losses and other credit impairment charges (also referred to as 'revenue').
3 Transaction banking comprises Global Trade Solutions, Global Payments Solutions and CMB's share of Global Foreign Exchange (shown within 'share of revenue for Markets and Securities Services and Banking products').
4 Impact of strategic transactions classified as material notable items. For details, see 'Impact of strategic transactions' on page 102.

Notable items – on a reported basis	2024 $m	2023 $m	2022 $m
Revenue			
Disposals, acquisitions and related costs	**—**	1,591	—
Restructuring and other related costs	**—**	—	(16)
Disposal losses on Markets Treasury repositioning	**—**	(316)	—
Currency translation on revenue notable items	**—**	65	6
Operating expenses			
Disposals, acquisitions and related costs	**(2)**	(55)	—
Restructuring and other related costs	**2**	32	(266)
Currency translation on operating expenses notable items	**—**	—	(7)

Financial performance

Profit before tax of $11.9bn was $1.3bn lower than in 2023 on a constant currency basis. This was mainly due to a reduction in revenue following the non-recurrence of a $1.7bn gain recognised in 2023 on the acquisition of SVB UK, the impact of the disposal of our banking business in Canada in 2024, as well as higher operating expenses. The reduction in profit before tax was partly offset by balance-sheet-driven revenue growth, excluding the disposal of our banking business in Canada, higher revenue allocated from Markets Treasury, transaction banking fee growth and lower ECLs.

Revenue of $21.6bn was $0.8bn or 4% lower on a constant currency basis. This was primarily due to the non-recurrence of the gain on the acquisition of SVB UK in 2023, as mentioned above. It also included an adverse impact of $0.6bn from strategic transactions, notably in relation to the disposal of our banking business in Canada. These were partly offset by an increase in NII due to the hyperinflationary impacts in Argentina and higher allocated revenue from Markets Treasury.

- In GTS, revenue was up $23m or 1%, mainly due to growth in fee income from guarantees, higher balances and improved margins. This was partly offset by the impact of the disposal of our banking business in Canada.
- In Credit and Lending, revenue decreased by $0.1bn or 1% due to the impact of the disposal of our banking business in Canada, partly offset by higher income in IVB.
- In GPS, revenue was down $0.2bn or 2%, reflecting the impact of the disposal of our banking business in Canada, and a decrease in our main legal entities in Asia and Europe from lower margins, reflecting a change in the product mix. This was partly offset by growth in fee income reflecting business initiatives and transaction volumes. There was also higher revenue in HSBC UK due to higher margins and in our legal entity in Argentina due to hyperinflationary impacts.
- In GBM products, Insurance and Investments, and Other, revenue decreased by $0.5bn, largely due to the non-recurrence of the $1.7bn gain recognised in 2023 on the acquisition of SVB UK. This adverse impact was partly offset by higher allocated revenue from Markets Treasury, including from the non-recurrence of 2023 disposal losses on repositioning and risk management and interest income on own capital. There was also higher GBM collaboration revenue, reflecting growth in Global Markets and Capital Financing products, notably in our key entities in Hong Kong, the UK and in Europe.

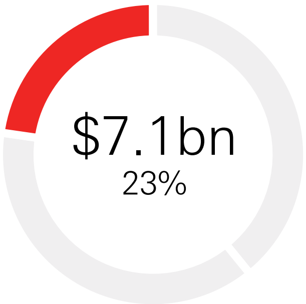
ECL charges of $1.8bn were $0.2bn lower on a constant currency basis. ECLs in 2024 reflected lower charges in our main legal entity in Asia, reflecting a reduction in ECL in the commercial real estate sector in mainland China, and in HSBC UK. These reductions were partly offset by new stage 3 charges related to a single customer in the UK, and in our main legal entity in the Middle East.

Operating expenses of $7.9bn were $0.7bn or 9% higher on a constant currency basis. The increase reflected hyperinflationary impacts in Argentina, incremental costs in IVB following the acquisition of SVB UK, higher spend and investment in technology, and inflationary impacts. These increases were in part mitigated by continued cost discipline and lower costs following the disposal of our banking business in Canada.

Global Banking and Markets

Our GBM business supported multinational corporates, financial institutions and institutional clients, as well as public sector and government bodies.

Contribution to Group profit before tax



Calculation is based on profit before tax of our global businesses excluding Corporate Centre.

GBM is a leading provider of transaction banking, financing and risk management solutions to our clients. Our global network with expertise, particularly in Asia and the Middle East, provides a differentiated service to our clients' international financial requirements.

GBM delivered a strong performance in 2024, achieving a RoTE of 13.0%. On a constant currency basis, we grew revenue by 11%, while costs grew by 4% as we continued to invest in technology to support future revenue growth, and from the impact of inflation. We also had a reduction in ECL compared with 2023.

Divisional highlights

13.0%

Return on average tangible equity, up 1.6 percentage points compared with 2023.

36%

Increase in Securities Financing revenue compared with 2023, primarily from new client onboarding in prime finance.

	2024	2023	2022	2024 vs 2023		of which strategic transactions[1]
Results – on a constant currency basis	**$m**	$m	$m	**$m**	**%**	**$m**
Net operating income	**17,529**	15,771	14,542	**1,758**	**11**	**(49)**
ECL	**(235)**	(317)	(578)	**82**	**26**	**(11)**
Operating expenses	**(10,231)**	(9,872)	(9,403)	**(359)**	**(4)**	**59**
Share of profit/(loss) in associates and JVs	**—**	—	(2)	**—**	**—**	**—**
Profit before tax	**7,063**	5,582	4,559	**1,481**	**27**	**(1)**
RoTE (%)	**13.0**	11.4	9.8			

1 Impact of strategic transactions classified as material notable items. For details, see 'Impact of strategic transactions' on page 102.

India's biggest-ever IPO listing

In October 2024, we led the $3.3bn initial public offering ('IPO') of Hyundai Motor India Limited, India's largest ever IPO and the second largest globally in 2024 at the time of the transaction.

Acting as joint book-running lead manager, we supported the company throughout the transaction. The strength of our international network in connecting clients to investors across markets, helped the company to attract significant demand from both domestic and global investors. The transaction, also the largest auto IPO since 2022, represented Hyundai's largest stock market listing outside of South Korea, demonstrating the depth and evolution of India's capital markets-raising potential from the perspective of global corporates and investors.

Management view of revenue	2024 $m	2023 $m	2022 $m	2024 vs 2023 $m	%	of which strategic transactions[6] $m
Markets and Securities Services	**9,652**	8,806	8,815	**846**	**10**	**(63)**
– Securities Services	**2,280**	2,305	1,994	**(25)**	**(1)**	**(3)**
– Global Debt Markets	**968**	827	698	**141**	**17**	**(8)**
– Global Foreign Exchange	**3,972**	4,030	4,088	**(58)**	**(1)**	**(49)**
– Equities	**891**	552	1,015	**339**	**61**	**(1)**
– Securities Financing	**1,523**	1,120	924	**403**	**36**	**(5)**
– Credit and funding valuation adjustments	**18**	(28)	96	**46**	**>100**	**3**
Banking	**8,656**	8,460	6,690	**196**	**2**	**(125)**
– Global Trade Solutions	**690**	658	670	**32**	**5**	**(13)**
– Global Payments Solutions	**4,497**	4,427	2,861	**70**	**2**	**(72)**
– Credit and Lending	**1,820**	1,967	2,229	**(147)**	**(7)**	**(15)**
– Investment Banking[1]	**1,084**	1,040	737	**44**	**4**	**(9)**
– Other[2]	**565**	368	193	**197**	**54**	**(16)**
GBM Other	**(779)**	(1,495)	(963)	**716**	**48**	**139**
– Principal Investments	**24**	(5)	57	**29**	**>100**	**–**
– Other[3]	**(803)**	(1,490)	(1,020)	**687**	**46**	**139**
Net operating income[4]	**17,529**	15,771	14,542	**1,758**	**11**	**(49)**
– of which: transaction banking[5]	**11,439**	11,420	9,613	**19**	**–**	

1 From 1 January 2024, we renamed 'Capital Markets and Advisory' as 'Investment Banking' to better reflect our purpose and offering.
2 Includes portfolio management, earnings on capital and other capital allocations on all Banking products.
3 Includes notional tax credits and Markets Treasury, HSBC Holdings interest expense and hyperinflation.
4 'Net operating income' means net operating income before change in expected credit losses and other credit impairment charges (also referred to as 'revenue').
5 Transaction banking comprises Securities Services, Global Foreign Exchange (net of revenue shared with CMB), GTS and GPS.
6 Impact of strategic transactions classified as material notable items. For details, see 'Impact of strategic transactions' on page 102.

Notable items – on a reported basis	2024 $m	2023 $m	2022 $m
Revenue			
Disposals, acquisitions and related costs	**(14)**	–	–
Restructuring and other related costs	**–**	–	(184)
Disposal losses on Markets Treasury repositioning	**–**	(270)	–
Currency translation on revenue notable items	**–**	(2)	4
Operating expenses			
Disposals, acquisitions and related costs	**(2)**	3	–
Restructuring and other related costs	**(1)**	21	(252)
Currency translation on operating expenses notable items	**–**	–	(8)

Financial performance

Profit before tax of $7.1bn was $1.5bn or 27% higher than in 2023 on a constant currency basis. This was driven by an increase in revenue of $1.8bn or 11%on a constant currency basis, including from strong performances in Securities Financing, Equities and Global Debt Markets. In addition, ECL charges decreased compared with 2023, while operating expenses increased by $0.4bn on a constant currency basis.

Revenue of $17.5bn was $1.8bn or 11% higher on a constant currency basis.

In Markets and Securities Services ('MSS'), revenue increased by $0.8bn or 10% driven by prime finance, fixed income and equity derivatives.

– In Securities Services, revenue decreased by $25m or 1% from divestments within our fund administration business and from lower NII due to reduced rates impacting margins.
– In Global Debt Markets, revenue rose by $0.1bn or 17%, from higher client demand for financing products and increased volumes primarily from emerging markets credit.
– In Global Foreign Exchange, revenue fell by $0.1bn or 1%, as client activity remained resilient given the market environment.
– In Equities, revenue increased by $0.3bn or 61% amid improved market sentiment, which drove strong client demand for wealth products, as well as higher levels of volatility in 2H24.
– In Securities Financing, revenue rose by $0.4bn or 36%, primarily driven by new client onboarding in prime finance and robust institutional financing demand.

In Banking, revenue increased by $0.2bn or 2%.

– In GPS, revenue increased by $0.1bn or 2%, driven by higher average balances and fee performance resulting from business initiatives, repricing and transaction growth.
– In Investment Banking, which includes Issuer Services, revenue increased by $44m or 4%, due to higher advisory and financing activity, supported by the recovery in global capital markets.
– In Credit and Lending, revenue decreased by $0.1bn or 7% reflecting ongoing muted client demand.
– In Banking Other, revenue increased by $0.2bn or 54% due to hedging activities and higher allocated earnings on capital held in the business.

In GBM Other, revenue increased by $0.7bn or 48%, driven by higher allocated revenue from Markets Treasury, including from the non-recurrence of 2023 disposal losses on repositioning and risk management, and lower HSBC Holdings interest expense.

ECL of $0.2bn decreased by $0.1bn on a constant currency basis, mainly as the 2024 period included a release related to a single exposure.

Operating expenses of $10.2bn increased by $0.4bn or 4% on a constant currency basis, due to the impact of inflation and higher spend and investment in technology, partly mitigated by continued cost discipline.

Corporate Centre

The results of Corporate Centre primarily comprise the financial impact of certain acquisitions and disposals and the share of profit from our interests in our associates and joint ventures and related impairments. It also includes Central Treasury, stewardship costs and consolidation adjustments.

Corporate Centre performance in 2024 primarily reflected the financial impact of certain acquisitions and disposals, including the gain on the sale of our banking business in Canada and losses on the disposal of our business in Argentina, including foreign currency and other reserve losses. In 2023, performance included the recognition of an impairment in our investment in our associate BoCom.

Financial performance

Profit before tax of $1.2bn was $1.7bn higher than in 2023 on a constant currency basis. The increase included the impact of the non-recurrence of an impairment charge of $3.0bn in 2023 relating to our investment in BoCom.

Revenue of $1.9bn was $1.8bn lower on a constant currency basis, primarily due to the impact of notable items.

In 2024, these included a loss on disposal of $1.0bn, as well as foreign currency and other reserve losses of $5.2bn, following the disposal of our business in Argentina. They also included a loss of $0.1bn related to the recycling of reserves following the completion of the sale of our business in Russia, and a $0.2bn loss on the early redemption of legacy securities. These were partly offset by a $4.8bn gain on the sale of our banking business in Canada, inclusive of fair value gains on related hedging and recycling of related reserves.

In 2023, notable items included fair value losses of $0.3bn relating to the hedging of the proceeds of the sale of our business in Canada.

The reduction in revenue also included adverse fair value movements on financial instruments in Central Treasury and structural hedges, a reduction following the transfer of the retained French retail lending portfolio from WPB, and fair valuation losses on legacy portfolios. This was partly offset by fair value gains on hedging related to our retained French retail lending portfolio.

Operating expenses decreased by $0.3bn on a constant currency basis. This included a lower impact from levies, including in relation to the FDIC special assessment and the UK bank levy.

Share of profit from associates and joint ventures of $2.9bn increased by $3.2bn on a constant currency basis, primarily reflecting the non-recurrence of an impairment charge of $3.0bn in 2023 relating to our investment in BoCom and an increase in share of profit from SAB.

Results – on a constant currency basis	2024 $m	2023 $m	2022 $m	2024 vs 2023 $m	%	of which strategic transactions[1] $m
Net operating income	**(1,929)**	(103)	(1,934)	**(1,826)**	**>(100)**	**(977)**
ECL	**(29)**	(1)	(9)	**(28)**	**>(100)**	**—**
Operating expenses	**298**	(36)	(1,875)	**334**	**>100**	**27**
Share of profit in associates and joint ventures less impairment	**2,864**	(319)	2,531	**3,183**	**>100**	**—**
– of which: impairment loss relating to our investment in BoCom	—	(3,017)	—	**3,017**	**>100**	**—**
Profit/(loss) before tax	**1,204**	(459)	(1,287)	**1,663**	**>100**	**(950)**
RoTE (annualised) (%)	**0.7**	(1.0)	2.8			

1 Impact of strategic transactions classified as material notable items. For details, see 'Impact of strategic transactions' on page 102.

Management view of revenue	2024 $m	2023 $m	2022 $m	2024 vs 2023 $m	%	of which strategic transactions[6] $m
Central Treasury[1]	**(49)**	99	(743)	**(148)**	**>(100)**	**—**
Legacy portfolios	**(50)**	3	(181)	**(53)**	**>(100)**	**—**
Other[2,3]	**(1,830)**	(205)	(1,010)	**(1,625)**	**>(100)**	**(977)**
– of which: gain on the sale of banking business in Canada and associated hedges[4]	**4,795**	(275)	—	**5,070**	**>100**	**5,070**
– of which: loss on the sale of business in Argentina	**(1,011)**	—	—	**(1,011)**	**>(100)**	**(1,011)**
– of which: recycling of foreign currency translation reserve losses and other reserves on sale of business in Argentina	**(5,166)**	—	—	**(5,166)**	**>(100)**	**(5,166)**
Net operating income[5]	**(1,929)**	(103)	(1,934)	**(1,826)**	**>(100)**	**(977)**

1 Central Treasury comprises valuation differences on issued long-term debt and associated swaps and fair value movements on financial instruments.
2 Other comprises gains and losses on certain transactions, funding charges on property and technology assets, the results of the retained France retail loan portfolio, revaluation gains and losses on investment properties and property disposals, consolidation adjustments and other revenue items not allocated to global businesses.
3 Revenue from Markets Treasury, HSBC Holdings net interest expense and hyperinflation are allocated out to the global businesses, to align them better with their revenue and expense. The total Markets Treasury revenue component of this allocation for 2024 was $1,569m (2023: $(339)m; 2022: $1,377m).
4 Includes fair value gains/(losses) on the foreign exchange hedging of the proceeds of the sale and the recycling of related reserves.
5 'Net operating income' means net operating income before change in expected credit losses and other credit impairment charges (also referred to as 'revenue').
6 Impact of strategic transactions classified as material notable items. For details, see 'Impact of strategic transactions' on page 102.

Notable items – on a reported basis	2024 $m	2023 $m	2022 $m
Revenue			
Disposals, acquisitions and related costs	**(1,357)**	(297)	(525)
Fair value movements on financial instruments	**—**	14	(618)
Restructuring and other related costs	**—**	—	(145)
Early redemption of legacy securities	**(237)**	—	—
Currency translation on revenue notable items	**—**	(9)	(26)
Operating expenses			
Disposals, acquisitions and related costs	**(192)**	(216)	(11)
Restructuring and other related costs	**(25)**	63	(2,007)
Currency translation on operating expenses notable items	**—**	—	(46)
Impairment of interest in associate	**—**	(3,000)	—
Currency translation on associate notable items		(17)	

Risk overview

Active risk management helps us to achieve our strategy, serve our customers and communities and grow our business safely.

Managing risk

HSBC's operations are subject to changes in the economy, financial conditions and geopolitical developments that could have a material impact on the Group's operations and financial risks. These factors are a significant source of uncertainty that we monitor and review continuously.

Despite political and economic uncertainties, global economic growth was resilient in 2024. This was led by strong growth in the US and a mild recovery in the EU, while key emerging markets were supported by monetary policy easing. In the US, performance was supported by household consumption and government spending. In mainland China activity by sector has been uneven, but fiscal and monetary support ensured that the official economic growth target was still met. UK growth remained low despite a fall in inflation and lower interest rates, as consumers continued to prioritise saving.

Continued moderate growth is expected in 2025, but the trajectory of US economic and trade policies in the aftermath of the US election, and geopolitical risks such as the ongoing Russia-Ukraine war and conflict in the Middle East, remain key sources of forecast uncertainty.

Inflation and high interest rates remain key considerations for policymakers. In the US and Europe, headline inflation rates trended downwards towards central bank target ranges, despite high and persistent services price increases. Disinflation enabled the US Federal Reserve and the ECB to cut their policy rates by 100bps and 75bps respectively, and the Bank of England by 50bps in 2024.

Further cuts in interest rates are expected in the US, although the resilience of the economy and the perceived supply chain and inflation risks attached to new and prospective US tariff policies, have led markets to pare back their expectations for rate cuts in 2025. In the Eurozone, interest rates are expected to be cut in order to support growth. Markets also expect the Bank of England to continue to reduce the bank rate throughout 2025. In mainland China, authorities have reduced benchmark policy interest rates to support private sector borrowing as demand for loans has weakened. Further fiscal and monetary easing is expected to support local consumption and offset some of the impact of US tariffs.

Key risk appetite metrics

Component	Measure	Risk appetite	2024
Capital	CET1 ratio – end point basis	≥13.5%	14.9%
Change in expected credit losses and other credit impairment charges	Change in expected credit losses and other credit impairment charges as a % of advances: Retail (WPB)	≤0.50%	0.27%
	Change in expected credit losses and other credit impairment charges as a % of advances: Wholesale (GBM, CMB)	≤0.45%	0.37%

Fiscal policy, public deficits and indebtedness influence our risk profile. Public spending as a proportion of GDP is likely to remain high for most key economies. Against the backdrop of higher global interest rates, a high level of public debt issuance, and a strong US dollar, borrowing costs for certain countries could increase further. This could adversely impact the fiscal capacity and debt sustainability of highly-indebted sovereign issuers.

Additional sanctions on Iran were imposed in 2024 in response to Iran's activities and the increase in tensions between Israel and Iran. The sanctions and trade restrictions imposed by the US, the UK, and the EU, as well as other countries, as a result of the Russia-Ukraine war, remain complex, far-reaching and evolving. The US has expanded the reach of its secondary sanctions regime, which includes broad discretion to impose severe sanctions on non-US banks. The imposition of such sanctions against any non-US HSBC entity could result in significant adverse commercial, operational and reputational consequences for HSBC. In response to such sanctions and trade restrictions, as well as asset flight, Russia has implemented certain countermeasures, including the expropriation of certain foreign assets.

Strategic competition with China has the potential to impact global supply chains which may in turn impact the Group's operations. The US, the UK, the EU and other countries have imposed various sanctions and trade restrictions on Chinese individuals and companies. China has also imposed its own sanctions, trade restrictions and other measures against certain countries, businesses and individuals. This has resulted in efforts to de-risk certain sectors with the reshoring of manufacturing activities.

Further sanctions or counter-sanctions may adversely affect the Group, its customers and various markets.

Political changes may also have implications for policy and regulations. Newly elected governments in several key markets have committed to a shift in domestic and foreign policy priorities. The US administration supports sweeping economic, foreign and trade policy changes that, if enacted, are expected to have geopolitical and macroeconomic implications, including an uncertain impact on growth and inflation. HSBC continues to monitor these policy changes and assess their implications for economic conditions in our key markets.

Challenging conditions persist in the real estate sector in several of our major markets. The Hong Kong commercial real estate market has seen prices fall amid low transaction volumes and a high interest rate environment. Despite an improvement in sentiment associated with supportive policy measures and recent US interest rate cuts, commercial real estate market demand has remained weak. Prices also fell in the Hong Kong residential market during 2024 but sentiment and transaction volumes started to improve in the fourth quarter, supported by more favourable government measures and improved affordability as prices and interest rates fell. Stabilisation of the real estate market could be dependent on a further lowering of interest rates to revive demand for property both in the domestic market and from mainland China. Higher interest rates, a stronger US dollar and weak sentiment in mainland China remain the key risks to recovery.

Managing risk continued

In mainland China an excess of inventory and low confidence have resulted in the fall in both commercial and residential real estate prices. A recovery remains contingent on reform and broader economy-wide stimulus measures. We continue to closely monitor market conditions and take steps to proactively manage our commercial real estate portfolios.

In the fourth quarter of 2024 management adjustments to ECL were applied to reflect sector or portfolio risks that are not fully captured by our models.

We continue to assess the impact of Basel 3.1 standards on our capital, including the release of more beneficial PRA near-final rules, developments in the US and the associated implementation challenges.

We monitor, and seek to manage, the potential implications of all the above developments on our customers and our business. While the financial performance of our operations varied by geography, our balance sheet and liquidity remained strong.

For further details of our Central and other scenarios, see 'Measurement uncertainty and sensitivity analysis of ECL estimates' on page 147.

Our risk appetite
Our risk appetite sets our approach to monitoring and managing our risk exposure. It defines our desired forward-looking risk profile and informs the strategic and financial planning process. It provides a baseline to guide strategic decision making by helping planned business activities to deliver an appropriate balance of return for the risk assumed, while remaining within acceptable risk levels. Risk appetite supports senior management in allocating financial resources optimally to finance sustainable growth and manage risk exposures.

At 31 December 2024 our CET1 ratio and ECL charges were within their defined risk appetite thresholds. Our CET1 capital ratio at 31 December 2024 was 14.9%, up marginally compared with the prior year as capital generation and a reduction in RWAs through strategic transactions were offset by dividends, share buy-backs and organic balance sheet growth. For further details of the key drivers of the overall CET1 ratio, see 'Own funds' on page 205. Wholesale ECL charges during the year continued to reflect stress in the mainland China and Hong Kong commercial real estate sectors however, Wholesale and Retail ECL charges remained within appetite.

Stress tests
We regularly conduct stress tests to assess the resilience of our balance sheet and our capital adequacy, as well as to provide actionable insights into how key elements of our portfolios may behave during a crisis. We use the outcomes to calibrate our risk appetite to inform our strategic and financial plans, helping to improve the quality of management's decision making. The results from the stress tests also drive recovery and resolution planning to help enhance the Group's financial stability under various severe macroeconomic or idiosyncratic scenarios. The selection of stress scenarios is based upon the identification and assessment of our top and emerging risks and our risk appetite.

The Prudential Regulation Authority ('PRA') cancelled the 2024 Annual Cyclical Scenario stress testing exercise and instead commenced a Desk Based Stress Test exercise, which used PRA models and their in-house expertise to test the resilience of the UK banking system against more than one adverse macroeconomic scenario. HSBC provided 2023 year-end data to support this. The results of this exercise across firms were published in aggregate only, within the Financial Stability Report issued in the fourth quarter of 2024. The PRA announced an updated Stress Testing Framework and intends to return to a concurrent exercise in 2025, involving the submission of stressed projections. Further details will be provided by the PRA during 2025.

During 2024, the Group-wide internal stress test was completed and assessed the impact of two contrasting scenarios envisioning severe macroeconomic conditions over a five-year period. These scenarios reflected the uncertain inflation and interest rate environment, heightened geopolitical tensions, banking sector challenges, and global economic stress. The outcomes demonstrated that the Group has sufficient capital to withstand severe but plausible stress conditions. Additionally, the conclusions drawn from this exercise will also be included in the Group Internal Capital Adequacy Assessment Process.

Climate risk
Climate risk relates to the financial and non-financial impacts that may arise as a consequence of climate change and the move to a net zero economy. Climate risk can impact us either directly or through our relationships with our clients. These include the potential risks arising as a result of our net zero ambition, which could lead to reputational concerns, and potential legal and/or regulatory enforcement action if we are perceived to mislead stakeholders on our business activities or if we fail to achieve our stated net zero ambition.

We seek to manage climate risk across all our businesses in line with our Group-wide risk management framework and continue to incorporate climate considerations within our traditional risk types.

For further details of our approach to climate risk management, see 'Climate risk' on page 219.

For further details of our TCFD disclosures, see the 'ESG review' on page 444.

Climate stress tests
Scenario analysis supports our strategy by assessing our potential exposures to climate risks and vulnerabilities under a range of climate scenarios. Scenario analysis helps to build our awareness of climate change, understand plausible impacts to our strategy, plan for the future and meet our growing regulatory requirements.

In 2024, we enhanced our internal climate scenario analysis exercise by focusing our efforts on generating more granular insights for key sectors and regions to support core decision-making processes. We also continued to embed climate considerations into core processes across the Group and to respond to our regulatory requirements. Additionally, we produced several climate stress tests for regulators around the world, including the Hong Kong Monetary Authority.

For further details of our approach to climate risk stress testing, see 'Insights from scenario analysis' on page 223.

Our operations
We remain committed to investing in the reliability and resilience of our technology systems and critical services. We assess our third parties to help ensure they deliver the standard of services we require to provide resilient services to our customers. We do so to help protect our customers, affiliates and counterparties, and minimise any disruption to our services. In our approach to defending against these threats, we invest in business and technical controls to help us prevent, detect, manage and recover from issues in a timely manner within our risk appetite.

We are working to balance the opportunity artificial intelligence ('AI') presents to accelerate delivery of our strategy with the need for appropriate controls to be in place to mitigate the associated risks. HSBC is committed to using AI responsibly. HSBC's Principles for the Ethical Use of Data and AI are available at www.hsbc.com/ai. We continue to refine and embed governance and controls into our risk management processes to help meet the Group's needs and increasing regulatory expectations for when AI is both developed internally and enabled through third parties.

We continue to focus on improving the quality and timeliness of the data used to inform management decisions, and are progressing with the implementation of our strategic and regulatory change initiatives to help deliver the right outcomes for our customers, people, investors and communities.

For further details of our risk management framework and risks associated with our banking and insurance manufacturing operations, see pages 136 and 231, respectively.

Top and emerging risks

Our top and emerging risks report identifies forward-looking risks so that they can be considered in determining whether any incremental action is needed to either prevent them from materialising or to limit their effect. Top risks are those that have the potential to have a material adverse impact on the financial results, reputation or business model of the Group. We actively manage and take actions to mitigate our top risks. Emerging risks are those that, while they could have a material impact on our risk profile were they to occur, are not considered immediate and are not under active management. Our suite of top and emerging risks is subject to regular review by senior governance forums. We continue to monitor closely the identified risks and agree management actions to remediate and/or reduce them to acceptable levels, as required.

Risk	Trend	Description
Externally driven		
Geopolitical and macroeconomic risks	▲	Our operations and portfolios are subject to risks arising from political instability, civil unrest and military conflict, which could lead to disruption of our operations, physical risk to our staff and/or physical damage to our assets. We are also subject to cyclical and idiosyncratic macroeconomic risks. Among the key risks to the economic outlook is the prospective recalibration of economic and trade policies following elections in the US and other markets in 2024. This could prove disruptive to the global economy.
Technology and cybersecurity risk	▲	There is an increased risk of service disruption or loss of data resulting from technology failures or malicious activities from internal or external threats. We continue to monitor changes to the technology and threat landscape, including those arising from ongoing geopolitical and macroeconomic events and the impact this may have on third-party risk management. We operate a continuous improvement programme to help support the resilience and stability of our technology operations and counter a fast-evolving and heightened cyber threat environment.
Environmental, social and governance ('ESG') risks	▲	We are subject to ESG risks, including in relation to climate change, nature and human rights. These risks have increased owing to the pace and volume of regulatory developments globally, signs of diverging national agendas, increasing frequency of severe weather events, which require careful monitoring, and may impact financial and non-financial risks due to stakeholders placing more emphasis on financial institutions' actions and investment decisions in respect of ESG matters. Failure to meet these evolving expectations may result in financial and non-financial risks, including reputational, legal and regulatory compliance risks.
Financial crime risk	▲	We are exposed to financial crime risk from our customers, staff and third parties engaging in criminal activity. The financial crime risk environment is heightened due to increasingly complex geopolitical challenges, the macroeconomic outlook, the complex and dynamic nature of sanctions and export control compliance, evolving financial crime regulations, rapid technological developments, an increasing number of national data privacy requirements and the increasing sophistication of fraud. As a result, we will continue to face the possibility of regulatory enforcement and reputational risk.
Digitalisation and technological advances	▲	Developments in technology and changes in regulations continue to enable new entrants to the banking industry as well as new products and services offered by competitors. This challenges us to continue to innovate with new digital capabilities and evolve our products, to attract, retain and best serve our customers. Along with opportunities, new technology, including generative AI, can introduce risks and disruption. We seek to manage technology developments with appropriate controls and oversight.
Evolving regulatory environment risk	▶	The regulatory and compliance risk environment is set against continued geopolitical risk and regulatory focus on operational resilience, financial resilience, model risk, ESG, financial crime and risk management practices. Multiple jurisdictions are progressing the implementation of Basel 3.1 standards to various timescales, some of which are being delayed. The governmental and regulatory focus on improving pro-business growth is also driving legislative and regulatory change.
Internally driven		
Data risk	▶	We use data to serve our customers and run our operations, often in real-time within digital experiences and processes. If our data is not accurate and timely, our ability to serve customers, operate with resilience or meet regulatory requirements could be impacted. We seek to ensure that non-public data is kept confidential, and that we comply with the growing number of regulations that govern data privacy and cross-border movement of data.
Risks arising from the receipt of services from third parties	▶	We procure goods and services from a range of third parties. Due to the current macroeconomic and geopolitical climate, the risk of service disruption in our supply chain remains heightened. We continue to strengthen our controls, oversight and risk management policies and processes to select and manage third parties, including our third parties' own supply chains, particularly for key activities that could affect our operational resilience.
Model risk	▲	Model risk arises whenever business decision making includes reliance on models. We use models in both financial and non-financial contexts, as well as in a range of business applications. Evolving regulatory requirements are driving material changes to the way model risk is managed across the banking industry, with a particular focus on capital models. New technologies, including AI and generative AI, are driving a need for enhanced model risk controls.
Change execution risk	▶	Delivering change effectively is critical to achieving our strategy and enables us to meet rapidly-evolving customer and stakeholder needs. We seek to deliver complex change in line with established risk management processes, prioritising sustainable outcomes and understanding the associated risks. We focus on meeting industry and regulatory expectations and fulfilling our obligations to customers and clients.
Risks associated with workforce capability, capacity and environmental factors with potential impact on growth	▲	Our businesses, functions and geographies are exposed to risks associated with employee retention and talent availability, changing skills requirements of our workforce, and compliance with employment laws and regulations. Attrition across the Group remains stable, but failure to manage these risks may impact the delivery of our strategic objectives or lead to regulatory sanctions or legal claims, and the risks are heightened during the current period of fundamental organisational change.

▲ Risk heightened during 2024 ▶ Risk remained at the same level as 2023

Long-term viability and going concern statement

Under the UK Corporate Governance Code, the Directors are required to provide a viability statement that must state whether the Group will be able to continue in operation and meet its liabilities, taking into account its current position and the principal risks it faces. They must also specify the period covered by, and the appropriateness of, this statement.

The Directors have specified a period of three years to 31 December 2027. They are satisfied that a forward-looking assessment of the Group for this period is sufficient to enable a reasonable statement of viability. In addition, this period is covered by the Group's stress testing programmes, and its internal projections for profitability, key capital ratios and leverage ratios. Notwithstanding this, our stress testing programmes also cover scenarios out to five years and our assessments of risks are beyond three years where appropriate (see page 131):

– This period is representative of the time horizon to consider the impact of ongoing regulatory changes in the financial services industry.
– Our updated business plan covers 2025 – 2029.

The Board, having made appropriate enquiries, is satisfied that the Group as a whole has adequate resources to continue operations for a period of at least 12 months from the date of this report, and it therefore continues to adopt the going concern basis in preparing the financial statements.

Based upon their assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet liabilities as they fall due over the next three years.

In making their going concern and viability assessments, the Directors have considered a wide range of detailed information relating to present and potential conditions, including projections for profitability, liquidity, capital requirements and capital resources.

The Directors carried out a robust assessment of the emerging and principal risks facing the Group to determine its long-term viability, including those that would threaten its solvency and liquidity. They determined that the principal risks are the Group's top and emerging risks as set out on page 39. These include geopolitical and macroeconomic risks (including geopolitical tensions and their impact on sanctions, trade restrictions and tariff increases, and continued distressed Chinese economic activity), digitalisation and technological advances, financial crime risk and ESG risks, all of which have remained at heightened levels during 2024.

The Directors assessed that all of the top and emerging risks identified are considered to be material and, therefore, appropriate to be classified as the principal risks to be considered in the assessment of viability. They also appraised the impact that these principal risks could have on the Group's risk profile, taking account of mitigating actions planned or taken for each, and compared this with the Group's risk appetite as approved by the Board.

In carrying out their assessment of the principal risks, the Directors considered a wide range of information including:

– details of the Group's business and operating models, and strategy (see page 11);
– details of the Group's approach to managing risk and allocating capital;
– a summary of the Group's financial position considering performance, its ability to maintain minimum levels of regulatory capital, liquidity funding and the minimum requirements for own funds and eligible liabilities over the period of the assessment. Notable are the risks which the Directors believe could adversely impact the Group's future results or operations;
– enterprise risk reports, including the Group's risk appetite profile (see page 127) and top and emerging risks (see page 131);
– the impact on the Group due to the Russia-Ukraine war and conflict in the Middle East; uncertainty around Hong Kong and mainland China's commercial real estate sector, potential trade restrictions and tariff increases and strained economic and diplomatic relations between China and the US, the UK, the EU and other countries;
– reports and updates regarding regulatory and internal stress testing. In 2024 the Bank of England completed their Desk Based Stress Test exercise to assess the resilience of the UK banking system. The stress scenario explored the potential impacts of a number of adverse macroeconomic conditions, including global aggregate demand and supply shock, global commodity prices and supply-chain disruptions from increased geopolitical tensions, uncertain inflation across advanced economies and rapidly changing interest rates. Additionally, HSBC completed the 2024 Group-wide internal stress test, which explored the impact of two contrasting scenarios depicting severe macroeconomic conditions over a five-year period, reflecting banking sector strains and global economic stress. The results of both these exercises indicated the Group is sufficiently capitalised to withstand severe but plausible adverse stress;
– the results of our 2024 internal climate scenario analysis exercise further demonstrate the Group is sufficiently capitalised to withstand severe stress. Further details of the insights from the 2024 climate scenario analysis are explained from page 223;
– reports and updates from management on risk-related issues selected for in-depth consideration;
– reports and updates on regulatory developments;
– legal proceedings and regulatory matters set out in Note 35 on the financial statements; and
– reports and updates from management on the operational resilience of the Group.

Aileen Taylor
Group Chief People & Governance Officer

19 February 2025

Environmental, social and governance review

Our ESG review sets out our approach to our environment, customers, employees and governance. It explains how we aim to achieve our purpose, deliver our strategy in a way that is sustainable, and build strong relationships with all of our stakeholders.

How we present our TCFD disclosures
Our overall approach to TCFD can be found on page 18 and additional information is included on pages 444 to 450. Further details have been embedded in this section and the Risk review section on pages 219 to 228. Our TCFD disclosures are highlighted with the following symbol: TCFD

Shanghai, China, 1870s. Waterfront View.

Environmental TCFD
Transition to net zero

We aim to support the transition to net zero and a sustainable future in partnership with our customers and other stakeholders

At a glance

Supporting the transition to net zero is a key priority for HSBC. In 2020, we set an ambition to become a net zero bank by 2050. We continue to develop our capabilities, products and services to support our customers' transition, reduce emissions in our own operations and partner for systemic change.

We believe supporting our customers' transition both benefits their business and helps generate long-term financial returns for our shareholders. Since we set our net zero ambition, we have seen promising progress in some vital areas of the decarbonisation challenge. Yet while the transition has progressed, the global pace of change remains insufficient. We are limited by, and cannot on our own overcome, the present lag in policy measures and the overall slower pace of the transition.

In our net zero transition plan published in January 2024 we committed to continually calibrate our approach to take into consideration the latest scientific methodologies, climate-related policies, and developments in the real world, given that our sector portfolios reflect progress in the regional economies where we operate. As we near the mid-point towards our own 2030 targets, it is important to take stock of our own progress so far. We have made good progress in reducing the emissions from our own operations but more uneven progress towards our ambitions for our financed emissions footprint.

Financed emissions

Our strategy is to support emissions reductions in the wider economy by working with our portfolio of customers to facilitate the emissions reductions they are seeking to make. We continue to focus on engaging with our customers on their transition plans, managing the products and services that we offer, and adapting the financing choices we make to help move the world towards a resilient, net zero economy.

We have set 2030 targets that combine financed and facilitated emissions for the oil and gas sector on an absolute emissions reduction basis, and for the power and utilities sector using an emissions intensity metric. We have also set a target for on-balance sheet financed emissions for thermal coal mining.

For demand-side sectors, we have set 2030 emissions intensity targets to reflect the need to scale up low-emissions technologies while transitioning away from existing high-emitting technologies in transport and industry. As part of our financial reporting, we present the progress for these sectors against our published financed emissions baselines and targets.

As we have set out in our net zero transition plan, we must acknowledge that there are fundamental prerequisites, outside of our control, which impact our ability to meet our 2030 interim financed emissions targets. These include technological advancements, diversification of the energy mix, market demand for climate solutions, evolving customer preferences, and government leadership and effective policy.

At the current pace of decarbonisation, a combination of the above factors has led to the transition being slower than envisaged by recent Paris-aligned net zero scenarios. Against this background, we have begun a review of our interim 2030 financed emission targets and associated policies as part of the annual net zero transition plan review referenced in our 3Q24 earnings release in October.

As we calibrate our approach for the latest context, we will seek to balance being ambitious on net zero while recognising the present near-term global challenges and the associated impact of the transition playing out differently across the regions and sectors we serve. In doing so we plan to draw on the latest scientific evidence and credible industry-specific pathways, while, at the same time, maintaining our commitment under our 2021 Climate Resolution.

Own operations and supply chain

In 2020, we set an ambition to reach net zero in our operations and supply chain by 2030. Our approach is to reduce emissions from consumption, replace consumption with low-emissions alternatives, and remove remaining emissions with high-quality carbon credits, in line with external guidance.

We continue to make good progress in driving down our direct emissions. However, progress in reducing scope 3 emissions in our supply chain is proving slower than we anticipated, driven mainly by the slower pace of the transition across the real economy.

While we remain committed to our approach, it has become clear that we would need to rely heavily on carbon offsets to achieve net zero in our supply chain by 2030. As such, we have revisited our ambition to take into account latest best practice guidance on carbon offsets. We are now focused on achieving net zero across our operations, travel and supply chain by 2050.

In this section

Understanding our climate reporting

Continuing to evolve our climate disclosures
We engage with standard setters to support the development of transparent and consistent climate-related industry standards in areas such as product labelling, sustainability disclosures, sustainable finance taxonomy and emissions accounting. In 2025, we will continue to review and enhance our approach to disclosures.

Internal and external data challenges
The effective measurement, governance and reporting of progress against our climate ambitions relies heavily on the availability and quality of both internal and external data. Newer data sources and topics may be difficult to assure using traditional verification techniques. This, coupled with diverse external data sources and complex structures, further complicates data consolidation. Our internal data on customer groups that was used to source financial exposure and emissions data, is based on credit and relationship management factors and is not always aligned with the need to analyse emissions across sector value chains. This can result in inconsistencies in our financed emissions calculations.

We continue to invest in the development of data and analytics capabilities to support our transition. This includes sourcing more reliable data from external providers. We are also developing our processes, systems, controls and governance to meet the demands of future ESG reporting.

Given our dependency on collecting emissions data from our clients and the manual nature of the process, enhanced verification and assurance procedures are performed on a sample basis over this data, including the first and second lines of defence. Our climate models undergo independent review by an internal model review group, and we obtain limited assurance on our financed emissions and sustainable finance disclosures from external parties, including our external auditors.

Policies and implementation
We continue to review and enhance implementation of sustainability risk policies as we apply them in practice. They are reviewed and, where appropriate, updated based on factors including risk materiality, implementation experience, evolving scientific guidance, updated climate scenarios, policy and regulatory requirements and evolving industry practices.

Lack of consistency across sustainable finance taxonomies
Sustainable finance metrics, taxonomies and practices currently lack global consistency. As standards develop and regulatory guidance evolves across jurisdictions, our targets, methodologies and disclosures may also need to adapt. Recognising these challenges, we have developed and disclosed our Sustainable Finance and Investment Data Dictionary to accompany reporting against our sustainable financing and investment ambition. For further details, see page 45.

The evolution of the dictionary could lead to differences in year-on-year reporting. We continue to engage with standard setters in different regions to support the development of transparent and consistent taxonomies to encourage science-based decarbonisation, particularly in high transition risk sectors.

Impact on our reporting and financial statements
We have assessed the impact of climate risk on our balance sheet and have concluded that no incremental adjustments were needed to capture climate impacts in our financial statements for the year ended 31 December 2024. The effects of climate change are a source of uncertainty. We capture known and observable potential impacts of climate-related risks in our asset valuations and balance sheet calculations. These are considered in relevant areas of our balance sheet, including expected credit losses, classification and measurement of financial instruments, goodwill and other intangible assets; and in making the long-term viability and going concern assessment. As part of assessing the impact on our financial statements we conducted scenario analysis to understand the impact of climate risk on our business (see pages 60 and 223). For further details of how management considered the impact of climate-related risks on its financial position and performance, see 'Critical estimates and judgements' on page 354.

Progress on our net zero transition plan
We continue to take actions across our organisation to support the implementation of our net zero transition plan. This report provides key updates on our progress in 2024 and our annual TCFD reporting.

For further details of our climate risk exposures, see page 219.

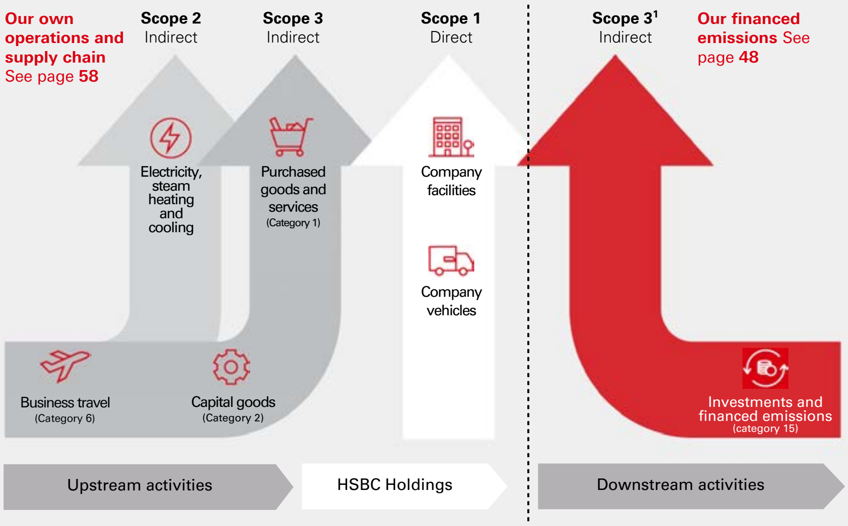
Key changes to our 2024 disclosures
We are committed to timely and transparent reporting. However, we recognise that challenges may result in us having to change certain disclosures. In 2024, there was an impact on certain climate disclosures, including:

- Financed emissions for the automotive, thermal coal mining and aviation sectors: In 2024, we made a methodological change to the way we calculate financed emissions for our automotive clients. In addition, we identified errors in both the thermal coal mining and aviation sectors, including errors in lending product codes. These changes have resulted in a 25% decrease in emissions reported for automotive and a 30% increase in emissions reported for aviation in 2022 figures, and a 18% increase in emissions reported for thermal coal mining in the 2020 baseline figure on an absolute financed emissions basis. For further details, see page 51.
- Thermal coal exposure: we continue to refine our basis of preparation and have made further enhancements in 2024. For further details, see page 62.
- Supply chain emissions: we have restated our supply chain emissions due to revisions in our methodology and an error in the mapping of industry averages. This has resulted in a 25% increase to our 2019 baseline emissions and a 2% increase to our 2023 reported emissions. For further details, see page 59.
- Asset management financed emissions 2019 baseline: we have re-baselined our 2019 intensity figure due to an error in the issuer mapping and is now 124 tCO_2e/M$ invested versus 131 tCO_2e/M$ invested reported in the Annual Report and Accounts 2022. For further details, see page 57.
- Energy consumption: We have restated our 2019 metric for total energy consumption due to an error. For further details, see page 59

Explaining scope 1, 2 and 3 emissions

To measure and manage our greenhouse gas emissions, we follow the Greenhouse Gas Protocol global framework, which identifies three scopes of emissions. Scope 1 represents the direct emissions we create. Scope 2 represents the indirect emissions resulting from the use of electricity and energy to run a business. Scope 3 represents indirect emissions attributed to upstream and downstream activities. Our upstream activities include business travel and emissions from our supply chain including transport, distribution and waste. Our downstream activities include those related to investments and including financed emissions.

Under the protocol, scope 3 emissions are also broken down into 15 categories, of which we provide reporting emissions data for three related to upstream activities. These are: purchased goods and services (category 1); capital goods (category 2); and business travel (category 6). We also report data on downstream activities for financed emissions (category 15).



For further breakdown of our scope 1, 2 and 3 emissions, see our ESG Data Pack at www.hsbc.com/esg.

1 Our analysis of financed emissions comprises 'on-balance sheet financed emissions' and 'facilitated emissions'.

Assurance relating to ESG metrics TCFD

HSBC Holdings plc is responsible for preparation of the ESG information and all supporting records, including selecting appropriate measurement and reporting criteria, in this Annual Report and Accounts 2024, ESG Data Pack and the additional reports published on our website.

We recognise the importance of ESG disclosures and the quality of data underpinning them. We also acknowledge that our internal processes to support ESG disclosures continue to be developed and that currently they partly rely on manual sourcing and categorisation of data. Certain aspects of our ESG disclosures are subject to enhanced verification and assurance procedures including the first, second and third lines of defence. Assurance assists with reducing the risk of misstatement, although it cannot be fully eliminated given the challenges in data, evolving methodologies and emerging standards. We aim to continue to enhance our approach in line with external regulations and expectations.

For 2024, ESG metrics are subject to stand-alone independent limited third-party assurance in accordance with the International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' and, in respect of the greenhouse gas emissions, in accordance with the International Standard on Assurance Engagements 3410 'Assurance Engagements on Greenhouse Gas Statements', issued by the International Auditing and Assurance Standards Board, on the following specific ESG metrics:

- our use of proceeds from Green Bond issuances 2024 (published in December 2024);
- our cumulative sustainable finance and investment provided and facilitated from 1 January 2020 to 31 December 2024 (see page 45);
- our on-balance sheet financed emissions for 2023 for six sectors, our on-balance sheet financed emissions for 2021 and 2022 for thermal coal mining, and our facilitated emissions for two sectors for 2023 (see page 56);
- our thermal coal financing drawn balance exposures for 2021 and 2022 (see page 62);
- our own operations' scope 1, 2 and 3 (business travel) greenhouse gas emissions data (see page 59), as well as supply chain emissions (purchased good and services, and capital goods) data; and
- our re-baselined 2019 intensity metric and the scope 1 and 2 financed emission intensity achieved by 31 December 2023 for our HSBC asset management business (see page 57).

The work performed for independent limited assurance is substantially less than the work performed for a reasonable assurance opinion, such as that provided for financial statements.

Our data dictionaries and methodologies for preparing the above ESG-related metrics and independent third-party limited assurance reports can be found at www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.

Supporting our customers

Sustainable finance and investment TCFD

We aim to help our customers transition to net zero and a sustainable future by providing and facilitating between $750bn and $1tn of sustainable finance and investment by 2030. Our sustainable finance and investment ambition aims to help promote green, sustainable and socially-focused business and sustainable investment products and solutions.

Since 1 January 2020, we have provided and facilitated a cumulative $352.5bn of sustainable finance and $41.1bn of ESG and sustainable investing, as defined in our Sustainable Finance and Investment Data Dictionary 2024. This included 39% where the use of proceeds was dedicated to green financing, 12% to social financing, and 15% to other sustainable financing. It also included 24% of sustainability-linked financing and 10% of net new investment flows managed and distributed on behalf of investors.

In 2024, our underwriting of green, social, sustainability and sustainability-linked bonds for clients increased over the year, measured on a proportional share basis, in line with the wider bond market environment, although it remained at 15% of our total bond underwriting.

On-balance sheet sustainable lending transactions increased by 11% compared with 2023. In 2024, transactions totalling $0.5bn were identified as no longer fulfilling our eligibility criteria. These were declassified and removed from the cumulative progress total, and reported as a negative entry in 2024. Since 1 January 2020, the cumulative amount declassified from the total is $1.2bn.

Continued progress towards achieving our sustainable finance and investment ambition is dependent on market demand for the products and services set out in our Sustainable Finance and Investment Data Dictionary 2024.

Sustainable finance and investment summary[1]	2024 ($bn)	2023 ($bn)	2022 ($bn)	2021 ($bn)	2020 ($bn)	Cumulative progress since 2020 ($bn)
Balance sheet-related transactions provided[2]	**47.4**	42.7	42.2	26.0	10.4	**168.7**
Capital markets/advisory (facilitated)	**37.3**	33.3	34.5	48.7	30.0	**183.8**
ESG and sustainable investing (net new flows)	**14.5**	7.7	7.5	7.7	3.7	**41.1**
Total contribution[6]	**99.2**	83.7	84.2	82.4	44.1	**393.6**
Sustainable finance and investment classification by theme[1]						
Green use of proceeds[5]	**42.2**	37.1	29.0	27.1	18.9	**154.3**
Social use of proceeds	**9.6**	8.4	6.7	11.3	9.7	**45.7**
Other sustainable use of proceeds[3]	**13.9**	10.7	12.6	11.7	8.3	**57.2**
Sustainability-linked[4]	**19.0**	19.8	28.4	24.6	3.5	**95.3**
ESG and sustainable investing	**14.5**	7.7	7.5	7.7	3.7	**41.1**
Total contribution[6]	**99.2**	83.7	84.2	82.4	44.1	**393.6**

1 The 2024 data in this table has been prepared in accordance with our Sustainable Finance and Investment Data Dictionary 2024, which includes green, social and sustainability activities. The amounts provided and facilitated include: the limits agreed for balance sheet-related transactions provided (including drawn and undrawn amounts), the proportional share of facilitated capital markets/advisory activities and ESG and sustainable investing net new flows of both HSBC-owned (Asset Management) sustainable investment funds and Wealth and Global Private Banking investments.
2 In 2024 only 9 months of WPB green/energy efficient mortgages were included for the first time within Other Qualified Green Lending, future years' reporting will include 12 months of transactions.
3 Sustainable use of proceeds can be used for green, social or a combination of green and social purposes, assessed by HSBC against internal standards and relevant industry guidelines.
4 Sustainability-linked products, where the coupon or interest rate is dependent on whether the borrower achieves certain pre-defined sustainability performance target(s), are assessed by HSBC against internal standards and relevant industry guidelines and can be used for general purposes, which may be sustainable or non-sustainable.
5 Included within the total cumulative contribution towards our ambition are transactions to customers within the six high transition risk sectors (i.e. automotive, chemicals, construction and building materials, metal and mining, oil and gas, and power and utilities) as described on page 221, of which approximately $56bn is defined as green use of proceeds in line with the Sustainable Finance and Investment Data Dictionary 2024.
6 The $393.6bn cumulative progress since 1 January 2020 is subject to independent third-party limited assurance in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. Our Sustainable Finance and Investment Data Dictionary 2024 and independent third-party limited assurance report is available at: www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.

Our sustainable finance and investment data dictionary

We define sustainable finance and investment as any form of financial service that integrates ESG criteria into business or investment decisions. This includes financing, investing and related activities that support the achievement of the UN SDGs, including but not limited to the aims of the Paris Agreement on climate change.

Our Sustainable Finance and Investment Data Dictionary sets out our approach for classifying financing and investment as sustainable for the purpose of tracking and disclosing our performance against our sustainable finance and investment ambition.

We update our data dictionary annually, including reviewing our product definitions, adding new qualifying products and removing products that no longer qualify, making enhancements to our internal standards, and developing our reporting and governance. This year, we also indicate for the first time the types of eligible environmental and social activities we intend to consider going forward when qualifying certain use of proceeds financing for inclusion towards our sustainable finance and investment ambition including: climate solutions; nature; adaptation and social-related activities.

We engage in industry initiatives to develop our understanding and approach to 'transition finance'. However, we do not currently plan to include transition finance as a product label or stand-alone category in our data dictionary and reporting. We will continue to monitor industry guidance as it develops.

For our 2024 ESG Data Pack and Sustainable Finance and Investment Data Dictionary, see www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.

Sustainable finance and investment continued TCFD

Leveraging our strengths
We are focused on three key areas that play to our strengths as an organisation and can help deliver an impact on decarbonisation in the global economy, particularly in Asia-Pacific and the Middle East where the need for financing at scale is most critical. In 2024, we were named the world's best bank for sustainable finance in the Euromoney Awards for Excellence.

Transitioning industry
We support our clients in emissions-intensive industries with their transition goals by engaging with them on their transition plans and by providing financing solutions.

In 2024, we refreshed transition plan assessments for major clients in the oil and gas, power and utilities and coal mining sectors, and we began assessing major clients in the automotive, aviation, cement, steel and aluminium sectors, to better understand their objectives and identify opportunities to enable their decarbonisation strategies.

Development of clean power generation is critical to achieving net zero. We supported Abu Dhabi Future Energy Company (Masdar) towards its equity commitments on new greenfield projects in renewable energy and energy efficiency, by acting as joint lead manager and bookrunner in raising $1bn through its second green bond issuance.

Scaling infrastructure finance plays an important role in meeting global decarbonisation objectives. In 2024, we launched HSBC Infrastructure Finance ('HIF'), which brings together our infrastructure finance, export finance, and debt/project finance capabilities to increase our capacity to realise opportunities in the transition to a low carbon economy.

Pentagreen Capital, our joint venture with Singapore investment firm Temasek targets marginally bankable clean energy and adaptation projects in Southeast Asia to support them to commercial scale, with the aim of accelerating the transition to a low carbon economy. Pentagreen Capital completed its second deal in 2024: a green loan for BE C&I Solutions to catalyse the construction of distributed sustainable bioenergy projects across Southeast Asia and India.

To support our WPB customers, HSBC UK launched Energy Efficient Home Cashback Mortgages, to offer cashback incentives to customers taking out our mortgage loans to finance their purchases of residential properties with an A or B EPC rating.

Catalysing the new economy
We aim to support clean industrial development and the scaling of entrepreneurial new economy companies at all stages of financing across the markets we operate in. We do this through direct financing and investment as well as through catalytic partnerships.

We continue to work closely with Breakthrough Energy in developing and deploying critical climate solutions. We are an anchor partner in the Breakthrough Energy Catalyst platform, which provides expertise, resources and capital into first-of-a-kind or first commercial scale projects. Additionally, in 2024 we directly supported a number of Breakthrough Energy Ventures portfolio companies with venture debt and other banking services. We acted as a lead arranger in a $100m credit facility for US-based Electric Hydrogen to support the manufacturing and deployment of the company's electrolyser plants in producing green hydrogen.

In 2024, we launched a partnership with Google Cloud to offer banking support for climate tech companies in the Google Cloud Ready Sustainability programme, and support them to scale up. These companies can now access HSBC products and services that are tailored to their specific growth ambitions, including venture debt financing options and support from our specialist climate tech finance team.

Decarbonising trade and supply chains
We continue to focus on helping to decarbonise trade flows and supply chains through our green trade finance and sustainable trade instruments, sustainable supply chain financing and sustainability-linked lending for trade.

We supported PDS Limited, a global fashion infrastructure platform, on a trade facility to enable deployment of working capital linked to the successful delivery of environmental and social targets across their operations, aligned to their ESG approach.

Mid-market and smaller businesses make up a large proportion of global supply chains. In 2024, we expanded our sustainable finance capabilities with the launch of a sustainability improvement loan ('SIL') for businesses of this size in Hong Kong and Singapore, broadening the sustainable finance options available in the region. We recently completed our first SIL transaction in Asia-Pacific with Opal Cosmetics, a manufacturer and seller of personal care and beauty products headquartered in Hong Kong and with a global supply chain. The proceeds from the facility will support the company's general working capital needs and ongoing research and development activities. We now offer sustainability improvement loans to clients in 11 markets.

For more examples of how we are supporting our customers, see additional case studies on pages 19, 48, 49, 50, 51, and 57.

ESG and sustainable investing

We offer a broad suite of ESG and sustainable investing solutions across asset management, wealth, private banking, and insurance, to help institutional and individual investors generate financial returns, manage risk and pursue ESG-related objectives in line with their preferences.

As at 31 December 2024, HSBC Asset Management managed $179.8bn in ESG and sustainable investing portfolios for internal and external investors. This includes those that are distributed by HSBC Wealth and Private Banking and those HSBC Asset Management manages on behalf of HSBC Life.

HSBC Asset Management recognises that its clients' investment objectives are evolving, and sustainability preferences vary, and offers a broad range of sustainable investing solutions, in both traditional and alternative areas of investment. Our ESG and sustainable investing approach includes impact funds with a clear ESG or sustainable objective, thematic funds that seek to invest in ESG or sustainable trends, and strategies that seek to mitigate ESG risks by investing assets with higher ESG performance and exclusions of those that are lower ESG performing. Considerations across our approach can include, but are not limited to, climate or net-zero transition plans and controversies identified related to UN SDGs.

For the avoidance of doubt, products or assets invested pursuant to our ESG and sustainable investing approach do not necessarily qualify as 'sustainable investments' as defined by the EU Sustainable Finance Disclosure Regulation and/or other relevant regulations, and may not qualify as 'sustainable' products for the purposes of the UK Sustainability Disclosure Requirements and European Securities and Markets Authority fund naming guidance and/or any other regulatory standards. The HSBC ESG and sustainable investing approach is an internal classification used to establish our own ESG and sustainable investing standards and to promote consistency across asset classes and HSBC business lines where relevant. Our ESG and sustainable investing approach should not be relied on externally to assess the sustainability characteristics of any given product.

For our private banking and wealth customers, we offer a range of ESG and sustainable investing products across different asset classes, including mutual funds, ETFs, equities, fixed income, discretionary and alternatives. In 2024, we continued to expand our investment offering with the launch of eight ESG and sustainable investing mutual funds and ETFs. We regularly publish insights to help our clients better understand the ESG implications of their investments.

In 2024, we made updates to integrate ESG into our client wealth advisory journey in both Switzerland and Luxembourg, including building capabilities to understand private banking clients' sustainability preferences, rebalance their investment portfolios and monitor portfolios in line with their preferences. We also integrated client sustainability preferences into the investment product filtering process for retail wealth clients in Hong Kong.

In 2024, HSBC Life increased ESG and sustainable investing assets across its insurance manufacturing entities in Asia, Europe, and Latin America. The majority of these newly-deployed assets were green and sustainability-linked bonds, followed by placements into sustainable private credit funds.

For further details of our asset management policies, see page 62.

Partnering for systemic change

Supporting systemic change to help deliver net zero

We focus on building strategic partnerships that can help to create an enabling environment for mobilising finance, and support development and scaling-up of solutions for the net zero transition. For example, in 2024 we made a strategic investment in sustainable aviation fuel ('SAF') through a one-time purchase agreement for approximately 1.2m US gallons of SAF produced by EcoCeres, which will be used to refuel Cathay Pacific aircraft at Hong Kong International Airport.

We continue to participate in several sustainability-related cross-industry alliances and initiatives to help stimulate industry engagement on climate and nature-related issues, encourage the flow of finance for the net zero transition, and improve global financial standards, guidance, and frameworks to mobilise finance and accelerate action.

Through our philanthropy, we partner with a range of non-governmental organisations to develop thought leadership, spur innovation, build capacity and test and scale climate solutions.

Highlights from our net zero and sustainability-aligned partnerships
In 2024 we donated approximately $9m in grant funding to help establish a portfolio of partnerships aligned to the strategic focus areas set out in our net zero transition plan: transitioning industry, catalysing the new economy, and decarbonising trade and supply chains. We are also supporting initiatives focused on driving progress on cross-cutting issues, such as nature and the just transition.

Our collaboration with the Mission Possible Partnership seeks to support decarbonisation of some of the world's hard-to-abate heavy industry and transport sectors. We are funding a joint initiative focused on demand creation for green building materials in the Middle East, fostering collaboration among industry leaders, policymakers, and innovators to unlock projects.

We launched a new partnership with Third Derivative and Founders Factory to support climate tech innovation focused on hard-to-abate sectors, particularly in Asia where there is a significant need and growing market for such technologies. The partnership seeks to provide capacity building and facilitate connections with the investment community to support the development and scaling of key climate technologies.

Our partnership with the Venture Climate Alliance ('VCA') supports venture capital firms to shape and share best practices that help to prepare them for the climate transition at the earliest stages of business creation. Work is underway on developing a climate solutions framework to support portfolio-level climate impact disclosure and expand VCA membership across emerging markets.

We are supporting Apparel Impact Institute's ('Aii') Fashion Climate Fund, which aims to mobilise $2bn in blended finance to halve carbon emissions from the sector by 2030. We have leveraged our trade finance expertise to provide insights and help inform Aii's 'Brand Playbook for Financing Decarbonisation' and the 'Landscape and Opportunities to Finance the Decarbonisation of India's Apparel Manufacturing Sector'.

Climate Solutions Partnership
Our five-year Climate Solutions Partnership with the World Resources Institute, WWF and over 50 local partners, continues to support nature-based solutions and energy transition in Asia.

Since 2020, $105m in funding has been deployed to our NGO partners. The energy programmes have engaged companies across Asia to help set new standards in climate commitments for their industries and mobilised finance to support the uptake of renewables. The nature programmes supported the Asia Sustainable Palm Oil Links programme, focused on promoting sustainable palm oil production, consumption and trade across Asia, and the Nature-based Solutions Accelerator, which supported projects to reach investment readiness.

Through this partnership, we also launched an open-access Environmental Crimes Financial Toolkit to help financial institutions detect and monitor activities related to environmental and financial crimes. The first set of tools focuses on commodity-driven deforestation and land conversion.

Our just transition approach
The transition to net zero is expected to drive social changes on a global scale, presenting risks and opportunities for our clients and our stakeholders. Our net zero transition plan sets out our initial approach to incorporating just transition considerations. We are taking steps to embed just transition principles into our client engagement activities, our own operations, and our financing decisions.

HSBC Asset Management, in line with relevant stewardship activities, encourages companies to identify and address the impacts of their climate strategy on stakeholders, including workers, suppliers, and the communities in which they operate. This may include specific metrics or objectives in relation, but not limited to, employee training and development, green job creation, safeguarding workers' rights and support for affected communities.

We are a founding funder of the Just Transition Finance Lab, hosted at the LSE's Grantham Research Institute, which aims to accelerate solutions to achieve progress on climate and wider environmental goals through a people-centred approach. Since its launch in early 2024, the Lab has produced a range of outputs including: mapping just transition policies to a set of metrics, exploration of the role investors can play in facilitating a just transition in India, a case study of the coal-to-clean shift in Chile, and a detailed examination of the financial path to a just transition in the critical minerals sector.

Our approach to nature

Around one third of the emissions reductions required to limit global warming in line with the Paris Agreement are linked to the land use system and nature.

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

We are taking steps to embed our approach to nature alongside delivery of our net zero implementation plans. We continue to test and scale approaches to financing and investing in biodiversity and nature, which has included acting as sole bookrunner and structuring bank for an Amazon reforestation-linked outcome bond, the World Bank's largest outcome bond issued to date (see page 19). In 2024, starting with our European clients, we began including nature-related questions in our client transition engagement questionnaire.

Climate Asset Management, HSBC Asset Management's joint venture with climate investment and advisory firm Pollination, has now raised commitments of more than $1bn for natural capital projects around the world, and announced the final close of its Natural Capital and Nature Based Carbon Funds.

Embedding net zero

Financed emissions TCFD

As part of our ambition to become a net zero bank by 2050, we published initial financed emissions targets for 2030. As we near the mid-point towards our 2030 targets, we have begun a review of our interim 2030 financed emissions targets and associated policies as described on page 15. This forms part of our annual net zero transition plan review referenced in our 3Q24 earnings release.

Our analysis of financed emissions comprises 'on-balance sheet financed emissions' and 'facilitated emissions', which we distinguish where necessary in our reporting.

Our on-balance sheet financed emissions include emissions related to on-balance sheet lending, such as project finance and direct lending. Our facilitated emissions include emissions related to financing we help clients to raise through capital markets activities. Our analysis covers financing from Global Banking and Markets, and Commercial Banking.

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

We have set combined on-balance sheet financed and facilitated emissions targets for two emissions-intensive sectors: oil and gas, and power and utilities. We have also set targets for on-balance sheet financed emissions for the following sectors: cement; iron, steel and aluminium; aviation; automotive; and thermal coal mining.

As part of our financial reporting, we present the progress for these sectors against our published financed emissions baselines and targets.

We have 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, we have set emissions intensity targets that allow us to deploy capital towards decarbonisation solutions.

Supporting India's transition to a greener economy

We acted as sole Export Credit Agency ('ECA') coordinator and sole green structurer for an inaugural $1bn green push export finance facility for Reliance Industries ('RIL'), guaranteed by the Italian ECA, known as SACE. This was RIL's first ever green loan and will be used to primarily finance eligible green projects being developed by RIL's new energy business.

As India's largest private sector company, RIL is seeking to address India's energy challenges – affordability, sustainability and security – with the aim of bridging the green energy divide and supporting clean energy infrastructure demand globally. RIL's new energy proposition is aimed at creating a manufacturing ecosystem including solar photovoltaics, advanced energy storage and green chemical value chains.

Our approach to financed emissions

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

Coverage of our analysis
Our analysis focuses on the most carbon-emissive sectors and the parts of the value chain where we believe the majority of emissions are produced, to help reduce double counting of emissions. This is different to the scope of sectors within the wholesale corporate lending portfolio that we use to manage climate risk. These sectors are set out on page 221.

By estimating emissions and setting targets for customers that directly account for, or indirectly influence, the majority of emissions in each of the most carbon-emissive sectors, we can focus our engagement and resources where we believe the potential for change is highest. For each sector, our reported emissions now typically include all the major greenhouse gases, including carbon dioxide, methane and nitrous oxide, among others. These are reported as tonnes of CO_2 equivalent ('tCO_2e').

To calculate annual on-balance sheet financed emissions, we follow guidance from the Partnership for Carbon Accounting Financials ('PCAF') standard. We use drawn balances as at 31 December in the year of analysis related to wholesale credit and lending, including business loans and project finance, as the value of finance provided to customers. We excluded products that were short term by design and typically less than 12 months in duration to reduce volatility, having considered the PCAF guidance and subject matter expert opinions from the business. For facilitated emissions we considered all capital market transactions in scope for the year of analysis. These included debt and equity capital markets, and syndicated loans.

For further details of our financed emissions methodology, exclusions, and limitations, see our Financed Emissions and Thermal Coal Exposures Methodology at www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.

Financed emissions continued

The chart below shows the scope of our financed emissions analysis of the seven 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 available on company revenue streams. As data quality improves, this will be further refined.

Sector	Scope of emissions	Value chain in scope				Coverage of greenhouse gases ('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)	Downstream (e.g. retail)	**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 air 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

Key: **Included in analysis**

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

Setting our targets

Our target-setting approach to date for on-balance sheet financed emissions and facilitated emissions, has been to utilise a single reference scenario – IEA's NZE 2021 – to underpin both energy supply-related sectors (oil and gas; power and utilities; and thermal coal mining), and our published targets for demand-side sectors in transport (aviation and automotive) and heavy industry (cement; and iron, steel and aluminium).

Facilitated emissions included in our combined metrics are weighted at 33%, in accordance with the PCAF standard. To further reduce the inherent volatility in facilitated emissions, we apply a three-year moving average across transactions (i.e. average of 2021, 2022 and 2023 for the 2023 progress numbers) to track progress to our combined target. This means that transactions facilitated in 2028 and 2029 will still have an impact on the 2030 progress number and will need to be taken into consideration as we manage progress towards our target.

Our approach for financed emissions accounting does not rely on purchasing credits to achieve any financed emissions targets we set.

An evolving approach

In the upcoming review of our financed emissions targets, we 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 we serve. In doing so, we plan to draw on the latest scientific evidence and credible industry-specific pathways while, at the same time, maintaining our commitment under our 2021 Climate Resolution.

Other sector updates

For the agricultural sector, due to ongoing data challenges, we are not in a position to report our financed emissions or set a target at this time. For commercial real estate, we continue to work towards outlining our financed emissions ambition. For residential real estate, we continue to expect to measure and report our financed emissions in future disclosures.

Supermarket group serves up sustainability incentives across value chain

HSBC UK has collaborated with Asda on its supply chain finance programme for over ten years. In September 2024, as part of this ongoing partnership, we acted as the lead arranger for a new facility, which offers $190m of financing to Asda's suppliers on enhanced pricing terms based on a supplier's ESG performance.

From January 2025, the initiative will extend incentives to over 250 of Asda's suppliers based on their sustainability practices, as assessed by EcoVadis. This initiative showcases how major retailers can engage their supply chains to encourage greater transparency and progress towards wider sustainability goals.

Financed emissions continued

Data and methodology limitations

Our financed emissions estimates and methodological choices are shaped by the availability of data for the sectors we analyse. We are members of the PCAF, which defines and develops greenhouse gas accounting standards for financial institutions. Its Global GHG Accounting and Reporting Standards for Financed Emissions and for Facilitated Emissions provide detailed methodological guidance to measure and disclose financed and facilitated emissions.

- We have found that data quality scores vary across the different sectors and years of our analysis. While we expect our data quality scores to improve over time, as companies continue to expand their disclosures to meet growing regulatory and stakeholder expectations, there may be fluctuations within sectors year-on-year, and/or differences in the data quality scores between sectors due to changes in data availability.
- The majority of our clients do not yet report the full scope of greenhouse gas emissions included in our analysis, in particular scope 3 emissions at a subsidiary level. In the absence of client-reported emissions, we estimated emissions using proxies based on company production and revenue figures. Although we sought to minimise the use of non-company-specific data, we applied industry averages in our analysis where company-specific data was unavailable through our third-party datasets. As data improves, estimates will be replaced with reported figures.
- Third-party datasets that feed into our analysis may have up to a two-year lag in reported emissions figures, and we are working with data providers to help reduce this. Mapping external datasets to our internal client entities is challenging due to complex company ownership structures.
- The methodology and data used to assess financed emissions and set targets are new and evolving, and we expect industry guidance, market practice, and regulations to continue to change. As we undertake the review of our 2030 financed emissions targets, we will use appropriate data sources and current methodologies available.
- We remain conscious that the attribution factor used in the financed emissions calculation is sensitive to changes in drawn amounts or market fluctuations, and we plan to be transparent around drivers for change to portfolio financed emissions where possible.
- We calculate sector-level emissions intensity metrics using a portfolio-weighted approach. Due to data limitations, we are unable to obtain production data for all of our clients. We therefore calculate an emissions intensity figure using the 75th percentile of available data points to meet this data gap.
- The classification of our clients into sectors is performed with inputs from subject matter experts, and will also continue to evolve with improvements to data and our sector classification approach. Our internal data on customer groups used to source financial exposure and emissions data is based on credit and relationship management attributes, and is not always aligned to the data needed to analyse emissions across sector value chains. As the sub-sector, and therefore the value chain classification, is based on judgement, this may be revised as better data becomes available. As a consequence, classification changes can result in sectoral movement year-on-year. Emissions are calculated at a counterparty group level, rather than at subsidiary level, mainly due to the availability of emissions data, but this may lead to over-or under-estimation of emissions compared with calculation at the counterparty level. Companies with multiple activities, such as conglomerates with near to equal business activity split across multiple sectors, are excluded as these can have different activities covered by multiple sector targets.
- The operating environment for climate analysis and portfolio alignment is maturing. We continue to work to improve our data management processes.

For further details of our financed emissions methodology, exclusions, and limitations, see our Financed Emissions and Thermal Coal Exposures Methodology at www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.

Helping to tackle food waste emissions via innovation

Food waste is a growing issue globally with an estimated one-third of all food produced going to waste, creating significant methane emissions. Mill, a US-based technology company, produces a food recycler for your kitchen that turns food waste into nutrient-rich food grounds. These food grounds can be used in composting processes or picked up and distributed to farm partners as food for soil or animals. These pathways help to keep food out of landfill, reuse resources and reduce emissions.

In August 2024, HSBC Innovation Banking supported Mill by providing $25m of venture debt funding following their successful Series C fundraising. The financing supports Mill to continue to scale its food-recycler business to consumers across the US.

Our approach to emissions re-baselines and restatements

The PCAF recommends that financial institutions should, in line with the Greenhouse Gas Protocol Corporate Value Chain (scope 3) Accounting and Reporting Standard requirement, establish a recalculation policy to ensure consistency, comparability and relevance of the reported greenhouse gas emissions data over time. Our emissions re-baseline and restatement policy defines the circumstances for a restatement of previously reported emissions data and targets, including a re-baseline.

In 2024, we reviewed and enhanced our policy by extending the scope to cover additional emissions categories, including scope 1 and 2 emissions in our own operations. We also now include scope or boundary changes as a key driver of change. HSBC Asset Management is covered by a different emissions re-baseline and restatement framework as per page 57.

Emissions data and related processes are continually evolving. Therefore, we do not consider data and process enhancements to be a key driver of change. This may change over time as data and processes mature.

When key drivers, in aggregate, breach our defined significance thresholds, a restatement of previously reported emissions data and targets, including where necessary a re-baseline, is required.

We expect our policy to evolve with further industry guidance.

The table below outlines the key drivers of change and what we expect to disclose when thresholds are breached.

For further details of our emissions re-baseline and restatement policy, see our Financed Emissions and Thermal Coal Exposures Methodology at www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.

Key drivers of change	What we expect to disclose
Changes to the emissions methodology including those driven by changes in industry guidance/regulations Errors, such as those in the internal application or interpretation of methodology, or errors in internal data Scope or boundary changes, such as acquisitions or divestments, and inventory boundary and coverage changes	– A revised comparative amount for the restatement period that reflects the new information – The difference between the amount disclosed in the previous period and the revised comparative amount – The reasons for revising the comparative amount and why the new information provides reliable and more relevant information – The actions being taken to remediate same or similar errors in the future

In 2024, we made the decision to amend the approach for prioritising data sources for automotive clients to utilise production data as opposed to reported third-party data, representing a methodological change. This change was implemented to include tailpipe emissions instead of all scope 3 categories, in order to be consistent with the target scenario reference pathway and industry practice.

For the aviation sector, we restated the 2022 metrics as a lending product code was previously excluded in error; it is now included in our analysis.

For the thermal coal mining sector, we re-baselined the 2020 metric due to three errors: an incorrect product code exclusion, an error in the hierarchy construct of a client, and the incorrect inclusion of a non-thermal coal project. Methodological changes were also applied to align with the refinements to our basis of preparation in our reporting.

We are conducting a review of our controls for population and product codes, and aim to enhance them accordingly.

We have set out in the table below the restated metrics for the automotive and aviation sectors, and the re-baselined metric for the thermal coal mining sector, for applicable years where the significance threshold was breached. The significance threshold was not breached for all other sectors, or for scope or boundary changes.

Re-baselines and restatements		Previously Reported		Restated Metrics		Percentage Change	
Sector	Reporting metrics	2020	2022	2020	2022	2020	2022
Automotive	On-balance sheet financed - tCO_2e/million vkm	-	216.6	-	**170.1**	-	(21)%
	On-balance sheet financed - Mt CO_2e	-	5.5	-	**4.1**	-	(25)%
Aviation	On-balance sheet financed - tCO_2e/million rpk	-	86.5	-	**90.2**	-	4 %
	On-balance sheet financed - Mt CO_2e	-	2.7	-	**3.5**	-	30 %
Thermal coal mining	On-balance sheet financed - Mt CO_2e	4.0	-	**4.7**	-	18 %	-

IFC and HSBC Asset Management partner to improve sustainability in emerging markets

In 2024, International Finance Corporation ('IFC'), a member of the World Bank Group, and HSBC Asset Management ('HSBC AM') announced their intention to establish a specialised fund vehicle targeting corporate bond issuers in emerging markets, with the aim of increasing access to finance and supporting sustainable growth. The fund will be classified as Article 9 under the EU Sustainable Finance Disclosure Regulation.

This announcement furthers collaboration between IFC and HSBC AM, helping to mobilise institutional investment in key areas, such as sustainable technologies and social impact in emerging markets. IFC has committed to invest up to $100m in the fund, which will support an existing HSBC AM global emerging market corporate sustainable bond strategy.

Financed emissions continued

Targets and progress

We have set out in the table below our combined on-balance sheet financed and facilitated emissions targets for the oil and gas, and power and utilities sectors.

In 2023, applying three-year average values weighted at 33%, facilitated emissions for the oil and gas sector total 6.5 Mt CO_2e, and for the power and utilities sector, they total 346.6 tCO_2e/GWh. These values are then combined with the on-balance sheet numbers for the relevant year to track progress to target. We set out the annual figures before the application of the three-year average in the facilitated emissions table on page 56.

We also set out our defined targets for the on-balance sheet financed emissions of the following sectors: cement; iron, steel and aluminium; aviation; automotive; and thermal coal mining. We disclose emissions in 2022 and 2023 and progress achieved in 2023 versus baseline for each sector, except for the thermal coal mining sector, for which we disclose financed emissions figures for 2021 and 2022. We are continuing to work on our 2023 and 2024 figures and expect to report on these in future disclosures. In 2021, thermal coal mining financed emissions totalled 1.38 Mt CO_2e. In 2022, they were down by 69% against the re-baselined 2020 figure of 4.7 Mt CO_2e.

When assessing the changes from 2019 to 2023, it is important to emphasise how changes to exposure and market fluctuations impact yearly updates as we make progress towards our interim targets. Movement from one year to the next may not reflect future trends for the financed emissions of our portfolio.

Sector[1]	**Baseline**	**2022**	**2023**	**2023 % change vs. baseline**	**2030 target**	**Unit**[2]	Target scenario
Combined on-balance sheet financed and facilitated emissions at 33%, with three-year moving average							
Oil and gas	42.6 in 2019	31.9	**23.2**	**(46)%**	(34)%	Mt CO_2e	IEA NZE 2021
Power and utilities	513.4 in 2019	396.8	**349.0**	**(32)%**	138.0	tCO_2e/GWh	IEA NZE 2021
On-balance sheet financed emissions							
Cement	0.64 in 2019	0.71	**0.59**	**(8)%**	0.46	tCO_2e/t cement	IEA NZE 2021
Iron, steel and aluminium	1.8 in 2019	2.5	**2.1**	**17 %**	1.05 (1.43)[3]	tCO_2e/t metal	IEA NZE 2021
Aviation	84.0 in 2019	90.2	**79.6**	**(5)%**	63.0 [4]	tCO_2e/million rpk	IEA NZE 2021
Automotive	191.5 in 2019	170.1	**152.4**	**(20)%**	66.0	tCO_2e/million vkm	IEA NZE 2021
Thermal coal mining	4.7 in 2020	1.44	**N/A**	**N/A**	(70)%[5]	Mt CO_2e	IEA NZE 2021

1 Our absolute and intensity emissions metrics and targets are measured based on the drawn exposures of the counterparties in scope for each sector. Emissions intensity is a weighted average according to the portfolio weight of each investment, as a proportion of the total portfolio value. For oil and gas; and power and utilities, the baseline, progress and target figures represent combined on-balance sheet financed and facilitated emissions. For cement; iron, steel and aluminium; aviation; automotive; and thermal coal mining, the baseline, progress and target figures represent on-balance sheet financed emissions. For the aviation and automotive sectors, the target figure is unchanged while the 2022 figure represents restated on-balance sheet financed emissions. For thermal coal mining, the target is unchanged while the 2020 baseline figure has been re-baselined.

2 For the oil and gas sector, absolute emissions are measured in million tonnes of carbon dioxide equivalent ('Mt CO_2e'); for the power and utilities sector, intensity is measured in tonnes of carbon dioxide equivalent per gigawatt hour ('tCO_2e/GWh'); for the cement sector, intensity is measured in tonnes of carbon dioxide equivalent per tonne of cement ('tCO_2e/t cement'); for the iron, steel and aluminium sector, intensity is measured in tonnes of carbon dioxide equivalent per tonne of metal ('tCO_2e/t metal'); for the aviation sector, intensity is measured in tonnes of carbon dioxide equivalent per million revenue passenger kilometres ('tCO_2e/million rpk'); for the automotive sector, intensity is measured in tonnes of carbon dioxide equivalent per million vehicle kilometres ('tCO_2e/million vkm'); and for the thermal coal mining sector, absolute emissions are measured in million tonnes of carbon dioxide equivalent ('Mt CO_2e').

3 While the iron, steel and aluminium 2030 target is aligned with the IEA NZE 2021 scenario, we also reference the Mission Possible Partnership Technology Moratorium scenario, whose 2030 reference range is shown in parentheses.

4 Our aviation unit includes passenger and cargo tonnes, converted into revenue passenger kilometre ('rpk'), to align with our target pathway. This is comparable to revenue tonne kilometre ('rtk') using a 100kg per passenger conversion factor as we already include belly and dedicated cargo in our production figures. The conversion factor changed from 95kg per passenger used in the baseline disclosure to align with industry practice.

5 The thermal coal mining scope differs from the other sectors. We include solely emissions from thermal coal production and coal power generation, rather than the total emissions of a counterparty within a sector, to reflect the thermal coal mining absolute financed emissions reduction target.

Financed emissions continued

We plan to report financed emissions and progress against our targets annually, and to be transparent in our disclosures about the methodologies applied and any challenges or dependencies. However, financed emissions figures may not be reconcilable or comparable year-on-year in future, and baselines and targets may require updates or revisions as data, methodologies and reference scenarios develop.

Consistent with the PCAF guidance on financed emissions accounting, we only consider the outstanding drawn financing amount given this has a direct link to real economy emissions.

A number of clients have material undrawn balances that, if drawn, could significantly increase the financed emissions related to those clients. We expect to assess how to manage these exposures on a forward-looking basis as we progress towards our 2030 targets. In addition, for the intensity-based sectors, the emissions intensity is sensitive to material clients and changes to drawn balances year-on-year can therefore influence the trend.

We continue to engage with and support our clients in their decarbonisation journey by providing financing and advisory services.

Oil and gas

For the oil and gas sector, our analysis included scope 1, 2 and 3 emissions, including carbon dioxide and methane, for upstream and integrated companies. Our baseline and progress figures reflect combined on-balance sheet financed and facilitated emissions.

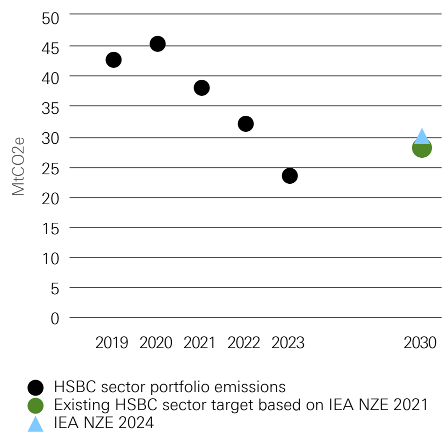
We have set a target to reduce absolute combined on-balance sheet financed and facilitated emissions for our oil and gas portfolio by 34% by 2030 relative to our 2019 baseline. This is consistent with a global 1.5°C-aligned pathway, as defined by the IEA NZE 2021 scenario.

We show in the chart our progress to date against our 2030 target. We also indicate the 2030 figure derived from the updated IEA NZE 2024 scenario, which suggests a 30% reduction relative to the 2019 baseline.

In 2023, absolute combined on-balance sheet financed and facilitated emissions in our portfolio decreased by 46% to 23.2 million tonnes of carbon dioxide equivalent ('Mt CO_2e') relative to the 2019 baseline, and by 27% from 2022 to 2023. The reduction was due to divestments and other strategic decisions, and temporary factors such as low loan drawdown levels, and subdued capital markets activity.

A return to market conditions with clients increasing capital markets activity, or other factors that could lead to clients drawing down existing loans, will lead to increased financed emissions in our portfolio. Based on Dealogic data, capital markets activity for the sector increased by more than 15% in 2024 compared with 2023.

Oil and gas **2023 progress**
Mt CO_2e **from baseline**
(46)%



Power and utilities

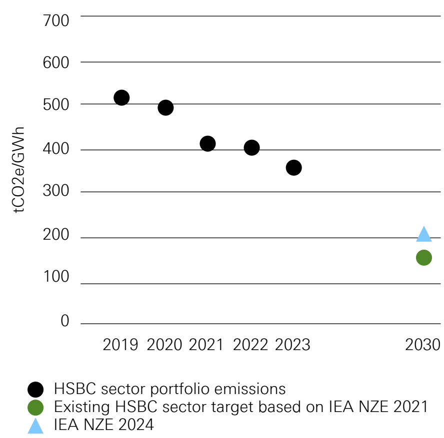
For the power and utilities sector, our analysis included scope 1 and 2 emissions for upstream power generation, and diversified utilities power generation companies. We focused on power generation companies because they control sector output, which has the most material emissions impact in the real economy. Our baseline and progress figures reflect combined on-balance sheet financed and facilitated emissions.

We target a combined on-balance sheet financed and facilitated emissions intensity of 138 tonnes of carbon dioxide equivalent per gigawatt hour ('tCO_2e/GWh') by 2030. We have chosen an intensity-based target as electricity demand is expected to more than double by 2050, due to both population growth and electrification required to decarbonise mobility, buildings and industry. Our target is consistent with a global 1.5°C-aligned pathway, as defined by the IEA NZE 2021 scenario.

We show in the chart our progress to date against our 2030 target. We also indicate the 2030 figure of 194.6 tCO_2e/GWh derived from the updated IEA NZE 2024 scenario.

In 2023, the combined on-balance sheet financed and facilitated emissions intensity in our portfolio decreased by 32% to 349.0 tCO_2e/GWh relative to the 2019 baseline, and by 12% from 2022 to 2023. This reduction was driven by an increase in the financing of renewable energy projects and companies, and a decrease in the financing of high emissions intensity clients.

Power and utilities **2023 progress**
tCO_2e/GWh **from baseline**
(32)%



Financed emissions continued

Cement

For the cement sector, our analysis included scope 1 and 2 emissions for midstream companies with clinker and cement manufacturing facilities.

We target an on-balance sheet financed emissions intensity of 0.46 tonnes of carbon dioxide equivalent per tonne of cement ('tCO_2e/t cement') by 2030, using 2019 as our baseline. Our target is consistent with a global 1.5°C-aligned pathway, as defined by the IEA NZE 2021 scenario.

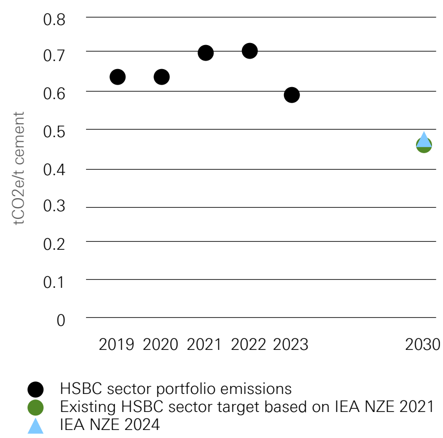
We show in the chart our progress to date against our 2030 target. We also indicate the 2030 figure of 0.47 tCO_2e/t cement derived from the updated IEA NZE 2024 scenario.

While some emissions reductions can be achieved through energy efficiency, we believe that to significantly reduce fuel and process emissions from cement manufacturing, and to meet our targets, large-scale investments are required in new production processes and technologies, including clinker substitution, alternative fuel use such as bioenergy, and carbon capture use and storage. Carbon capture use and storage is a nascent technology and is currently applied at around 45 facilities worldwide with a capture capacity of roughly 50 $MtCO_2$ per year. This is short of IEA NZE scenarios, which lay out a pathway of around 1 Gt CO_2 per year captured and stored by 2030. Several cement sector customers are making progress in carbon capture use and storage and are launching their first carbon capture use and storage pilot projects.

The 2023 emissions intensity of our portfolio, at 0.59 tCO_2e/t cement, was 8% lower than the 2019 baseline. It was also down by 17% in 2023 from 2022. The decline in 2023 was mainly attributable to improvements in the availability of emissions and production data across a number of emissions-intensive clients. Emissions intensity trends are highly sensitive to material client exposures and changes to drawn balances year-on-year.

Cement
tCO_2e/t cement

2023 progress from baseline
(8)%



Iron, steel and aluminium

For the iron, steel and aluminium sector, we covered scope 1 and 2 for midstream iron, steel and aluminium production in our analysis. We intend to address our coverage of aluminium in future disclosures due to the low materiality in our portfolio, as well as volatility caused by the greater emissions intensity of aluminium production, compared to iron and steel.

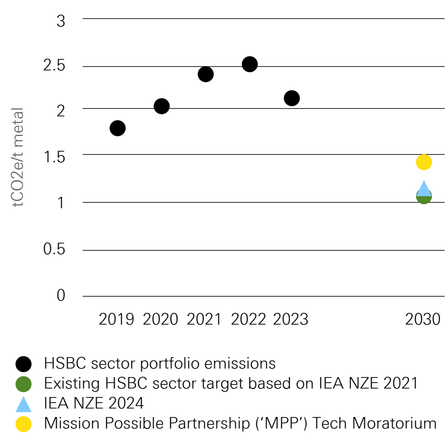
We target an on-balance sheet financed emissions intensity of 1.05 tonnes of carbon dioxide equivalent per tonne of metal ('tCO_2e/t metal') by 2030, using 2019 as our baseline. Our target is consistent with a global 1.5°C-aligned pathway for iron and steel, as defined by the IEA NZE 2021 scenario. Meeting the 2030 target will be technologically challenging as this is a particularly hard-to-abate sector.

We show in the chart our progress to date against our 2030 target. We also indicate the 2030 figure of 1.29 tCO2e/t metal derived from the updated IEA NZE 2024 scenario, and of 1.43 tCO2e/t metal from the MPP Tech Moratorium scenario. The MPP Tech Moratorium scenario confines investments to near zero emissions technologies from 2030 onwards, and assumes no assets are prematurely retired. It projects a slower transition than IEA NZE scenarios in the near term due to the use of different assumptions for steel production, steelmaking technology mix, steel emissions intensity, and use of hydrogen in steelmaking.

The emissions intensity of our portfolio in 2023 rose by 17% to 2.1 tCO_2e/t metal against our 2019 baseline, due to aluminium sector exposures impacting the overall sector's emissions intensity in 2023, and a low baseline figure resulting from a higher mix of low emissions-intensive steel clients. Emissions intensity dropped by 16% in 2023 versus 2022 due to the reduced exposure to aluminium clients, and a larger mix of low emissions-intensive clients.

Iron, steel and aluminium
tCO_2e/t metal

2023 progress from baseline
17 %



Financed emissions continued

Aviation

For the aviation sector, we included passenger airlines' scope 1 and aircraft lessors' scope 3 downstream emissions. We excluded military and dedicated cargo flights as the emissions intensity of such cargo flights is different to that of passenger airlines. This approach is in line with industry practice to ensure consistency of financed emissions measurement and target setting.

We target an on-balance sheet financed emissions intensity of 63 tonnes of carbon dioxide equivalent per million revenue passenger kilometres ('tCO_2e/million rpk') by 2030, using 2019 as our baseline. Our target is consistent with a global 1.5°C-aligned pathway, as defined by the IEA NZE 2021 scenario.

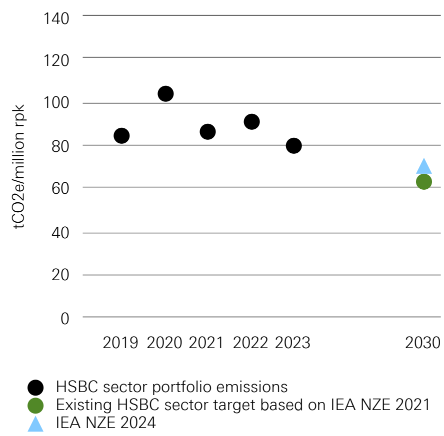
We show in the chart our progress to date against our 2030 target. We also indicate the 2030 figure of 70.3 tCO_2e/million rpk derived from the updated IEA NZE 2024 scenario.

To meet our target, we believe the sector needs significant policy support, investments in alternative fuels, such as sustainable aviation fuel, and new efficient aircraft to reduce emissions. The adoption of sustainable aviation fuel is in its infancy, currently accounting for an estimated 0.3% of global jet fuel production. Sustainable aviation fuel use needs to increase to 15% by 2030 to be in line with the IEA NZE 2021. This requires a significant ramp-up of investment in production capacity and supportive policies, such as fuel taxes and low carbon fuel standards.

The industry is also adopting the unit of revenue tonne kilometre ('rtk') to take into account the transport of cargo for airlines in-scope of the target. We plan to consider this unit change to rtk in future disclosures to better reflect the industry standard. We already include passenger and cargo tonnes in our production figures.

In 2023, the emissions intensity of our portfolio fell by 5% to 79.6 tCO_2e/million rpk relative to the 2019 baseline and was down by 12% from the 2022 restated emissions intensity. This decline was largely driven by improved data quality, higher exposure to lower emissions-intensive airlines compared with the sector average, and improved operational efficiency with the return to pre-Covid air traffic activity levels.

Aviation **tCO_2e/million rpk** — **2023 progress from baseline** (5)%



Automotive

For the automotive sector, we looked at scopes 1 and 2 for midstream manufacturing of vehicles, and scope 3 for tank-to-wheel exhaust pipe emissions for light-duty vehicles. We excluded heavy-duty vehicles from our analysis as the target pathway derived from the IEA excludes them, as they have a different decarbonisation pathway relative to light-duty vehicles. This approach reflects a change from previous disclosures to only include tailpipe emissions instead of all scope 3 categories, in order to be consistent with the target scenario reference pathway and industry practice. We will consider including heavy-duty vehicle manufacturers as well as heavy-duty vehicle production at a later stage of our analysis, as data and methodologies develop.

We target an on-balance sheet financed emissions intensity of 66 tonnes of carbon dioxide equivalent per million vehicle kilometres ('tCO_2e/million vkm') by 2030 using 2019 as our baseline. This is in line with a global 1.5°C-aligned pathway, as defined by the IEA NZE 2021 scenario, modified to match the share of new in-year vehicle sales for light-duty vehicles.

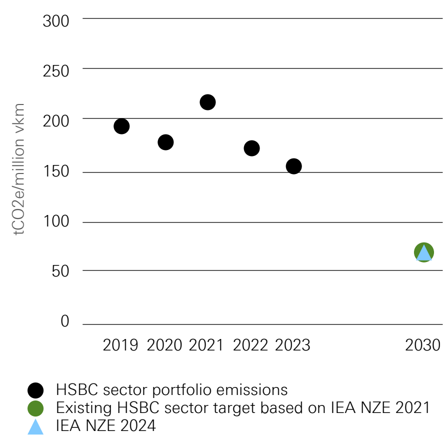
We show in the chart our progress to date against our 2030 target. We also indicate the 2030 figure of 66.2 tCO_2e/million vkm derived from the updated IEA NZE 2024 scenario, which remains close to the 2030 target figure of 66.0 under the 2021 scenario.

Meeting our target is heavily dependent on the share of new electric vehicle sales our clients will achieve in 2030, including battery and plug-in electric vehicles. BloombergNEF estimates that the electric vehicle share of sales in 2024 exceeded 20%, however this is below the 27% implied by the IEA NZE 2021 scenario based on HSBC analysis.

Achieving our 2030 financed emissions target will be challenging unless there is a strong acceleration in the share of electric vehicle sales. This will require large-scale investments in new electric vehicle and battery manufacturing plants, alongside widespread charging infrastructure, and government policies to support electric vehicles.

The 2023 emissions intensity of our portfolio dropped by 20% to 152.4 tCO_2e/million vkm against our 2019 baseline, and by 10% versus the restated emissions intensity of our portfolio for 2022, which excludes non-tailpipe scope 3 emissions. The decline against baseline was driven by changes in our loan book resulting primarily from credit-led business decisions. From 2022 to 2023, the reduction was driven by a portfolio mix with lower emissions intensity clients, and lower exposures to carbon-intensive clients.

Automotive **tCO_2e/million vkm** — **2023 progress from baseline** (20)%



Financed emissions continued

Thermal coal mining

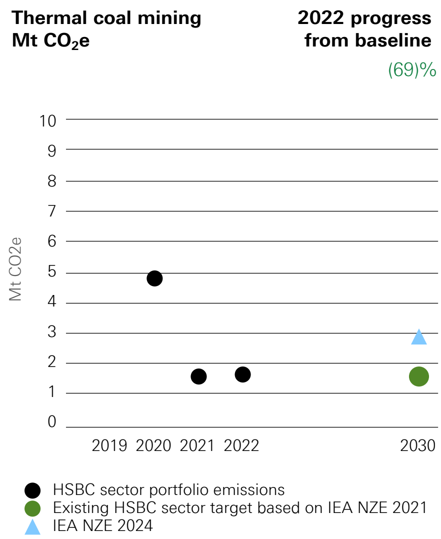
For the thermal coal mining sector, our analysis focused on scope 1, 2 and 3 emissions in upstream companies, including those involved in extraction. When calculating our financed emissions from thermal coal mining, we focused on thermal coal extraction and processing companies, and diversified mining companies. The majority of our reported financed emissions relate to scope 3 emissions associated with coal mining, representing financing provided to large conglomerates that own diversified business interests including coal.

We have set a target to reduce our absolute on-balance sheet financed emissions by 70% by 2030, relative to the re-baselined 2020 figure of 4.7 million tonnes of carbon dioxide equivalent ('Mt CO_2e'). We used 2020 as a baseline to align with the baseline used for our drawn balance exposure targets in our thermal coal phase-out policy. Our target is consistent with a global 1.5°C-aligned pathway, as defined by the IEA NZE 2021 scenario.

We show in the chart our progress to date against our 2030 target. We also indicate the 2030 figure of 2.7 Mt CO_2e derived from the updated IEA NZE 2024 scenario, which suggests a 42% reduction relative to the re-baselined 2020 figure.

In 2021, absolute on-balance sheet financed emissions decreased by 71% to 1.38 Mt CO_2e relative to the re-baselined 2020 figure. In 2022, the absolute on-balance sheet financed emissions of our portfolio decreased by 69% to 1.44 Mt CO_2e relative to the re-baselined 2020 figure, and they rose by 4% from 2021 to 2022. The reduction from the 2020 re-baselined figure was due to strategic decisions and temporary factors, such as low loan drawdown levels.

A return to normal market conditions with clients drawing down existing loans will lead to increased financed emissions in our portfolio.



On-balance sheet financed emissions

The table below summarises the results of our assessment of on-balance sheet financed emissions using 2022 and 2023 data. For thermal coal mining, we disclosed in 2023 our 2020 baseline, which has been re-baselined as described on page 51, and we now present figures for 2021 and 2022. The PCAF data quality scores across most sectors improved in 2023 due to better data availability.

		On-balance sheet financed emissions – wholesale credit lending and project finance[1,2]				
					PCAF data quality score[3]	
Sector	**Year**	**Scope 1–2 (Mt CO_2e)**	**Scope 3 (Mt CO_2e)**	**Emissions intensity**	**Scope 1 and 2**	**Scope 3**
Oil and gas	2022	1.3	16.2	N/A	3.2	3.2
	2023†	1.6	15.2	N/A	2.4	2.7
Power and utilities	2022	7.6	N/A	401.7	3.3	N/A
	2023†	7.3	N/A	349.6	3.1	N/A
Cement	2022	4.5	N/A	0.71	2.9	N/A
	2023†	6.3	N/A	0.59	2.3	N/A
Iron, steel and aluminium	2022	2.7	N/A	2.5	3.0	N/A
	2023†	1.8	N/A	2.1	2.9	N/A
Aviation	2022	3.3	0.15	90.2	3.2	2.4
	2023†	2.6	0.21	79.6	3.1	2.6
Automotive	2022	0.11	4.0	170.1	2.7	3.4
	2023†	0.12	6.0	152.4	2.2	3.2
Thermal coal mining	2021†	0.05	1.33	N/A	3.1	3.1
	2022†	0.07	1.37	N/A	3.1	3.1

Facilitated emissions

The table below summarises the results of our assessment of facilitated emissions using 2022 and 2023 data for the oil and gas, and the power and utilities sectors.

Applying a 100% weighting, the oil and gas values for scope 1 to 3 emissions decreased from 15.2 Mt CO_2e in 2022 to 9.0 Mt CO_2e in 2023. For the power and utilities sector, the values for scope 1 and 2 emissions rose from 3.8 Mt CO_2e in 2022 to 4.6 Mt CO_2e in 2023. For all 100%-weighted facilitated values, please refer to the ESG Data Pack[4].

		Facilitated emissions – ECM, DCM and syndicated loans (33% weighting)				
					PCAF Data quality score[3]	
Sector	**Year[4]**	Scope 1-2 (Mt CO_2e)	Scope 3 (Mt CO_2e)	Emissions intensity	Scope 1 and 2	Scope 3
Oil and gas	2022	0.36	4.7	N/A	3.3	3.3
	2023†	0.27	2.7	N/A	2.1	2.5
Power and utilities	2022	1.2	N/A	358.7	2.9	N/A
	2023†	1.5	N/A	322.2	2.6	N/A

1 The total amount of short-term finance excluded for the thermal coal mining sector was 0.04% and 0.1% of total loans and advances to customers at 31 December 2021 and 31 December 2022 respectively; in 2023, for all other sectors, it was 0.7% of total loans and advances to customers at 31 December 2023.
2 The total loans and advances analysed for the thermal coal mining sector were 0.1% of total loans and advances to customers at 31 December 2021 and 31 December 2022, respectively. For all other sectors in 2023, the total loans and advances analysed were 2.7% of total loans and advances to customers at 31 December 2023. The total loans and advances analysed for the purpose of the financed emissions calculation and reporting have not been adjusted for assets held for sale.
3 PCAF scores where 1 is high and 5 is low. This is a weighted average score based on financing for on-balance sheet financed emissions.
4 The total capital markets activity analysed applying a 100% weighting in 2023 was $10.4bn, representing 3.3% of capital markets activity at 31 December 2023.
† Data is subject to independent third-party limited assurance in accordance with ISAE 3000 / ISAE 3410. For further details, see our Financed Emissions and Thermal Coal Exposures Methodology and the independent third-party limited assurance report, which are available at www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.

Financed emissions continued

Reducing emissions in our assets under management

HSBC Asset Management continues to work towards its interim target[1] of reducing scope 1 and 2 financed emissions intensity by 58% between 2019 and 2030 for its in scope assets under management (AUM), consisting of listed equities and corporate fixed income managed within its major investment hubs. As of 31 December 2019, in scope assets amounted to $193.9bn, equating to 38% of global AUM.

2019 re-baselined metrics

In 2024, we improved our methodology for calculating financed emissions intensity, including a revised mapping logic for issuers' carbon intensity and EVIC (enterprise value including cash) data. We have re-baselined our 2019 intensity figure due to an error in the data mapping and it is now 124 tCO_2e/M$ invested versus 131 tCO_2e/M$ invested reported in the Annual Report and Accounts 2022, representing a decrease of 5.6%.

The Partnership for Carbon Accounting Financials (PCAF)[2] recommends that financial institutions should, in line with the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard requirement, establish a restatement policy to ensure consistency, comparability and relevance of the reported greenhouse gas emissions data over time. HSBC Asset Management has defined an internal financed emissions re-baseline and restatement framework which adapts HSBC Group's approach and defines relevant circumstances for HSBC Asset Management.

Our financed emissions metrics

As at 31 December 2023, the scope 1 and 2 financed emissions intensity of HSBC Asset Management's in scope assets stood at 69.8 tCO_2e/M$ invested. The PCAF data quality score for our 31 December 2023 financed emissions intensity was 2.63.

Reported metrics[3]	2019	2023	Unit
Scope 1 and 2 financed emissions intensity	124.0*	**69.8**	tCO_2e/M$ invested
AUM in scope	193.9	**223.0**	Billions $
PCAF Data Quality Score	2.63	**2.63**	

*indicates that this metric has been re-baselined

1 Our targets remain subject to consultation with stakeholders including investors and fund boards on whose behalf we manage the assets. The 58% target is based on assumptions for financial markets and other data, including the IEA Net Zero emissions by 2050 scenario and its underlying activity growth assumptions. Carbon emissions intensity is measured as tonnes of carbon dioxide equivalent per million USD invested (tCO_2e/M$ invested), where emissions are scaled by enterprise values including cash.

2 PCAF defines and develops greenhouse gas accounting standards for financial institutions. Its Global GHG Accounting and Reporting Standard for Financed Emissions provides detailed methodological guidance to measure and disclose financed emissions. PCAF Standards are available at: https://carbonaccountingfinancials.com/standard.

3 The re-baselined 2019 financed emissions intensity metric, and 2023 metrics were subject to independent third-party limited assurance in accordance with the International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information', and with respect to the greenhouse emissions, in accordance with the International Standard on Assurance Engagements 3410 'Assurance Engagements on Greenhouse Gas Statements', issued by the International Auditing and Assurance Standards Board. For the independent third-party's limited assurance report, see http://www.assetmanagement.hsbc.com/net-zero. The methodology used is available at: http://www.assetmanagement.hsbc.co.uk/-/media/files/attachments/common/creating-a-new-climate-for-change/financed-emissions-disclosures-reporting-criteria.pdf.

Boosting the offshore wind industry in the UK

SeAH Wind Ltd is developing a new offshore wind technology manufacturing facility in Teesside, North-East England. The factory is seeking to make a significant contribution to the offshore wind industry and play an important role in addressing the growing global demand for renewable energy.

Building on previous financing in 2023, we acted as mandated lead arranger and lender for a $282m loan to SeAH Wind Ltd, with guarantees provided by UK Export Finance and the Korea Trade Insurance Corporation, bringing total financing arranged by HSBC for the project to $740m.

The proceeds will be used to support the ongoing construction and expansion of the new UK manufacturing facility, helping the company grow through its extended product range for offshore wind.

Net zero in our own operations TCFD

As described on page 15, we have revisited our ambition to achieve net zero in our own operations and supply chain by 2030 and are now focused on actions to cut emissions across these areas as part of our overall ambition to become net zero by 2050.

Reduce, replace and remove
Our guiding approach is, and will continue to be to reduce, replace and remove emissions from our own operations and supply chain. We plan to first focus on reducing carbon emissions from consumption, and then replace remaining emissions with low-carbon alternatives in line with the Paris Agreement. We will reduce emissions through the purchase of 100% renewables and plan to add investments in sustainable aviation fuel to replace traditional fuel and reduce emissions from our travel over time. Altogether, across our operations, business travel and supply chain, we expect to achieve a reduction of around 40% in emissions by 2030. In line with current guidance, we expect to only use carbon credits to remove emissions when it is not possible to directly reduce or replace. However, recognising the importance of high quality carbon removals in limiting global temperature rises, we have started to explore some high integrity carbon removal projects.

Our energy consumption
In 2024 we achieved a 30.5% reduction in our energy consumption compared with 2019 (2023: 26.3%).This has been achieved through optimising the use of our real estate portfolio and carrying out a reduction in our office space and data centres. We continue to optimise our assets to ensure greater efficiency and capitalise on new energy technologies. In 2024 we increased our purchase of electricity from renewable sources to 75.4% from 58.4% in 2023. This included increasing our coverage of green tariffs in India and mainland China. Renewable electricity can help unlock our emissions reduction potential, and we aim to achieve 100% renewable electricity across our own operations by 2030.

Our biggest challenge continues to be the limited availability of power purchase agreements and green tariffs in some of our markets due to regulations. We continue to expand our network of experts in the renewables space to help us identify opportunities globally.

Business travel
We have analysed our travel patterns to identify areas where we can continue to reduce emissions. For example, we have introduced internal regional reduction targets and emission information at the point of booking to encourage ownership and flexibility in decision making.

Engaging with our supply chain
Our supply chain contributes c.81% of our operational emissions and is the area in which we face the most significant decarbonisation challenge. When we set our ambition in 2020, we did so without detailed supply chain data.

It has become clear that progress in reducing emissions in our supply chain is proving slower than we anticipated, mainly driven by the slower pace of the transition across the real economy. Many suppliers are still in the early phase of their decarbonisation journey, do not have sufficient insight into their own emissions footprint, and have not set decarbonisation targets. We have stepped up targeted efforts to support decarbonisation across our supply chain.

We aim to deepen collaboration with suppliers and increase our focus on those without public disclosures or emissions reduction plans, supporting them through education and incentivisation. We will build partnerships with larger suppliers to drive change in shared supply chains through scaled solutions, including through industry initiatives.

In 2024 we incorporated an additional supply chain data source to complement data from CDP (formerly the Carbon Disclosure Project). We continue to improve the measurement, quality and reporting of our supply chain emissions data to generate insights to drive targeted reduction activities. We have engaged with our 300 highest-emitting suppliers to collaborate and identify emissions reduction opportunities based on supplier maturity levels.

In October 2024 we convened our first Supply Chain Decarbonisation Day to facilitate in-depth discussion and the development of joint action plans with some of our largest suppliers in the technology, professional services and real estate sectors, to help drive emissions reduction. In 2025, we will hold a similar event with different suppliers.

Focus on natural resources
We aim to be a responsible consumer of natural resources across our operations and supply chain. Wherever possible, through our procurement choices, design and construction, or operations, we aim to protect the environment and mitigate our impact on the depletion of natural resources. Our main focus areas are waste, paper and sustainable diets.

Our presence in environmentally sensitive areas
Our global portfolio of buildings supports customers and communities in areas that may be of high or very high water stress, and/or protected areas of biodiversity.

About 50% of our global offices, branches and data centres are located mainly in urban or city centre locations with large, concentrated populations. These areas have been identified as being subject to high and very high water stress, accounting for 49% of our annual water consumption and about 0.8% are in protected areas of biodiversity. We have implemented consumption reduction measures, including installation of water efficient taps, flow restrictors, auto-taps and low or zero flush sanitary fittings.

Our environmental and sustainability management policies

Our buildings policy recognises that regulatory and environmental requirements vary across geographies and may include environmental certification. The policy is supported by Corporate Services procedures on environmental and sustainability management, seeking to ensure that HSBC's properties continually reduce their overall direct impact on the environment.

Detailed design considerations documented in our global engineering standards aim to reduce or avoid depletion of critical resources, such as energy, water, land and raw materials. Suppliers are required to comply with our Supplier Code of Conduct and have in place environmental policies appropriate to the size and nature of their operations to reduce environmental impacts.

Net zero in our own operations continued

2024 Emissions performance
We are making progress towards our updated 2050 net zero ambition. In 2024 we achieved a reduction in absolute operational greenhouse gas emissions (energy and business travel) of 66.1% from our 2019 baseline. Overall, including supply chain emissions, we achieved a 30.7% reduction against 2019 and 5.5% compared with 2023.

Emissions from our energy
We are currently on track to reduce our scope 1 and 2 emissions by more than 90% by 2030 compared with our 2019 baseline. In 2024, we reduced these emissions (including energy and road fleet) to 98,785 tonnes CO2e, representing a 76.2% reduction from our 2019 baseline and a 46.3% reduction from 2023, helped by further efficiency measures and portfolio reductions, and an increase in renewable electricity procurement to 75.4%, up from 58.4% in 2023.

Emissions from travel
We reduced our emissions from scope 3 business travel by 50.8% compared with 2019 with travel volumes remaining well below pre-pandemic levels, although emissions increased by 22.6% compared with 2023 as travel behaviours normalise gradually across the bank.

Emissions from our supply chain
In 2024, we reduced our supply chain emissions by 8.4% against the restated 2019 baseline emissions, while compared with 2023, they remained relatively stable, with a small reduction of 1.0%. This was mainly driven by suppliers providing real estate-related services and financial services, while emissions from suppliers of technology-related goods and services have increased, due to an increase in their investments (e.g. data centres), growth of new services (e.g. cloud and AI) and increase in our spend.

In 2024 we also expanded the calculation scope by including two additional markets with third party spend. We continue to widen our reporting as more emissions and spend data are added to the procurement scope.

Emissions calculations approach
Our emissions report adheres to the Greenhouse Gas ('GHG') Protocol, which incorporates the scope 2 market-based emissions methodology. We report GHG emissions associated with the energy used in our premises and employees' business travel and our supply chain in tonnes of CO2 equivalent. As a financial services organisation, carbon dioxide is the main type of GHG applicable to our operations, however, our current reporting also incorporates methane and nitrous oxide for completeness, although deemed immaterial.

Based on our operational control boundary, in 2024 we collected data on energy use and business travel for our operations in 34 countries and territories out of the 58 markets we operate in, which accounted for approximately 97.7% of our full-time equivalent staff ('FTEs'). To estimate the emissions of our operations in entities where we have operational control and a small presence, we scale up the emissions to 100%.

Energy and travel greenhouse gas emissions in tonnes CO2e[3]

		2024	2023	2019 baseline
Scope 1[1]	▼	**15,025**	16,918	22,066
Scope 2 (market-based)[1]	▼	**83,760**	167,174	392,270
Scope 3	▲	**1,127,909**	1,113,498	1,356,631
Category 1: Purchased goods and services[1,2]	▼	**866,873**	880,494	1,033,972
Category 2: Capital goods[1,2]	▲	**127,158**	123,763	50,651
Category 6: Business travel[1]	▲	**133,878**	109,241	272,008
Total	▼	**1,226,693**	1,297,590	1,770,967
Included Scope 1 and 2 of UK	▼	**5,887**	5,909	10,432

1 Data in 2024 is subject to an independent third-party limited assurance in accordance with the International Standard on Assurance engagements 3410 (Assurance Engagements on Greenhouse Gas Statements). For further details, see GHG Reporting Guidance 2024 and third-party limited assurance report at www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre. In respect of data in 2019 and 2023, see our relevant Annual Report and Accounts.
2 Supply chain emissions are calculated using a combination of supplier emissions data and industry average emissions factors. A data quality score is applied to this calculation where 1 is high and 4 is low, based on the quality of emissions data. This is a weighted average score based on HSBC supplier spend. Data quality scores can be found in the ESG Data Pack.
3 Data is based on the 12-month period to 30 September.

For further details of our methodologies, our independent third-party limited assurance reports and relevant environment key facts, see our ESG Data Pack at www.hsbc.com/esg.

Greenhouse gas emissions in tonnes CO2e per FTE

		2024	2023	2019
Scope 1, 2 and 3 (Category 6)	▼	**1.1**	1.3	2.9
Scope 1, 2 and 3 (Category 1, 2 and 6)	▼	**5.7**	5.9	7.8

Energy consumption in kWh in 000s

		2024	2023	2019
Total	▼	**728,890**	772,736	1,049,072
UK only	▼	**206,028**	209,939	281,271

Revisions	**Reporting metrics**	**Previously reported**		**Restated metrics**		**Percentage change**	
		2019	2023	**2019**	**2023**	2019	2023
Category 1: Purchased Goods and Services	tonnes CO2e	829,635	859,256	**1,033,972**	**880,494**	25 %	2 %
Category 2: Capital Goods	tonnes CO2e	37,617	121,783	**50,651**	**123,763**	35 %	2 %
Total Supply chain	tonnes CO2e	867,252	981,039	**1,084,623**	**1,004,257**	25 %	2 %
Energy consumption	kWh in 000s	913,556	n/a	**1,049,072**	**n/a**	15 %	n/a

We apply reviewed and updated emission uplift rates to reflect uncertainty concerning the quality and coverage of emission measurement and estimation. This approach is consistent with both the Intergovernmental Panel on Climate Change's Good Practice Guidance and Uncertainty Management in National Greenhouse Gas Inventories and our internal analysis.

Our calculation methodology for supply chain emissions follows the spend-based method under the GHG protocol; a combination of supplier emissions data and industry averages. We source actual data via CDP, or direct engagement with suppliers, and in the absence of this we use estimations from a new data provider and then industry average carbon intensities from CDP to estimate supply chain emissions.

As more of our suppliers report their emissions, we should be able to include more accurate data and fewer industry averages in the calculation. We have applied a data quality score to the sources of data we used to determine counterparty emissions. For further details, see our GHG Reporting Guidance at www.hsbc.com/esg

In 2024 we conducted a materiality assessment on upstream scope 3 categories, and we have identified categories 1 (purchased goods and services), 2 (capital goods), and 6 (business travel) as material.

Our approach to re-baselines and restatements
We re-baselined our 2019 and restated our 2023 supply chain metrics in line with our emissions re-baseline and restatement policy (see page 51). As referenced above, in 2024, we made the decision to amend the methodology. We also identified an error in the mapping of industry averages. In addition, we have identified an error in our 2019 metric disclosed in our ARA 2023 for total energy consumption, which we have now restated.

We are conducting a review of our controls related to these items and aim to enhance them accordingly.

Managing climate risk TCFD

Climate risk relates to the financial and non-financial impacts that may arise as a result of climate change and the move to a net zero economy. We manage climate risk across all our businesses and are incorporating climate considerations within our traditional risk types in line with our Group-wide risk management framework.

Our material exposure to climate risk relates to wholesale and retail client financing activity within our banking portfolio. We are also exposed to climate risk in relation to asset ownership by our insurance business and employee pension plans. Our clients are exposed to climate-related investment risk in our asset management business.

In the table below, we set out our duties to our stakeholders in our four most material roles.

For further details of our approach to climate risk, see 'ESG risk' on page 133 and 'Climate risk' on page 219.

Banking	**Employee pensions**	**Asset management**	**Insurance**
We manage the climate risk in our banking portfolios through our risk appetite and policies for financial and non-financial risks.	Our pension plans have fiduciaries to manage climate risk in line with their duties towards members under local regulatory requirements.	Climate risk management is a key feature of our investment decision making and portfolio management approach.	We consider climate risk in the management of our shareholder and policyholder portfolio of assets.
Climate risk			
This enables us to identify opportunities to support our customers, while continuing to meet stakeholder expectations.	We monitor climate risk exposure internally for our largest plans based on asset sector allocation and carbon emissions data where available.	We also engage with companies on topics related to climate change.	ESG factors are incorporated into investment analysis to evaluate climate risk impacts, as well as the ongoing monitoring during the investment cycle.

Banking
Our banking business is well positioned to support our customers managing their own climate risk through financing. For our most material wholesale customers, we use our transition engagement questionnaire to understand clients' climate strategies and risks. We have set out a suite of policies to guide our management of climate risk. We continue to develop our climate risk appetite and metrics to help manage climate exposures in our wholesale and retail portfolios. We use climate scenario analysis to gain insights into the long-term effects of transition and physical risks across our wholesale and retail portfolios (for further details, see page 223).

Asset management
HSBC Asset Management recognises that climate-related risks may impact the operational and financial performance of investee companies. The impact of these risks will vary depending on characteristics such as asset class, sector, business model and geography. HSBC Asset Management continues to integrate climate analysis into its actively managed product offerings and seeks to assess climate-related risks that could impact investment performance, where applicable and relevant.

As part of its stewardship activities, HSBC Asset Management engages on climate change issues with investee companies on a priority list, as defined in its Stewardship Plan. HSBC Asset Management makes independent engagement decisions in the interests of its clients.

Employee pensions
The Trustee of the HSBC Bank (UK) Pension Scheme ('the Scheme'), our largest plan with $34bn of assets under management, aims to achieve net zero greenhouse gas emissions across its defined benefit and defined contribution assets by 2050. To help achieve this, it is targeting an interim emissions reduction of 50% by 2030, from 2019 levels, for its equity and corporate bond mandates. This commitment was made in the context of wider efforts to manage the impact of climate change on the Scheme's investments and the consequent impact on the financial interests of members.

The Scheme reports its carbon emissions for its equity and corporate bond mandates in its annual TCFD Report and will seek to widen the coverage of its assessment and reporting over time. In line with the Trustee's commitment to good stewardship, the Trustee engages its asset managers to ensure that financially material ESG risks are explicitly considered in the investment process.

Insurance
In 2024, our Insurance business enhanced our stress testing modelling capability to assess the solvency resilience of our Insurance entities under prescribed climate scenarios.

- For further details of the HSBC Asset Management's Stewardship Plan, see: www.assetmanagement.hsbc.co.uk/en/institutional-investor/about-us/responsible-investing/-/media/files/attachments/uk/policies/stewardship-plan-uk.pdf
- For further details of the HSBC Bank (UK) Pension Scheme's annual TCFD statements and UK Stewardship Code submission, see https://futurefocus.staff.hsbc.co.uk/active-dc/information-centre/search-documents

Sustainability risk policies TCFD

Our sustainability risk policies form part of our broader risk management framework and are important mechanisms for managing risks, including delivering our net zero ambition.

These policies focus on mitigating reputational, credit, legal and other risks related to our customers' environmental and social impacts.

Our policies
Our sustainability risk policies comprise our core net zero-aligned policies – thermal coal phase-out and energy – and our broader sustainability risk policies covering: agricultural commodities, forestry, mining and metals, and World Heritage Sites and Ramsar-designated wetlands. We also apply the Equator Principles when financing relevant projects.

These policies aim to provide clear signals to our customers on our risk appetite for certain activities.

We continue to review policy implementation as we apply our sustainability risk policies in practice, and our operationalisation of such policies continues to be enhanced. We take a risk-based approach when identifying transactions and clients to which our sustainability risk policies apply and, where relevant, when reporting on relevant exposures, adopting approaches proportionate to risk and materiality. This helps to focus our efforts on areas where we believe we can help drive meaningful change, while taking into account experience from policy implementation over time.

We regularly review our policies, incorporating feedback and building on experience from policy implementation over time. We have begun a review of our interim financed emissions targets and associated policies as part of the annual review of our net zero transition plan that we referenced in our 3Q24 earnings release in October.

For clients in scope of our sustainability risk policies, where we identify activities that could cause material negative impacts, we expect clients to demonstrate that they are identifying and mitigating risks responsibly and will look to take required actions as outlined in our policies. This may, as appropriate, include conducting enhanced due diligence or applying financing restrictions. Such instances may require additional review and approval by our sustainability risk specialists and risk committees.

For further details of how we manage sustainability risk, as well as our full policies, see www.hsbc.com/who-we-are/esg-and-responsible-business/managing-risk/sustainability-risk

Governance and implementation
Our Group Risk and Compliance function has specialists who review and support implementation of our sustainability risk policies. Our relationship managers are primarily responsible for assessing relevant considerations under our risk management framework, including whether our clients may be in scope of applicable sustainability risk policies. They are supported by sustainability risk managers for management of risks as outlined in the policies. Where considered appropriate, policy matters are escalated to relevant governance committees.
Oversight of the development and implementation of policies is the responsibility of relevant governance committees comprising senior members of the Group Risk and Compliance function and global businesses.

Biodiversity and natural capital-related policies
Our sustainability risk policies impose restrictions on certain financing activities that may have material negative impacts on nature. Our forestry and agricultural commodities policies focus specifically on the upstream impacts of key agricultural commodities including palm oil, timber, soy and cattle. We also require palm oil customers to obtain certification under the Roundtable on Sustainable Palm Oil.

Our energy policy
Our energy policy covers the broader energy system, including upstream oil and gas, fossil fuel power generation, hydrogen, renewables and hydropower, nuclear, biomass and waste-to-energy sectors.

The policy seeks to balance three objectives: driving down global greenhouse gas emissions; enabling an orderly transition that builds resilience in the long term; and supporting a just and affordable transition, recognising the local realities in all the communities we serve.

The energy policy was first published in December 2022, and is reviewed annually, with the most recent update in February 2025.

For further details of our oil and gas, and power and utilities financed emissions targets, see the 'Targets and progress' section in 'Financed emissions on page 52.
For further details of our energy policy, see www.hsbc.com/who-we-are/esg-and-responsible-business/managing-risk/sustainability-risk.

Sustainability risk policies continued

Our thermal coal phase-out policy
As set out in the thermal coal phase-out policy, we are committed to phasing out the financing of thermal coal-fired power and thermal coal mining in EU and OECD markets by 2030, and globally by 2040.

Our policy aims to support thermal coal phase-out aligned to science-based timeframes, recognising the different pace between advanced and emerging economies. In turn, our policy supports progress towards our financed emissions targets for the power and utilities and thermal coal mining sectors.

The policy was first published in December 2021 and is reviewed annually, with the most recent update in February 2025.

- For further details of our oil and gas, power and utilities financed emissions target, see the 'Targets and progress' section in 'Financed emissions' on page 52.
- For our thermal coal phase-out policy, see www.hsbc.com/-/files/hsbc/our-approach/risk-and-responsibility/pdfs/240125-hsbc-thermal-coal-phase-out-policy.pdf.

Thermal coal financing exposures
We aim to reduce thermal coal financing drawn balance exposure from a 2020 baseline by at least 25% by 2025, and aim to reduce it by 50% by 2030.

Our basis of preparation for reporting on thermal coal financing drawn balance exposures is aligned with our thermal coal phase-out policy and applies a risk-based approach to reporting on relevant exposures. This includes the use of globally recognised third-party data sources to screen clients and applies materiality considerations to product type, customer type and exposure type, which informs inclusion and exclusion requirements.

Specifically, for product types, short-term lending exposures are excluded from our thermal coal financing exposures reporting, in line with our financed emissions methodology. For customer types, exclusions are applied for certain customer types such as sovereigns and individuals. For exposure types, a threshold of $15m for drawn balances is applied for thermal coal financing exposures reporting.

We recognise that we provide financing to groups of connected companies where the wider group has thermal coal exposures, and this introduces additional complexities when estimating thermal coal exposure. In such cases, we consider the nature and the extent of the connections and any restrictions on use of financing proceeds to fund the thermal coal activities.

We continue to refine our basis of preparation and have made further enhancements in 2024 while taking into account experience from policy implementation over time.

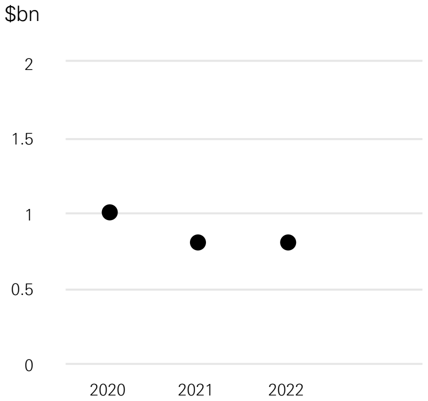
Applying our refined basis of preparation did not have a material impact on the thermal coal financing drawn balance exposure as of 31 December 2020.

- For further details of our Financed Emissions and Thermal Coal Exposures Methodology, see www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.

The chart below sets out our thermal coal financing drawn balance exposure for the 2020 baseline as well as the exposure figures for 2021† and 2022†, which were $1bn (rounded).

We continue to work on our 2023 and 2024 numbers and expect to report on these in future disclosures.

Thermal Coal Financing drawn balance exposure[1]



1 The reduction is based on estimated underlying numbers aligned to our refined basis of preparation.
† Data is subject to independent third-party limited assurance, in accordance with ISAE 3000/ISAE 3410. For further details, see our Financed Emissions and Thermal Coal Exposures Methodology and independent third-party limited assurance report, which are available at www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.

- For further details of our approach to financed emissions, see 'Our Approach to financed emissions' on page 48.

Asset Management policy

HSBC Asset Management's Energy and Thermal Coal Policies have been developed in support of HSBC Group's net zero ambition. In its capacity as a discretionary investment manager and under its Energy Policy, HSBC Asset Management engages and assesses the transition plans of oil and gas, and power and utilities issuers responsible for around 70 per cent of relevant emissions based upon all listed equity and corporate fixed income managed within its major investment hubs.

Its Thermal Coal Policy is developed in support of the transition from thermal coal-fired power and thermal coal mining (collectively 'thermal coal') within the 2030/40 timelines set out in the HSBC Thermal Coal Phase-Out Policy, and is intended to help meet the dual objectives of phasing out thermal coal within science-based timeframes and of energy transition in more coal-reliant economies.

The Energy Policy and Thermal Coal Policy complement one another and are reviewed at least annually.

- For further details of the energy policy, see www.assetmanagement.hsbc.co.uk/-/media/files/attachments/common/energy-policy-en.pdf.
- For further details of the thermal coal policy, see www.assetmanagement.hsbc.co.uk/-/media/files/attachments/common/coal-policy-en.pdf.

Social

Building inclusion and resilience

We play an active role in opening up a world of opportunity for our customers, colleagues and communities by connecting across our international networks to help build a more inclusive and resilient society.

At a glance

Inclusion is key to opening up a world of opportunity. It involves a commitment to identifying and addressing barriers that may stop people from accessing opportunities because of who they are or where they are from.

Inclusion goes hand in hand with resilience. We aim to help people build the capabilities they need to achieve their goals and to deal with the challenges they face, so we are focused on delivering products, services and education that support our colleagues, customers and communities.

Colleagues
We believe that an inclusive, healthy and rewarding workplace helps the whole Group succeed. We are focused on inclusive hiring so we can help ensure our colleagues – and particularly our leadership – are representative of the communities we serve.

Employee well-being is essential. We offer all colleagues a wide range of resources that help support their mental, physical and financial well-being so they can thrive in and out of work. We are working to ensure that our offices, branches and digital spaces are accessible.

Customers
We are committed to helping our customers access the financial services they need. They should not find it more difficult to access finance because of their gender, ethnicity, sexual orientation, neurodiversity or disability. Our ambition is to create a welcoming, inclusive and accessible banking experience for all our customers.

We build resilience by creating products and services that simplify the banking experience, so customers can manage their wealth more easily. We also provide financial education for our customers.

Communities
In 2024, we updated our global philanthropy strategy to align with our ESG areas of focus – 'transition to net zero' and 'building inclusion and resilience', allowing us to work alongside the communities we operate within to help create change.

We believe that fostering inclusion and building resilience helps us to create long-term value and growth. By removing unnecessary barriers and striving to be a fair and equitable organisation, we can attract and retain the best talent, support a wider customer base to achieve their goals and stimulate growth in our communities.

In this section

Our commitment to inclusion

Our approach to inclusion

Our purpose, 'Opening up a world of opportunity', explains why we exist as an organisation and is the foundation of our global inclusion strategy.

We have identified specific Group-wide priorities, which we track and monitor progress against. Embracing our unique international footprint, we adapt implementation of our global inclusion strategy to help ensure it remains locally relevant and compliant with local laws.

How we hold ourselves to account

We set strategic priorities
Our strategic priorities are aligned to three public aspirational ambitions, which have been created to increase representation of under-represented groups. In 2024, we continued to make progress against our priorities by:

- achieving a 34.6% representation of women in senior leadership roles, with an ambition of achieving 35% by 2025[1];
- attaining a 3.0% representation of Black heritage colleagues in senior leadership in the UK and US combined, against an ambition to achieve 3.4% by 2025[1]; and
- increasing our Inclusion index as measured in our Snapshot survey, to 78% against a 2024 target of 75%.

[1] These numerical ambitions do not form part of any US-based senior leader performance or other objectives, or in other jurisdictions where application of such should not apply under local law.

We monitor progress
We consistently track and measure performance against our priorities, utilising our data capabilities to accurately monitor progress through:

- an inclusion dashboard, which monitors progress against ambitions and is reported to the Group Operating Committee on a quarterly basis; and
- review meetings between our Head of Inclusion and each Group Operating Committee member to discuss progress against aspirational ambitions and to support further progress.

We are transparent
We are transparent in sharing our data through external disclosures and we participate in benchmarking to measure our progress across the industry. In 2024, we:

- ranked as a Top 75 employer in the UK Social Mobility Index, improving 30 places to number 37;
- ranked number 3 in the Stonewall Workplace Equality Index in the UK and maintained our Stonewall Gold standard; and
- were awarded an Ambassador Status by Carers UK.

We are evidence-led
Our priorities are informed by data, and we continue to enable our colleagues to self-identify across a range of data points that reflect their personal identity, including ethnicity, sexual orientation, gender identity and ability.

We have enabled our colleagues to self-identify through our systems and our Snapshot survey, helping us to understand the diverse composition of our global workforce.

Data availability enables us to embrace our international footprint, set locally-relevant priorities, support under-represented groups and improve outcomes for our colleagues. In countries and territories where we are able to do so, we invite colleagues to share their data with us. In 2024, we enabled 93% of our colleagues to disclose their ethnic background, with 67% of colleagues currently choosing to do so, where this is legally permissible. In certain markets we invite colleagues to share additional characteristics with us, for example, disability or socio-economic background.

For further details of our representation data, pay gap data, and actions, see www.hsbc.com/who-we-are/our-people/inclusion-at-hsbc and the ESG Data Pack at www.hsbc.com/esg.

Parker Review UK disclosures

The history of our organisation is rooted in multiculturalism, and we remain focused on embracing the different cultures and perspectives in the communities we serve while enabling our customers to realise their global ambitions.

HSBC has supported the aims and objectives of the Parker Review and participated in annual reporting since its formation in 2016.

We are committed to building a diverse workforce that reflects the communities we serve. 98.5% of our UK-based senior leadership population (including our Executive Committee and their direct reports) have made self-disclosures regarding their ethnic heritage. A total of 17.1% of our senior leadership identify as coming from an ethnic minority background, broadly aligned to the UK Census representation of 18%.

Our ambition is to ensure we remain reflective of UK Census data.

Fostering a diverse environment

Women in senior leadership

Increasing female representation in our senior leadership roles is one of our longest-standing strategic priorities. Since achieving our ambition of having 30% of senior leadership positions held by women in 2020, we set a new ambition to reach 35% by 2025[1]. We are on track to meet our 2025 ambition, with 34.6% of senior leadership roles held by women at the end of 2024. Our hiring practices are merit-based, and we seek to ensure that every candidate, regardless of their identity and background, has an equal opportunity to demonstrate their skill and potential. A total of 36.8% of all external appointments into senior positions were female, compared with 37.7% in 2023. Women represented 38.0% of all promotions into senior leadership roles in 2024.

In 2024, we relaunched our Accelerating Women's Leadership programme, developed in partnership with Cranfield Business School. The programme aims to strengthen our talent pipeline by improving the representation of women in senior leadership roles. It is designed to increase the visibility, career advocacy and network of our high-performing senior women, ultimately driving engagement and enhancing leadership capability. In 2024, we ran two pilot sessions held in the UK and Hong Kong. We also launched a modified version of the programme in a US pilot called Accelerating Enterprise Leaders, which also welcomes our male colleagues.

Our Coaching Circles programme, which matches senior leaders with a small group of colleagues to provide advice and support on the development of leadership skills and network building, welcomed 4,052 women and 4,103 men in 2024.

Black colleagues in senior leadership

Having a workforce that better reflects the communities we serve remains one of our strategic priorities. We have an ambition to increase our Black heritage senior leader representation in both the UK and US combined to 3.4% by 2025[1]. In 2024 we maintained our position at 3.0%.

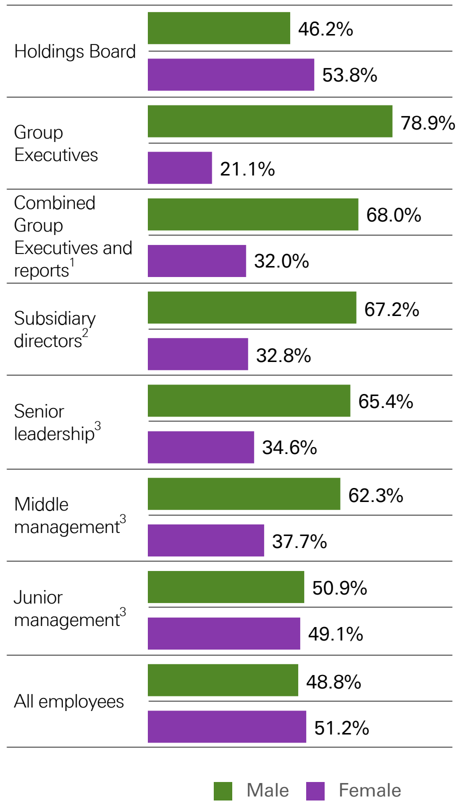
Previously in 2020, we set our initial ethnicity ambition to double the number of Black colleagues in senior leadership roles globally by 2025[1]. While this ambition was not tracked through our senior leadership performance scorecards, it remained a strategic priority. Since 2020, we have increased the representation of our Black colleagues in senior leadership by 60%. We have seen a number of changes to the global footprint of our business since setting this ambition, and despite our efforts so far, we are not making the progress towards our ambition as quickly as we would like and we are unlikely to achieve our 2020 ambition by 2025.

We remain committed to focusing on the development of our Black heritage colleagues. To address this, we use the Solaris programme as a development initiative for our UK-based Black heritage women. To date, 41 women have completed the programme, with 20% of participants securing a promotion.

Our immersive development programme, 'In Their Shoes' was designed to bring to life the lived experiences of minority ethnic colleagues, including the challenges they face. In 2024, the programme was recognised as an Outstanding Innovation at the Learning Excellence Awards and was highly commended in the Global Diversity Initiative of the Year category at the British Diversity Awards. Since its launch,12,707 colleagues have completed the programme.

1 These numerical ambitions do not form part of any US-based senior leader performance or other objectives, or in other jurisdictions where application of such should not apply under local law.

Gender representation



1 Combined Group Executives and direct reports includes HSBC Group Executives and their direct reports (excluding administrative staff) as of 31 December 2024.
2 Directors (or equivalent) of subsidiary companies that are included in the Group's consolidated financial statements, excluding corporate directors.
3 In our leadership structure, we classify senior leadership as those at global career band 3 and above; middle management as those at global career band 4; and junior management as those at global career bands 5 and 6.

Representation and pay gaps

We publish this data annually to ensure both transparency and a maintained focus on addressing representation gaps within the organisation. Our gender and ethnicity pay gap reporting shows the difference in average pay between these two groups of people and the wider workforce, regardless of role or seniority.

We have reported our UK gender representation and pay gap data since 2017 in line with reporting regulations, and have voluntarily extended this to include the US, mainland China, Hong Kong, India, Mexico, Singapore, Malaysia, and the UAE, alongside ethnicity data for the UK and US. In 2024, we have also extended this to include our colleagues with a disability in the UK. This now covers approximately 81% of our workforce. In 2024, our mean aggregate UK-wide gender pay gap was 40.6% compared with 43.2% in 2023, and the ethnicity pay gap was 7.7% compared with 4.5% in 2023. Our UK gender pay gap is driven by several factors, including the shape of our workforce, where there are more men than women in senior higher-paid roles and more women than men in junior roles. While we are confident in our approach to pay equity, until women and ethnic minority colleagues are proportionately represented across all areas and levels of the organisation we will continue to see gaps in average pay.

We are committed to paying colleagues fairly regardless of their gender or ethnicity and have processes to review that remuneration is free from bias. We also review our pay practices and undertake a pay equity review annually. If pay differences are identified that are not due to objective, tangible reasons such as performance, skills or experience, we make adjustments.

For further details of our representation data, pay gap data, and actions, see www.hsbc.com/who-we-are/our-people/inclusion-at-hsbc and the ESG Data Pack at www.hsbc.com/esg.

Fostering an inclusive culture

Looking to the future and beyond our public commitments, we refreshed our global inclusion strategy to refocus our ambitions against our strategic priorities, and set out our approach to inclusion over the next three to five years. We have established key principles that enable us to pivot towards building a more inclusive culture for all of our colleagues.

Our colleagues' personal sense of belonging and psychological safety are two key measures captured as part of our Inclusion Index in the annual Snapshot survey, which we monitor and review by various identities that comprise our global workforce. In 2024 we achieved a score of 78%, which is three percentage points ahead of our annual aspirational goal, and on par with the financial services industry benchmark.

Analysis of our Inclusion index allows us to measure engagement levels of specific colleague groups in greater detail, in particular different personal identities, to better understand the experiences of our colleagues globally. We found that scores from colleagues who identify as male and female were comparable, at 79% and 77% respectively, remaining unchanged from 2023. From an ethnicity perspective, our Black heritage colleagues were two percentage points below the Group-wide average, while our Asian heritage colleagues' results were on a par with the overall score, at 78%. From a sexual orientation perspective, colleagues who identified as LGB+ were one percentage point above the Group-wide result.

Our employee resource groups
Bringing together the shared identities, values and interests of our colleagues allows us to build an inclusive culture across the organisation and our volunteer-led employee resource groups ('ERGs') enable this. Our ERGs provide insight on key societal issues.

Through sponsorship by our non-executive directors and our Group Operating Committee, we bring together our senior leaders and colleagues, bringing to life our values of 'valuing difference' and 'succeeding together'.

In 2024, our ERGs led numerous initiatives and events including our Pride ERG for LGBTQ+ colleagues, who worked with our Group Benefits team to expand Gender Dysphoria healthcare benefits in India.

Our Ability ERG, for our colleagues with a disability, created a framework called 'Know me Better', as a tool to help facilitate conversations between colleagues and line managers regarding a colleague's disability.

Our focus on disability
We are dedicated to creating an inclusive culture where all employees, including those with disabilities can thrive. Our progress is guided by our Global Disability Council, sponsored by our HSBC UK Chief Executive Officer, with senior leaders across the business meeting every two months.

We have launched the second cohort of our Career Development Programme for our colleagues in middle and junior management with a disability, in partnership with an external coaching provider. In 2024, we launched an international pilot of the programme in Hong Kong.

In 2024, stories from our colleagues were showcased globally as part of our Disability Confidence series. The series leveraged the power of our colleagues sharing their experiences, the support they receive, and how this has helped them empower others to do the same.

We have also expanded our workplace adjustments programme through our provider Microlink, with services now available to over 44,000 colleagues in India, a 17 percentage point increase compared with 2023.

Socio-economic diversity
To better support our colleagues from lower socio-economic backgrounds, we have partnered with the London School of Economics and Progress Together to produce a comprehensive framework targeting socio-economic mobility in 2024.

The 'VOICE' is designed to support individuals, people managers, and organisations in retaining and advancing colleagues from lower socio-economic backgrounds within the UK financial services sector. The blueprint was developed through extensive input from professionals across the industry who come from a lower socio-economic background, and they shared their experiences as part of our qualitative research. It highlights the biases that can impact retention and progression and offers actionable, evidence-based strategies rooted in behavioural science to drive meaningful change.

Through our Strive ERG for colleagues who come from a lower socio-economic background we have developed internal mentoring programmes pairing junior and senior colleagues for coaching and development sessions.

We have enabled our colleagues in Singapore to share their socio-economic background.

In 2023, we entered the Social Mobility Index for the first time and gained recognition as a top 75 employer. We continue to be recognised as a top 75 employer, improving our rank by 30 places to number 37 in 2024.

Supporting our colleagues with caring responsibilities

We have found that many of our colleagues are often involved in both their careers and significant caring responsibilities outside work, and are finding managing both responsibilities increasingly challenging. In our Snapshot survey nearly 16% of colleagues self-identified as having caring responsibilities.

In 2024 we launched the Global Carers Charter, which comprises a series of tools, policies and support available for colleagues with caring responsibilities. Following its launch in the UK, HSBC's Global Carers Charter was awarded Ambassador Status by Carers UK.

Building a healthy workplace

Listening to our colleagues

We value difference at HSBC, and we do this by seeking out different perspectives and listening. Our colleagues succeed together by being connected across the organisation, and they take responsibility by speaking up. These activities are core to our values and we capture regular feedback from our colleagues to help improve HSBC and the employee experience.

How we listen

Our annual employee engagement survey is called 'Snapshot' and runs every September. It is an opportunity for all employees to share feedback on what it is like to work at HSBC.

Our 2024 survey achieved a response rate of 88%, up from 85% in 2023, with more than 182,000 colleagues choosing to share their views. This high level of participation enables us to share results confidentially across all levels of the organisation. Insights from our Snapshot survey are shared with the Group Operating Committee and the Board, and are provided directly to more than 11,000 people managers with 10 or more responses from their teams. We support teams to have good conversations about their feedback through the provision of interactive dashboards, action planning tools and discussion guides.

Our Employee Engagement Index, our key measure of how people feel about HSBC, has increased to 80%, up three percentage points compared with 2023. This was the largest increase seen across the Snapshot indices, and puts us six points ahead of the global financial services benchmark that we measure against.

Key driver analysis shows engagement is most influenced by a clear understanding of HSBC's strategic objectives, confidence in the future and our strategy, positivity towards career and development, and trust and confidence in leadership.

Following significant increases last year, the career index remained stable at 71% and is six points ahead of the global financial services benchmark. The proportion of colleagues stating a preference to remain with HSBC for five or more years increased to 70%, up three percentage points from 2023. Our inclusion index, a key measure of building an inclusive culture at HSBC, remained unchanged at 78%, against an ambition of maintaining 75%.

We have found that 75% of colleagues have said that working conditions enable them to be productive, which is up two percentage points compared with 2023. Despite this, 62% of colleagues report that work processes allow them to work efficiently, which is down three percentage points compared with 2023. This remains one of the lowest scoring items across the Snapshot survey, particularly across our senior leadership population. There are a number of initiatives underway to make it easier for colleagues to work efficiently.

We also run an annual Pay and Benefits survey, which in 2024 helped to evaluate changes to our performance approach, as well as capturing ongoing feedback about colleague expectations on compensation and development in support of our employer value proposition. We complement these large surveys with continuous lifecycle feedback from new joiners, internal movers and voluntary leavers.

We are committed to building on our high levels of engagement and feedback throughout 2025.

For further details of our Snapshot data, see the ESG Data Pack at www.hsbc.com/esg.

Employee conduct and harassment

We expect all our employees to treat each other with respect and dignity, and we do not tolerate or condone discrimination, harassment or bullying in any form, as outlined in our Global Anti-Bullying and Harassment Code. This is supported by our Global Code of Conduct, which helps us to maintain high standards across the Group.

We encourage our colleagues to speak up about poor behaviour or things that do not seem right. At times, we know it can be difficult to raise concerns, so regular communication and tracking is important to us. We measure confidence to speak up via our Snapshot Speak Up Index, which is at 77% in 2024, up by one percentage point from 2023. We recognise that our speak up culture requires continued focus to ensure we create the right environment for our people. Our Snapshot survey revealed an increase in colleagues able to state their opinion without fear of negative consequences, with 73% of colleagues feeling able to do so, up by one percentage point from 2023.

We strive to improve awareness and education around poor behaviours and strengthen our understanding and response to these issues across all levels of the organisation. In 2024, to ensure continued high-quality investigations into conduct concerns, we introduced six new investigator training modules aimed at the Human Resources investigator community.

Our colleagues continue to receive training on bullying, harassment, discrimination and retaliation at least every other year in our Global Mandatory Training curriculum and as part of other learning resources, including in People Manager training.

We have mandatory procedures for handling and investigating employee concerns, which include those for bullying and harassment. Cases are continually monitored from our speak-up channels, and data is reported to management committees to ensure there is visibility at leadership level.

In 2024 the bank received a total of 624 concerns raised relating to bullying and harassment. Where the concerns were substantiated following an investigation, appropriate action was taken, which included termination of services where appropriate. In 2024, 26% of concerns raised were either partly or fully substantiated and 34 colleagues were dismissed in relation to bullying, harassment, discrimination or retaliation.

We are committed to addressing this type of behaviour and will continue to take action where we find that an employee has breached our values and high standards of conduct.

Delivering accessible learning

We are committed to fostering an inclusive workplace for all colleagues, regardless of technology or ability.

In 2024, our Global Mandatory Training received Gold at the Brandon Hall Awards for Best Training Program for Global Accessibility Standards.

To uphold these standards we collaborate closely with our accessibility experts, ensuring our digital learning aligns with the high benchmarks set for our customer-facing websites. Our Global Mandatory Training assigned to all colleagues undergoes an external audit to identify any gaps affecting the experience of colleagues, such as those with visual impairments or those who are neurodiverse. We also conduct inclusive user testing to incorporate learner feedback into the design, helping to ensure a seamless experience for everyone.

Being a great place to work

To fulfil our purpose and drive our strategy, we need the best people, performing at their best. Focusing on opportunities for colleagues, making them a part of something bigger and being clear on what they can expect when they deliver on our strategy, is fundamental to delivering for our customers.

Our workforce proposition strengthens our ability to attract, retain and energise our colleagues and is driven by three key reward principles of rewarding colleagues' responsibly, recognising colleagues' success and supporting our colleagues to grow.

Rewarding colleagues responsibly
Our pay and benefits proposition aims to reward colleagues responsibly, helping to ensure financial security for all. We remain committed to providing a competitive total compensation package with an appropriate mix of fixed pay and variable pay. In our Snapshot survey, 52% of colleagues feel they are paid fairly for what they do, the sentiment remaining unchanged from 2023.

Following our accreditation as a global living wage employer in 2024 we have continued to work with the Fair Wage Network, which provides an independent source of wage levels. HSBC has achieved accreditation as a global living wage employer in 2025 in respect of the next two years. A living wage should be sufficient to cover an adequate standard of living given the cost of goods and services in each country in which we operate. We will continue to review all wages globally against local living wage benchmarks.

For our UK suppliers that have staff working within the UK, we seek to encourage them to pay at least the living wage.

For further details of our approach to workforce reward, see page 301.

Recognising colleagues' success
We believe in recognising our colleagues' success and have a number of mechanisms to help enable colleagues to be rewarded for their work.

In 2024, we introduced performance routines, to encourage our colleagues to talk about their ambitious goals throughout the year. This is complemented with improving the exchange of feedback, so colleagues know how they are doing and how they can improve. These activities are brought together through performance check-in conversations at the year-end, with a simplified approach to performance assessments.

These changes were communicated to over 215,000 colleagues in 59 markets at the beginning of the year. Our Pay and Benefits survey measures several factors, including our colleagues' understanding of performance routines, with 76% reporting a 'good understanding' of how to practice them. In our Snapshot survey, 87% of colleagues reported that they had a clear understanding of what is expected of them and 94% of colleagues said they have had at least one performance check-in conversation with their manager.

Variable pay allows us to recognise the performance and behaviours of our colleagues. In 2024 we introduced 'Target Variable Pay' to 150,000 colleagues in 47 markets.

We have supported managers in their understanding of the changes, with nearly 18,000 people managers attending training. Changes to our pay structure provide more clarity and transparency on how we make pay decisions and how performance impacts variable pay, helping colleagues understand how they contribute to the performance of the organisation.

Our 'At Our Best' recognition platform offers employees the opportunity to recognise their peers for role model behaviours linked to our values. In 2024, our colleagues recognised one another over 1.5 million times, up three percentage points from 2023. Managers are also encouraged to recognise colleagues' service anniversaries every five years up to 30 years of service, and at 40 years. In 2024 over 28,000 anniversaries were celebrated.

Share plans are another way to empower colleagues to participate in the Group's success. In 2024, we invited 194,000 colleagues to participate in our share plans and 93% of colleagues globally now have access to a share plan.

Supporting our colleagues to grow
To help our colleagues to grow personally and professionally, we are committed to supporting their mental, physical and financial well-being, offering flexibility and helping colleagues develop new skills.

We use colleague feedback, benchmarking from industry experts and we work with external partners across business, civil society and academia. As a founding member of the World Wellbeing Movement, we are working with the associated Wellbeing Research Centre at the University of Oxford to shape our approach to well-being. In Snapshot, a record 78% of our colleagues said, 'my organisation cares about my well-being', up nine percentage points from 2023.

We further detail our approach to supporting our colleagues to grow on the following page. We further detail our approach to skills and career development on page 70.

Our first ever global activity challenge

We launched our first ever global activity challenge designed to help colleagues increase their activity levels and well-being over a four-week period. With over 70 activities to choose from, we supported colleagues with a new global internal community group on our intranet, two expert speaker events, tailored content given on the Virgin Pulse app and motivational videos filmed by colleagues. During the challenge, colleagues collectively logged physical activity equivalent to 478,000 miles, which is equivalent to 19 times around the equator. After the challenge, two thirds of the participants surveyed responded positively to joining the next challenge.

One in four global colleagues with the Virgin Pulse app joined the challenge, with Asia-Pacific accounting for 77% of all participation.

Being a great place to work continued

Flexible working
Flexible working remains one of the top reasons colleagues say they would recommend HSBC to someone else, with 74% of colleagues saying flexible working is the aspect of our well-being programme they value the most. In 2024, 85% of our colleagues practised some form of flexible working arrangement, with 75% of colleagues working in a hybrid way.

We acknowledged that not all our colleagues had the right balance between working at home or in the office. In 2024, we have found that a better balance has been achieved, with colleagues attending the office between 2-3 days per week on average. This was achieved by our senior leadership reinforcing their expectations on office attendance.

To further support flexibility and work-life balance we have improved family leave policies. We now offer 94% of employees at least 18 weeks of parental leave on full pay for primary caregivers, and 74% of employees have at least two weeks of paid leave for secondary caregivers. We also provide five fully paid days of carers leave and of compassionate leave, to 67% and 79% of colleagues, respectively.

Mental well-being
In 2024 we continued to retain number one status in the CCLA Corporate Mental Health Benchmark for the third year running. While we are pleased with the progress made in 2024, mental health did decline with 79% of colleagues saying they have positive mental health, compared with 83% in 2023. This decline aligns with broader societal trends, with younger generations in particular experiencing lower levels of mental health.

We have continued to make the meditation app Headspace available to our colleagues globally, with over 35,000 enrolled, and we have extended access to family and friends. In 2024, we upgraded our Employee Assistance Programme in over 30 countries to support the mental health of colleagues and their families. We have lowered the age threshold on paediatric counselling support, and in some countries this is now available from age five years. More countries will aim to enhance support for children in 2025.

We have sought third-party assurances and benchmarking to ensure our approach remains relevant and effective. In 2024, we used the 2023 MindForward Alliance's Thriving at Work Benchmark, for which we received a global score of 91 points, 14 points ahead of the global average.

In 2024, mental health awareness training was completed by more than 227,000 colleagues as part of Global Mandatory Training. Our voluntary mental health education modules have been completed over 37,000 times, with 74% being managers. We have also expanded the global reach of mental health champions in our Mindfulness Network by nearly 27%.

Physical well-being
The Snapshot survey also revealed that 72% of colleagues rate their physical health as positive, compared with 74% in 2023. In 2024, we continued to make the Virgin Pulse app available to colleagues, supporting them to increase their physical activity. Over 21,000 colleagues have now downloaded the app, up 260% from 2023. More than 1,000 personal and team activity challenges were run and nearly 5,000 health checks were completed.

We have continued to provide access to private medical insurance for 99% of permanent employees and telemedicine healthcare services in the majority of our countries and territories. In certain countries and territories, we also provide on-site medical centres that the majority of colleagues can access. We have also increased the number of colleagues who have access to company paid health assessments. In 2024, eligibility for a personalised health assessment was extended to all UK employees. Health assessments are provided in 43 countries and we are working to extend availability in 2025.

Financial well-being
Financial challenges remain a concern for many colleagues, caused by increases in the cost of living globally. In 2024, 62% of colleagues said they felt positive about their financial health and 57% of colleagues said they have at least three months of essential outgoings saved, both up one percentage point from 2023.

We launched a five-part financial well-being series covering key career milestones. The series had over 4,000 attendees during the live events, with 93% of participants saying the events were useful or very useful. Recordings of the events have since been watched more than 15,000 times across 37 countries. Since the launch of the series, 65% of colleagues said they know where to find financial well-being support at HSBC, up five percentage points from 2023.

In our Pay and Benefits survey one in three colleagues said that they want more support with financial well-being. In 2025 we aim to trial a new financial well-being platform with 5,000 colleagues in the UK and Asia to help our colleagues improve their financial literacy, money skills and planning.

For further details of our Snapshot well-being data see the ESG Data Pack at www.hsbc.com/esg.

Supporting our colleagues in the Middle East

In the wake of regional conflicts we made promotion and support of mental health a priority. We held regular on-site Critical Incident Support across our MENAT region, covering Egypt, UAE, Kuwait, Türkiye and Qatar.

Across the region, belief that HSBC genuinely cares about its colleagues was at 66%, up 12 percentage points from 2023. We also found that awareness of mental health support at HSBC was at 74%, up six percentage points from 2023.

To support broader well-being across the region we increased paid maternity leave to a consistent 18 weeks. Family friendly enhancements were also made to the medical plan with the introduction of fertility treatment coverage and new coverage for Applied Behaviour Analysis in Bahrain, Kuwait, Oman, Qatar and the UAE.

We also held on-site breast screening and flu immunisation appointments in the UAE. Following increased demand for these services, more appointments and longer hours have been made available.

Awards

CCLA Global 100 Mental Health Benchmark

– Ranked number 1 global employer for the third consecutive year

Developing skills, careers and opportunities

Learning and skills development

Employee development energises our colleagues for growth and helps equip them with the skills they need today while also preparing them to meet future challenges.

Enabling future skills
We have adapted our skills development platforms and learning resources, to help prepare our workforce for future challenges and enable skills building at scale. In 2024, we:

- increased the number of active users and participation in learning programmes via our learning experience Degreed. This aims to address skills gaps through internal and external learning content and courses, enabling colleagues to share, collaborate and learn individually or in groups through structured learning pathways;
- unlocked over 250,000 hours of skills development through our Talent Marketplace. To date more than 46,000 colleagues have created a profile helping them match their interest in developing specific skills or career goals with on-the-job projects and networking;
- accelerated the use of digital badging to acknowledge skill-building achievements. We have launched over 150 badges and issued over 12,000 badging credentials associated with priority skills such as sustainability, AI and data analytics; and
- enabled our colleagues to learn via a range of channels, reflected in an increase of total training hours by our colleagues to 6.2 million hours.

Maintaining our risk management culture
Our Risk Academy delivers and deploys comprehensive learning opportunities for all employees, including foundational training in traditional areas of risk management, such as financial crime risk, and specialised development for senior leaders and those in high-risk roles. The Academy also addresses issues like ESG risk, AI and cybersecurity.

For senior leaders, we have introduced new programmes centred on Enterprise Leadership through a risk lens. These programmes are designed to support HSBC's strategic priority of sustainable growth by equipping leaders with the skills needed to navigate an evolving risk environment. We launched and concluded a new Financial Crime masterclass series for our senior leader population, focusing on the importance of risk management and protecting the bank from financial crime.

Building responsible AI expertise
As we continue to enhance our AI capabilities across the organisation, our new AI Academy helps to support advanced skills development aligned with HSBC's AI strategy. This was launched in response to the growing global interest in AI and focuses on fostering AI literacy and promoting responsible AI use throughout the bank.

Our Global Mandatory Training covers key principles and foundational concepts of AI usage and we have developed foundational and intermediate pathways to raise awareness of AI principles, ethics, risks and governance. We have also developed specific courses tailored for our senior leadership population that focus on understanding AI and exploring its use cases for business and decision making.

Skilling the transition to net zero
Our Sustainability Academy continues to support our net zero ambitions and strategy. As the Academy has evolved, we have increased our focus on building capabilities beyond foundational skills, specifically targeting priority groups that support both our customers and our operations in the transition to net zero. In 2024, our key focus has been on:

- providing on-demand learning tailored to the specific roles, regions, and client bases of colleagues involved in supporting customers through the transition;
- facilitating external certifications and qualifications, as needed, to deepen colleagues' expertise in areas such as Sustainability Climate Risk through providers like GARP and Fitch;
- delivering a three-month Sustainability Leadership Programme in collaboration with Imperial College London and our own Sustainability Centre of Excellence experts for over 200 colleagues; and
- offering net zero learning opportunities to the Board and 100 of our most senior leaders.

We have leveraged our internal experts from the Sustainability Centre of Excellence to provide advanced skills training in key transition areas, such as power systems and storage, carbon removal, transition in Asia-Pacific, steel and cement industries, road transport systems, hydrogen and agriculture.

Training at HSBC

6.2 million

Training hours by our colleagues in 2024.
(2023: 5.3 million)

29.6 hours

Training hours per FTE in 2024.
(2023: 23.9 hours)

Energising our colleagues for growth

We aim to provide our colleagues with the opportunity to develop critical skills while creating a pipeline of talent to support our strategic ambitions. It is essential that we promote effective leadership and foster an environment that inspires our colleagues to grow. In 2024, our focus has been on:

- Our Digital Acceleration Programme, which aims to create dynamic working methods and simplify our technology landscape. This will enable us to work faster and smarter, enhancing our ability to develop better products and services for our customers while embracing innovative technologies;
- Our 'CARE' programme, which embodies the principles of being connected, accountable, responsive and empathic. It outlines the behaviours that reflect these values, guiding our colleagues in delivering exceptional service to our customers. The programme has also been integrated into our customer experience objectives, with progress tracked through our Customer Centricity Index, which is included in our 2024 Snapshot survey.
- The Managing Director Leadership Programme, which was expanded in 2024. It combines immersive in-person sessions on leadership with virtual deep dives on key issues and all-hands strategy sessions, alongside an enterprise risk leaders programme and a series focused on doing business in key locations. To support our leadership pipeline we have refreshed our development offering for the next layer of leaders to be delivered in 2025; and
- Our Emerging Talent proposition, supporting HSBC in a future-focused way, supplying the organisation with diverse and capable talent pools to anticipate and address existing future skill shortages.

Building customer inclusion and resilience

Our approach to customer inclusion and resilience

We believe that financial services, when accessible and fair, can reduce inequality and help more people access opportunities. We play an active role in opening up a world of opportunity for customers and communities, by supporting their financial well-being, and removing barriers to accessing financial services.

Access to products and services
We provide innovative solutions to help improve customer access to products and services. For those in need of additional support due to social or financial vulnerabilities or for those customers who do not qualify for a standard account, the UK and Hong Kong offer a No-cost Account with no minimum balance and no account opening fees, to help with basic banking needs.

In the UK, we continue to offer our groundbreaking 'No Fixed Address' service, working in partnership with housing and homelessness charity Shelter UK, providing access to financial services to help rebuild lives and increase financial resilience. Since its launch in November 2019, this service has supported over 7,000 individuals, with over 1,400 of these in 2024 alone.

Making banking accessible
Number of no-cost accounts held for customers, in the UK and Hong Kong, who do not qualify for a standard account or who might need additional support due to social or financial vulnerability.

2024	**674,439**
2023	718,306
2022	716,957

The reduction in no-cost accounts between 2023 and 2024 is due to bulk closure of inactive accounts in the UK.

Supporting financial knowledge and education
We continue to invest in financial education content and tools across different channels to help customers, colleagues and communities be confident users of financial services, for example by offering programmes focused on improving resilience and basic money management skills.

Customers
Since 2020, we received over 8.8 million unique visitors to our global digital financial education content, which helps customers expand their financial capabilities through our personal financial management tools.

HSBC UK further enhanced capabilities that help customers to establish healthy savings habits through the launch of 'Savings Goals'. Customers have used this mobile banking feature, since launch in April 2024, to set up over 125,000 goals, with 'Rainy Day' as one of the most popular categories. We have also seen that over 10% of goals have already been achieved showing how this capability is helping support customers to build financial resilience.

Well+, our flagship health and wellness-based reward programme on our HSBC HK mobile banking app had another successful year with over 267,000 new customers in this year alone. More than 400,000 customers are now engaged, earning points by taking part in activities aimed at improving their holistic health covering physical, mental and financial well-being.

Communities
In the UK we continued to support the development of children and young people's financial capability, including those with special education needs, through our Money Heroes Programme – winner of the 2024 Third Sector Business Charity Partnership Award (supported by Young Enterprise). In addition, we launched a new partnership with Girlguiding UK in November 2024, introducing the Money Skills – 'I'm Money Confident' badge.

For schools, colleges and youth groups we offer the 'Smart Money' programme, where training is delivered by HSBC colleagues to help improve financial capability and employability. In 2024, we trained over 1,000 colleagues, and working with our dedicated Financial Education Team, over 280,000 children and young people were engaged in the programme across the UK.

In Hong Kong we launched a face-to-face training programme for teenagers with special education needs on how to make healthy financial choices and build essential financial skills for day-to-day living.

Creating an inclusive banking experience
We endeavour to ensure that our banking products and services are designed to be accessible for customers experiencing either temporary or permanent challenges, such as disability, impairment or a major life event. In Hong Kong we introduced a simplified mobile banking app designed to improve digital inclusion for seniors, offering a more accessible and intuitive user experience. The app features an enhanced interface with easy-to-understand buttons, increased use of visuals, and streamlined access to essential banking services. As the first initiative of its kind among Hong Kong banks, the app has been successful in engaging over 663,000 unique users since its launch in October 2022.

We are committed to improving accessibility across our digital channels and continuously review our browser-based websites and mobile banking services against the Web Content Accessibility Guidelines 2.1 AA standards. We promote digital accessibility by offering educational resource. In 2024 we launched the Accessibility Hub, a multi-award winning accessibility awareness e-learning content, promoting digital accessibility to the general public, attracting circa 150,000 views as of September 2024. Also since launch, more than 1,000 individuals across 140 companies globally have participated in our specialised digital accessibility Training 1000 Programme.

Supporting customers extends beyond our digital channels and we recognise that not all disabilities are visible. We rolled out our Hidden Disabilities Sunflower Lanyard Scheme to two additional markets this year – Singapore and the UAE – expanding it beyond the UK, Hong Kong, the Channel Islands and Australia. The lanyard indicates that an individual may need a little more help, support or time.

In 2024 two UK branches, Loughborough and Sheffield, received awards for their accessible and inclusive branch design. We are proud to be recognised by the Financial Times Diversity in Finance Awards, the Construction Industry Council and the Business Disability Forum for our work to improve accessibility, equity and inclusion in UK financial services.

We continue to introduce accessibility features and designs (e.g. a curved notch and braille dots) to our card products across the globe to support people with visual impairments, learning difficulties, and colour blindness. In 2024, we introduced accessibility features in India, Philippines and Indonesia resulting in a total of 20 markets where those features are now available.

For the second year HSBC sponsored and hosted the annual AbilityNet's Techshare Pro Conference, Europe's largest event for the accessibility and disability inclusion community, at our Group Head Office in London. Over 1,600 individuals attended the event (in person or online) globally.

Supporting women
UK CMB launched a Women's Business Growth Initiative Programme to support women in scaling their businesses and provide access to funding, making £250m available for lending, education and networking opportunities. The aim of the support is to help narrow the credit gap for women-led businesses, which is estimated to be valued at $1.7tn globally.

In Mexico and Uruguay, our Mujeres Al Mundo programme helps to address gender gaps by providing businesswomen access to funding, education and networking. In 2024 we provided over $190m in sustainable financing to support women-owned enterprises in both countries. We also won the 2024 Financial Alliance for Women's 'Outstanding Contributor' award for enabling full financial access for women and unlocking huge value in the Female Economy.

Engaging with our communities

Helping to build a more inclusive and resilient society

We have a long-standing commitment to support the communities in which we operate. We aim to empower people and communities to develop the skills and knowledge needed to thrive in the future.

Through the global reach of our charitable partnerships we bring together diverse people, ideas and perspectives that help us open up opportunities and build a more inclusive world.

Building community and future skills
We work with charity partners to initiate programmes that help people and communities respond to opportunities and challenges as global economies transition towards a low-carbon future. In 2024, these included:

- Continuing a partnership with the British Council in Brazil, Mexico, India, Indonesia and Vietnam, and in Australia, India and Malaysia with The King's Trust Group, to empower young, marginalised people with the skills needed to excel in the green economy.
- In India, HSBC collaborated with two charities to help enhance sustainability in the handloom and apparel sectors, benefiting 10,000 weavers. Our initiatives focused on adopting energy-efficient practices, reducing water pollution, promoting natural fibre products, and increasing the use of natural dyes.
- HSBC Continental Europe collaborated with Junior Achievement Europe to launch the Climate Resilience Programme, which aims to provide educational opportunities related to innovations in climate resilience for young people in France, Italy and Malta.

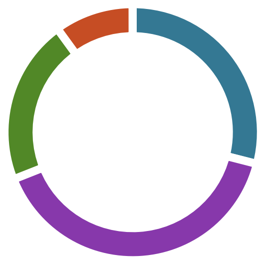
We also work with our charity partners to help strengthen the resilience of communities where we operate. Initiatives launched in 2024 included:

- 'Saving for Good', in partnership with INJAZ Al Arab, which teaches financial literacy fundamentals to 2,386 low-income workers and the large migrant worker population in the MENA region.
- A new financial literacy curriculum in Hong Kong that aims to strengthen the financial management knowledge of elderly learners and provide a better understanding of fintech applications and awareness of online fraud.
- We responded to disaster relief appeals to support efforts in Bangladesh, Central Europe, Mexico, the Middle East, Spain, Taiwan, Thailand, the USA and Vietnam.

Community engagement and volunteering
We offer paid volunteering days, and encourage our people to offer their time, skills and knowledge to causes within their communities. In 2024, our colleagues gave over 254,000 hours to community activities during work hours. Examples of volunteering efforts in 2024 included:

- around 260 employees supported Waterkeeper, a US-based environmental non-profit, with 700 hours volunteered across 16 events in the country; and
- more than 200 employees acted as mentors for marginalised youth in support of the Strive and Rise Programme in Hong Kong.

Charitable giving in 2024 (%)



- Social, including Future Skills: **29%**
- Environment, including the Climate Solutions Partnership: **40%**
- Local Priorities: **21%**
- Disaster relief and other giving: **10%**

Total cash giving towards charitable programmes

$94.7m

Hours volunteered during work time

>254,000

People projected to be reached through our social and future skills programme

>928,000

Resilient Community Environment Initiative helps to build bio-diverse Beijing Palace Museum

Established in October 2023, the HSBC Philanthropy Foundation Beijing aims to build inclusive and resilient communities by focusing on the development of children, support for disabled elderly people, promoting employability and livelihoods, and building a resilient eco-environment in communities.

In 2024, the Foundation's 'HSBC Resilient Community Environment Initiative' was extended to include the Palace Museum in Beijing's Forbidden City. Altogether 2,243 square metres of green space and a 118-square-metre pond in the Museum's Cining Garden were renovated and populated with diverse local species to form a healthy and resilient ecosystem. Visitors to the Forbidden City have benefited from the enhanced scenery since the second half of 2024.

Governance

Acting responsibly

We remain committed to high standards of governance. We work alongside our regulators and recognise our contribution to building healthy and sustainable societies.

At a glance

Our relationship
We act on our responsibility to run our business in a way that upholds high standards of corporate governance.

Customer experience is at the heart of how we operate. It is imperative that we treat our customers well, that we listen, and that we act to resolve complaints quickly and fairly. We measure customer satisfaction through net promoter scores across each of our global businesses, listen carefully to customer feedback so we know where we need to improve, and take steps to do this. Our customer satisfaction performance improved in many markets in which we operate, although we still have work to do to improve our rank position against competitors.

We are committed to working with our regulators to manage the safety of the financial system, adhering to the spirit and the letter of the rules and regulations governing our industry.

We strive to meet our responsibilities to society, including through being transparent in our approach to paying taxes. We also seek to ensure we respect human rights in our workplace and our supply chains, and continually work to improve our compliance management capabilities.

For further details of our corporate governance, see our corporate governance report on page 236.

In this section

Setting high standards of governance TCFD

How ESG is governed

The Board takes overall responsibility for ESG strategy, overseeing executive management in developing the approach, execution and associated reporting. Progress against our ESG ambitions is reviewed through Board discussion and review of key topics, such as updates on sustainability infrastructure finance and employee sentiment. The Board is regularly provided with specific updates on ESG matters, including the sustainability execution programme, human rights and workforce engagement. Board members receive ESG-related training as part of their induction and ongoing development, and seek out further opportunities to build their skills and experience in this area. For further details of Board members' ESG skills and experience, see page 237. For further details of their induction and training in 2024, see page 250.

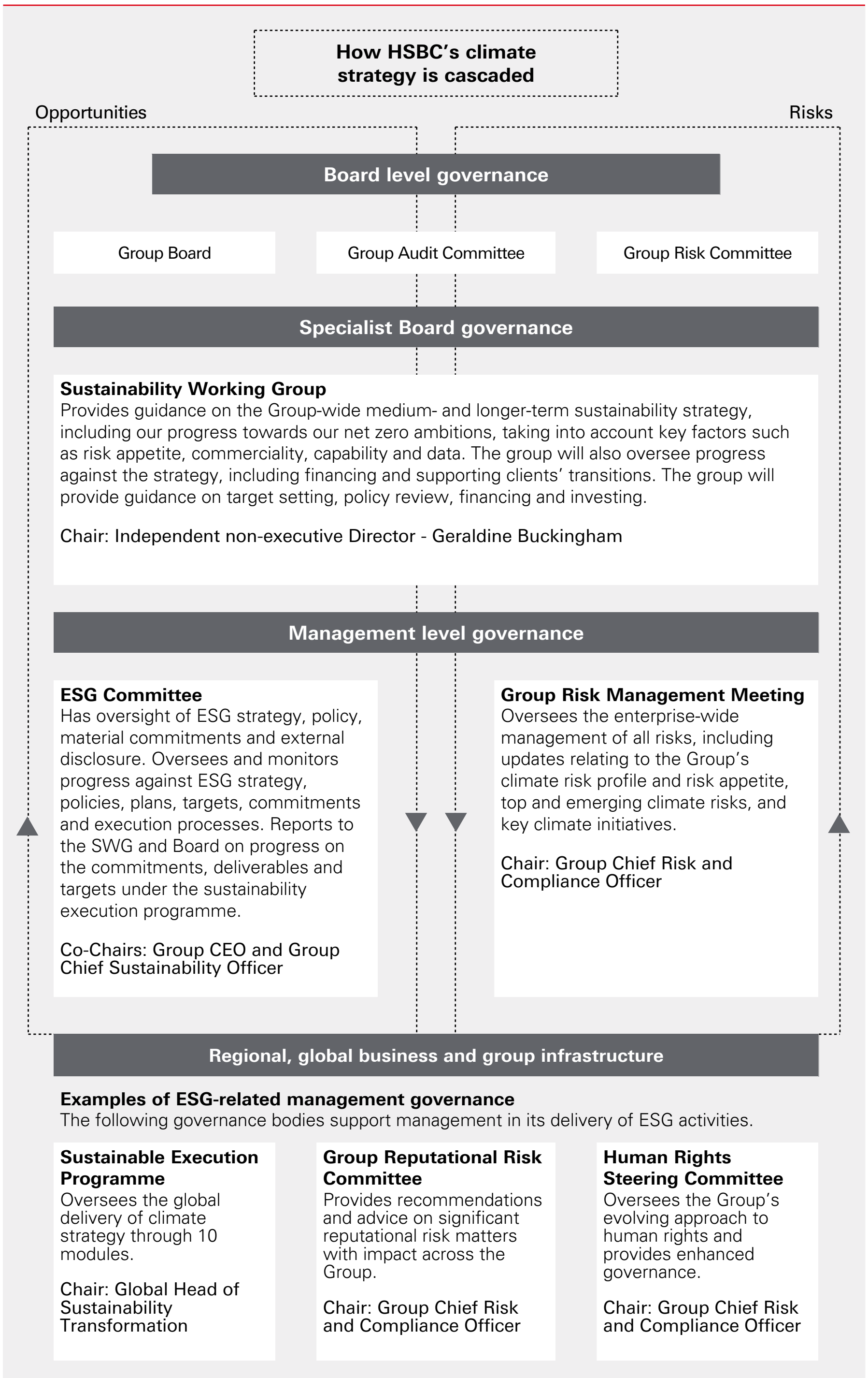
In October 2024, we enhanced our ESG governance with the establishment of a new Sustainability Working Group ('SWG') of the HSBC Holdings Board, with an initial duration of 12 months. The SWG is comprised of five non-executive Directors, along with attendance by other executives. At the executive level, the governance activity was streamlined with the removal of the Sustainability Execution Committee, with its activity managed within the project team. We expect that our approach to ESG governance is likely to continue to develop, in line with our evolving approach to ESG matters and stakeholder expectations.

The diagram on the right provides an illustration of our ESG governance process, including how the Board's strategy on climate is cascaded and implemented throughout the organisation. It identifies examples of forums that manage both climate-related opportunities and risks, along with their responsibilities and the responsible chair. The structure of the process is similar for the escalation of problems, with issues either resolved in a given forum or raised to the appropriate level of governance with appropriate scope and authority.

Given the wide-ranging remit of ESG matters, the governance activities are managed through a combination of specialist governance infrastructure and regular meetings and committees, where appropriate. These include the Group Disclosure and Controls Committee and Group Audit Committee, which provide oversight for the scope and content of ESG disclosures, and the Group People Committee, which provides oversight support for the Group's approach to performance management.

For some areas, such as climate where our approach is more advanced, dedicated governance activities exist to support the wide range of activities.

The Group Chief Risk and Compliance Officer and the chief risk officers of our PRA-regulated businesses are the senior managers responsible for climate financial risks under the UK Senior Managers Regime. Climate risks are considered in the Group Risk Management Meeting and the Group Risk Committee, with scheduled updates provided, as well as detailed reviews of material matters, such as climate-related stress-testing exercises.



Human rights

Our respect for human rights

As set out in our Human Rights Statement, we recognise the role of business in respecting human rights. Our approach is guided by the UN Guiding Principles on Business and Human Rights ('UNGPs') and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct.

Our salient human rights issues

We continue to develop our understanding of our salient human rights issues. These are the human rights at risk of the most severe negative impact through our business activities and relationships.

An extensive review of our salient human rights issues conducted in 2022 identified five human rights risks inherent to HSBC's business globally, and five types of activity through which such risks might arise. These are represented in the adjacent table.

In 2023, building on this assessment, we provided practical guidance and training, where relevant, to our colleagues across the Group on how to identify and manage human rights risk.

In 2024, we focused on our approach to human rights risk management relating to the goods and services we buy from third parties and in respect of our business customers. We issued human rights due diligence good practice guidance tailored to procurement and corresponding high-level guidance for staff who manage our relationships with our business customers.

Managing risks to human rights

In 2024, we continued the process of adapting our risk management procedures to reflect what we learned from the work on salient human rights issues and began embedding the related guidance documents described above.

We developed a human rights due diligence operating procedure for procurement globally. The procedure describes the due diligence process undertaken to identify suppliers where the risk of adverse human rights impact is considered higher and the process to be followed to review and mitigate the risk. We built on the human rights supplier audit pilots undertaken in 2023 in our Asia-Pacific and Latin America regions with an expanded programme of human rights audits in 11 countries across Asia-Pacific, Latin America, the Middle East and North Africa.

Our salient human rights issues

Illustration of HSBC Group's inherent human rights risks mapped to business activities.

		HSBC activities				
				Provider of products and services		
Inherent human rights risks		Employer	Buyer	Personal customers	Business customers	Investor
Right to decent work	Freedom from forced labour		◆		◆	◆
	Just and favourable conditions of work	◆	◆		◆	◆
	Right to health and safety at work	◆	◆		◆	◆
Right to equality and freedom from discrimination		◆	◆	◆	◆	◆
Right to privacy		◆		◆		◆
Cultural and land rights			◆		◆	◆
Right to dignity and justice		◆	◆	◆	◆	◆

We continued to develop our in-house capability on human rights with the launch of further online resources for all staff and bespoke human rights training for key colleagues, including those managing relationships with suppliers and business customers, and those with responsibility for overseeing risk management processes.

For further details of the actions taken to respect the right to decent work, see our 2024 Annual Statement under the UK Modern Slavery Act at www.hsbc.com/who-we-are/esg-and-responsible-business/modern-slavery-act.

For further details of the actions taken to respect the right to equality and freedom from discrimination, see 'Our approach to inclusion' on page 64.

Sustainability risk policies

Some of our business customers operate in sectors in which the risk of adverse human rights impact is considered greater. Our sustainability risk policies consider human rights issues such as forced labour, harmful or exploitative child labour, workers' rights and land rights.

Through our membership of international certification schemes, such as the Forestry Stewardship Council, the Roundtable on Sustainable Palm Oil and the Equator Principles, we recognise standards aimed at respecting human rights.

We regularly review our sustainability risk policies and policy implementation as we apply our policies in practice.

For further details, see our sustainability risk policies at www.hsbc.com/who-we-are/esg-and-responsible-business/managing-risk/sustainability-risk.

Financial crime controls

Our 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 associated with our customers, employees and third parties.

For further details of how we fight financial crime, see www.hsbc.com/who-we-are/esg-and-responsible-business/fighting-financial-crime.

Other principles

HSBC's Principles for the Ethical Use of Data and Artificial Intelligence include how we seek to respect the right to privacy while making use of these technologies.

For further details see www.hsbc.com/-/files/hsbc/our-approach/risk-and-responsibility/pdfs/240715-hsbc-principles-for-the-ethical-use-of-data-and-ai.pdf?download=1.

Our respect for human rights continued

Supporting change
We continued to participate in industry forums, including the Thun Group of Banks, which is an informal group that seeks to promote understanding of the UNGPs within the sector, and the UN Global Compact Human Rights Working Group.

HSBC has been a member of the Mekong Club since 2016. We are a participant in their financial services working group, and we use their informative typological toolkits, infographics, and other multimedia resources covering current and emerging issues. Our compliance teams regularly collaborate and engage with the Mekong Club in designing Group-wide knowledge sharing and training sessions.

Investments
HSBC Asset Management acknowledges the important role that business plays in respecting human rights. If mismanaged or left unaddressed, human rights violations may materialise as business risks, negatively impacting investee companies' operations, supply chain or brand. These may in turn present risk both to client investments and reputation.

HSBC Asset Management engages with companies prioritised for purposeful engagement under its Stewardship Plan on core themes material to investee companies, 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. Further details can be found in its Stewardship Plan. 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.

For HSBC Asset Management's Stewardship Plan, see: www.assetmanagement.hsbc.co.uk/en/institutional-investor/about-us/responsible-investing/-/media/files/attachments/uk/policies/stewardship-plan-uk.pdf.

Supporting those impacted and those potentially at risk
We continued to expand our Survivor Bank programme, which has now supported over 3,500 (a more than 15% increase since last year) survivors of modern slavery and human trafficking in the UK.

Our Wealth and Personal Banking team continues to deliver training to raise awareness of modern slavery, enabling employees to spot signs of abuse and escalate their concerns through established channels. In addition, our customer-facing employees globally are trained to identify and support vulnerable customers as part of their induction training.

For further details of our work to support vulnerable communities, see page 71.

Effectiveness
The table below includes some indicative metrics we use to measure year-on-year improvement to our human rights processes.

Measuring effectiveness

Metric	2024	2023
Contracted suppliers who either confirmed adherence to the code of conduct or provided their own alternative that was accepted by our Global Procurement function	**96.7%**	95%
Employees who have received training on one or more aspects of human rights	**11,884**	8,176

For further inclusion metrics, see page 64 in this ESG review.

Customer experience

We remain committed to improving customers' experiences. In 2024, we gathered feedback from over one million customers across our three global businesses to help us understand our strengths and the areas we need to focus on. We were ranked among the top three banks or improved our ranking against our competitors in 58% of our six key markets across WPB and CMB[1] in line with 2023.

Customer satisfaction

Listening to drive improvement
We have continued to embed our feedback system so we can better listen, learn and act on customer feedback. We use the net promoter score ('NPS') and customer satisfaction to provide a consistent measure of our performance. NPS is measured by subtracting the percentage of 'detractors' from the percentage of 'promoters'. 'Detractors' are customers who provide a score of 0 to 6, and 'promoters' are customers who provide a score of 9 to 10 to the question: 'On a scale on 0 to 10, how likely is it that you would recommend HSBC to a friend or colleague'.

We run studies that allow us to benchmark ourselves against other banks. We try to make it as easy as possible for customers to give us feedback, leveraging our use of digital real-time surveys to capture insight. By sharing this and other feedback with our front-line teams, and allowing them to respond directly to customers, we are improving how we address issues and realise opportunities.

We continue to run dedicated global forums to provide oversight of our retail and business customers' experiences and promote continuous improvement. This helps ensure we use feedback in all aspects of how we run our business, and prioritise initiatives that matter most to our customers.

How we fared
In WPB, we were ranked among the top three banks against our competitors in Hong Kong and mainland China. In Hong Kong, we remained first overall against our competitors, and improved our NPS score. This was driven by improved scores across all customer segments.

Our NPS rank improved in the UK and Singapore. This was largely driven by improved scores among our affluent customers. In Mexico our rank remained stable, and in India our rank declined, largely driven by our personal banking customers.

In our private bank, our global NPS increased to 48 points, compared with 42 points in 2023. All the existing markets included in the programme increased their scores from 2023 and we have included India and UAE for the first time this year.

In CMB, we were ranked among the top three banks against our competitors in three of our six key markets. We ranked first in Hong Kong and as a top three bank in Singapore and India. In mainland China, we ranked outside the top three but ranked first among international banks. In Mexico, we have dropped from 3rd to 4th position due to improved competitor performance in business banking.

After an improved rank position in 2023, our overall performance in the UK has stabilised in 2024. Even though we sit outside of the top 3 in business banking, we are still ranked in the top 3 among mid-market enterprise and large corporates in the UK. We remain committed to improving our NPS performance across markets, with action plans developed centrally and locally.

In GBM, we have one of the highest satisfaction scores against our international competitors. We were ranked in the top three banks globally, with high satisfaction scores based on our digital capabilities.

Number of markets in top three or improving rank[1,2]

	2024
WPB	**4 out of 6**
CMB	**3 out of 6**

1 The six markets comprise: the UK, Hong Kong, Mexico, mainland China, India and Singapore. Rank positions are provided using data gathered through third-party research agencies.
2 We benchmark our NPS against our key competitors to create a rank position in each market. This table is based on the number of markets where we are in the top three or have an improved rank from the previous year.

Acting on feedback

In 2024, we have continued to focus on developing our products and services, and enhancing our digital capabilities to improve customer experience.

Wealth and Personal Banking
We continue to redesign our international products and services to make it quicker and easier to bank internationally. This year we have improved the way our customers make international payments. Customers can send funds directly to mobile wallets from their banking app, with customers now able to send international payments with just the recipients' name alongside their phone number or email address.

Commercial Banking
Global Payments Solutions ('GPS') implemented a new globally aligned client service model focused on delivering an enhanced front-to-back client experience. We leverage data to improve our engagements with customers and are investing in technology to drive process efficiencies, reduce query volumes and drive automation. Our new Trade Solutions platform ('HTS') lets us quickly deploy new capabilities (like TradePay) across multiple markets. It helps provide a consistent user experience and enables easy connectivity to other platform ecosystems.

In sustainability we continue to build an end-to-end customer journey through launching new propositions that incentivise and reward customers for improving their ESG performance, such as the HSBC Buildings Sustainability Assessment Tool in the UK and Sustainability Improvement Loan. In our Customer Channels division, we have deployed AI and personalisation solutions to improve proactive engagement and the speed of query resolution. We have increased adoption of customer digital capabilities to improve fulfilment turnaround times. We have also increased the resilience of our digital channels and further reduced customer fraud risk. These actions are helping to build greater digital trust with our customers and thereby improving customer experience.

Global Banking and Markets
We continued our efforts to support our clients in their sustainability and transition journey by maintaining our Top 5 book-runner position globally in green, sustainable and social bonds, and by extending the sustainability-focused product and solutions range beyond the labelled products suite. We have refined our priority and core coverage model, including piloting a range of priority client squads to drive specific client goals. We continue to invest in our coverage enablement strategy, including thought leadership and transaction banking solutions.

How we listen

To improve how we serve our customers, we must be open to feedback and acknowledge when things go wrong. We continue to adapt at pace to provide support for customers facing new challenges, new ways of working and those that require enhanced care needs.

We aim to be open and consistent in how we track, record and manage complaints, although as we serve a wide range of customers – from personal banking and wealth customers to large corporates, institutions and governments – we tailor our approach in each of our global businesses. As the table on the right demonstrates, we have a consistent set of principles that enable us to remain customer-focused throughout the complaints process.

For further details of complaints volumes by geography, see our ESG Data Pack at www.hsbc.com/esg.

How we handle complaints

Our principles	Our actions
Making it easy for customers to complain	Customers can complain through the channel that best suits them. We provide a point of contact along with clear information on next steps and timescales.
Acknowledging complaints	All colleagues welcome complaints as opportunities and exercise empathy to acknowledge our customers' issues. Complaints are escalated if they cannot be resolved at first point of contact.
Keeping the customer up to date	We set clear expectations and keep customers informed throughout the complaint resolution process through their preferred channel.
Ensuring fair resolution	We thoroughly investigate all complaints to address concerns and ensure the right outcome for our customers.
Providing available rights	We provide customers with information on their rights and the appeal process if they are not satisfied with the outcome of the complaint.
Undertaking root cause analysis	Complaint causes are analysed on a regular basis to identify and address any systemic issues and to inform process improvements.

Wealth and Personal Banking

In 2024, we received approximately 887,000 complaints from customers in eight priority markets, and the ratio of complaints per 1,000 customers per month in these markets decreased from 2.2 to 2.0. We had a reduction in complaints in our top three markets (the UK, Hong Kong and Mexico), which comprise 86% of complaints globally.

In the UK, complaints fell 9%. During 2024, our two key priorities continued to be complaints prevention, and improving the quality of resolution of the complaints we received. We made good progress in both areas, driven by targeted intervention in priority areas and ongoing regular oversight. This has included identifying prominent complaint themes – such as telephony customer experience, transaction disputes and international payment processing – and allocating them to individual executives as accountable 'owners' to remedy the root cause.

The decrease in complaints in Hong Kong was primarily driven by improvements in capabilities that make banking with HSBC easier for customers. A deeper customer-centric culture, regular reviews, root cause analysis of customer feedback and greater collaboration across business lines to address emerging customer pain points, also contributed to the fall in complaints.

In Mexico, there was a 5.3% fall in the volume of total complaints in 2024 compared with 2023, with unrecognised debit card charges down by 9% despite an increase in transaction volumes. This was achieved through targeted actions, including improving fraud processes and the introduction of enhancements to the way customers receive purchase authorisations.

In our private bank, we received 647 complaints, an increase of 140 compared with 2023. This was largely due to the inclusion of complaint data for the private banking operation in India, which received 128 complaints in 2024. Complaint data for this business was reported in WPB figures in 2023. Banking products and service issues represented the largest volume of complaints overall, a high proportion of which were attributable to issues with payment processing and credit cards. Overall, the private bank resolved 646 complaints.

WPB complaint volumes[1]
(per 1,000 customers per month)

		2024	2023
Total[2]		**2.0**	2.2
UK[3]	▼	**1.0**	1.1
Hong Kong[3]	▼	**0.7**	0.9
Mexico[3]	▼	**5.0**	5.2

1 A complaint is any expression of dissatisfaction about WPB's activities, products or services where a response or resolution is explicitly, or implicitly, expected.
2 Priority markets in 2024 included: the UK, Hong Kong (excluding Hang Seng), Mexico, mainland China, India, UAE, Singapore and Australia, selected based on complaints volume, customer base and strategic importance among other factors. The 2023 total has been revised from 2.3 to 2.2 due to a change in the composition of these eight priority markets.
3 The UK, Hong Kong and Mexico make up 86% of total complaints.

Acting on feedback

In 2024, we continued to improve our capabilities and tools across the business to enhance the customer experience globally. By consistently measuring customer experience, we actively listen, learn and take action based on what our customers share with us. Additionally, we introduced a customer experience behavioural framework across the bank, aligned with HSBC's core values. This framework supports our colleagues in meeting minimum service standards and prioritising customer experience in their daily routines. These efforts enable us to identify opportunities to continue to improve our customer experience and systematically track and measure our progress.

How we listen continued

Commercial Banking

In 2024 we received 46,276 customer and client complaints, an increase of 0.8% from 2023. Of the overall volume, 32,748 came from HSBC UK, 8,779 from Asia-Pacific and the remainder from the rest of our global markets.

The most common complaint related to servicing and transactions, with the largest volume of complaints globally coming from business banking customers, representing 68.2% of our total complaints.

Although we have seen a minor increase in complaint volumes, this reflects improvements in the quality of our logging process and we have increased our understanding of the root cause of many complaints. In 2024, we enhanced training for our front-line colleagues to ensure they can accurately identify the differences between a complaint, query and feedback and upgraded our complaint reporting tools. For 2025, our focus will be on addressing the root cause of complaint trends, as well as improvements to our systems, processes and customer advice.

CMB complaint volumes
(000s)

		2024	2023
Total		**46.2**	45.9
UK[1]	▼	**32.7**	33.8
Hong Kong[1]	▲	**7.7**	6.5

1 The UK and Hong Kong (excluding Hang Seng) account for 87% of total complaints.

Acting on feedback

In 2024, we have further invested in comprehensive training programmes for our staff to ensure they are equipped with the skills and knowledge needed to manage complaints effectively. This includes training on active listening, empathy, identification and treatment of customers in financial difficulty and conflict resolution. All of our front-line teams globally went through this training to ensure that conduct and the customer are at the heart of our management of client feedback. We have implemented advanced complaint reporting tools that enable us to capture customer feedback more accurately and efficiently. These tools allow us to identify and address issues promptly. Within our Business Banking segment, we continue to work with front-line teams to identify and manage complaints better.

Global Banking and Markets

In 2024, we received 1,838 customer complaints in Global Banking, an increase of 18.4% from 2023. Of the overall complaint volumes, 37.6% came from Europe and 28.9% came from Asia-Pacific. The most common complaint, at 34.2% of total complaints, related to transactions.

In Markets and Securities Services ('MSS') complaints decreased by 13.6% to 306. The majority of complaints were operational in nature and resolved in a timely manner. Of the overall MSS complaints, 49% came from Europe and 33.9% from Asia-Pacific, our two largest markets.

GBM complaint volumes[1]

		2024	2023
Total		**2,144**	1,906
Global Banking[2]	▲	**1,838**	1,552
Global Markets and Securities Services[3]	▼	**306**	354

1 Globally, a complaint is any expression of dissatisfaction, whether justified or not, relating to the provision of, or failure to provide, a specific product or service or service activity. Within the UK, a complaint is any expression of dissatisfaction – whether justified or not – about our products, services or activities, which suggests we have caused (or might cause) financial loss, material distress or a material inconvenience.
2 Global Banking also includes Global Payments Solutions (previously known as Global Liquidity and Cash Management) and complaints relating to payment operations.
3 Contains Global Research complaint volumes.

Acting on feedback

In 2024, our focus has been to increase the capture and quality of complaints received within GBM. Our focus has been on doing deep dives into the quality of complaints received and delivering bespoke training on the complaint themes that we see. We have defined robust feedback loops allowing us to learn continuously from customer experiences and embed these into our processes. We regularly review and analyse complaint data to identify trends and implement improvements in our services. Although we have seen growth in complaint volumes, we are seeing higher levels of compliant quality and better decisions to address them in the first instance.

Integrity, conduct and fairness

Safeguarding the financial system

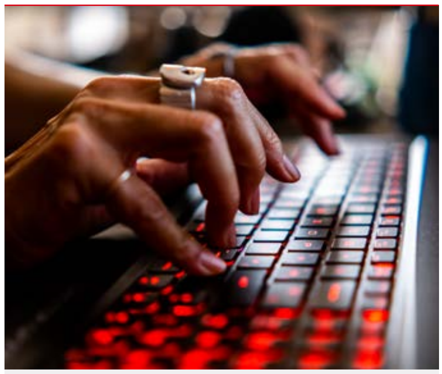
We have continued our efforts to combat financial crime and reduce its impact on our organisation, customers and the communities that we serve. Financial crime includes fraud, bribery and corruption, tax evasion, sanctions and export control violations and evasion, money laundering, terrorist financing and proliferation financing.

We manage financial crime risk because it is the right thing to do to protect our customers, shareholders, staff, the communities in which we operate, as well as the integrity of the financial system on which we all rely. We have a financial crime risk management framework that is applicable across all global businesses and functions, and in all countries and territories in which we operate. The financial crime risk framework, which is overseen by the Board, is supported by our financial crime policy that is designed to enable adherence to applicable laws and regulations globally. Annual global mandatory training is provided to all colleagues, with additional targeted training tailored to certain individuals. We carry out regular risk assessments to identify where we need to respond to evolving financial crime threats, as well as to monitor and test our financial crime risk management programme.

We continue to invest in new technology; we are enhancing our fraud monitoring capability and our trade screening controls, and investing in the application of machine learning to improve the accuracy and timeliness of our detection capabilities.

These new technologies should enhance our ability to respond effectively to unusual activity and be more granular in our risk assessments.

Our anti-bribery and corruption policy
Our global financial crime policy requires that all activity must be: conducted without intent to bribe or corrupt; reasonable and transparent; considered to be neither lavish nor disproportionate to the professional relationship; appropriately documented with business rationale; and authorised at an appropriate level of seniority. Our global financial crime policy requires that we identify and mitigate the risk of our employees, customers and third parties committing bribery or corruption. Among other controls, we use risk assessments, due diligence and ongoing monitoring following a risk-based approach, to identify and help mitigate the risk that our customers are involved in, or use HSBC's products or services, to commit bribery or corruption. In 2024, two former employees of an HSBC subsidiary in China were convicted of bribery-related offences and each received a fine and suspended sentence. The HSBC subsidiary in China self-reported this matter to the police and was not a subject of the police investigation or charges.



The scale of our work

Each month in 2024 we monitored approximately 900 million transactions for signs of financial crime. We performed daily screening of approximately 121 million customer records for sanctions exposure. In 2024, we filed over 113,000 suspicious activity reports to law enforcement and regulatory authorities where we identified potential financial crime.

99%

Total percentage of permanent and non-permanent employees who received financial crime training, including on anti-bribery and corruption.

Whistleblowing

We want colleagues and stakeholders to have confidence in speaking up when they observe unlawful or unethical behaviour. We offer a range of speak-up channels to listen to the concerns of individuals and have a zero tolerance policy for acts of retaliation.

Listening through whistleblowing channels
Our global whistleblowing channel, HSBC Confidential, is one of our speak-up channels, which allows colleagues and other stakeholders to raise concerns confidentially and, if preferred, anonymously (subject to local laws). In most of our markets, HSBC Confidential concerns are raised through an independent third party, offering 24/7 hotlines and a web portal in multiple languages. We also provide and monitor an external email address for concerns about accounting, internal financial controls or auditing matters (accountingdisclosures@hsbc.com). Concerns are investigated proportionately and independently, with action taken where appropriate. This can include disciplinary action, such as dismissal and adjustments to variable pay and performance ratings, or operational actions including changes to policies and procedures.

We continue to actively promote our full range of speak-up channels to colleagues to help ensure their concerns are handled through the most effective route. In 2024, 13% fewer concerns were raised through HSBC Confidential compared with 2023. Of the concerns investigated through the HSBC Confidential channel in 2024, 66% related to individual behaviour and personal conduct, 21% to security and fraud risks, 12% to compliance risks and less than 1% to other categories.

The Group Audit Committee has oversight of the Group's whistleblowing arrangements, and the Chair of the Group Audit Committee acts as HSBC's Whistleblowers' Champion with responsibility for ensuring and overseeing the integrity, independence and effectiveness of the Group's policies and procedures.

Regulatory Compliance sets the whistleblowing policy and procedures, and provides the Group Audit Committee with periodic updates on their effectiveness. Specialist teams and investigation functions own whistleblowing controls, with monitoring in place to determine control effectiveness.

For further details of the role of the Group Audit Committee in relation to whistleblowing, including updates received in 2024 on operational effectiveness, see page 267.

HSBC Confidential concerns raised in 2024:

1,527

(2023: 1,746)

Substantiation rate of concerns investigated through HSBC Confidential in 2024:

35%

(2023: 41%)

A responsible approach to tax

We seek to pay our fair share of tax in all jurisdictions in which we operate, and to minimise the likelihood of customers using our products and services to evade or inappropriately avoid tax. We also abide by international protocols that affect our organisation. Our approach to tax and governance processes is designed to achieve these goals.

Through adoption of the Group's risk management framework, we seek to ensure that we do not adopt inappropriately tax-motivated transactions or products, and that tax planning is scrutinised and supported by genuine commercial activity. HSBC has no appetite for using aggressive tax structures.

With respect to our own taxes, we are guided by the following principles:

- We are committed to applying both the letter and spirit of the law. This includes adherence to a variety of measures arising from the OECD Base Erosion and Profit Shifting initiative including the 'Pillar Two' global minimum tax rules that apply to the Group from 2024. These rules seek to ensure that the Group pays tax at a minimum rate of 15% in each jurisdiction in which it operates. We have identified 14 jurisdictions that may have an effective tax rate below 15% in 2024. We continually monitor the number of active subsidiaries within each jurisdiction as part of our ongoing entity rationalisation programme.
- We seek to ensure that our entities active in nil or low tax jurisdictions have clear business rationale for why they are based in these locations and appropriate transparency over their activities.
- We seek to have open and transparent relationships with all tax authorities. Given the size and complexity of our organisation, which operates across 58 jurisdictions, a number of areas of differing interpretation or disputes with tax authorities exist at any point in time. We cooperate with the relevant local tax authorities to mutually agree and resolve these in a timely manner.

With respect to our customers' taxes, we are guided by the following principles:

- We have made considerable investments to support external tax transparency initiatives and reduce the risk of banking services being used to facilitate customer tax evasion. Initiatives include the US Foreign Account Tax Compliance Act, the OECD Standard for Automatic Exchange of Financial Account Information ('Common Reporting Standard'), and the UK legislation on the corporate criminal offence of failing to prevent the facilitation of tax evasion.
- We implement processes that aim to ensure that inappropriately tax-motivated products and services are not provided to our customers.

Our tax contributions

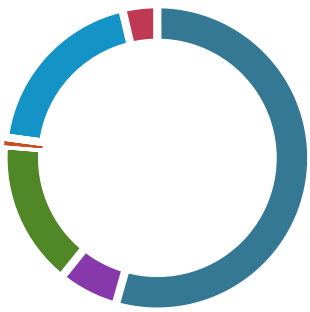
The Group effective tax rate for the year of 22.6% was higher than in the previous year (2023: 19.1%). The effective tax rate for the year increased by 4.8% due to the non-deductible loss in respect of the sale of our business in Argentina, and decreased by 3.6% due to the non-taxable gain on the disposal of HSBC Canada. Further details are provided on page 380.

Tax paid in 2024 is higher than in 2023 mainly because the Hong Kong Inland Revenue Department did not issue HSBC's corporation tax assessments for 2023 until January 2024, at which time they were paid. The equivalent assessments for 2024 were received and paid in December 2024.

The UK bank levy charge for 2024 of $249m was lower than the charge of $339m in 2023, as the charge for 2023 was increased by adjustments arising upon filing prior year returns.

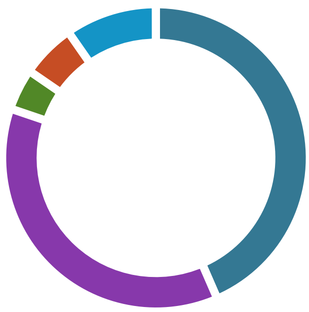
As highlighted below, in addition to paying $9.2bn (2023: $6.8bn) of our own tax liabilities during 2024, we collected taxes of $10.1bn (2023: $10.8bn) on behalf of governments around the world. A more detailed geographical breakdown of the taxes paid in 2024 is provided in the ESG Data Pack.

Taxes paid – by type of tax



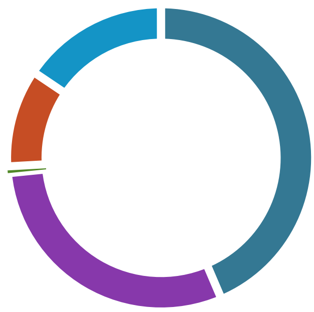
- Tax on profits **$6,080m** (2023: $3,685m)
- Withholding taxes **$667m** (2023: $432m)
- Employer taxes **$1,003m** (2023: $1,052m)
- Bank levy **$135m** (2023: $57m)
- Irrecoverable VAT **$1,098m** (2023: $1,298m)
- Other duties and levies **$229m**[1] (2023: $249m)

Taxes paid – by region



- Europe **$2,780m** (2023: $2,945m)
- Asia-Pacific **$5,020m** (2023: $2,488m)
- Middle East, North Africa and Türkiye **$421m** (2023: $296m)
- North America **$291m** (2023: $389m)
- Latin America **$700m** (2023: $655m)

Taxes collected – by region



- Europe **$4,214m** (2023: $4,714m)
- Asia-Pacific **$3,223m** (2023: $3,226m)
- Middle East, North Africa and Türkiye **$118m** (2023: $77m)
- North America **$1,025m** (2023: $1,119m)
- Latin America **$1,483m** (2023: $1,680m)

1 Other duties and levies includes property taxes of $76m (2023: $91m).

Conduct: Our product responsibilities

Our conduct approach guides us to do the right thing and to focus on the impact we have for our customers and the financial markets in which we operate. It is embedded into the way we design, approve, market and manage products and services, with a focus on five clear outcomes:

– We understand our customers' needs.
– We provide products and services that offer a fair exchange of value.
– We service customers' ongoing needs and put it right if we make a mistake.
– We act with integrity in the financial markets we operate in.
– We operate resiliently and securely to avoid harm to customers and markets.

We train all our colleagues on our approach to customer and market conduct, helping to ensure our conduct outcomes are part of everything we do.

Designing products and services
Our approach to product development is set out in our policies and provides a clear basis on which informed decisions can be made. Our policies require that products must be fit-for-purpose throughout their existence, meeting regulatory requirements and associated conduct outcomes.

Our approach includes:

– designing products to meet identified customer needs;
– managing products through governance processes, helping to ensure they meet customers' needs and deliver a fair exchange of value;
– periodically reviewing products to help ensure they remain relevant and perform in line with expectations we have set; and
– improving, or withdrawing from sale, products which do not meet our customers' needs or no longer meet our high standards.

Meeting our customers' needs
Our policies and procedures set standards to help ensure that we consider and meet customer needs. These include:

– enabling customers to understand the key features of products and services;
– enabling customers to make informed decisions before purchasing a product or service; and
– ensuring processes are in place for the provision of advice to customers.

They help us provide the right outcomes for customers, including those with enhanced care needs. This enables us to support customers who are more vulnerable to external impacts.

Financial promotion
Our policies help to ensure that in the sale of products and services, we use marketing and product materials that support customer understanding and fair customer outcomes. This includes providing information on products and services that is fair, clear and not misleading. We also have controls in place to help ensure our cross-border marketing complies with relevant regulatory requirements.

Product governance
Our product management policy covers the entire lifecycle of the product. This helps ensure that our products meet our requirements before we sell them and allows continued risk-based oversight of product performance against the intended customer outcomes.

When we decide to withdraw a product from sale, we aim to consider the implications for our existing customers and agree actions to help them achieve a fair outcome where appropriate.

Our approach with our suppliers

We maintain global standards and procedures for the onboarding and use of third-party suppliers. We require suppliers to meet our third-party risk compliance standards and assess them to identify any financial stability concerns.

Sustainable procurement
Supporting and engaging with our supply chain is vital to the development of our sustainable procurement processes. In 2024:

– We continued gathering carbon emission data from our suppliers through CDP (formerly the Carbon Disclosure Project) and introduced a new data collection method to simplify and improve our supplier outreach for scope 3 data collection.
– We began implementing decarbonisation plans for our three highest emitting procurement categories: technology; real estate; and professional services. We engaged suppliers on their emissions disclosure plans and carbon reduction targets. We outlined what we expect of our suppliers on these aspects and explored joint opportunities.
– We hosted a Supply Chain Decarbonisation Day with senior managers at HSBC and suppliers to facilitate collaboration and discuss innovative decarbonisation solutions with some of our largest suppliers.
– We have started developing a biodiversity strategy that aims to integrate biodiversity considerations into our procurement practices and define a clear set of requirements for our suppliers.
– Since its launch in 2023, the Supplier Diversity Portal is now live in a number of jurisdictions. Further expansion is planned for 2025 to reach a wider demographic of diverse-owned suppliers (at least 51% owned, managed or controlled by a historically and locally under-represented group). For further details, see www.hsbc.com/who-we-are/esg-and-responsible-business/working-with-suppliers.
– To increase engagement with diverse-owned suppliers, we introduced a development programme. The programme is designed to empower diverse-owned suppliers to effectively engage with large corporations, including HSBC, and supports our ambition to further diversify our supply chain, to represent the communities that we operate in.

Supplier code of conduct
Our supplier code of conduct ('the code') was refreshed in 2024, setting out our ambitions and areas of focus on the environment, diversity and human rights, and outlines the minimum standards we expect of our suppliers on these issues. We continue to formalise adherence to the code with clauses in our supplier contracts, which support the right to audit and act if a breach is discovered. At the end of 2024, 96.7% of approximately 10,200 contracted suppliers had either confirmed adherence to the code or provided their own alternative that was accepted by our Global Procurement function.

For further details of the number of suppliers in each geographical region, see the ESG Data Pack at www.hsbc.com/esg.

Safeguarding data

Data privacy

We are committed to protecting the data we process, in accordance with the laws and regulations of the markets in which we operate.

Our approach rests on having the right talent, technology, systems, controls, policies and processes to ensure appropriate management of privacy risk. Our Group-wide data risk policy and principles provide a consistent global approach to managing data privacy risk, and must be applied by all our global businesses and functions. Our privacy principles are available at www.hsbc.com/who-we-are/esg-and-responsible-business/managing-risk/operational-risk.

We conduct regular employee training and awareness sessions on data privacy and security issues throughout the year. This includes mandatory training that is updated regularly for all our global colleagues, with additional training sessions where needed to keep up to speed with new developments. Where relevant, we encourage our data privacy employees to obtain external accreditation.

We provide transparency to our customers and stakeholders on how we collect, use and manage their personal data, and their associated rights. Where relevant, we work with third parties to help ensure adequate protections are provided, in line with our data risk policy and as required under applicable data privacy laws. We offer a broad range of channels in the markets where we operate, through which customers and stakeholders can raise concerns about the privacy of their data.

Our dedicated privacy teams report to senior management on data privacy risks and issues, and provide oversight for global data privacy programmes. We review data privacy regularly at multiple governance forums, including at Board level, to help ensure there is appropriate oversight by senior executives. Data privacy laws and regulations continue to evolve globally. We continually monitor the regulatory environment to ensure we respond appropriately to any changes.

As part of our three lines of defence model, our Global Internal Audit function provides independent assurance as to whether our data privacy risk management approaches and processes are designed and operating effectively. In addition, we have established data privacy governance structures and continue to embed accountability across all businesses and functions.

We continue to implement industry practices for data privacy and security. Our privacy teams work closely with our data protection officers, industry bodies and research institutions to drive the design, implementation and monitoring of privacy solutions. We conduct regular reviews and privacy risk assessments and continue to develop solutions to strengthen our data privacy controls.

We have procedures to articulate the actions needed to deal with data privacy considerations. These include notifying regulators, customers or other data subjects, as required under applicable privacy laws and regulations, in the event of a reportable incident occurring.

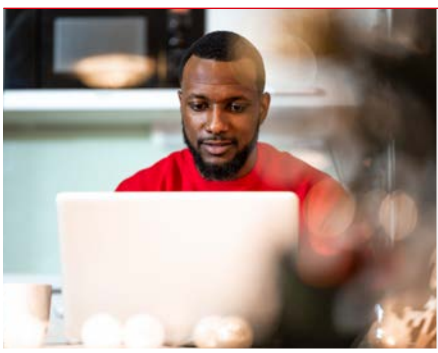
Intellectual property rights practices

We have a Group intellectual property risk policy, supported by controls and guidance, to manage risk relating to intellectual property. This is to help ensure that commercially and strategically valuable intellectual property is identified and protected appropriately, including by applying to register trademarks and patents and enforcing our intellectual property rights against unauthorised use by third parties. Our intellectual property framework also helps us avoid infringement of third-party intellectual property rights, supporting our consistent and effective management of intellectual property risk in line with our risk appetite.

Data Privacy Day

In February 2024, we held a global online event for our colleagues to mark International Data Privacy Day. The event was hosted by our Global Head of Data Legal, in collaboration with the International Association of Privacy Professionals.

The discussion focused on key developments in the data privacy landscape for 2024 and beyond, including the impact of digital entropy and rapidly evolving AI-related advancements. This was followed by a Q&A with the audience to encourage further dialogue.



Responsible AI

Artificial intelligence ('AI') and other emerging technologies provide the opportunity to process and analyse data at a depth and breadth not previously possible. While these technologies offer significant potential benefits for our customers, they also pose potential ethical risks for the financial services industry and society as a whole. We have a set of principles to help ensure we consider and address the ethical issues that could arise. HSBC's Principles for the Ethical Use of Data and Artificial Intelligence are available at www.hsbc.com/ai.

We continue to develop and enhance our approach to, and oversight of, AI, taking into consideration the fast-evolving regulatory landscape, market developments and best practice.

Cybersecurity

The threat of a cyber incident remains a concern for our organisation, as it does across the financial sector and other industries. As cyber-threats continue to evolve, failure to protect our operations may result in disruption for our customers and our business, cause financial loss or loss of sensitive data, and can have a negative impact on our customers' and our own reputation, among other risks.

We continue to monitor ongoing geopolitical events and changes to the cyber-threat landscape and take proactive measures with the aim of reducing any impact on our customers.

Prevent, detect and mitigate

We invest in business and technical controls to help prevent, detect and mitigate cyber threats. Our cybersecurity controls follow a 'defence in depth' approach, leveraging multiple security layers, and recognising the complexity of our environment. Our ability to detect and respond to attacks through round-the-clock security operations centre capabilities is intended to help reduce the impact of attacks.

Our cyber intelligence and threat analysis team proactively collects and analyses internal and external cyber information to continuously evaluate threat levels for the most prevalent attack types and their potential outcomes. We actively participate in the broader cyber intelligence community, including by sharing technical expertise in investigations, alongside others in the financial services industry and government agencies around the world.

In 2024, we continued our programme of continual improvement to further strengthen our cyber defences and enhance our cybersecurity capabilities to help reduce the likelihood and impact of unauthorised access, security vulnerabilities being exploited, data leakage, third-party security exposure and advanced malware. One key area of focus is the increasing use of AI, which could be used to facilitate sophisticated cyber-attacks. We are enhancing governance processes to manage potential cybersecurity risks, along with accelerating the potential this technology brings.

We work with third parties, including suppliers, financial infrastructure bodies and other non-traditional third parties, in an effort to help reduce the threat of cyber-attacks impacting our business services.

We have a third-party security risk management process in place to assess, identify and manage the risks associated with cybersecurity threats with supplier and other third-party relationships. The process includes risk-based cybersecurity due diligence reviews that assess third parties' cybersecurity programmes against our standards and requirements.

Policy and governance

We have a robust suite of cybersecurity policies, procedures, and key controls to help with the effective oversight and management of the organisation. This includes but is not limited to defined information security responsibilities for employees, contractors and third parties, as well as standard procedures for cyber incident identification, investigation, mitigation and reporting. We operate a three lines of defence model, aligned to the enterprise risk management framework, to help oversight and challenge of our cybersecurity capabilities and priorities. Within the first line of defence, risk owners within global business and functions are accountable for identifying and managing cyber risk. They work with cybersecurity control owners to apply risk treatment in line with our risk appetite. Our controls are designed to be executed in line with our policies and are reviewed and challenged by our risk stewards representing the second line of defence. They are independently assured by the Global Internal Audit function, the third line of defence.

The assessment and management of our cybersecurity risk is led and coordinated by a Global Chief Information Security Officer ('CISO'). Our Global CISO has extensive experience in financial services, security and resilience as well as strategy, governance, risk management and regulatory compliance. The Global CISO is supported by regional and business-level CISOs. In the event of incidents, the Global CISO and relevant supporting CISOs are informed and are engaged in alignment with our cybersecurity incident response protocols.

Key performance indicators, control effectiveness and other matters related to cybersecurity, including significant cyber incidents, are presented on a regular basis to various management risk and control committees including to Board committees, the Group Risk Management Meeting and across global businesses, functions and regions. This is done to help ensure ongoing awareness and management of our cybersecurity position.

Our cybersecurity capabilities are periodically assessed against standards issued by the National Institute of Standards and Technology and by independent third parties, and we proactively collaborate with regulators to participate in regular testing activities. In addition, HSBC engages external independent third parties to support our penetration and threat-led penetration testing.

Cyber training and awareness

We understand the important role our people play in protecting against cybersecurity threats. Our aim is to equip every colleague with the appropriate tools and behaviours they need to keep our organisation and customers' data safe. We provide cybersecurity training and awareness to all our people, ranging from our top executives to IT developers to front-line branch staff around the world, and we deliver targeted training to staff that are identified as having elevated cyber risk exposure.

Boosting gender representation in cybersecurity

To help address barriers to opportunity, HSBC Cybersecurity has been working to increase the representation of women in emerging talent via a variety of initiatives across 2024. These include:

- Sponsoring the CyberFirst Girls Competition for the second consecutive year, aimed at inspiring girls interested in technology to pursue a career in cybersecurity.
- Providing cybersecurity work-shadowing opportunities to undergraduates who are part of the UK-based Women in Technology programme.
- Cybersecurity colleagues have hosted a range of events with university students in Poland, Mexico, mainland China, India and the UK.

We host an annual Cyber Awareness Month for all colleagues, covering topics such as online safety at home, social media safety, safe hybrid working, and cyber incidents and response. Our dedicated cybersecurity training and awareness team also provides a wide range of education and guidance to both customers and our colleagues about how to spot and prevent online fraud.

Financial review

The financial review gives detailed reporting of our financial performance at Group level as well as across the global businesses we reported on in 2024 and legal entities.

Hong Kong, 1980s. Serving Our Customers.

Financial summary

Contents

Key financial measures: basis of preparation

Return on average tangible equity excluding notable items

From 1 January 2024, we revised the adjustments made to our adjusted RoTE measure. Prior to this, we adjusted RoTE for the impact of strategic transactions and the impairment of our investment in Bank of Communications Co., Limited ('BoCom'), whereas from 1 January 2024 we have excluded all notable items. This was intended to improve alignment with the treatment of notable items in our other income statement disclosures. The calculation for RoTE excluding notable items, adjusts the 'profit attributable to the ordinary shareholders, excluding goodwill and other intangible assets impairment' for the post-tax impact of notable items. It also adjusts the 'average tangible equity' for the post-tax impact of notable items in each period, which remain as adjusting items for all relevant periods within that calendar year. For a reconciliation from return on equity ('RoE') to RoTE excluding notable items, see page 122.

We do not reconcile our forward RoTE guidance to the equivalent reported measure.

Banking net interest income

Banking net interest income ('banking NII') adjusts our NII, primarily for the impact of funding trading and fair value activities reported in interest expense. It represents the Group's banking revenue that is directly impacted by changes in interest rates.

We use this measure to determine the deployment of our surplus funding, and to help optimise our structural hedging and risk management actions. For more information on banking NII, see page 91.

Target basis operating expenses

Target basis operating expenses is computed by excluding the direct cost impact of our France retail banking operations and Canada banking business disposals from the 2023 baseline. It is measured on a constant currency basis and excludes notable items and the impact of retranslating the prior year results of hyperinflationary economies at constant currency, which we consider to be outside of our control. We consider target basis operating expenses to provide useful information to investors by quantifying and excluding the notable items that management considered when setting and assessing cost-related targets. For a reconciliation from reported operating expenses to target basis operating expenses, see page 124.

In 2024, we targeted operating expenses growth on a target basis of approximately 5% compared with 2023. This target reflected our business plan for 2024, which included an increase in staff compensation, higher spend and investment in technology for growth and efficiency, in part mitigated by cost savings from actions taken during 2023.

We are targeting growth in target basis operating expenses of approximately 3% in 2025 compared with 2024. Our target basis operating expenses for 2025 excludes the direct cost impact of the business disposals in Canada and Argentina, notable items and the impact of retranslating the prior year results of hyperinflationary economies at constant currency.

Our cost target includes the impact of simplification-related saves associated with our announced reorganisation, see page 98, which aims to generate approximately $0.3bn of cost reductions in 2025. To deliver these reductions, we plan to incur severance and other up-front costs of $1.8bn over 2025 and 2026, which will be classified as notable items.

We do not reconcile our forward target basis operating expenses guidance to the reported operating expenses.

Dividend payout ratio target basis

We established a dividend payout ratio target basis of 50% for 2023 and 2024, and we continue to target a payout ratio target basis of 50% for 2025. For the purposes of computing our dividend payout ratio target basis, we exclude from earnings per share material notable items and related impacts. Material notable items are components of our income statement that management would consider as outside the normal course of business and generally non-recurring in nature, which are excluded from our dividend payout ratio calculation and our earnings per share measure, along with related impacts.

Material notable items are a subset of notable items for which categorisation is dependent on the nature of each item in conjunction with the financial impact on the Group's income statement. They comprise the impacts of the sales of our banking business in Canada and our retail banking operations in France, the gain following the acquisition of SVB UK, the impacts of the sale of our business in Argentina and the impairment of BoCom. We also exclude HSBC Bank Canada's financial results from the 30 June 2022 net asset reference date until completion, as the gain on sale was recognised through a combination of the consolidation of HSBC Bank Canada's results in the Group's results since this date, and the remaining gain on sale recognised at completion, inclusive of the recycling of related reserves and fair value gains on related hedges. Following the completion of the sale of our banking business in Canada, the Board approved a special dividend of $0.21 per share, which was paid in June 2024, alongside the first interim dividend.

For a reconciliation of basic earnings per share to basic earnings per share excluding material notable items and related impacts, see page 125. We do not reconcile our forward dividend payout ratio target basis guidance to the reported dividend payout ratio.

Use of alternative performance measures

Our reported results are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IFRS Accounting Standards'), as detailed in the financial statements starting on page 341.

To measure our performance, we supplement our IFRS Accounting Standards figures with non-IFRS Accounting Standards measures, which constitute alternative performance measures under European Securities and Markets Authority guidance and non-GAAP financial measures defined in and presented in accordance with US Securities and Exchange Commission rules and regulations. These measures include those derived from our reported results that eliminate factors distorting year-on-year comparisons. The 'constant currency performance' measure used throughout this report is described below. Definitions and calculations of other alternative performance measures are included in our 'Reconciliation of alternative performance measures' on page 120. Also, the insurance-specific non-GAAP measure 'Insurance equity plus CSM net of tax', is provided on page 106, along with its definition and reconciliation to the GAAP measure. All alternative performance measures are reconciled to the closest reported performance measure.

The global business segmental results are presented on a constant currency basis in accordance with IFRS 8 'Operating Segments' as detailed in Note 10 'Segmental analysis' on page 383.

Constant currency performance

Constant currency performance is computed by adjusting reported results for the effects of foreign currency translation differences, which distort year-on-year comparisons.

We consider constant currency performance to provide useful information for investors by aligning internal and external reporting, and reflecting how management assesses year-on-year performance.

Notable items and material notable items

We separately disclose 'notable items', which are components of our income statement that management would consider as outside the normal course of business and generally non-recurring in nature.

Certain notable items are classified as 'material notable items', which are a subset of notable items. Categorisation as a material notable item is dependent on the nature of each item in conjunction with the financial impact on the Group's income statement. We exclude material notable items when computing our dividend payout ratio target basis. Material notable items currently comprise the sale of our retail operations in France and our banking business in Canada, the sale of our business in Argentina, the acquisition of SVB UK and the impairment of our investment in BoCom.

The tables on pages 99 to 101 and pages 113 to 118 detail the effects of notable items on each of our global business segments, legal entities and selected countries/territories in 2024, 2023 and 2022.

Impact of strategic transactions

To aid the understanding of our results, we separately disclose the impact of strategic transactions classified as material notable items on the results of the Group and our global businesses. At 31 December 2024, strategic transactions classified as material notable items in current and comparative periods comprise the disposal of our retail banking operations in France, the disposal of our banking business in Canada, the sale of our business in Argentina and the acquisition of SVB UK.

The impacts of strategic transactions include the gains or losses on classification to held for sale or on acquisition and all other related notable items. They also include the distorting impact between the periods of the operating income statement results related to acquisitions and disposals that affect period-on-period comparisons. This is computed by including the operating income statement results of each business in any period for which there are no results in the comparative period. We consider the monthly impacts of distorting income statement results when calculating the impact of strategic transactions.

See page 102 for supplementary analysis of the impact of strategic transactions.

Constant currency revenue and profit before tax excluding notable items

We separately report 'constant currency revenue excluding notable items' and 'constant currency profit before tax excluding notable items', which exclude the impact of notable items and the impact of foreign exchange translation. We consider this measure to provide useful information to investors as it removes items which distort period-on-period comparisons.

For a reconciliation of 'constant currency revenue excluding notable items' and 'constant currency profit before tax excluding notable items' to reported revenue and reported profit respectively, see page 122.

Constant currency revenue and profit before tax excluding notable items and the impact of strategic transactions

To aid the understanding of our results, we separately disclose 'constant currency revenue excluding notable items and the impact of strategic transactions' and 'constant currency profit before tax excluding notable items and the impact of strategic transactions'. This measure excludes the impact of strategic transactions classified as material notable items from constant currency revenue and profit before tax excluding notable items. At 31 December 2024, strategic transactions classified as material notable items comprise the disposal of our retail banking operations in France, our banking business in Canada, the sale of our business in Argentina and the acquisition of SVB UK.

The impacts quoted include the gains or losses on classification to held for sale or acquisition and all other related notable items. They also include the distorting impact between the periods of the operating income statement results related to acquisitions and disposals that affect period-on-period comparisons. It is computed by including the operating income statement results of each business in any period for which there are no results in the comparative period. We consider the monthly impacts of distorting income statement results when calculating the impact of strategic transactions.

For a reconciliation of 'constant currency revenue excluding notable items and the impact of strategic transactions' and 'constant currency profit before tax excluding notable items and the impact of strategic transactions' to reported revenue and reported profit respectively, see page 122.

Foreign currency translation differences

Foreign currency translation differences reflect the movements of the US dollar against most major currencies during 2024.

We exclude them to derive constant currency data, allowing us to assess balance sheet and income statement performance on a like-for-like basis and to better understand the underlying trends in the business.

Foreign currency translation differences for 2024 are computed by retranslating into US dollars for non-US dollar branches, subsidiaries, joint ventures and associates:

- the income statements for 2023 and 2022 at the average rates of exchange for 2024; and
- the balance sheets at 31 December 2023 and 31 December 2022 at the prevailing rates of exchange on 31 December 2024.

No adjustment has been made to the exchange rates used to translate foreign currency-denominated assets and liabilities into the functional currencies of any HSBC branches, subsidiaries, joint ventures or associates. The constant currency data of our operations in Argentina and Türkiye has not been adjusted further for the impacts of hyperinflation.

When reference is made to foreign currency translation differences in tables or commentaries, comparative data reported in the functional currencies of HSBC's operations have been translated at the appropriate exchange rates applied in the current period on the basis described above.

Insurance metrics no longer reported

Insurance manufacturing value of new business and Insurance manufacturing proxy embedded value were previously presented as non-GAAP performance measures. The Group continues to review its use of non-GAAP performance measures following implementation of IFRS 17 and has now discontinued the reporting of these measures. Instead 'New business CSM' is now management's key new-business performance measure, and 'Equity plus CSM net of tax' is considered a measure of entity value more closely aligned with IFRS 17.

Impact of hyperinflationary accounting

During 2024, we continued to treat Argentina and Türkiye as hyperinflationary economies for accounting purposes. The impact of applying IAS 29 'Financial Reporting in Hyperinflationary Economies' and the hyperinflation provisions of IAS 21 'The Effects of Changes in Foreign Exchange Rates' for our operations in both Argentina and Türkiye was a decrease in the Group's profit before tax of $917m (2023: $1,297m), comprising a decrease in revenue, including loss on net monetary position, of $840m (2023: $1,586m) and an increase in ECL and operating expenses of $77m (2023: decrease of $289m). These numbers reflect an increase in the consumer price index ('CPI') of 3,915.03 (2023: 2,429.13 increase) for Argentina and 825.55 (2023: 730.89 increase) for Türkiye. We have now completed the sale of our business in Argentina, so there will be no impact in 2025 of hyperinflation in this market, although comparative data will include the impact of hyperinflation.

Critical estimates and judgements

The results of HSBC reflect the choice of accounting policies, assumptions and estimates that underlie the preparation of HSBC's consolidated financial statements. The material accounting policies, including the policies which include critical estimates and judgements, are described in Note 1.2 on the financial statements. The accounting policies listed below are highlighted as they involve a high degree of uncertainty and have a material impact on the financial statements:

- Impairment of amortised cost financial assets and financial assets measured at fair value through other comprehensive income ('FVOCI'): The most significant judgements relate to defining what is considered to be a significant increase in credit risk, determining the lifetime and point of initial recognition of revolving facilities, selecting and calibrating the probability of default ('PD'), the loss given default ('LGD') and the exposure at default ('EAD') models, as well as selecting model inputs and economic forecasts, making assumptions and estimates to incorporate relevant information about late-breaking and past events, current conditions and forecasts of economic conditions, and selecting applicable recovery strategies for certain wholesale credit-impaired loans. A high degree of uncertainty is involved in making estimations using assumptions that are highly subjective and very sensitive to the risk factors. See Note 1.2(i) on page 359.
- Deferred tax assets: The most significant judgements relate to those made in respect of recoverability, which are based on expected future profitability. See Note 1.2(l) on page 364.
- Valuation of financial instruments: In determining the fair value of financial instruments a variety of valuation techniques are used, some of which feature significant unobservable inputs and are subject to substantial uncertainty. See Note 1.2(c) on page 357.
- Impairment of investment in subsidiaries: Impairment testing, including testing for reversal of impairment, involves significant judgement in determining the value in use, and in particular estimating the present values of cash flows expected to arise from continuing to hold the investment, based on a number of management assumptions. See Note 1.2(a) on page 354.
- Impairment of interests in associates: Impairment testing, including testing for reversal of impairment, involves significant judgement in determining the value in use, and in particular estimating the present values of cash flows expected to arise from continuing to hold the investment, based on a number of management assumptions. The most significant judgements relate to the impairment testing of our investment in Bank of Communications Co., Limited ('BoCom'). See Note 1.2(a) on page 354.
- Impairment of goodwill and non-financial assets: A high degree of uncertainty is involved in estimating the future cash flows of the cash-generating units ('CGUs') and the rates used to discount these cash flows. See Note 1.2(a) on page 354 and Note 1.2(n) on page 365.
- Provisions: Significant judgement may be required due to the high degree of uncertainty associated with determining whether a present obligation exists, and estimating the probability and amount of any outflows that may arise. See Note 1.2(m) on page 364.
- Post-employment benefit plans: The calculation of the defined benefit pension obligation involves the determination of key assumptions including discount rate, inflation rate, pension payments and deferred pensions, pay and mortality. See Note 1.2(k) on page 363.

Given the inherent uncertainties and the high level of subjectivity involved in the recognition or measurement of the items above, it is possible that the outcomes in the next financial year could differ from the expectations on which management's estimates are based, resulting in the recognition and measurement of materially different amounts from those estimated by management in these financial statements.

Consolidated income statement

Summary consolidated income statement

	2024	2023	2022[1]	2021	2020
	$m	$m	$m	$m	$m
Net interest income	**32,733**	35,796	30,377	26,489	27,578
Net fee income	**12,301**	11,845	11,770	13,097	11,874
Net income from financial instruments held for trading or managed on a fair value basis[2]	**21,116**	16,661	10,278	7,744	9,582
Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	**5,901**	7,887	(13,831)	4,053	2,081
Net insurance premium income	**—**	—	—	10,870	10,093
Insurance finance (expense)/income	**(5,978)**	(7,809)	13,799	—	—
Insurance service result	**1,310**	1,078	809	—	—
Gain on acquisition[3]	**—**	1,591	—	—	—
Gains/(losses) recognised on sale of business operations[4]	**(1,752)**	(61)	(2,678)	—	—
Other operating income/(expense)[5]	**223**	(930)	96	1,687	1,866
Total operating income	**65,854**	66,058	50,620	63,940	63,074
Net insurance claims and benefits paid and movement in liabilities to policyholders	**—**	—	—	(14,388)	(12,645)
Net operating income before change in expected credit losses and other credit impairment charges[6]	**65,854**	66,058	50,620	49,552	50,429
Change in expected credit losses and other credit impairment charges	**(3,414)**	(3,447)	(3,584)	928	(8,817)
Net operating income	**62,440**	62,611	47,036	50,480	41,612
Total operating expenses excluding impairment of goodwill and other intangible assets	**(32,966)**	(32,355)	(32,554)	(33,887)	(33,044)
(Impairment)/reversal of impairment of goodwill and other intangible assets	**(77)**	285	(147)	(733)	(1,388)
Operating profit	**29,397**	30,541	14,335	15,860	7,180
Share of profit in associates and joint ventures	**2,912**	2,807	2,723	3,046	1,597
Impairment of interest in associate	**—**	(3,000)	—	—	—
Profit before tax	**32,309**	30,348	17,058	18,906	8,777
Tax expense	**(7,310)**	(5,789)	(809)	(4,213)	(2,678)
Profit for the year	**24,999**	24,559	16,249	14,693	6,099
Attributable to:					
– ordinary shareholders of the parent company	**22,917**	22,432	14,346	12,607	3,898
– preference shareholders of the parent company	**—**	—	—	7	90
– other equity holders	**1,062**	1,101	1,213	1,303	1,241
– non-controlling interests	**1,020**	1,026	690	776	870
Profit for the year	**24,999**	24,559	16,249	14,693	6,099

Five-year financial information

	2024	2023	2022[1]	2021	2020
	$	$	$	$	$
Basic earnings per share	**1.25**	1.15	0.72	0.62	0.19
Diluted earnings per share	**1.24**	1.14	0.72	0.62	0.19
Dividends per ordinary share (paid in the period)[7]	**0.82**	0.53	0.27	0.22	—
	%	%	%	%	%
Dividend payout ratio[8]	**50**	50	44	40	79
Post-tax return on average total assets	**0.8**	0.8	0.5	0.5	0.2
Return on average ordinary shareholders' equity	**13.6**	13.6	9.0	7.1	2.3
Return on average tangible equity	**14.6**	14.6	10.0	8.3	3.1
Effective tax rate	**22.6**	19.1	4.7	22.3	30.5

1 From 1 January 2023, we adopted IFRS 17 'Insurance Contracts', which replaced IFRS 4 'Insurance Contracts'. Comparative data for the financial year ended 31 December 2022 have been restated accordingly. Comparative data for the years ended 31 December 2021 and 2020 are prepared on an IFRS 4 basis.
2 Includes a $255m gain (2023: $315m loss) on the foreign exchange hedging of the proceeds from the sale of our banking business in Canada and a $114m mark-to-market gain (2023:nil) on interest rate hedging of the portfolio of retained loans post sale of our retail banking business in France.
3 Gain recognised in respect of the acquisition of SVB UK.
4 This line item has been updated to include amounts from Other operating income relating to all sales of business operations; in the 2023 Annual Report and Accounts, this line item only reflected the disposal of our France retail banking business. The amount in 2024 includes a $1.0bn loss on disposal and a $5.2bn loss on the recycling in foreign currency translation reserve losses and other reserves arising on sale of our business in Argentina. This was partly offset by a gain of $4.6bn, inclusive of the recycling of $0.6bn in foreign currency translation reserve losses and $0.4bn of other reserves losses but excluding the $255m gain on the foreign exchange hedging (see footnote 2 above) on the sale of our banking business in Canada. The amount in 2023 primarily reflected losses due to restrictions impacting the recoverability of assets in Russia, partly offset by a gain on sale of our retail banking operations in France. The amount in 2022 included losses from classifying businesses as held for sale as part of a broader restructuring of our European business.
5 Other operating (expense)/income includes a loss on net monetary positions of $1,187m (2023: $1,667m; 2022: $678m) as a result of applying IAS 29 'Financial Reporting in Hyperinflationary Economies'.
6 Net operating income before change in expected credit losses and other credit impairment charges also referred to as revenue.
7 Includes dividend paid during the period, which consisted of a fourth interim dividend of $0.31 per ordinary share in respect of the financial year ended 31 December 2023 paid in April 2024 and the first, second and third interim dividends of $0.30 per ordinary share in respect of the financial year ending 31 December 2024. In addition, a special dividend of $0.21 per ordinary share from the Canada sale proceeds was paid in June 2024 along with the first interim dividend.
8 In 2024 and 2023, our dividend payout ratio was adjusted for material notable items and related impacts. In 2022, our dividend payout ratio was adjusted for the loss on classification to held for sale of our retail banking business in France, items relating to the sale of our banking business in Canada, and the recognition of certain deferred tax assets. No items were adjusted for in 2021 and 2020.

- Unless stated otherwise, all tables are presented on a reported basis.
- For a summary of our financial performance in 2024, see page 27.
- For further financial performance data for each global business and legal entity, see pages 98 to 102 and 110 to 120 respectively. The global business segmental results are presented on a constant currency basis in accordance with IFRS 8 'Operating Segments' as set out in Note 10: Segmental analysis on page 383.

Income statement commentary

The following commentary compares Group financial performance for the year ended 2024 with 2023, unless otherwise stated.

Net interest income

	Year ended			Quarter ended		
	31 Dec 2024	31 Dec 2023	31 Dec 2022	**31 Dec 2024**	30 Sep 2024	31 Dec 2023
	$m	$m	$m	**$m**	$m	$m
Interest income	**108,631**	100,868	52,826	**26,004**	27,255	26,714
Interest expense	**(75,898)**	(65,072)	(22,449)	**(17,819)**	(19,618)	(18,430)
Net interest income	**32,733**	35,796	30,377	**8,185**	7,637	8,284
Average interest-earning assets	**2,099,285**	2,161,746	2,143,758	**2,113,276**	2,088,100	2,164,324
	%	%	%	**%**	%	%
Gross interest yield[1]	**5.17**	4.67	2.46	**4.90**	5.19	4.90
Less: gross interest payable[1]	**(3.95)**	(3.47)	(1.24)	**(3.60)**	(4.07)	(3.83)
Net interest spread[2]	**1.22**	1.20	1.22	**1.30**	1.12	1.07
Net interest margin[3]	**1.56**	1.66	1.42	**1.54**	1.46	1.52

1 Gross interest yield is the average annualised interest rate earned on average interest-earning assets ('AIEA'). Gross interest payable is the average annualised interest cost as a percentage of average interest-bearing liabilities.
2 Net interest spread is the difference between the average annualised interest rate earned on AIEA, net of amortised premiums and loan fees, and the average annualised interest rate payable on average interest-bearing funds.
3 Net interest margin is net interest income expressed as an annualised percentage of AIEA.

Summary of interest income by type of asset

	2024			2023			2022		
	Average balance	**Interest income**	**Yield**	Average balance	Interest income	Yield	Average balance	Interest income	Yield
	$m	**$m**	**%**	$m	$m	%	$m	$m	%
Short-term funds and loans and advances to banks	**349,517**	**14,727**	**4.21**	403,674	14,770	3.66	445,659	5,577	1.25
Loans and advances to customers	**949,825**	**49,879**	**5.25**	957,717	47,673	4.98	1,022,320	32,543	3.18
Reverse repurchase agreements – non-trading[1]	**238,694**	**17,721**	**7.42**	240,263	14,391	5.99	231,058	4,886	2.11
Financial investments	**470,182**	**20,587**	**4.38**	407,363	16,858	4.14	372,702	7,704	2.07
Other interest-earning assets	**91,067**	**5,717**	**6.28**	152,729	7,176	4.70	72,019	2,116	2.94
Total interest-earning assets	**2,099,285**	**108,631**	**5.17**	2,161,746	100,868	4.67	2,143,758	52,826	2.46

Summary of interest expense by type of liability

	2024			2023			2022		
	Average balance	**Interest expense**	**Cost**	Average balance	Interest expense	Cost	Average balance	Interest expense	Cost
	$m	**$m**	**%**	$m	$m	%	$m	$m	%
Deposits by banks[2]	**66,405**	**2,930**	**4.41**	60,392	2,401	3.98	75,739	770	1.02
Customer accounts[3]	**1,385,840**	**40,173**	**2.90**	1,334,803	34,162	2.56	1,342,342	10,903	0.81
Repurchase agreements – non-trading[1]	**187,337**	**15,617**	**8.34**	146,605	10,858	7.41	118,308	3,085	2.61
Debt securities in issue – non-trading	**196,440**	**12,806**	**6.52**	184,867	11,223	6.07	179,775	5,607	3.12
Other interest-bearing liabilities	**84,773**	**4,372**	**5.16**	146,216	6,428	4.40	87,965	2,084	2.37
Total interest-bearing liabilities	**1,920,795**	**75,898**	**3.95**	1,872,883	65,072	3.47	1,804,129	22,449	1.24

1 The average balances for repurchase and reverse repurchase agreements include net amounts where the criteria for offsetting are met, resulting in a lower net balance reported for repurchase agreements and thus higher cost.
2 Including interest-bearing bank deposits only.
3 Including interest-bearing customer accounts only.

Net interest income ('NII') for 2024 was $32.7bn, a decrease of $3.1bn or 9% compared with 2023. The decrease included a $2.7bn reduction mainly due to the redeployment of our commercial surplus to net trading and fair value assets, for which the associated revenue is reported in 'net income on financial instruments held for trading or managed on a fair value basis'. The fall also reflected a $1.0bn loss due to the disposal of our business in Canada and a $0.2bn loss in 2024 related to the early redemption of legacy securities. NII in HSBC UK grew by $0.6bn, including the benefit of our structural hedge and balance sheet growth, partly offset by mortgage pricing pressures. There was also higher NII in Markets Treasury due to reinvestments in our portfolio at higher yields. Excluding the unfavourable impact of foreign currency translation differences, net interest income decreased by $1.4bn or 4%. NII for the fourth quarter of 2024 was $8.2bn, up 7% compared with the previous quarter, and down 1% compared with the fourth quarter of 2023. The increase compared with 3Q24 was predominantly driven by the non-recurrence of the adverse impact in 3Q24 from the early redemption of legacy securities. The decline in NII compared with 4Q23 was predominantly driven by the impact of lower AIEA.

Net interest margin ('NIM') for 2024 of 1.56% was 10bps lower compared with 2023, reflecting redeployment of our commercial surplus to net trading and fair value assets, and higher interest expense due to higher market rates and an adverse impact of $0.2bn from the early redemption of legacy securities. The decrease in NIM in 2024 included the unfavourable impact of foreign currency translation differences. Excluding this, NIM decreased by 6bps. NIM for the fourth quarter of 2024 was 1.54%, up 8bps compared with the previous quarter, and up 2bps compared with the fourth quarter of 2023. The increase against the previous quarter was primarily due to the non-recurrence of the adverse impact from the early redemption of legacy securities. The year-on-year increase was predominantly driven by HSBC UK.

Interest income for 2024 of $108.6bn increased by $7.8bn compared with 2023, primarily due to an increase in market interest rates.

Interest income of $26bn in the fourth quarter of 2024 was down $1.3bn compared with the previous quarter, and down $0.7bn compared with the fourth quarter of 2023. Both the declines were primarily due to lower market interest rates.

The change in interest income in 2024 compared with 2023 included an adverse impact of foreign currency translation differences of $2.7bn. After excluding foreign currency translation differences, interest income increased by $10.5bn.

Interest expense for 2024 of $75.9bn increased by $10.8bn compared with 2023, primarily due to an increase in market interest rates, growth in customer accounts with higher proportion for term deposits and the impact of the early redemption of legacy securities.

The rise in interest expense included the favourable effects of foreign currency translation differences of $1.1bn. Excluding this, interest expense increased by $11.9bn.

Interest expense of $17.8bn in the fourth quarter of 2024 was $1.8bn and $0.6bn lower compared with the third quarter of 2024 and the fourth quarter of 2023 respectively. The decrease against the previous quarter was due to the non-recurrence of an adverse impact from the early redemption of legacy securities. The year-on-year decline was primarily due to lower market interest rates.

Banking net interest income

	Year ended		Quarter ended		
	31 Dec 2024	31 Dec 2023	**31 Dec 2024**	30 Sep 2024	31 Dec 2023
	$m	$m	**$m**	$m	$m
Net interest income	**32,733**	35,796	**8,185**	7,637	8,284
Banking book funding costs used to generate 'net income from financial instruments held for trading or managed on a fair value basis'	**11,434**	8,744	**2,874**	3,051	2,542
Third-party net interest income from insurance	**(429)**	(445)	**(109)**	(104)	(109)
Banking net interest income	**43,738**	44,095	**10,950**	10,584	10,717
– of which:					
The Hongkong and Shanghai Banking Corporation Limited	**21,691**	22,024	**5,464**	5,475	5,566
HSBC UK Bank plc	**10,368**	9,684	**2,663**	2,643	2,455
HSBC Bank plc	**4,630**	4,596	**1,182**	1,152	1,205

Banking net interest income is an alternative performance measure, and is defined as Group reported net interest income after deducting:

- the internal cost to fund trading and fair value net assets for which associated revenue is reported in 'Net income from financial instruments held for trading or managed on a fair value basis', also referred to as 'trading and fair value income'. These funding costs reflect proxy overnight or term interest rates as applied by internal funds transfer pricing;
- the funding costs of foreign exchange swaps in Markets Treasury, where an offsetting income or loss is recorded in trading and fair value income. These instruments are used to manage foreign currency deployment and funding in our entities; and
- third-party net interest income in our insurance business.

In our segmental disclosures, the funding costs of trading and fair value net assets are predominantly recorded in GBM in 'net income from financial instruments held for trading or managed on a fair value basis'. On consolidation, this funding is eliminated in Corporate Centre, resulting in an increase in the funding costs reported in NII with an equivalent offsetting increase in 'net income from financial instruments held for trading or managed on a fair value basis' in this segment. In the consolidated Group results, the cost to fund these trading and fair value net assets is reported in NII.

Banking NII was $43.7bn in 2024. The funding costs associated with generating trading and fair value income were $11.4bn, an increase of $2.7bn compared with 2023, primarily reflecting redeployment of our commercial surplus to net trading and fair value assets. Banking NII also deducts third-party NII related to our insurance business, which was $0.4bn, stable compared with 2023. The movement in banking NII also included a reduction from the disposal of our business in Canada of $1.0bn, a $0.2bn loss in 2024 related to the early redemption of legacy securities and from higher interest expense on deposits in part due to balance growth. Banking NII in HSBC UK grew by $0.7bn, including the benefit of our structural hedge and balance sheet growth, partly offset by mortgage pricing pressures. There was higher NII in Markets Treasury due to reinvestments in our portfolio at higher yields.

The internally allocated funding to generate trading and fair value income was approximately $200bn at 31 December 2024, a rise of approximately $37bn since 31 December 2023, although it decreased by approximately $9bn during 4Q24. This relates to trading, fair value and associated net asset balances predominantly in GBM. The increase reflected management decisions on the deployment of our commercial surplus.

Net fee income of $12.3bn was $0.5bn or 4% higher than in 2023, and included an adverse impact from foreign currency translation differences of $0.2bn, as well as a reduction of $0.4bn due to the impact of the disposal of our banking business in Canada. On a constant currency basis, net fee income was $0.6bn higher, driven by an increase in WPB, while a smaller rise in GBM was offset by a reduction in CMB.

In WPB, net fee income increased by $0.6bn. The rise was mainly due to higher income from unit trusts, broking income and funds under management, including in Hong Kong. This reflected stronger equity markets and improved customer sentiment. Cards income grew, including in our main entity in Mexico, as customer spending increased, as well as in our legal entities in Asia, which mitigated the reduction from the disposal of our banking business in Canada. The growth in cards activity resulted in a corresponding rise in fee expense.

In GBM, net fee income was stable, including an adverse impact of foreign currency translation of $42m. There was higher broking and underwriting income in our main entity in Europe, although this was partly offset by a rise in associated fee expense. In addition, there was higher fee expense relating to broking and custody, as well as intercompany fee expenses incurred on behalf of other global businesses.

In CMB, net fee income decreased by $0.1bn driven by lower fees from credit facilities, notably due to the disposal of our banking operations in Canada. This reduction was partly offset by an increase in fee income from GBM products sold to CMB customers.

Net income from financial instruments held for trading or managed on a fair value basis of $21.1bn was $4.5bn higher compared with 2023. This included favourable fair value movements of $0.6bn on the foreign exchange hedging of the proceeds of the sale of our banking business in Canada until completion of the sale. The increase also reflected higher client activity and elevated volatility in Markets and Securities Services in GBM. A component of funding costs incurred to generate this income are reported in NII, and these increased by $2.7bn, compared with 2023.

In WPB, income rose by $0.2bn due to a favourable movement related to derivatives in our insurance business and from higher customer trading activity in Wealth, including in our main legal entity in Asia.

Net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss of $5.9bn fell by $2.0bn compared with 2023. This decrease reflected adverse fair value movements on debt securities, due to movements in interest rates, including in our portfolios in Hong Kong and France, partly offset by improved equity returns.

This unfavourable movement resulted in a corresponding reduction in insurance finance expense, which has an offsetting impact for the related liabilities to policyholders.

Insurance finance expense of $6.0bn was $1.8bn lower than in 2023, reflecting the impact of investment returns on underlying assets on the value of liabilities to policyholders, which moves inversely with 'net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss'.

Insurance service result of $1.3bn increased by $0.2bn compared with 2023, primarily due to an increase in the release of the contractual service margin ('CSM').

Gain on acquisition fell by $1.6bn, reflecting the non-recurrence of a gain recognised in respect of the acquisition of SVB UK in 1Q23.

Losses recognised on sale of business operations were $1.8bn in 2024. This compared with a gain of $61m in 2023. In 2024, there were losses from completion of the disposal of our business in Argentina, comprising the recycling of $5.2bn of foreign currency translation reserve losses and other reserves to the income statement and a $1.0bn loss on disposal. This was partly offset by a gain of $4.6bn on the sale of our banking business in Canada, inclusive of recycling of foreign currency translation reserve and other reserve losses to the income statement.

Other operating income of $0.2bn was $1.3bn higher than in 2023. The increase primarily related to the non-recurrence of losses in 2023 of $1.0bn relating to Treasury repositioning and risk management.

The increase also included the non-recurrence of a loss of $0.3bn in 2023 relating to corrections to historical valuation estimates in our life insurance business, and losses related to the disposal of our New Zealand retail mortgage loan portfolio and the merger of HSBC Bank Oman in 2023 with Sohar International.

Change in expected credit losses and other credit impairment charges ('ECL') were a charge of $3.4bn, stable compared with 2023.

ECL charges in CMB were $1.8bn in 2024 and in GBM charges were $0.2bn. This included charges of $0.4bn in respect of commercial real estate in mainland China and of $0.1bn in the Hong Kong real estate sector. This compared with charges of $1.0bn and $0.1bn respectively in these sectors in 2023. In addition, ECL in CMB in 2024 included a charge related to a single exposure in the UK, while charges in HSBC UK reduced compared with 2023. In GBM, charges in 2024 also benefited from a release of stage 3 allowances in HSBC Bank plc related to a single exposure.

In WPB, ECL charges were $1.3bn. These primarily related to our legal entity in Mexico, reflecting growth in our unsecured lending portfolio and unemployment trends, and also in Hong Kong.

For further details on the calculation of ECL, including the measurement uncertainties and significant judgements applied to such calculations, the impact of the economic scenarios and management judgemental adjustments, see pages 147 to 160.

Operating expenses

	Year ended		
	2024	2023	2022
	$m	$m	$m
Gross employee compensation and benefits	**20,153**	19,623	19,288
Capitalised wages and salaries	**(1,688)**	(1,403)	(1,285)
Property and equipment	**4,786**	4,285	4,949
Amortisation and impairment of intangibles	**2,235**	1,827	1,701
UK bank levy	**249**	339	13
Legal proceedings and regulatory matters	**145**	188	246
Other operating expenses[1]	**7,163**	7,211	7,789
Reported operating expenses	**33,043**	32,070	32,701
Currency translation		(576)	(472)
Constant currency operating expenses	**33,043**	31,494	32,229

1 Other operating expenses includes professional fees, contractor costs, transaction taxes, marketing and travel.

Staff numbers (full-time equivalents)[1]

	2024	2023	2022
Global businesses			
Wealth and Personal Banking	**119,791**	128,399	128,764
Commercial Banking	**45,190**	45,884	43,640
Global Banking and Markets	**45,983**	46,241	46,435
Corporate Centre	**340**	337	360
At 31 Dec	**211,304**	220,861	219,199

1 Represents the number of full-time equivalent people with contracts of service with the Group who are being paid at the reporting date.

Operating expenses of $33.0bn were $1.0bn or 3% higher than in 2023, including a favourable impact of $0.6bn from foreign currency translation differences. The increase reflected higher spend and investment in technology and inflationary impacts, while performance-related pay remained stable. Operating expenses were adversely impacted by the non-recurrence of a $0.2bn reversal of historical asset impairments in 2023.

These increases were partly offset by the favourable impacts from the completion of business disposals in Canada and France, and a lower UK bank levy of $0.1bn, as 2023 included adjustments relating to prior years. Operating expenses in 2024 benefited from the non-recurrence of a $0.2bn charge in 2023 incurred in the US relating to the FDIC special assessment.

Target basis operating expense growth was 5% compared with 2023, in line with our cost growth target. This primarily reflected higher investment spend, including in technology and from inflationary pressures, while our performance-related pay accrual was broadly in line with 2023. Our target basis operating expenses are measured on a constant currency basis, excluding notable items, the impact of retranslating the prior year results of hyperinflationary economies at constant currency, and the direct costs from the sales of our French retail banking operations and our banking business in Canada.

For a reconciliation of target basis operating expense to reported operating expenses see page 124.

The number of employees expressed in full-time equivalent staff ('FTE') at 31 December 2024 was 211,304, a decrease of 9,557 compared with 31 December 2023, primarily reflecting the completion of the sales of our banking business in Canada, our retail banking operations in France and our business in Argentina. The number of contractors at 31 December 2024 was 4,226, a decrease of 450.

Share of profit in associates and joint ventures of $2.9bn was $3.1bn higher than in 2023, including an increase in the share of profit from SAB.

Impairment of interest in associate. In relation to our investment in BoCom, at 31 December 2024 we concluded that there was no indication of further significant impairment (or indication that an impairment may no longer exist or may have decreased significantly) since 31 December 2023.

At 31 December 2023, the Group performed an impairment test on the carrying value of our investment in BoCom which resulted in an impairment of $3.0bn.

For further details of our impairment review process, see Note 18: Interests in associates and joint ventures on page 401.

Tax expense

	2024 $m	2023 $m
Tax (charge)/credit		
Reported	**(7,310)**	(5,789)
Currency translation	**—**	222
Constant currency tax (charge)/credit	**(7,310)**	(5,567)

Notable items

	2024 $m	2023 $m
Tax		
Tax (charge)/credit on notable items	**108**	207
Uncertain tax positions	**—**	427

Tax expense

The effective tax rate for 2024 of 22.6% was higher than the 19.1% in 2023. The effective tax rate for 2024 was increased by 4.8 percentage points by the non-deductible loss on disposal of our business in Argentina and by 0.7 percentage points by the tax charge arising under the Global Minimum Tax rules, and reduced by 3.6 percentage points by the non-taxable gain on disposal of our banking business in Canada. The effective tax rate for 2023 was increased by 2.3 percentage points by the non-deductible impairment of investments in associates, and reduced by 1.6 percentage points by the release of provisions for uncertain tax positions and by 1.5 percentage points by the non-taxable accounting gain arising on the acquisition of SVB UK.

Return on average tangible equity

In 2024, RoTE was 14.6%, compared with 14.6% in 2023. RoTE excluding notables was 16.0% in 2024, compared with 16.2% in 2023.

Consolidated balance sheet

Five-year summary consolidated balance sheet

	2024 $m	2023 $m	2022[1] $m	2021 $m	2020 $m
Assets					
Cash and balances at central banks	**267,674**	285,868	327,002	403,018	304,481
Trading assets	**314,842**	289,159	218,093	248,842	231,990
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	**115,769**	110,643	100,101	49,804	45,553
Derivatives	**268,637**	229,714	284,159	196,882	307,726
Loans and advances to banks	**102,039**	112,902	104,475	83,136	81,616
Loans and advances to customers	**930,658**	938,535	923,561	1,045,814	1,037,987
Reverse repurchase agreements – non-trading	**252,549**	252,217	253,754	241,648	230,628
Financial investments	**493,166**	442,763	364,726	446,274	490,693
Assets held for sale	**27,234**	114,134	115,919	3,411	299
Other assets	**244,480**	262,742	257,496	239,110	253,191
Total assets at 31 Dec	**3,017,048**	3,038,677	2,949,286	2,957,939	2,984,164
Liabilities					
Deposits by banks	**73,997**	73,163	66,722	101,152	82,080
Customer accounts	**1,654,955**	1,611,647	1,570,303	1,710,574	1,642,780
Repurchase agreements – non-trading	**180,880**	172,100	127,747	126,670	111,901
Trading liabilities	**65,982**	73,150	72,353	84,904	75,266
Financial liabilities designated at fair value	**138,727**	141,426	127,321	145,502	157,439
Derivatives	**264,448**	234,772	285,762	191,064	303,001
Debt securities in issue	**105,785**	93,917	78,149	78,557	95,492
Insurance contract liabilities	**107,629**	120,851	108,816	112,745	107,191
Liabilities of disposal groups held for sale	**29,011**	108,406	114,597	9,005	—
Other liabilities	**203,361**	216,635	212,319	190,989	204,019
Total liabilities at 31 Dec	**2,824,775**	2,846,067	2,764,089	2,751,162	2,779,169
Equity					
Total shareholders' equity	**184,973**	185,329	177,833	198,250	196,443
Non-controlling interests	**7,300**	7,281	7,364	8,527	8,552
Total equity at 31 Dec	**192,273**	192,610	185,197	206,777	204,995
Total liabilities and equity at 31 Dec	**3,017,048**	3,038,677	2,949,286	2,957,939	2,984,164

1 From 1 January 2023, we adopted IFRS 17 'Insurance Contracts', which replaced IFRS 4 'Insurance Contracts'. Comparative data for the financial year ended 31 December 2022 have been restated accordingly. Comparative data for the years ended 31 December 2021 and 2020 are prepared on an IFRS 4 basis.

A more detailed consolidated balance sheet is contained in the financial statements on page 343.

Five-year selected financial information

	2024 $m	2023 $m	2022[1] $m	2021 $m	2020 $m
Called up share capital	**8,973**	9,631	10,147	10,316	10,347
Capital resources[2]	**172,386**	171,204	162,423	177,786	184,423
Undated subordinated loan capital	**17**	18	1,967	1,968	1,970
Preferred securities and dated subordinated loan capital[3]	**35,258**	36,413	29,921	28,568	30,721
Risk-weighted assets	**838,254**	854,114	839,720	838,263	857,520
Total shareholders' equity	**184,973**	185,329	177,833	198,250	196,443
Less: preference shares and other equity instruments	**(19,070)**	(17,719)	(19,746)	(22,414)	(22,414)
Total ordinary shareholders' equity	**165,903**	167,610	158,087	175,836	174,029
Less: goodwill and intangible assets (net of tax)	**(11,608)**	(11,900)	(11,160)	(17,643)	(17,606)
Tangible ordinary shareholders' equity	**154,295**	155,710	146,927	158,193	156,423
Financial statistics					
Loans and advances to customers as a percentage of customer accounts	**56.2%**	58.2%	58.8%	61.1%	63.2%
Average total shareholders' equity to average total assets	**6.12%**	6.01%	5.97%	6.62%	6.46%
Net asset value per ordinary share at year-end ($)[4]	**9.26**	8.82	8.01	8.76	8.62
Tangible net asset value per ordinary share at year-end ($)[4]	**8.61**	8.19	7.44	7.88	7.75
Tangible net asset value per fully diluted share at year-end ($)	**8.54**	8.14	7.39	7.84	7.72
Number of $0.50 ordinary shares in issue (millions)	**17,947**	19,263	20,294	20,632	20,694
Basic number of $0.50 ordinary shares outstanding, after deducting own shares held (millions)	**17,918**	19,006	19,739	20,073	20,184
Basic number of $0.50 ordinary shares outstanding and dilutive potential ordinary shares, after deducting own shares held (millions)	**18,062**	19,135	19,876	20,189	20,272
Closing foreign exchange translation rates to $:					
$1: £	**0.797**	0.784	0.830	0.739	0.732
$1: €	**0.964**	0.903	0.937	0.880	0.816

1 From 1 January 2023, we adopted IFRS 17 'Insurance Contracts', which replaced IFRS 4 'Insurance Contracts'. Comparative data for the financial year ended 31 December 2022 have been restated accordingly. Comparative data for the years ended 31 December 2021 and 2020 are prepared on an IFRS 4 basis.
2 Capital resources are regulatory total capital, the calculation of which is set out on page 204.
3 Including perpetual preferred securities, details of which can be found in Note 29: Subordinated liabilities on page 416.
4 For the definition, see page 121.

Combined view of customer lending and customer deposits[1]

	2024 $m	2023 $m
Loans and advances to customers	**930,658**	938,535
Loans and advances to customers of disposal groups reported in 'Assets held for sale'	**965**	73,285
– banking business in Canada	**—**	56,129
– retail banking operations in France	**—**	16,902
– private banking business in Germany	**309**	—
– business in South Africa	**656**	—
– other	**—**	254
Non-current assets held for sale	**12**	92
Combined customer lending	**931,635**	1,011,912
Currency translation	**—**	(27,137)
Combined customer lending at constant currency	**931,635**	984,775
Customer accounts	**1,654,955**	1,611,647
Customer accounts reported in 'Liabilities of disposal groups held for sale'	**5,399**	85,950
– banking business in Canada	**—**	63,001
– retail banking operations in France	**—**	22,307
– private banking business in Germany	**2,085**	—
– business in South Africa	**3,294**	—
– other	**20**	642
Combined customer deposits	**1,660,354**	1,697,597
Currency translation	**—**	(38,656)
Combined customer deposits at constant currency	**1,660,354**	1,658,941

1 On 9 April 2024, HSBC Latin America B.V. entered into a binding agreement to sell its business in Argentina to Grupo Financiero Galicia ('Galicia'). The sale was completed on 6 December 2024, so is not included in the table above.

Balance sheet commentary compared with 31 December 2023

At 31 December 2024, total assets of $3.0tn were $22bn or 1% lower on a reported basis and increased by $45bn or 1% on a constant currency basis.

Reported loans and advances to customers as a percentage of customer accounts was 56.2% compared with 58.2% at 31 December 2023. The movement in this ratio reflected a higher growth in customer accounts than in lending.

Assets

Cash and balances at central banks decreased by $18bn or 6%, which included an $11bn adverse impact of foreign currency translation differences. The decrease was mainly in HSBC UK, reflecting a reduction in repurchase agreements, as well as an increase in the deployment of our cash surplus into financial investments. Cash also decreased in our legal entities in the US to a partial redeployment of surplus liquidity to reverse repurchase agreements, and in Hong Kong due to lower balances maintained for faster payment system flow. This was partly offset by increases in HSBC Bank plc from an increase in deposit bank balances and issuances of new commercial paper and certificates of deposit.

Trading assets increased by $26bn or 9%, mainly as we captured increased client activity in equity and debt securities, particularly in our legal entity in Hong Kong and in HSBC Bank plc. The increase in trading assets also reflected the use of surplus liquidity to fund trading activities given the subdued demand for customer lending.

Derivative assets increased by $39bn or 17%, reflecting an increase in foreign exchange contracts, mainly in HSBC Bank plc and our legal entities in Asia, as a result of foreign exchange rate movements. The increase in derivative assets was consistent with the increase in derivative liabilities, as the underlying risk is broadly matched.

Loans and advances to customers of $931bn decreased by $8bn or 1% on a reported basis. This included an adverse impact of foreign currency translation differences of $21bn. Loans and advances to customers are net of allowances for ECL.

On a constant currency basis, loans and advances to customers increased by $14bn, reflecting the following movements.

In WPB, customer lending increased by $2bn, reflecting growth in mortgage balances, including in our main legal entities in the UK (up $5bn) and the US (up $3bn). There was also growth in lending in Private Banking (up $3bn) and in unsecured lending (up $1bn).

These increases were partly offset by a $7.4bn (€7.1bn) transfer to Corporate Centre of a portfolio of home and certain other loans retained following the sale of our retail banking operations in France.

In CMB, customer lending was $6bn higher, reflecting increases in our legal entities in mainland China (up $2bn), India (up $2bn), and Mexico (up $1bn). There were also increases in HSBC UK (up $2bn) and HSBC Bank plc (up $1bn) from higher revolving credit facility balances and term lending. These increases were partly offset by a reduction in lending balances in our main legal entity in Hong Kong (down $3bn) due to lower market wide loan demand and competitive pricing.

In GBM, customer lending balances were broadly stable. There was a decrease in lending balances in our main legal entity in Hong Kong (down $6bn) due to muted client demand. The reduction was broadly offset by growth in our legal entity in Singapore (up $3bn) reflecting higher overdraft balances, and in our main legal entity in Australia (up $2bn) from higher term lending balances.

In Corporate Centre, the increase in customer balances of $7bn reflected the transfer of balances from WPB, mentioned above.

Financial investments increased by $50bn or 11%, mainly in our main legal entities in Hong Kong and Singapore as well as in HSBC UK and HSBC Bank plc from the purchase of debt securities, treasury and other eligible bills, as we redeployed our commercial surplus to benefit from higher yield curves and enhance our hedging activities on net interest income. The increase was across both debt instruments held at fair value through other comprehensive income and instruments held at amortised cost.

Assets held for sale decreased by $87bn or 76% following the completion of the sales of our retail banking operations in France and our banking operations in Canada in 2024.

Other assets decreased by $18bn or 7% primarily reflecting a reduction in settlement accounts balances, including in HSBC Bank plc as well as in our legal entities in the US and Hong Kong.

Liabilities

Customer accounts of $1.7tn increased by $43bn or 3% on a reported basis. This included an adverse impact of foreign currency translation differences of $32bn.

On a constant currency basis, customer accounts increased by $75bn, reflecting the following movements.

In WPB, customer accounts grew by $31bn, reflecting higher interest-bearing savings and time deposit balances due to strong deposit inflow as interest rates remained high. The increase in customer accounts included growth in our main legal entities in Asia (up $30bn) and in HSBC UK (up $6bn).

In CMB, customer accounts increased by $25bn, primarily in our legal entities in Asia (up $12bn), including in Hong Kong (up $8bn) due to an increase in term deposits and in mainland China (up $3bn) due to an increase in current and savings accounts. Balances also increased in HSBC Bank plc (up $9bn) driven by organic growth from existing customers as well as new to bank customers, and in our main legal entity in Mexico (up $3bn).

In GBM, customer accounts increased by $20bn, due to higher balances in our legal entities in Asia (up $9bn) supported by term deposit campaigns, and in HSBC Bank plc (up $8bn) driven by an increase in short-term money market account balances. Balances also rose in our main legal entity in the Middle East (up $3bn), including in term deposits and current accounts.

Debt securities in issue increased by $12bn or 13%, primarily in HSBC Bank plc mainly driven by new commercial paper and certificates of deposit issued to meet liquidity and funding requirements.

Derivative liabilities increased by $30bn or 13%, which is consistent with the increase in derivative assets, since the underlying risk is broadly matched.

Liabilities of disposal groups held for sale decreased by $79bn or 73% following the completion of the sales of our retail banking operations in France and our banking operations in Canada during 2024.

Other liabilities decreased by $13bn or 6%, including from a $9bn reduction in settlement account balances in our main legal entity in the US.

Equity

Total shareholders' equity, including non-controlling interests, of $192bn was stable compared with 31 December 2023.

Shareholders' equity was increased by profits generated of $24bn and net gains through other comprehensive income ('OCI') of $2bn. These increases were broadly offset by the impact of dividends paid of $16bn, and the impact of our $11bn share buy-back activities in 2024.

The net gains through OCI of $2bn included a favourable movement of $6bn due to the recycling of foreign exchange and other reserves to the income statement, primarily relating to the completion of disposals in Argentina and Canada, as well as a favourable movement of $1bn from the effects of hyperinflation. These impacts were partly offset by $5bn of exchange differences.

Financial investments

As part of our interest rate hedging strategy, we hold a portfolio of debt instruments, reported within financial investments, which are classified as hold-to-collect-and-sell. As a result, the change in value of these instruments is recognised through 'debt instruments at fair value through other comprehensive income' in equity.

At 31 December 2024, we had recognised a pre-tax cumulative unrealised loss reserve through other comprehensive income of $3.8bn related to these hold-to-collect-and-sell positions, excluding investments held in our insurance business. This reflected a $0.1bn pre-tax gain in 2024, inclusive of movements on related fair value hedges. In 2023, we recognised a loss of $1.0bn in the income statement in relation to Treasury repositioning and risk management actions in this portfolio, compared with minimal disposal losses in 2024. Overall, the Group is positively exposed to rising interest rates through NII, although there is an adverse impact on our capital base in the early stages of a rising interest rate environment due to the fair value of hold-to-collect-and-sell instruments. Over time, these adverse movements will unwind as the instruments reach maturity, although not all will necessarily be held to maturity, or as interest rates begin to fall.

We also hold a portfolio of financial investments measured at amortised cost, which are classified as hold-to-collect. At 31 December 2024, there was a cumulative unrecognised loss of $2.9bn. This included an unrealised loss of $2.2bn that related to debt instruments held to manage our interest rate exposure, representing a deterioration of $1.2bn during 2024.

Customer accounts by country/territory

	2024	2023
	$m	$m
Hong Kong	575,141	543,504
UK	524,251	508,181
US	99,278	99,607
Singapore	76,737	73,547
Mainland China	63,169	56,006
France	40,384	42,666
Australia	31,951	32,071
Germany[1]	23,564	30,641
Mexico	27,525	29,423
UAE	28,008	24,882
India	27,199	24,377
Taiwan	17,067	16,949
Malaysia	17,038	15,983
Egypt	4,137	5,858
Indonesia	5,558	5,599
Türkiye	3,489	3,510
Other[1]	90,459	98,843
At 31 Dec	1,654,955	1,611,647

1 At 31 December 2024, customer accounts of $5bn met the criteria to be classified as held for sale and are reported within 'Liabilities of disposal groups held for sale' on the balance sheet, of which $3bn and $2bn belongs to the planned sale of our South Africa business and planned sale of our private banking business in Germany, respectively. Refer to Note 23 on page 411 for further details.

Loans and advances, deposits by currency

	At						
	31 Dec 2024						
$m	USD	GBP	HKD	EUR	CNY	Others[1]	Total
Loans and advances to banks	**33,727**	**15,267**	**5,340**	**4,137**	**8,129**	**35,439**	**102,039**
Loans and advances to customers	**171,530**	**286,797**	**203,586**	**68,437**	**51,966**	**148,342**	**930,658**
Total loans and advances	**205,257**	**302,064**	**208,926**	**72,574**	**60,095**	**183,781**	**1,032,697**
Deposits by banks	**31,415**	**18,771**	**3,973**	**8,788**	**4,114**	**6,936**	**73,997**
Customer accounts	**476,210**	**426,747**	**316,997**	**124,452**	**67,405**	**243,144**	**1,654,955**
Total deposits	**507,625**	**445,518**	**320,970**	**133,240**	**71,519**	**250,080**	**1,728,952**
	31 Dec 2023						
Loans and advances to banks	33,231	15,632	7,106	4,688	8,772	43,473	112,902
Loans and advances to customers	170,274	284,261	213,079	68,655	49,594	152,672	938,535
Total loans and advances	203,505	299,893	220,185	73,343	58,366	196,145	1,051,437
Deposits by banks	28,744	18,231	2,597	6,997	4,517	12,077	73,163
Customer accounts	441,967	423,725	305,520	128,444	63,535	248,456	1,611,647
Total deposits	470,711	441,956	308,117	135,441	68,052	260,533	1,684,810

1 'Others' includes items with no currency information available of $878m for loans to banks (2023: $1,592m), $941m for loans to customers (2023: $1,904m), nil for deposits by banks (2023: $11m) and $6m for customer accounts (2023: $8m).

Risk-weighted assets

Risk-weighted assets ('RWAs') decreased by $15.8bn during the year, primarily due to strategic disposals of $47.8bn, a decrease of $22.2bn from foreign currency translation differences and a $8.9bn reduction from methodology and policy changes, mainly driven by a $7.5bn fall due to regulatory changes related to the risk-weighting of residential mortgages in Hong Kong. These were offset by the increase of $63.1bn RWAs, reflected in the following movements:

– a $49.4bn increase in asset size, which was in part attributed to a $14.6bn rise in operational risk, driven by an increase in average income. Further increases were due to corporate lending growth, largely in HSBC UK Bank plc and in SAB, higher sovereign exposures in Other trading entities and Asia, and retail mortgage growth in the US and HSBC UK Bank plc; and

– a $7.4bn increase mainly following a revision to the definition of default in our probability of default ('PD') models for exposures to financial institutions and post-model adjustments in Hong Kong, and a $6.3bn increase from credit risk migrations in Asia, including in the Hong Kong commercial real estate sector.

In January 2025, the PRA announced the delay of Basel 3.1 implementation to 1 January 2027 pending US developments. The near-final rules released in September 2024 are now subject to a three-year transitional provision, ensuring that the date for full implementation remains 1 January 2030. We expect that the impact on our CET1 ratio will be a modest benefit.

RWAs by currency

	At						
	31 Dec 2024						
$m	USD	GBP	HKD	EUR	CNY	Others	Total
RWAs[1]	**205,645**	**165,684**	**136,001**	**67,440**	**56,561**	**206,923**	**838,254**
	31 Dec 2023						
RWAs[1]	202,697	155,231	135,701	69,996	57,907	232,582	854,114

1 RWAs include credit risk, market risk and operational risk RWAs.

Global businesses and legal entities

Contents

Summary

The Group CEO, supported in 2024 by the Group Executive Committee ('GEC'), reviewed operating activity on a number of bases, including by global business and legal entities. Up to 31 December 2024, our global businesses – Wealth and Personal Banking, Commercial Banking, and Global Banking and Markets – along with Corporate Centre were our reportable segments under IFRS 8 'Operating Segments' and are presented below and in Note 10: Segmental analysis on page 383. Following our organisational announcement in October 2024, effective from 1 January 2025 the Group's operating segments will comprise four new businesses – Hong Kong, UK, Corporate and Institutional Banking, and International Wealth and Premier Banking – along with Corporate Centre. These will replace our previously reported operating segments up to 31 December 2024.

For further details of our new operating segments effective from 1 January 2025, see page 103.

Basis of preparation

The Group CEO, supported in 2024 by the rest of the GEC, is considered the Chief Operating Decision Maker ('CODM') for the purposes of identifying the Group's reportable segments. Global business results are assessed by the CODM on the basis of constant currency performance. We separately disclose 'notable items', which are components of our income statement that management would consider as outside the normal course of business and generally non-recurring in nature. Constant currency performance information for 2023 and 2022 are presented as described on page 87. As required by IFRS 8, reconciliations of the total constant currency global business results to the Group's reported results are presented on page 384.

Supplementary reconciliations from reported to constant currency results by global business are presented on pages 99 to 101 for information purposes.

Global business performance is also assessed using return on tangible equity ('RoTE'). A reconciliation of global business RoTE to the Group's RoTE is provided on page 123.

Our operations are closely integrated and, accordingly, the presentation of data includes internal allocations of certain items of income and expense. These allocations include the costs of certain support services and global functions to the extent that they can be meaningfully attributed to global businesses and legal entities. While such allocations have been made on a systematic and consistent basis, they necessarily involve a degree of subjectivity. Costs that are not allocated to global businesses are included in Corporate Centre.

Where relevant, income and expense amounts presented include the results of inter-segment funding along with inter-company and inter-business line transactions. All such transactions are undertaken on arm's length terms. The intra-Group elimination items for the global businesses are presented in Corporate Centre.

HSBC Holdings incurs the liability of the UK bank levy, with the cost being recharged to its UK operating subsidiaries. The current year expense will be reflected in the fourth quarter as it is assessed on our balance sheet position as at 31 December.

The results of main legal entities are presented on a reported and constant currency basis, including HSBC UK Bank plc, HSBC Bank plc, The Hongkong and Shanghai Banking Corporation Limited, HSBC Bank Middle East Limited, HSBC North America Holdings Inc., HSBC Bank Canada and Grupo Financiero HSBC, S.A. de C.V.

The results of legal entities are presented on a reported basis on page 110 and a constant currency basis on page 113.

Supplementary analysis of constant currency results and notable items by global business

Constant currency results[1]

	2024				
	Wealth and Personal Banking[2]	Commercial Banking	Global Banking and Markets	Corporate Centre	Total
	$m	$m	$m	$m	$m
Revenue[3]	**28,674**	**21,580**	**17,529**	**(1,929)**	**65,854**
ECL	**(1,335)**	**(1,815)**	**(235)**	**(29)**	**(3,414)**
Operating expenses	**(15,204)**	**(7,906)**	**(10,231)**	**298**	**(33,043)**
Share of profit in associates and joint ventures	**47**	**1**	**—**	**2,864**	**2,912**
Profit/(loss) before tax	**12,182**	**11,860**	**7,063**	**1,204**	**32,309**
Loans and advances to customers (net)	**447,085**	**306,926**	**169,516**	**7,131**	**930,658**
Customer accounts	**823,267**	**490,475**	**340,898**	**315**	**1,654,955**

1 In the current period constant currency results are equal to reported as there is no currency translation.
2 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'). With effect from this date, we have prospectively reclassified the portfolio of retained loans, profit participation interest and licence agreement of the CCF brand from WPB to Corporate Centre.
3 Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.

Notable items

	2024				
	Wealth and Personal Banking	Commercial Banking	Global Banking and Markets	Corporate Centre	Total
	$m	$m	$m	$m	$m
Notable items					
Revenue					
Disposals, acquisitions and related costs[1]	**28**	**—**	**(14)**	**(1,357)**	**(1,343)**
– of which:					
Argentina[1]	**—**	**—**	**—**	**(6,138)**	**(6,138)**
Canada[2]	**—**	**—**	**—**	**4,924**	**4,924**
France	**55**	**—**	**—**	**5**	**60**
Early redemption of legacy securities	**—**	**—**	**—**	**(237)**	**(237)**
Operating expenses					
Disposals, acquisitions and related costs	**(3)**	**(2)**	**(2)**	**(192)**	**(199)**
– of which:					
Argentina	**—**	**(9)**	**—**	**(34)**	**(43)**
Canada	**(1)**	**(1)**	**—**	**(151)**	**(153)**
France	**1**	**—**	**—**	**(6)**	**(5)**
Restructuring and other related costs[3]	**(10)**	**2**	**(1)**	**(25)**	**(34)**

1 Includes $1.0bn loss on disposal and a $5.2bn loss on the recycling in foreign currency translation reserve losses and other reserves arising on sale of our business in Argentina.
2 Includes $4.8bn gain on disposal of our banking business in Canada, inclusive of a $0.3bn gain on the foreign exchange hedging of the sales proceeds, the recycling of $0.6bn in foreign currency translation reserve losses and $0.4bn of other reserves losses.
3 Amounts relate to restructuring provisions recognised in 2024 and reversals of restructuring provisions recognised during 2022.

Reconciliation of reported results to constant currency results – global businesses (continued)

	2023				
	Wealth and Personal Banking	Commercial Banking	Global Banking and Markets	Corporate Centre	Total
	$m	$m	$m	$m	$m
Revenue[1]					
Reported	27,275	22,867	16,115	(199)	66,058
Currency translation	(427)	(471)	(344)	96	(1,146)
Constant currency	26,848	22,396	15,771	(103)	64,912
ECL					
Reported	(1,058)	(2,062)	(326)	(1)	(3,447)
Currency translation	123	56	9	—	188
Constant currency	(935)	(2,006)	(317)	(1)	(3,259)
Operating expenses					
Reported	(14,738)	(7,524)	(9,865)	57	(32,070)
Currency translation	386	290	(7)	(93)	576
Constant currency	(14,352)	(7,234)	(9,872)	(36)	(31,494)
Share of profit/(loss) in associates and joint ventures					
Reported	65	(1)	—	(257)	(193)
Currency translation	(1)	—	—	(62)	(63)
Constant currency	64	(1)	—	(319)	(256)
Profit/(loss) before tax					
Reported	11,544	13,280	5,924	(400)	30,348
Currency translation	81	(125)	(342)	(59)	(445)
Constant currency	11,625	13,155	5,582	(459)	29,903
Loans and advances to customers (net)					
Reported	454,878	309,422	173,966	269	938,535
Currency translation	(10,022)	(8,319)	(3,098)	(7)	(21,446)
Constant currency	444,856	301,103	170,868	262	917,089
Customer accounts					
Reported	804,863	475,666	330,522	596	1,611,647
Currency translation	(12,153)	(10,571)	(9,296)	(14)	(32,034)
Constant currency	792,710	465,095	321,226	582	1,579,613

1 Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.

Notable items (continued)

	2023				
	Wealth and Personal Banking	Commercial Banking	Global Banking and Markets	Corporate Centre	Total
	$m	$m	$m	$m	$m
Notable items					
Revenue					
Disposals, acquisitions and related costs[1,2,3]	4	1,591	—	(297)	1,298
Fair value movements on financial instruments[4]	—	—	—	14	14
Disposal losses on Markets Treasury repositioning	(391)	(316)	(270)	—	(977)
Operating expenses					
Disposals, acquisitions and related costs	(53)	(55)	3	(216)	(321)
Restructuring and other related costs[5]	20	32	21	63	136
Impairment of interest in associate[6]	—	—	—	(3,000)	(3,000)

1 Includes the impact of the sale of our retail banking operations in France.
2 Includes the gain of $1.6bn recognised in respect of the acquisition of SVB UK.
3 Includes fair value movements on the foreign exchange hedging of the proceeds from the sale of our banking business in Canada.
4 Fair value movements on non-qualifying hedges in HSBC Holdings.
5 Amounts relate to reversals of restructuring provisions recognised during 2022.
6 Relates to an impairment loss of $3.0bn recognised in respect of the Group's investment in BoCom. See Note 18 on page 401 to 402.

Reconciliation of reported results to constant currency results – global businesses (continued)

	2022				
	Wealth and Personal Banking	Commercial Banking	Global Banking and Markets	Corporate Centre	Total
	$m	$m	$m	$m	$m
Revenue[1]					
Reported	21,103	16,494	14,899	(1,876)	50,620
Currency translation	(331)	(287)	(357)	(58)	(1,033)
Constant currency	20,772	16,207	14,542	(1,934)	49,587
ECL					
Reported	(1,130)	(1,849)	(595)	(10)	(3,584)
Currency translation	(30)	(19)	17	1	(31)
Constant currency	(1,160)	(1,868)	(578)	(9)	(3,615)
Operating expenses					
Reported	(14,415)	(7,052)	(9,383)	(1,851)	(32,701)
Currency translation	274	242	(20)	(24)	472
Constant currency	(14,141)	(6,810)	(9,403)	(1,875)	(32,229)
Share of profit/(loss) in associates and joint ventures					
Reported	30	—	(2)	2,695	2,723
Currency translation	(1)	1	—	(164)	(164)
Constant currency	29	1	(2)	2,531	2,559
Profit/(loss) before tax					
Reported	5,588	7,593	4,919	(1,042)	17,058
Currency translation	(88)	(63)	(360)	(245)	(756)
Constant currency	5,500	7,530	4,559	(1,287)	16,302
Loans and advances to customers (net)					
Reported	422,309	311,957	188,940	355	923,561
Currency translation	2,763	(2,733)	(2,287)	(5)	(2,262)
Constant currency	425,072	309,224	186,653	350	921,299
Customer accounts					
Reported	779,310	463,928	326,630	435	1,570,303
Currency translation	2,571	(1,122)	(3,210)	8	(1,753)
Constant currency	781,881	462,806	323,420	443	1,568,550

1 Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.

Notable items (continued)

	2022				
	Wealth and Personal Banking	Commercial Banking	Global Banking and Markets	Corporate Centre	Total
	$m	$m	$m	$m	$m
Notable items					
Revenue					
Disposals, acquisitions and related costs[1]	(2,212)	—	—	(525)	(2,737)
Fair value movements on financial instruments[2]	—	—	—	(618)	(618)
Restructuring and other related costs[3]	98	(16)	(184)	(145)	(247)
Operating expenses					
Disposals, acquisitions and related costs	(7)	—	—	(11)	(18)
Restructuring and other related costs	(357)	(266)	(252)	(2,007)	(2,882)

1 Includes losses from classifying businesses as held for sale as part of a broader restructuring of our European business, of which $2.3bn (inclusive of $0.4bn in goodwill impairments) related to the sale of the retail banking operations in France. Held-for-sale classification for the sale of the retail banking operations in France was reversed in 1Q23 ($2.1bn loss reversed) and reinstated in 4Q23 ($2.0bn loss reinstated).
2 Fair value movements on non-qualifying hedges in HSBC Holdings.
3 Comprises gains and losses relating to the business update in February 2020, including losses associated with the RWA reduction programme.

Strategic transactions supplementary analysis

The following table presents the selected impacts of strategic transactions to the Group and our global business segments. These comprise the strategic transactions where the financial impacts of the acquisition or disposal have qualified for material notable item treatment in our results. Material notable items are a subset of notable items and categorisation is dependent on the financial impact on the Group's income statement. At 2024, strategic transactions classified as material notable items in current and comparative periods comprise the disposal of our retail banking operations in France, our banking business in Canada, the sale of our business in Argentina and the acquisition of SVB UK.

The impacts quoted include the gains or losses on classification to held for sale or acquisition and all other related notable items. They also include the distorting impact between the periods of the operating income statement results related to acquisitions and disposals that affect period-on-period comparisons. It is computed by including the operating income statement results of each business in any period for which there are no results in the comparative period. We consider the monthly impacts of distorting income statement results when calculating the impact of strategic transactions.

Constant currency results

	2024				
	Wealth and Personal Banking	Commercial Banking	Global Banking and Markets	Corporate Centre	Total
	$m	$m	$m	$m	$m
Revenue	**54**	**179**	**—**	**(1,209)**	**(976)**
ECL	**—**	**(3)**	**—**	**—**	**(3)**
Operating expenses	**(7)**	**(76)**	**—**	**(191)**	**(274)**
Share of profit in associates and joint ventures	**—**	**—**	**—**	**—**	**—**
Profit before tax	**47**	**100**	**—**	**(1,400)**	**(1,253)**
– HSBC Innovation Banking[1]		**100**		**—**	**100**
– Retail banking operations in France	**47**			**(1)**	**46**
– Banking business in Canada				**4,773**	**4,773**
– Business in Argentina				**(6,172)**	**(6,172)**
of which: notable items					
Revenue	**55**	**—**	**—**	**(1,209)**	**(1,154)**
Profit before tax	**55**	**7**	**—**	**(1,400)**	**(1,338)**
of which: distorting impact of operating results between periods					
Revenue	**(1)**	**179**	**—**	**—**	**178**
Profit/(loss) before tax	**(8)**	**93**	**—**	**—**	**85**
	2023				
Revenue	690	2,407	49	(231)	2,915
ECL	22	(72)	11	—	(39)
Operating expenses	(658)	(331)	(59)	(218)	(1,266)
Share of profit in associates and joint ventures	—	—	—	—	—
Profit/(loss) before tax	54	2,004	1	(449)	1,610
– HSBC Innovation Banking[1]		1,583		—	1,583
– Retail banking operations in France	(141)			(26)	(167)
– Banking business in Canada	211	400	82	(424)	269
– Business in Argentina	(16)	21	(81)	—	(76)
of which: notable items					
Revenue	41	1,659	—	(231)	1,469
Profit before tax	(11)	1,607	—	(449)	1,147
of which: distorting impact of operating results between periods					
Revenue	649	748	49	—	1,446
Profit before tax	65	397	1	—	463

1 Includes the impact of our acquisition of SVB UK, which in June 2023 changed its legal entity name to HSBC Innovation Bank Limited.

Reconciliation of reported and constant currency risk-weighted assets

	At 31 Dec 2024				
	Wealth and Personal Banking	Commercial Banking	Global Banking and Markets	Corporate Centre	Total
	$bn	$bn	$bn	$bn	$bn
Risk-weighted assets					
Reported	**181.1**	**337.9**	**231.9**	**87.4**	**838.3**
Constant currency	**181.1**	**337.9**	**231.9**	**87.4**	**838.3**
	At 31 Dec 2023				
Risk-weighted assets					
Reported	192.9	354.5	218.5	88.2	854.1
Currency translation	(6.8)	(12.6)	(4.8)	(1.1)	(25.3)
Constant currency	186.1	341.9	213.7	87.1	828.8
	At 31 Dec 2022				
Risk-weighted assets					
Reported	182.9	342.4	225.9	88.5	839.7
Currency translation	(4.1)	(9.3)	(4.2)	(0.5)	(18.1)
Constant currency	178.8	333.1	221.7	88.0	821.6

New operating segments effective 1 January 2025 - summary results

Effective from 1 January 2025, the Group's reporting segments under IFRS 8 'Operating Segments' will comprise four new businesses – Hong Kong, UK, Corporate and Institutional Banking, and International Wealth and Premier Banking – along with Corporate Centre. These will replace our previously reported operating segments up to 31 December 2024.

The Hong Kong business comprises Personal Banking and Commercial Banking of HSBC Hong Kong and Hang Seng Bank. The UK business comprises UK Personal Banking (including first direct and M&S Bank) and UK Commercial Banking including HSBC Innovation Bank. Corporate and Institutional Banking integrates the Commercial Banking business outside of the UK and Hong Kong together with the Global Banking and Markets business, the UK non-ringfenced bank (HSBC Bank plc), Europe, and the Americas. International Wealth and Premier Banking comprises Premier banking outside of Hong Kong and the UK, our Global Private Bank, and our wealth manufacturing businesses of Asset Management and Insurance.

Selected 2024 financial information have been re-presented, for illustrative purposes only, to align with the Group's operating segments effective from 1 January 2025 and are presented in the following table. No additional adjustments have been made to this information other than to reflect the presentation of the Group's new operating segments, and there are no changes to the Group's total figures as disclosed in this Annual Report and Accounts 2024. All data presented in the following table is unaudited.

	2024					
	Hong Kong	UK	Corporate and Institutional Banking	International Wealth and Premier Banking	Corporate Centre	Total
	$m	$m	$m	$m	$m	$m
Revenue	**15,034**	**11,954**	**26,819**	**13,976**	**(1,929)**	**65,854**
ECL	**(1,076)**	**(402)**	**(869)**	**(1,038)**	**(29)**	**(3,414)**
Operating expenses	**(4,837)**	**(4,947)**	**(14,544)**	**(9,013)**	**298**	**(33,043)**
Share of profit in associates and joint ventures less impairment	**—**	**—**	**1**	**47**	**2,864**	**2,912**
Profit before tax	**9,121**	**6,605**	**11,407**	**3,972**	**1,204**	**32,309**
RoTE (%)	**c.38%**	**c.25%**	**c.14%**	**c.16%**	**c.1%**	**14.6%**
	At 31 Dec 2024					
Loans and advances to customers (net)	**235,208**	**267,293**	**284,701**	**136,325**	**7,131**	**930,658**
Customer accounts	**507,389**	**330,012**	**557,796**	**259,443**	**315**	**1,654,955**
RWAs	**143,668**	**133,495**	**388,047**	**85,673**	**87,371**	**838,254**

For further details of our organisational update, see page 5.

Supplementary tables for WPB and GBM

WPB constant currency performance by business unit

A breakdown of WPB by business unit is presented below to reflect the basis of how the revenue performance of the business units is assessed and managed.

WPB – summary (constant currency basis)

		Consists of[1]			
	Total WPB	Banking operations	Life insurance	Global Private Banking	Asset management
	$m	$m	$m	$m	$m
2024					
Net operating income before change in expected credit losses and other credit impairment charges[2]	**28,674**	**22,842**	**1,840**	**2,611**	**1,381**
– net interest income	**20,352**	**18,819**	**326**	**1,193**	**14**
– net fee income/(expense)	**5,930**	**3,452**	**177**	**1,015**	**1,286**
– other income	**2,392**	**571**	**1,337**	**403**	**81**
ECL	**(1,335)**	**(1,334)**	**—**	**(1)**	**—**
Net operating income	**27,339**	**21,508**	**1,840**	**2,610**	**1,381**
Total operating expenses	**(15,204)**	**(11,728)**	**(716)**	**(1,752)**	**(1,008)**
Operating profit	**12,135**	**9,780**	**1,124**	**858**	**373**
Share of profit in associates and joint ventures	**47**	**14**	**33**	**—**	**—**
Profit before tax	**12,182**	**9,794**	**1,157**	**858**	**373**
2023					
Net operating income before change in expected credit losses and other credit impairment charges[2]	26,848	21,920	1,396	2,268	1,264
– net interest income	19,902	18,455	282	1,167	(2)
– net fee income/(expense)	5,283	3,148	147	800	1,188
– other income	1,663	317	967	301	78
ECL	(935)	(933)	4	(6)	—
Net operating income	25,913	20,987	1,400	2,262	1,264
Total operating expenses	(14,352)	(11,075)	(683)	(1,639)	(955)
Operating profit	11,561	9,912	717	623	309
Share of profit in associates and joint ventures	64	14	50	—	—
Profit before tax	11,625	9,926	767	623	309
2022					
Net operating income before change in expected credit losses and other credit impairment charges[2]	20,772	16,267	1,337	2,039	1,129
– net interest income	15,887	14,576	342	975	(6)
– net fee income/(expense)	5,290	3,241	150	795	1,104
– other income	(405)	(1,550)	845	269	31
ECL	(1,160)	(1,146)	(8)	(5)	(1)
Net operating income	19,612	15,121	1,329	2,034	1,128
Total operating expenses	(14,141)	(11,001)	(787)	(1,495)	(858)
Operating profit	5,471	4,120	542	539	270
Share of profit in associates and joint ventures	29	12	17	—	—
Profit before tax	5,500	4,132	559	539	270

1 Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.
2 From 1 January 2023, we adopted IFRS 17 'Insurance Contracts', which replaced IFRS 4 'Insurance Contracts'. Comparative data for the year ended 31 December 2022 have been restated accordingly.

Life insurance business performance

The following table provides an analysis of the performance of our life insurance business for the period. It comprises income earned by our insurance manufacturing operations within our WPB business, as well as income earned and costs incurred within our Wealth insurance distribution channels, consolidation and inter-company elimination entries.

Results of WPB's life insurance business unit (constant currency basis)

	2024			2023			2022		
	Insurance manufac-turing operations	**Wealth insurance and other[1]**	**Life insurance**	Insurance manufac-turing operations	Wealth insurance and other[1]	Life insurance	Insurance manufac-turing operations	Wealth insurance and other[1]	Life insurance
	$m	**$m**	**$m**	$m	$m	$m	$m	$m	$m
Net interest income	**326**	**—**	**326**	282	—	282	345	(3)	342
Net fee income/(expense)	**10**	**167**	**177**	(25)	172	147	(31)	181	150
Other income	**1,331**	**6**	**1,337**	975	(8)	967	832	13	845
– insurance service result	**1,356**	**(15)**	**1,341**	1,120	(31)	1,089	868	(19)	849
– net investment returns (excluding net interest income)	**(162)**	**(15)**	**(177)**	(198)	55	(143)	(196)	(24)	(220)
– other operating income	**137**	**36**	**173**	53	(32)	21	160	56	216
Net operating income before change in expected credit losses and other credit impairment charges[2]	**1,667**	**173**	**1,840**	1,232	164	1,396	1,146	191	1,337
ECL	**—**	**—**	**—**	4	—	4	(9)	1	(8)
Net operating income	**1,667**	**173**	**1,840**	1,236	164	1,400	1,137	192	1,329
Total operating expenses	**(601)**	**(115)**	**(716)**	(570)	(113)	(683)	(593)	(194)	(787)
Operating profit	**1,066**	**58**	**1,124**	666	51	717	544	(2)	542
Share of profit/(loss) in associates and joint ventures	**33**	**—**	**33**	50	—	50	17	—	17
Profit before tax	**1,099**	**58**	**1,157**	716	51	767	561	(2)	559

1 'Wealth insurance and other' includes fee income earned and operating expenses incurred within our Wealth distribution channels. It also includes the IFRS 17 consolidation entries arising from transactions between our insurance manufacturing operations and Wealth distribution channels and with the wider Group, as well as allocations of central costs benefiting life insurance.
2 Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.

WPB insurance manufacturing (constant currency basis)

The following table shows the results of our insurance manufacturing operations for our WPB business and for all global business segments in aggregate.

Results of insurance manufacturing operations[1,2]

	2024		2023		2022	
	WPB	**All global businesses**	WPB	All global businesses	WPB	All global businesses
	$m	**$m**	$m	$m	$m	$m
Net interest income	**326**	**363**	282	321	345	370
Net fee expense	**10**	**21**	(25)	(13)	(31)	(16)
Other income	**1,331**	**1,326**	975	965	832	842
Insurance service result	**1,356**	**1,356**	1,120	1,119	868	872
– release of contractual service margin	**1,290**	**1,290**	1,087	1,087	900	900
– risk adjustment release	**74**	**74**	44	44	47	47
– experience variance and other	**36**	**36**	31	30	50	54
– loss from onerous contracts	**(44)**	**(44)**	(42)	(42)	(129)	(129)
Net investment returns (excluding net interest income)[3]	**(162)**	**(165)**	(198)	(205)	(196)	(208)
– insurance finance income/(expense)	**(5,985)**	**(5,985)**	(7,718)	(7,718)	13,882	13,885
– other investment income	**5,823**	**5,820**	7,520	7,513	(14,078)	(14,093)
Other operating income	**137**	**135**	53	51	160	178
Net operating income before change in expected credit losses and other credit impairment charges[4,5]	**1,667**	**1,710**	1,232	1,273	1,146	1,196
Change in expected credit losses and other credit impairment charges	**—**	**—**	4	4	(9)	(9)
Net operating income	**1,667**	**1,710**	1,236	1,277	1,137	1,187
Total operating expenses	**(601)**	**(602)**	(570)	(580)	(593)	(589)
Operating profit	**1,066**	**1,108**	666	697	544	598
Share of profit in associates and joint ventures	**33**	**33**	50	50	17	17
Profit before tax of insurance business operations[5]	**1,099**	**1,141**	716	747	561	615
Additional information						
Insurance manufacturing new business contractual service margin (reported basis)	**2,515**	**2,515**	1,686	1,686	1,111	1,111
Consolidated Group new business contractual service margin (reported basis)	**2,729**	**2,729**	1,812	1,812	1,229	1,229
Annualised new business premiums of insurance manufacturing operations	**4,912**	**4,912**	3,797	3,797	2,354	2,354
Net dividends of insurance manufacturing operations (reported basis)[6]	**1,522**	**1,522**	813	813	(152)	(152)

1 Constant currency results are derived by adjusting for period-on-period effects of foreign currency translation differences. The impact of foreign currency translation differences on 'All global businesses' profit before tax was a $13m decrease for 2023 and a $60m decrease for 2022.
2 The results presented for insurance manufacturing are shown before elimination of inter-company transactions with HSBC non-insurance operations. The 'All global businesses' result consists primarily of WPB business, as well as a small proportion of CMB business.
3 Net investment return under IFRS 17 for all global businesses for 2024 was $198m (2023: $116m; 2022: $162m), which consisted of net interest income, net income/(expenses) on assets held at fair value through profit or loss, and insurance finance income/(expense).
4 Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.
5 The effect of applying hyperinflation accounting in Argentina on insurance manufacturing operations in all global business resulted in a decrease of $53m in revenue in 2024 (2023: decrease of $35m, 2022: decrease of $7m) and a decrease of $53m in profit before tax in 2024 (2023: decrease of $35m, 2022: decrease of $6m).
6 Net dividends of insurance manufacturing operations include dividends paid to immediate parent companies of $1,612m (2023: $993m; 2022: $606m) net of CET1 qualifying injections to fund business growth of $90m (2023: $180m; 2022: $758m including a $528m capital injection to fund the acquisition of AXA Singapore).

Insurance manufacturing

The following commentary, unless otherwise specified, relates to the 'All global businesses' results.

Profit before tax of $1.1bn increased by $0.4bn compared with 2023. This primarily reflected the following:

- Insurance service result of $1.4bn increased by $0.2bn compared with 2023 primarily due to an increase in the release of CSM.
- Net investment return (excluding net interest income) remained broadly unchanged, with negative impacts in China from reducing interest rates partly offset by gains in other markets.
- Other operating income increased by $0.1bn compared with 2023, with the increase driven by the non-repeat of losses of $0.3bn in 2023 from corrections to historical valuation estimates, partly offset by current period losses on reinsurance contracts in Hong Kong.

Profit before tax of $0.7bn in 2023 increased by $0.1bn compared with 2022. This primarily reflected the following:

- Insurance service result of $1.1bn increased by $0.3bn compared with 2022. This was driven by an increase in the release of CSM of $0.2bn as a result of a higher closing CSM balance. The improved insurance service result also reflected a reduction to losses from onerous contracts of $0.1bn, mainly in Hong Kong and Singapore, in part due to improved market conditions in 2023.
- Other operating income decreased by $0.1bn compared with 2022, and included a $0.3bn loss from corrections to historical valuation estimates, partly offset by gains of $0.2bn from reinsurance contracts in Hong Kong.

Insurance manufacturing new business contractual service margin increased by $0.8bn or 49% primarily in Hong Kong, from new business volumes increasing and a $0.2bn benefit from recognising a new reinsurance contract.

Annualised new business premiums ('ANP') is used to assess new insurance premiums generated by the business. It is calculated as 100% of annualised first year regular premiums and 10% of single premiums, before reinsurance ceded. ANP in 2024 increased by 29% compared with 2023, primarily from strong new business sales in Hong Kong.

Insurance equity plus CSM net of tax

Insurance equity plus CSM net of tax is a non-GAAP alternative performance measure that provides information about our insurance manufacturing operations' net asset value plus the future earnings from in-force business. At 31 December 2024, insurance equity plus CSM net of tax was $17,025m (31 December 2023: $16,583m; 31 December 2022: $14,646m).

At 31 December 2024, insurance equity plus CSM net of tax was calculated as insurance manufacturing operations equity of $7,015m plus CSM of $12,063m less tax of $2,053m. At 31 December 2023, it was calculated as insurance manufacturing operations equity of

$7,731m plus CSM of $10,786m less tax of $1,934m. At 31 December 2022, it was calculated as insurance manufacturing operations equity of $7,236m plus CSM of $9,058m less tax of $1,648m.

The increase of $0.4bn in 2024 insurance manufacturing equity plus CSM net of tax compared to the prior year includes an increase in CSM net of tax of $1.2bn and a reduction in equity of $0.7bn. CSM net of tax benefited from strong new business written in the period, partially offset by a reduction of $0.6bn from reclassification of our French insurance business to held for sale. The reduction in insurance manufacturing equity of $0.7bn primarily reflected the benefit of profit after tax in the year of $0.9bn offset by net dividends paid of $1.5bn.

Net dividends of $1.5bn in 2024 have increased by $0.7bn primarily due to releases of surplus regulatory capital in Hong Kong.

Insurance metrics no longer reported
Insurance manufacturing value of new business and Insurance manufacturing proxy embedded value were previously presented as non-GAAP performance measures. The Group continues to review its use of non-GAAP performance measures following implementation of IFRS 17 and has now discontinued the reporting of these measures. Instead 'New business CSM' is now management's key new business performance measure, and 'Equity plus CSM net of tax' is considered a measure of entity value more closely aligned with IFRS 17.

WPB: Wealth balances

The following table shows the wealth balances, which include invested assets and wealth deposits. Invested assets comprise customer assets either managed by our Asset Management business or by external third-party investment managers, as well as self-directed investments by our customers.

WPB – reported wealth balances[1]

	2024 $bn	2023 $bn
Global Private Banking invested assets	**395**	363
– managed by Global Asset Management	**68**	61
– external managers, direct securities and other	**327**	302
Retail invested assets	**409**	383
– managed by Global Asset Management	**175**	178
– external managers, direct securities and other	**234**	205
Asset Management third-party distribution	**489**	445
Reported invested assets[1]	**1,293**	1,191
Wealth deposits (Premier and Global Private Banking)[2]	**555**	536
Total reported wealth balances	**1,848**	1,727

1 Invested assets are not reported on the Group's balance sheet, except where it is deemed that we are acting as principal rather than agent in our role as investment manager. At 31 December 2024, $54bn of invested assets were classified as held for sale and are not included in the table above (2023: $32bn).
2 Premier and Global Private Banking deposits, which include Prestige deposits in Hang Seng Bank, form part of the total WPB customer accounts balance of $823bn (2023: $805bn) on page 99. At 31 December 2024, $3bn of wealth deposits were classified as held for sale and are not included in the table above (2023: $42bn).

Asset Management: funds under management

The following table shows the funds under management of our Asset Management business. Funds under management represents assets managed, either actively or passively, on behalf of our customers. Funds under management are not reported on the Group's balance sheet, except where it is deemed that we are acting as principal rather than agent in our role as investment manager.

Asset Management – reported funds under management[1]

	2024 $bn	2023 $bn
Opening balance	**684**	595
Net new invested assets	**30**	54
Net market movements	**47**	23
Foreign exchange and others	**(18)**	12
Transfer to Markets Treasury	**(12)**	—
Closing balance	**731**	684

Asset Management – reported funds under management by legal entities

	2024 $bn	2023 $bn
HSBC Bank plc	**165**	162
The Hongkong and Shanghai Banking Corporation Limited	**223**	198
HSBC North America Holdings Inc.	**67**	71
Grupo Financiero HSBC, S.A. de C.V.	**15**	15
Other trading entities[2]	**261**	238
Closing balance	**731**	684

1 Funds under management are not reported on the Group's balance sheet, except where it is deemed that we are acting as principal rather than agent in our role as investment manager.
2 Funds under management of $194bn in 2024 and $177bn in 2023 relating to our Asset Management entity in the UK are reported under 'other trading entities' in the table above.

At 31 December 2024, Asset Management funds under management amounted to $731bn, an increase of $47bn or 7%. The increase reflected net new invested assets of $30bn and a positive impact from market performance. These increases were partly offset by an adverse impact of foreign exchange translation of $18bn and from a reduction of $12bn due to a transfer of a portfolio forming part of the Group's Holdings Capital Buffer from Asset Management to our Markets Treasury function. Net new invested assets were mainly in long-term products, primarily passive investment, alternative investment, and multi-asset investment products. These inflows were partly offset by redemptions from money market instruments in the US.

Global Private Banking: client balances

Global Private Banking client balances comprises invested assets and deposits, which are translated at the rates of exchange applicable for their respective year-ends, with the effects of currency translation reported separately.

Global Private Banking – reported client balances[1]

	2024 $bn	2023 $bn
Opening balance	**447**	383
Net new invested assets	**23**	17
Increase/(decrease) in deposits	**1**	9
Net market movements	**37**	19
Foreign exchange and others	**(24)**	19
Closing balance	**484**	447

Global Private Banking – reported client balances by legal entities

	2024 $bn	2023 $bn
HSBC UK Bank plc	**36**	32
HSBC Bank plc	**115**	54
The Hongkong and Shanghai Banking Corporation Limited	**251**	209
HSBC North America Holdings Inc.	**77**	64
HSBC Bank Middle East Limited	**3**	—
Grupo Financiero HSBC, S.A. de C.V.	**2**	3
Other trading entities	**—**	85
Closing balance	**484**	447

1 Client balances are not reported on the Group's balance sheet, except where it is deemed that we are acting as principal rather than agent in our role as investment manager. Customer deposits included in these client balances are on balance sheet.

Retail invested assets

The following table shows the invested assets of our retail customers. These comprise customer assets either managed by our Asset Management business or by external third-party investment managers as well as self-directed investments by our customers.

Retail invested assets are not reported on the Group's balance sheet, except where it is deemed that we are acting as principal rather than agent in our role as investment manager.

Retail invested assets

	2024 $bn	2023 $bn
Opening balance	**383**	363
Net new invested assets[1]	**28**	26
Net market movements	**23**	7
Foreign exchange and others	**(25)**	(13)
Closing balance	**409**	383

Retail invested assets by legal entities

	2024 $bn	2023 $bn
HSBC UK Bank plc	**31**	29
HSBC Bank plc	**8**	31
The Hongkong and Shanghai Banking Corporation Limited	**336**	292
HSBC Bank Middle East Limited	**3**	3
HSBC North America Holdings Inc.	**16**	14
Grupo Financiero HSBC, S.A. de C.V.	**10**	9
Other trading entities	**5**	5
Closing balance	**409**	383

1 'Retail net new invested assets' covers nine markets, comprising Hong Kong including Hang Seng Bank (Hong Kong), mainland China, Malaysia, Singapore, HSBC UK, UAE, US, Canada and Mexico. The net new invested assets relating to all other geographies is reported in 'foreign exchange and others'.

WPB invested assets

Net new invested assets represents the net customer inflows from retail invested assets, Asset Management third-party distribution and Global Private Banking invested assets. It excludes all customer deposits. The net new invested assets in the table below is non-additive from the tables above, as net new invested assets managed by Asset Management that are generated by retail clients or Global Private Banking will be recorded in both businesses.

WPB: Invested assets

	2024 $bn	2023 $bn
Opening balance	**1,191**	1,015
Net new invested assets	**64**	84
Net market movements	**97**	43
Foreign exchange and others	**(59)**	49
Closing balance	**1,293**	1,191

WPB: Net new invested assets by legal entities

	2024 $bn	2023 $bn
HSBC UK Bank plc	**3**	1
HSBC Bank plc	**9**	3
The Hongkong and Shanghai Banking Corporation Limited	**47**	47
HSBC Bank Middle East Limited	**1**	1
HSBC North America Holdings Inc.	**(10)**	7
Grupo Financiero HSBC, S.A. de C.V.	**2**	5
Other trading entities	**12**	20
Total	**64**	84

GBM: Securities Services and Issuer Services

Assets held in custody

Custody is the safekeeping and servicing of securities and other financial assets on behalf of clients. Assets held in custody are not reported on the Group's balance sheet, except where it is deemed that we are acting as principal rather than agent in our role as investment manager. At 31 December 2024, we held $10.6tn of assets as custodian, an increase of 9% compared with 31 December 2023. The balance comprised $9.7tn of assets in Securities Services, which were recorded at market value, and $0.9tn of assets in Issuer Services, recorded at book value.

The increase was mainly in Securities Services balances. This was driven by net asset inflows in Asia and Europe and favourable market movements in Asia, North America and Latin America, partly offset by adverse impacts of currency translations in Asia and Europe.

Assets under administration

Our assets under administration business includes the provision of bond and loan administration services, transfer agency services and the valuation of portfolios of securities and other financial assets on behalf of clients and complements the custody business. At 31 December 2024, the value of assets held under administration by the Group amounted to $5.2tn, which was 6% higher than at 31 December 2023. The balance comprised $3.1tn of assets in Securities Services, which were recorded at market value, and $2.1tn of assets in Issuer Services, recorded at book value.

The increase was mainly driven by Securities Services balances due to net asset inflows in Europe and Asia together with favourable market movement, partly offset by adverse impact of currency translations notably in Europe and Asia. Issuer Services balances also rose driven by new issuances, including in the UK and the US, as well as new assets, including in our legal entity in Hong Kong.

Analysis of reported results by legal entities

HSBC reported profit/(loss) before tax and balance sheet data

	2024									
	HSBC UK Bank plc	HSBC Bank plc	The Hongkong and Shanghai Banking Corporation Limited	HSBC Bank Middle East Limited	HSBC North America Holdings Inc.	HSBC Bank Canada	Grupo Financiero HSBC, S.A. de C.V.	Other trading entities	Holding companies, shared service centres and intra-Group eliminations	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Net interest income	10,331	1,254	15,077	1,590	1,613	300	2,292	2,774	(2,498)	32,733
Net fee income	1,672	1,629	5,449	508	1,372	129	630	1,076	(164)	12,301
Net income from financial instruments held for trading or managed on a fair value basis	580	6,042	11,781	331	914	33	504	411	520	21,116
Net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit and loss	—	1,100	4,608	—	—	—	22	183	(12)	5,901
Insurance finance income/(expense)	—	(1,261)	(4,562)	—	—	—	(26)	(150)	21	(5,978)
Insurance service result	—	217	1,042	—	—	—	76	(7)	(18)	1,310
Other income/(expense)[1]	169	576	658	75	365	—	75	(984)	(2,463)	(1,529)
Net operating income before change in expected credit losses and other credit impairment charges[2]	12,752	9,557	34,053	2,504	4,264	462	3,573	3,303	(4,614)	65,854
Change in expected credit losses and other credit impairment charges	(405)	(211)	(1,532)	(198)	(81)	(40)	(864)	(93)	10	(3,414)
Net operating income	12,347	9,346	32,521	2,306	4,183	422	2,709	3,210	(4,604)	62,440
Total operating expenses excluding impairment of goodwill and other intangible assets	(5,124)	(6,718)	(14,296)	(1,191)	(3,349)	(236)	(1,992)	(1,959)	1,899	(32,966)
Impairment of goodwill and other intangible assets	(11)	(5)	(33)	(1)	(2)	—	(2)	(22)	(1)	(77)
Operating profit/(loss)	7,212	2,623	18,192	1,114	832	186	715	1,229	(2,706)	29,397
Share of profit in associates and joint ventures less impairment[3]	1	22	2,278	—	—	—	15	600	(4)	2,912
Profit/(loss) before tax	7,213	2,645	20,470	1,114	832	186	730	1,829	(2,710)	32,309
	%	%	%	%	%	%	%	%	%	%
Share of HSBC's profit before tax	22.2	8.2	63.4	3.4	2.6	0.6	2.3	5.7	(8.4)	100.0
Cost efficiency ratio	40.3	70.3	42.1	47.6	78.6	51.1	55.8	60.0	41.1	50.2
Balance sheet data	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Loans and advances to customers (net)	272,973	103,464	449,940	20,440	55,786	—	23,439	4,617	(1)	930,658
Total assets	426,165	914,506	1,400,456	57,215	253,251	—	46,007	26,623	(107,175)	3,017,048
Customer accounts	340,233	297,785	845,284	34,808	99,278	—	27,525	9,999	43	1,654,955
Risk-weighted assets[4,5,6]	138,332	137,609	402,847	26,624	74,416	—	29,671	50,731	(648)	838,254

HSBC reported profit/(loss) before tax and balance sheet data (continued)

	2023									
	HSBC UK Bank plc	HSBC Bank plc	The Hongkong and Shanghai Banking Corporation Limited	HSBC Bank Middle East Limited	HSBC North America Holdings Inc.	HSBC Bank Canada	Grupo Financiero HSBC, S.A. de C.V.	Other trading entities	Holding companies, shared service centres and intra-Group eliminations	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Net interest income	9,684	2,674	16,705	1,551	1,712	1,275	2,148	3,765	(3,718)	35,796
Net fee income	1,597	1,527	4,859	475	1,237	559	581	1,225	(215)	11,845
Net income from financial instruments held for trading or managed on a fair value basis	516	4,220	9,507	397	729	110	437	1,054	(309)	16,661
Net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit and loss	—	1,438	6,258	—	—	—	39	323	(171)	7,887
Insurance finance income/(expense)	—	(1,460)	(6,237)	—	—	—	(44)	(166)	98	(7,809)
Insurance service result	—	154	838	—	—	—	87	9	(10)	1,078
Other income/(expense)[1]	1,608	736	(31)	2	185	22	65	(1,481)	(506)	600
Net operating income before change in expected credit losses and other credit impairment charges[2]	13,405	9,289	31,899	2,425	3,863	1,966	3,313	4,729	(4,831)	66,058
Change in expected credit losses and other credit impairment charges	(523)	(212)	(1,641)	(90)	(94)	(46)	(696)	(279)	134	(3,447)
Net operating income	12,882	9,077	30,258	2,335	3,769	1,920	2,617	4,450	(4,697)	62,611
Total operating expenses excluding impairment of goodwill and other intangible assets	(4,602)	(6,483)	(13,379)	(1,095)	(3,473)	(1,049)	(1,823)	(2,631)	2,180	(32,355)
Impairment of goodwill and other intangible assets	(10)	97	(16)	(1)	222	—	(3)	(4)	—	285
Operating profit/(loss)	8,270	2,691	16,863	1,239	518	871	791	1,815	(2,517)	30,541
Share of profit in associates and joint ventures less impairment[3]	—	(52)	(696)	—	—	—	14	544	(3)	(193)
Profit/(loss) before tax	8,270	2,639	16,167	1,239	518	871	805	2,359	(2,520)	30,348
	%	%	%	%	%	%	%	%	%	%
Share of HSBC's profit before tax	27.2	8.7	53.3	4.1	1.7	2.9	2.6	7.8	(8.3)	100.0
Cost efficiency ratio	34.4	68.7	42.0	45.2	84.2	53.4	55.1	55.7	45.1	48.5
Balance sheet data	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Loans and advances to customers (net)	270,208	95,750	455,315	20,072	54,829	—	26,410	15,951	—	938,535
Total assets	423,029	896,682	1,333,911	50,612	252,339	90,731	47,309	59,051	(114,987)	3,038,677
Customer accounts	339,611	274,733	801,430	31,341	99,607	—	29,423	35,326	176	1,611,647
Risk-weighted assets[4,5]	129,211	131,468	396,677	24,294	72,248	31,890	32,639	59,574	6,704	854,114

HSBC reported profit/(loss) before tax and balance sheet data (continued)

	2022									
	HSBC UK Bank plc	HSBC Bank plc	The Hongkong and Shanghai Banking Corporation Limited	HSBC Bank Middle East Limited	HSBC North America Holdings Inc.	HSBC Bank Canada	Grupo Financiero HSBC, S.A. de C.V.	Other trading entities	Holding companies, shared service centres and intra-Group eliminations	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Net interest income	7,615	2,357	14,031	903	1,922	1,251	1,796	2,244	(1,742)	30,377
Net fee income	1,536	1,601	4,924	458	1,223	598	455	1,127	(152)	11,770
Net income from financial instruments held for trading or managed on a fair value basis	472	3,564	5,270	360	485	76	351	639	(939)	10,278
Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit and loss	—	(1,761)	(12,117)	—	—	—	(9)	66	(10)	(13,831)
Insurance finance income/(expense)	—	1,431	12,407	—	—	—	3	(32)	(10)	13,799
Insurance service result	—	149	636	—	—	—	50	(20)	(6)	809
Other income/(expense)[1]	148	(1,920)	491	22	533	29	67	(521)	(1,431)	(2,582)
Net operating income before loan impairment (charges)/recoveries and other credit risk provisions[2]	9,771	5,421	25,642	1,743	4,163	1,954	2,713	3,503	(4,290)	50,620
Change in expected credit losses and other credit impairment (charges)/recoveries	(563)	(292)	(2,090)	21	(20)	(84)	(507)	(61)	12	(3,584)
Net operating income	9,208	5,129	23,552	1,764	4,143	1,870	2,206	3,442	(4,278)	47,036
Total operating expenses excluding impairment of goodwill and other intangible assets	(4,667)	(6,497)	(13,011)	(1,033)	(3,429)	(1,017)	(1,631)	(2,359)	1,090	(32,554)
Impairment of goodwill and other intangible assets	(54)	11	(42)	(3)	(9)	(21)	(5)	(2)	(22)	(147)
Operating profit/(loss)	4,487	(1,357)	10,499	728	705	832	570	1,081	(3,210)	14,335
Share of profit in associates and joint ventures less impairment	—	(38)	2,400	—	—	—	13	351	(3)	2,723
Profit/(loss) before tax	4,487	(1,395)	12,899	728	705	832	583	1,432	(3,213)	17,058
	%	%	%	%	%	%	%	%	%	%
Share of HSBC's profit before tax	26.3	(8.2)	75.6	4.3	4.1	4.9	3.4	8.4	(18.8)	100.0
Cost efficiency ratio	48.3	119.6	50.9	59.4	82.6	53.1	60.3	67.4	24.9	64.6
Balance sheet data	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Loans and advances to customers (net)	245,921	86,964	473,985	19,762	54,159	—	20,446	22,325	(1)	923,561
Total assets	412,522	863,308	1,297,806	48,086	239,117	94,604	39,939	67,345	(113,441)	2,949,286
Customer accounts	336,086	253,075	784,236	29,893	100,404	—	25,531	41,078	—	1,570,303
Risk-weighted assets[4,5]	110,919	127,017	406,985	22,490	72,446	31,876	26,744	60,289	8,144	839,720

1 Other income/(expense) in this context includes gain on acquisitions, impairment gain/(loss) relating to the sale of our retail banking operations in France, and other operating income/(expense).
2 Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.
3 Includes an impairment loss of $3.0bn recognised in respect of the Group's investment in BoCom.
4 Risk-weighted assets are non-additive across the legal entities due to market risk diversification effects within the Group.
5 Balances are on a third-party Group consolidated basis.
6 Other trading entities' RWAs balance at 31 December 2024 includes HSBC Argentina operational risk RWAs, due to the averaging calculation and will roll off over future reporting cycles.

Summary information – legal entities and selected countries/territories

Legal entity reported and constant currency results[1]

	2024									
	HSBC UK Bank plc	HSBC Bank plc	The Hongkong and Shanghai Banking Corpo-ration Limited	HSBC Bank Middle East Limited	HSBC North America Holdings Inc.	HSBC Bank Canada	Grupo Financiero HSBC, S.A. de C.V.	Other trading entities[2]	Holding companies, shared service centres and intra-Group eliminations	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Revenue[3]	12,752	9,557	34,053	2,504	4,264	462	3,573	3,303	(4,614)	65,854
ECL	(405)	(211)	(1,532)	(198)	(81)	(40)	(864)	(93)	10	(3,414)
Operating expenses	(5,135)	(6,723)	(14,329)	(1,192)	(3,351)	(236)	(1,994)	(1,981)	1,898	(33,043)
Share of profit in associates and joint ventures	1	22	2,278	—	—	—	15	600	(4)	2,912
Profit/(loss) before tax	**7,213**	**2,645**	**20,470**	**1,114**	**832**	**186**	**730**	**1,829**	**(2,710)**	**32,309**
Loans and advances to customers (net)	272,973	103,464	449,940	20,440	55,786	—	23,439	4,617	(1)	930,658
Customer accounts	340,233	297,785	845,284	34,808	99,278	—	27,525	9,999	43	1,654,955

1 In the current period, constant currency results are equal to reported, as there is no currency translation.
2 Other trading entities includes the results of entities located in Türkiye, Egypt and Saudi Arabia (including our share of the results of Saudi Awwal Bank) which do not consolidate into HSBC Bank Middle East Limited. These entities had an aggregated impact on the Group's reported profit before tax of $1,429m. Supplementary analysis is provided on page 120 to provide a fuller picture of the MENAT regional performance.
3 Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.

Legal entity results: notable items

	2024									
	HSBC UK Bank plc	HSBC Bank plc	The Hongkong and Shanghai Banking Corpo-ration Limited	HSBC Bank Middle East Limited	HSBC North America Holdings Inc.	HSBC Bank Canada	Grupo Financiero HSBC, S.A. de C.V.	Other trading entities	Holding companies, shared service centres and intra-Group eliminations	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Revenue										
Disposals, acquisitions and related costs[1]	—	(148)	—	—	—	—	—	(23)	(1,172)	(1,343)
Early redemption of legacy securities	—	—	—	—	—	—	—	—	(237)	(237)
Operating expenses										
Disposals, acquisitions and related costs	8	(9)	—	—	(29)	(36)	—	(61)	(72)	(199)
Restructuring and other related costs[2]	3	15	(5)	(2)	(4)	—	—	(9)	(32)	(34)

1 Includes a $1.0bn loss on disposal and a $5.2bn loss on the recycling in foreign currency translation reserve losses and other reserves arising on sale of our business in Argentina. This is partly offset by a $4.8bn gain on disposal of our banking business in Canada, inclusive of a $0.3bn gain on the foreign exchange hedging of the sales proceeds, the recycling of $0.6bn in foreign currency translation reserve losses and $0.4bn of other reserves losses.
2 Amounts relate to restructuring provisions recognised in 2024 and reversals of restructuring provisions recognised during 2022.

Selected countries/territories results[1]

	2024				
	UK[2]	Hong Kong	Mainland China	US	Mexico
	$m	$m	$m	$m	$m
Revenue[3]	21,017	22,038	4,078	4,216	3,573
ECL	(526)	(1,273)	(121)	(81)	(864)
Operating expenses	(13,725)	(8,886)	(2,971)	(3,350)	(1,994)
Share of profit/(loss) in associates and joint ventures	24	8	2,241	—	15
Profit before tax	**6,790**	**11,887**	**3,227**	**785**	**730**
Loans and advances to customers (net)	313,925	272,152	44,551	55,786	23,439
Customer accounts	524,251	575,141	63,169	99,278	27,525

1 In the current period, constant currency results are equal to reported, as there is no currency translation.
2 UK includes HSBC UK Bank plc (ring-fenced bank), HSBC Bank plc (non-ring-fenced bank), the ultimate holding company, HSBC Holdings plc, and the separately incorporated group of service companies ('ServCo Group').
3 Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.

Selected countries/territories results: notable items

	2024				
	UK[1]	Hong Kong	Mainland China	US	Mexico
	$m	$m	$m	$m	$m
Revenue					
Disposals, acquisitions and related costs[1,2]	**285**	—	—	—	—
Early redemption of legacy securities	**(237)**	—	—	—	—
Operating expenses					
Disposals, acquisitions and related costs	**(50)**	**(2)**	**(7)**	**(28)**	—
Restructuring and other related costs[3]	**(42)**	**(4)**	—	**(4)**	—

1 UK includes HSBC UK Bank plc (ring-fenced bank), HSBC Bank plc (non-ring-fenced bank), the ultimate holding company, HSBC Holdings plc, and the separately incorporated group of service companies ('ServCo Group').
2 Includes fair value movements on the foreign exchange hedging of the sale of our banking business in Canada which is booked in HSBC Overseas Holdings (UK) Limited.
3 Amounts relate to restructuring provisions recognised in 2024 and reversals of restructuring provisions recognised during 2022.

Legal entity reported and constant currency results (continued)

	2023									
	HSBC UK Bank plc	HSBC Bank plc	The Hongkong and Shanghai Banking Corpo-ration Limited	HSBC Bank Middle East Limited	HSBC North America Holdings Inc.	HSBC Bank Canada	Grupo Financiero HSBC, S.A. de C.V.	Other trading entities[1]	Holding companies, shared service centres and intra-Group eliminations	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Revenue[2]										
Reported	13,405	9,289	31,899	2,425	3,863	1,966	3,313	4,729	(4,831)	66,058
Currency translation	391	150	(93)	1	—	(28)	(103)	(1,567)	103	(1,146)
Constant currency	13,796	9,439	31,806	2,426	3,863	1,938	3,210	3,162	(4,728)	64,912
ECL										
Reported	(523)	(212)	(1,641)	(90)	(94)	(46)	(696)	(279)	134	(3,447)
Currency translation	(11)	(1)	—	—	—	1	34	166	(1)	188
Constant currency	(534)	(213)	(1,641)	(90)	(94)	(45)	(662)	(113)	133	(3,259)
Operating expenses										
Reported	(4,612)	(6,386)	(13,395)	(1,096)	(3,251)	(1,049)	(1,826)	(2,635)	2,180	(32,070)
Currency translation	(126)	(99)	31	—	—	16	55	796	(97)	576
Constant currency	(4,738)	(6,485)	(13,364)	(1,096)	(3,251)	(1,033)	(1,771)	(1,839)	2,083	(31,494)
Share of profit/(loss) in associates and joint ventures										
Reported	—	(52)	(696)	—	—	—	14	544	(3)	(193)
Currency translation	—	(1)	(61)	—	—	—	(1)	—	—	(63)
Constant currency	—	(53)	(757)	—	—	—	13	544	(3)	(256)
Profit/(loss) before tax										
Reported	8,270	2,639	16,167	1,239	518	871	805	2,359	(2,520)	30,348
Currency translation	254	49	(123)	1	—	(11)	(15)	(605)	5	(445)
Constant currency	8,524	2,688	16,044	1,240	518	860	790	1,754	(2,515)	29,903
Loans and advances to customers (net)										
Reported	270,208	95,750	455,315	20,072	54,829	—	26,410	15,951	—	938,535
Currency translation	(4,407)	(4,136)	(6,200)	(4)	—	—	(4,904)	(1,794)	(1)	(21,446)
Constant currency	265,801	91,614	449,115	20,068	54,829	—	21,506	14,157	(1)	917,089
Customer accounts										
Reported	339,611	274,733	801,430	31,341	99,607	—	29,423	35,326	176	1,611,647
Currency translation	(5,539)	(9,425)	(7,068)	(12)	—	—	(5,464)	(4,527)	1	(32,034)
Constant currency	334,072	265,308	794,362	31,329	99,607	—	23,959	30,799	177	1,579,613

1 Other trading entities includes the results of entities located in Oman, Türkiye, Egypt and Saudi Arabia (including our share of the results of Saudi Awwal Bank) which do not consolidate into HSBC Bank Middle East Limited. These entities had an aggregated impact on the Group's reported profit before tax of $1,286m, and constant currency profit before tax of $1,090m. Supplementary analysis is provided on page 120 to provide a fuller picture of the MENAT regional performance.
2 Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.

Legal entity results: notable items (continued)

	2023									
	HSBC UK Bank plc	HSBC Bank plc	The Hongkong and Shanghai Banking Corporation Limited	HSBC Bank Middle East Limited	HSBC North America Holdings Inc.	HSBC Bank Canada	Grupo Financiero HSBC, S.A. de C.V.	Other trading entities	Holding companies, shared service centres and intra-Group eliminations	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Revenue										
Disposals, acquisitions and related costs[1,2,3]	1,591	(14)	—	—	—	—	—	—	(279)	1,298
Fair value movements on financial instruments[4]	—	—	—	—	—	—	—	—	14	14
Restructuring and other related costs	—	361	—	—	—	—	—	—	(361)	—
Disposal losses on Markets Treasury repositioning	(145)	(94)	(473)	(20)	(246)	—	—	—	1	(977)
Operating expenses										
Disposals, acquisitions and related costs	(45)	(111)	—	—	(11)	(115)	—	—	(39)	(321)
Restructuring and other related costs[5]	20	30	10	2	10	—	6	2	56	136
Impairment of interest in associate[6]	—	—	(3,000)	—	—	—	—	—	—	(3,000)

1 Includes the impacts of the sale of our retail banking operations in France.
2 Includes the gain of $1.6bn recognised in respect of the acquisition of SVB UK.
3 Includes fair value movements on the foreign exchange hedging of the proceeds from the sale of our banking business in Canada.
4 Fair value movements on non-qualifying hedges in HSBC Holdings.
5 Balances relate to reversals of restructuring provisions recognised during 2022.
6 Includes an impairment loss of $3.0bn recognised in respect of the Group's investment in BoCom.

Selected countries/territories results (continued)

	2023				
	UK[1]	Hong Kong	Mainland China	US	Mexico
	$m	$m	$m	$m	$m
Revenue[2]					
Reported	19,092	20,611	3,923	3,796	3,313
Currency translation	637	67	(64)	—	(103)
Constant currency	19,729	20,678	3,859	3,796	3,210
ECL					
Reported	(594)	(1,529)	(93)	(94)	(696)
Currency translation	(14)	(5)	(2)	—	34
Constant currency	(608)	(1,534)	(95)	(94)	(662)
Operating expenses					
Reported	(12,485)	(8,244)	(2,713)	(3,251)	(1,826)
Currency translation	(328)	(27)	41	—	55
Constant currency	(12,813)	(8,271)	(2,672)	(3,251)	(1,771)
Share of profit/(loss) in associates and joint ventures					
Reported	(53)	30	(746)	—	14
Currency translation	—	—	(61)	—	(1)
Constant currency	(53)	30	(807)	—	13
Profit before tax					
Reported	5,960	10,868	371	451	805
Currency translation	295	35	(86)	—	(15)
Constant currency	6,255	10,903	285	451	790
Loans and advances to customers (net)					
Reported	309,262	279,551	44,275	54,829	26,410
Currency translation	(5,044)	1,663	(1,207)	—	(4,904)
Constant currency	304,218	281,214	43,068	54,829	21,506
Customer accounts					
Reported	508,181	543,504	56,006	99,607	29,423
Currency translation	(8,289)	3,233	(1,525)	—	(5,464)
Constant currency	499,892	546,737	54,481	99,607	23,959

1 UK includes HSBC UK Bank plc (ring-fenced bank), HSBC Bank plc (non-ring-fenced bank), the ultimate holding company, HSBC Holdings plc, and the separately incorporated group of service companies ('ServCo Group').
2 Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.

Selected countries/territories results: notable items (continued)

	2023				
	UK[1] $m	Hong Kong $m	Mainland China $m	US $m	Mexico $m
Revenue					
Disposals, acquisitions and related costs[2,3,4]	1,272	—	—	—	—
Fair value movements on financial instruments[5]	14	—	—	—	—
Disposal losses on Markets Treasury repositioning	(239)	(473)	—	(246)	—
Operating expenses					
Disposals, acquisitions and related costs	(71)	(1)	(5)	(11)	—
Restructuring and other related costs[6]	75	9	4	10	6
Impairment of interest in associate[7]	—	—	(3,000)	—	—

1 UK includes HSBC UK Bank plc (ring-fenced bank), HSBC Bank plc (non-ring-fenced bank), the ultimate holding company, HSBC Holdings plc, and the separately incorporated group of service companies ('ServCo Group').
2 Includes the gain of $1.6bn recognised in respect of the acquisition of SVB UK.
3 Includes the impairment gain relating to the sale of our retail banking operations in France.
4 Includes fair value movements on the foreign exchange hedging of the proceeds from the sale of our banking business in Canada.
5 Fair value movements on non-qualifying hedges in HSBC Holdings.
6 Balances relates to reversals of restructuring provisions recognised during 2022.
7 Includes an impairment loss of $3.0bn recognised in respect of the Group's investment in BoCom.

Legal entity reported and constant currency results

	2022									
	HSBC UK Bank plc $m	HSBC Bank plc $m	The Hongkong and Shanghai Banking Corporation Limited $m	HSBC Bank Middle East Limited $m	HSBC North America Holdings Inc. $m	HSBC Bank Canada $m	Grupo Financiero HSBC, S.A. de C.V. $m	Other trading entities[1] $m	Holding companies, shared service centres and intra-Group eliminations $m	Total $m
Revenue[2]										
Reported	9,771	5,421	25,642	1,743	4,163	1,954	2,713	3,503	(4,290)	50,620
Currency translation	399	(30)	(338)	3	—	(96)	265	(1,235)	(1)	(1,033)
Constant currency	10,170	5,391	25,304	1,746	4,163	1,858	2,978	2,268	(4,291)	49,587
ECL										
Reported	(563)	(292)	(2,090)	21	(20)	(84)	(507)	(61)	12	(3,584)
Currency translation	(57)	8	2	—	—	5	(46)	59	(2)	(31)
Constant currency	(620)	(284)	(2,088)	21	(20)	(79)	(553)	(2)	10	(3,615)
Operating expenses										
Reported	(4,721)	(6,486)	(13,053)	(1,036)	(3,438)	(1,038)	(1,636)	(2,361)	1,068	(32,701)
Currency translation	(178)	(177)	165	(1)	—	51	(163)	792	(17)	472
Constant currency	(4,899)	(6,663)	(12,888)	(1,037)	(3,438)	(987)	(1,799)	(1,569)	1,051	(32,229)
Share of profit/(loss) in associates and joint ventures										
Reported	—	(38)	2,400	—	—	—	13	351	(3)	2,723
Currency translation	—	—	(164)	—	—	—	—	—	—	(164)
Constant currency	—	(38)	2,236	—	—	—	13	351	(3)	2,559
Profit/(loss) before tax										
Reported	4,487	(1,395)	12,899	728	705	832	583	1,432	(3,213)	17,058
Currency translation	164	(199)	(335)	2	—	(40)	56	(384)	(20)	(756)
Constant currency	4,651	(1,594)	12,564	730	705	792	639	1,048	(3,233)	16,302
Loans and advances to customers (net)										
Reported	245,921	86,964	473,985	19,762	54,159	—	20,446	22,325	(1)	923,561
Currency translation	10,166	331	(8,248)	16	—	—	(1,318)	(3,210)	1	(2,262)
Constant currency	256,087	87,295	465,737	19,778	54,159	—	19,128	19,115	—	921,299
Customer accounts										
Reported	336,086	253,075	784,236	29,893	100,404	—	25,531	41,078	—	1,570,303
Currency translation	13,894	3,640	(9,033)	24	—	—	(1,645)	(8,633)	—	(1,753)
Constant currency	349,980	256,715	775,203	29,917	100,404	—	23,886	32,445	—	1,568,550

1 Other trading entities includes the results of entities located in Oman, Türkiye, Egypt and Saudi Arabia (including our share of the results of Saudi Awwal Bank) which do not consolidate into HSBC Bank Middle East Limited. These entities had an aggregated impact on the Group's reported profit before tax of $997m and constant currency profit before tax of $756m.
2 Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.

Legal entity results: notable items (continued)

	2022									
	HSBC UK Bank plc	HSBC Bank plc	The Hongkong and Shanghai Banking Corporation Limited	HSBC Bank Middle East Limited	HSBC North America Holdings Inc.	HSBC Bank Canada	Grupo Financiero HSBC, S.A. de C.V.	Other trading entities	Holding companies, shared service centres and intra-Group eliminations	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Revenue										
Disposals, acquisitions and related costs[1]	—	(2,242)	—	—	—	—	—	—	(495)	(2,737)
Fair value movements on financial instruments[2]	—	—	—	—	—	—	—	—	(618)	(618)
Restructuring and other related costs[3]	1	(278)	46	(13)	98	1	(17)	—	(85)	(247)
Operating expenses										
Disposals, acquisitions and related costs	—	(18)	—	—	—	—	—	—	—	(18)
Restructuring and other related costs	(521)	(656)	(741)	(64)	(421)	(87)	(115)	(150)	(127)	(2,882)

1 Includes losses from classifying businesses as held for sale as part of a broader restructuring of our European business, of which $2.3bn (inclusive of $0.4bn in goodwill impairments) relates to the sale of the retail banking operations in France. Held-for-sale classification for the sale of the retail banking operations in France was reversed in 1Q23 ($2.1bn loss reversed) and reinstated in 4Q23 ($2.0bn loss reinstated).
2 Fair value movements on non-qualifying hedges in HSBC Holdings.
3 Comprises gains and losses relating to the business update in February 2020, including losses associated with the RWA reduction programme.

Selected countries/territories results (continued)

	2022				
	UK[1]	Hong Kong	Mainland China	US	Mexico
	$m	$m	$m	$m	$m
Revenue[2]					
Reported	17,268	15,712	4,104	4,107	2,713
Currency translation	746	60	(272)	—	265
Constant currency	18,014	15,772	3,832	4,107	2,978
ECL					
Reported	(712)	(1,683)	(326)	(20)	(507)
Currency translation	(54)	(8)	21	—	(46)
Constant currency	(766)	(1,691)	(305)	(20)	(553)
Operating expenses					
Reported	(13,232)	(7,935)	(2,757)	(3,438)	(1,636)
Currency translation	(504)	(26)	178	—	(163)
Constant currency	(13,736)	(7,961)	(2,579)	(3,438)	(1,799)
Share of profit/(loss) in associates and joint ventures					
Reported	(41)	5	2,386	—	12
Currency translation	—	—	(163)	—	1
Constant currency	(41)	5	2,223	—	13
Profit before tax					
Reported	3,283	6,099	3,407	649	582
Currency translation	188	26	(236)	—	57
Constant currency	3,471	6,125	3,171	649	639
Loans and advances to customers (net)					
Reported	286,032	294,580	50,481	54,159	20,446
Currency translation	11,825	1,122	(2,811)	—	(1,318)
Constant currency	297,857	295,702	47,670	54,159	19,128
Customer accounts					
Reported	493,028	542,543	56,948	100,404	25,531
Currency translation	20,382	2,068	(3,169)	—	(1,645)
Constant currency	513,410	544,611	53,779	100,404	23,886

1 UK includes HSBC UK Bank plc (ring-fenced bank), HSBC Bank plc (non-ring-fenced bank), the ultimate holding company, HSBC Holdings plc, and the separately incorporated group of service companies ('ServCo Group').
2 Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.

Selected countries/territories results: notable items (continued)

	2022				
	UK[1]	Hong Kong	Mainland China	US	Mexico
	$m	$m	$m	$m	$m
Revenue					
Disposals, acquisitions and related costs	(60)	—	—	—	—
Fair value movements on financial instruments[2]	(617)	—	—	—	—
Restructuring and other related costs[3]	407	(124)	71	99	(17)
Operating expenses					
Restructuring and other related costs	(1,741)	(393)	(70)	(424)	(115)

1 UK includes HSBC UK Bank plc (ring-fenced bank), HSBC Bank plc (non-ring-fenced bank), the ultimate holding company, HSBC Holdings plc, and the separately incorporated group of service companies ('ServCo Group').
2 Fair value movements on non-qualifying hedges in HSBC Holdings.
3 Comprises gains and losses relating to the business update in February 2022, including losses associated with RWA reduction commitments.

Analysis by country/territory

Profit/(loss) before tax by country/territory within global businesses

	2024				
	Wealth and Personal Banking	**Commercial Banking**	**Global Banking and Markets**	**Corporate Centre**	**Total**
	$m	**$m**	**$m**	**$m**	**$m**
UK[1]	**2,487**	**3,446**	**12**	**845**	**6,790**
– of which: HSBC UK Bank plc (ring-fenced bank)	**2,628**	**4,367**	**146**	**72**	**7,213**
– of which: HSBC Bank plc (non-ring-fenced bank)	**534**	**97**	**657**	**(359)**	**929**
– of which: Holdings and other	**(675)**	**(1,018)**	**(791)**	**1,132**	**(1,352)**
France	**60**	**196**	**127**	**(153)**	**230**
Germany	**27**	**45**	**137**	**5**	**214**
Hong Kong	**7,453**	**3,212**	**1,704**	**(482)**	**11,887**
Australia	**141**	**378**	**99**	**(9)**	**609**
India	**96**	**448**	**875**	**269**	**1,688**
Indonesia	**7**	**156**	**63**	**(5)**	**221**
Mainland China[2]	**(167)**	**235**	**678**	**2,481**	**3,227**
Malaysia	**143**	**155**	**219**	**(3)**	**514**
Singapore	**572**	**376**	**448**	**(21)**	**1,375**
Taiwan	**113**	**70**	**223**	**(8)**	**398**
Egypt	**123**	**145**	**355**	**(16)**	**607**
UAE	**371**	**228**	**355**	**(83)**	**871**
Saudi Arabia[3]	**—**	**—**	**112**	**596**	**708**
US	**74**	**578**	**331**	**(198)**	**785**
Canada[4]	**71**	**126**	**26**	**4,503**	**4,726**
Mexico	**185**	**529**	**13**	**3**	**730**
Other[5]	**426**	**1,537**	**1,286**	**(6,520)**	**(3,271)**
Year ended 31 Dec 2024	**12,182**	**11,860**	**7,063**	**1,204**	**32,309**

1 UK includes results from the ultimate holding company, HSBC Holdings plc, and the separately incorporated group of service companies ('ServCo Group').
2 Includes our share of the profits of our associate, Bank of Communications Co., Limited.
3 Includes the results of HSBC Saudi Arabia and our share of the profits of our associate, Saudi Awwal Bank.
4 Corporate Centre includes a gain of $4.5bn on the sale of our banking business in Canada excluding the fair value movements on the foreign exchange hedging of the sale which is booked in HSBC Overseas Holdings (UK) Limited.
5 Corporate Centre includes the profit and loss impact of inter-company debt eliminations of $(269)m and a loss of $6.2bn relating to the sale of our business in Argentina.

Profit/(loss) before tax by country/territory within global businesses (continued)

	2023				
	Wealth and Personal Banking	Commercial Banking	Global Banking and Markets	Corporate Centre	Total
	$m	$m	$m	$m	$m
UK[1]	2,415	4,437	(692)	(200)	5,960
– of which: HSBC UK Bank plc (ring-fenced bank)	2,754	5,282	144	90	8,270
– of which: HSBC Bank plc (non-ring-fenced bank)	396	295	121	177	989
– of which: Holdings and other	(735)	(1,140)	(957)	(467)	(3,299)
France	(35)	235	128	10	338
Germany	44	144	128	4	320
Hong Kong	6,808	2,970	1,394	(304)	10,868
Australia	177	319	85	(15)	566
India	56	398	774	289	1,517
Indonesia	23	124	68	(7)	208
Mainland China[2]	(90)	339	662	(540)	371
Malaysia	111	158	219	(21)	467
Singapore	233	436	444	(31)	1,082
Taiwan	99	72	198	(7)	362
Egypt	141	98	303	(11)	531
UAE	387	212	377	(83)	893
Saudi Arabia[3]	—	—	118	539	657
US	225	513	111	(398)	451
Canada	293	561	120	(96)	878
Mexico	317	504	15	(31)	805
Other[4]	340	1,760	1,472	502	4,074
Year ended 31 Dec 2023	11,544	13,280	5,924	(400)	30,348

1 UK includes results from the ultimate holding company, HSBC Holdings plc, and the separately incorporated group of service companies ('ServCo Group').
2 Includes our share of the profits of our associate, Bank of Communications Co., Limited.
3 Includes the results of HSBC Saudi Arabia and our share of the profits of our associate, Saudi Awwal Bank.
4 Corporate Centre includes the profit and loss impact of inter-company debt eliminations of $571m.

	2022				
	Wealth and Personal Banking	Commercial Banking	Global Banking and Markets	Corporate Centre	Total
	$m	$m	$m	$m	$m
UK[1]	1,764	2,094	(534)	(41)	3,283
– of which: HSBC UK Bank plc (ring-fenced bank)	2,112	2,662	143	(430)	4,487
– of which: HSBC Bank plc (non-ring fenced bank)	294	315	141	(473)	277
– of which: Holdings and other	(642)	(883)	(818)	862	(1,481)
France[2]	(2,248)	210	81	(231)	(2,188)
Germany	17	8	133	(147)	11
Hong Kong	4,435	1,278	955	(568)	6,100
Australia	147	180	157	(36)	448
India	45	304	622	306	1,277
Indonesia	4	71	100	(8)	167
Mainland China[3]	(100)	303	526	2,678	3,407
Malaysia	110	89	219	(36)	382
Singapore	218	255	351	(77)	747
Taiwan	36	43	137	(17)	199
Egypt	101	76	194	(4)	367
UAE	128	107	320	(86)	469
Saudi Arabia[4]	30	—	94	345	469
US	209	557	270	(387)	649
Canada	243	548	140	(89)	842
Mexico	241	414	39	(112)	582
Other[5]	208	1,056	1,115	(2,532)	(153)
Year ended 31 Dec 2022	5,588	7,593	4,919	(1,042)	17,058

1 UK includes results from the ultimate holding company, HSBC Holdings plc, and the separately incorporated group of service companies ('ServCo Group').
2 Includes the impact of goodwill impairment of $425m as a result of the reclassification of our retail banking operations in France to held for sale. At 31 December 2022, HSBC's cash-generating units were based on geographical regions, sub-divided by global businesses.
3 Includes our share of the profits of our associate, Bank of Communications Co., Limited.
4 Includes the results of HSBC Saudi Arabia and our share of the profits of our associate, Saudi Awwal Bank.
5 Corporate Centre includes the profit and loss impact of inter-company debt eliminations of $1,850m.

Middle East, North Africa and Türkiye supplementary information

The following tables show the results of our Middle East, North Africa and Türkiye business operations on a regional basis (including results of all the legal entities operating in the region and our share of the results of Saudi Awwal Bank). They also show the profit before tax of each of the global businesses.

Middle East, North Africa and Türkiye regional performance

	2024	2023
	$m	$m
Revenue[1]	3,852	3,688
Change in expected credit losses and other credit impairment charges	(222)	(133)
Operating expenses	(1,695)	(1,592)
Share of profit in associates and joint ventures	596	538
Profit before tax	2,531	2,501
Loans and advances to customers (net)	22,975	22,766
Customer accounts	42,434	40,708

1 Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.

Profit before tax by global business

	2024	2023
	$m	$m
Wealth and Personal Banking	585	612
Commercial Banking	368	400
Global Banking and Markets	1,091	1,104
Corporate Centre	487	385
Total	2,531	2,501

Reconciliation of alternative performance measures

Contents

Use of alternative performance measures

Our reported results are prepared in accordance with IFRS Accounting Standards as detailed in our financial statements starting on page 341.

As described on page 86, we use a combination of reported and alternative performance measures, including those derived from our reported results that eliminate factors that distort year-on-year comparisons. These are considered alternative performance measures (non-GAAP financial measures).

The following information details the adjustments made to the reported results and the calculation of other alternative performance measures. All alternative performance measures are reconciled to the closest reported performance measure.

On 1 January 2023, HSBC adopted IFRS 17 'Insurance Contracts'. As required by the standard, the Group applied the requirements retrospectively with comparative data previously published under IFRS 4 'Insurance Contracts' restated from the 1 January 2022 transition date.

In addition to the alternative performance measures set out in this section, another alternative performance measure in relation to the Group's insurance manufacturing operations is set out on pages 105 to 107.

Alternative performance measure definitions

Alternative performance measure	Definition
Reported revenue excluding notable items	Reported revenue after excluding notable items reported under revenue
Reported profit before tax excluding notable items	Reported profit before tax after excluding notable items reported under revenue less notable items reported under operating expenses
Constant currency revenue excluding notable items[1]	Reported revenue excluding notable items and the impact of foreign exchange translation[2]
Constant currency profit before tax excluding notable items[1]	Reported profit before tax excluding notable items and the impact of foreign exchange translation[2]
Constant currency revenue excluding notable items and strategic transactions[1]	Reported revenue excluding notable items, strategic transactions and the impact of foreign exchange translation[3]
Constant currency profit before tax excluding notable items and strategic transactions[1]	Reported profit before tax excluding notable items, strategic transactions and the impact of foreign exchange translation[3]
Return on average ordinary shareholders' equity ('RoE')	Profit attributable to the ordinary shareholders / Average ordinary shareholders' equity
Return on average tangible equity ('RoTE')	Profit attributable to the ordinary shareholders, excluding impairment of goodwill and other intangible assets / Average ordinary shareholders' equity adjusted for goodwill and intangibles
Return on average tangible equity ('RoTE') excluding notable items	Profit attributable to the ordinary shareholders, excluding impairment of goodwill and other intangible assets and notable items[2] / Average ordinary shareholders' equity adjusted for goodwill and intangibles and notable items[2]
Net asset value per ordinary share	Total ordinary shareholders' equity[4] / Basic number of ordinary shares in issue after deducting own shares held
Tangible net asset value per ordinary share	Tangible ordinary shareholders' equity[5] / Basic number of ordinary shares in issue after deducting own shares held
Post-tax return on average total assets	Profit after tax / Average total assets
Average total shareholders' equity on average total assets	Average total shareholders' equity / Average total assets
Expected credit losses and other credit impairment charges ('ECL') as % of average gross loans and advances to customers	Annualised constant currency ECL[6] / Constant currency average gross loans and advances to customers[6]
Expected credit losses and other credit impairment charges ('ECL') as % of average gross loans and advances to customers, including held for sale	Annualised constant currency ECL[6] / Constant currency average gross loans and advances to customers, including held for sale[6]
Target basis operating expenses	Reported operating expenses excluding notable items, foreign exchange translation and other excluded items[7]
Basic earnings per share excluding material notable items and related impacts	Profit attributable to ordinary shareholders excluding material notable items and related impacts[8] / Weighted average number of ordinary shares outstanding after deducting own shares held
Multi-jurisdictional client revenue	Total client revenue we generate from clients that hold a relationship with us that generates revenue in more than one market

1 Constant currency performance is computed by adjusting reported results for the effects of foreign currency translation differences, which distort period-on-period comparisons.
2 For details of notable items, see 'Supplementary financial information' on page 99.
3 For details of strategic transactions, see 'Strategic transactions supplementary analysis' on page 102.
4 Total ordinary shareholders' equity is total shareholders' equity less non-cumulative preference shares and capital securities.
5 Tangible ordinary shareholders' equity is total ordinary shareholders' equity excluding goodwill and other intangible assets (net of deferred tax).
6 The constant currency numbers are derived by adjusting reported ECL and average loans and advances to customers for the effects of foreign currency translation differences.
7 Other excluded items includes the impact of re-translating comparative period financial information at the latest rates of foreign exchange in hyperinflationary economies, which we consider to be outside of our control, and the impact of the sale of our retail banking operations in France and banking business in Canada.
8 For details of material notable items and related impacts, that are included in the calculation of Profit attributable to ordinary shareholders excluding material notable items and related impacts, see page 125.

Constant currency revenue and profit before tax excluding notable items and strategic transactions

	Year ended		
	2024	2023	2022
	$m	$m	$m
Revenue			
Reported	**65,854**	66,058	50,620
Notable items	**1,580**	(335)	3,602
Reported revenue excluding notable items	**67,434**	65,723	54,222
Currency translation[1]		(1,234)	(839)
Constant currency revenue excluding notable items	**67,434**	64,489	53,383
Constant currency impact of strategic transactions (distorting impact of operating results between periods)[2]	**(178)**	(1,446)	N/A
Constant currency revenue excluding notable items and strategic transactions	**67,256**	63,043	N/A
Profit before tax			
Reported	**32,309**	30,348	17,058
Notable items	**1,813**	2,850	6,502
Reported profit before tax excluding notable items	**34,122**	33,198	23,560
Currency translation[1]		(518)	(503)
Constant currency profit before tax excluding notable items	**34,122**	32,680	23,057
Constant currency impact of strategic transactions (distorting impact of operating results between periods)[2]	**(85)**	(463)	N/A
Constant currency profit before tax excluding notable items and strategic transactions	**34,037**	32,217	N/A

1 Currency translation on the reported balance excluding currency translation on notable items.
2 For more details of strategic transactions, please refer to page 102.

Return on average ordinary shareholders' equity, return on average tangible equity and return on average tangible equity excluding notable items

	2024	2023	2022
	$m	$m	$m
Profit after tax			
Profit attributable to the ordinary shareholders of the parent company	**22,917**	22,432	14,346
Impairment of goodwill and other intangible assets (net of tax)	**118**	43	535
Profit attributable to the ordinary shareholders, excluding goodwill and other intangible assets impairment	**23,035**	22,475	14,881
Impact of notable items[1]	**1,588**	2,173	2,750
Profit attributable to the ordinary shareholders, excluding goodwill, other intangible assets impairment and notable items	**24,623**	24,648	17,631
Equity			
Average total shareholders' equity	**187,507**	184,029	180,263
Effect of average preference shares and other equity instruments	**(18,480)**	(18,794)	(21,202)
Average ordinary shareholders' equity	**169,027**	165,235	159,061
Effect of goodwill and other intangibles (net of deferred tax)	**(11,626)**	(11,480)	(10,786)
Average tangible equity	**157,401**	153,755	148,275
Average impact of notable items	**(3,322)**	(1,162)	1,565
Average tangible equity excluding notable items	**154,079**	152,593	149,840
	%	%	%
Ratio			
Return on average ordinary shareholders' equity	**13.6**	13.6	9.0
Return on average tangible equity	**14.6**	14.6	10.0
Return on average tangible equity excluding notable items	**16.0**	16.2	11.8

1 For details of notable items please refer to Supplementary financial information on page 99.

From 1 January 2024, we have revised the adjustments made to return on average tangible equity ('RoTE'). Prior to this, we adjusted RoTE for the impact of strategic transactions and the impairment of our investment in Bank of Communications Co., Limited ('BoCom'), whereas from 1 January 2024 we have excluded all notable items. This was intended to improve alignment with the treatment of notable items in our other income statement disclosures. Comparatives have been re-presented on the revised basis and we no longer disclose RoTE excluding strategic transactions and the impairment of BoCom. We will now target a RoTE in the mid-teens in each of the three years from 2025 to 2027 excluding the impact of notable items.

The following table details the adjustments made to reported results by global business:

Return on average tangible equity by global business

	Year ended 31 Dec 2024				
	Wealth and Personal Banking	Commercial Banking	Global Banking and Markets	Corporate Centre	Total
	$m	$m	$m	$m	$m
Profit before tax	**12,182**	**11,860**	**7,063**	**1,204**	**32,309**
Tax expense	**(2,173)**	**(2,834)**	**(1,573)**	**(730)**	**(7,310)**
Profit after tax	**10,009**	**9,026**	**5,490**	**474**	**24,999**
Less attributable to: preference shareholders, other equity holders, non-controlling interests	**(824)**	**(471)**	**(520)**	**(267)**	**(2,082)**
Profit attributable to ordinary shareholders of the parent company	**9,185**	**8,555**	**4,970**	**207**	**22,917**
Other adjustments	**(110)**	**314**	**(202)**	**116**	**118**
Profit attributable to ordinary shareholders	**9,075**	**8,869**	**4,768**	**323**	**23,035**
Average tangible shareholders' equity	**31,267**	**44,357**	**36,622**	**45,155**	**157,401**
Return on average tangible equity (%)	**29.0**	**20.0**	**13.0**	**0.7**	**14.6**
	Year ended 31 Dec 2023				
Profit before tax	11,544	13,280	5,924	(400)	30,348
Tax expense	(2,141)	(2,945)	(1,165)	462	(5,789)
Profit after tax	9,403	10,335	4,759	62	24,559
Less attributable to: preference shareholders, other equity holders, non-controlling interests	(828)	(485)	(588)	(226)	(2,127)
Profit attributable to ordinary shareholders of the parent company	8,575	9,850	4,171	(164)	22,432
Other adjustments	(221)	364	168	(268)	43
Profit attributable to ordinary shareholders	8,354	10,214	4,339	(432)	22,475
Average tangible shareholders' equity	29,352	43,687	38,036	42,680	153,755
Return on average tangible equity (%)	28.5	23.4	11.4	(1.0)	14.6

Net asset value and tangible net asset value per ordinary share

	2024	2023	2022
	$m	$m	$m
Total shareholders' equity	**184,973**	185,329	177,833
Preference shares and other equity instruments	**(19,070)**	(17,719)	(19,746)
Total ordinary shareholders' equity	**165,903**	167,610	158,087
Goodwill, PVIF and intangible assets (net of deferred tax)	**(11,608)**	(11,900)	(11,160)
Tangible ordinary shareholders' equity	**154,295**	155,710	146,927
Basic number of $0.50 ordinary shares outstanding after deducting own shares held	**17,918**	19,006	19,739
Value per share	**$**	$	$
Net asset value per ordinary share	**9.26**	8.82	8.01
Tangible net asset value per ordinary share	**8.61**	8.19	7.44

Post-tax return and average total shareholders' equity on average total assets

	2024	2023	2022
	$m	$m	$m
Profit after tax	**24,999**	24,559	16,249
Average total shareholders' equity	**187,507**	184,029	180,263
Average total assets	**3,062,474**	3,059,887	3,017,495
Ratio	**%**	%	%
Post-tax return on average total assets	**0.8**	0.8	0.5
Average total shareholders' equity to average total assets	**6.12**	6.01	5.97

Expected credit losses and other credit impairment charges as % of average gross loans and advances to customers and expected credit losses and other credit impairment charges as % of average gross loans and advances to customers, including held for sale

	2024	2023	2022
	$m	$m	$m
Expected credit losses and other credit impairment charges ('ECL')	(3,414)	(3,447)	(3,584)
Currency translation	—	188	(31)
Constant currency	(3,414)	(3,259)	(3,615)
Average gross loans and advances to customers	952,484	955,585	1,014,148
Currency translation	(16,140)	(10,586)	(17,751)
Constant currency	936,344	944,999	996,397
Average gross loans and advances to customers, including held for sale	968,785	1,020,992	1,035,678
Currency translation	(17,394)	(14,752)	(18,233)
Constant currency	951,391	1,006,240	1,017,445
Ratio	%	%	%
Expected credit losses and other credit impairment charges as % of average gross loans and advances to customers	0.36	0.34	0.36
Expected credit losses and other credit impairment charges as % of average gross loans and advances to customers, including held for sale	0.36	0.32	0.36

Target basis operating expenses

Target basis operating expenses for 2024 was computed by excluding the direct cost impact of our retail banking operations in France and Canada banking business disposals from the 2023 baseline. It is measured on a constant currency basis and excludes notable items and the impact of retranslating the prior year results of hyperinflationary economies at constant currency, which we consider to be outside of our control. We consider target basis operating expenses to provide useful information to investors by quantifying and excluding the notable items that management considered when setting and assessing cost-related targets. In 2024, we targeted operating expenses growth of approximately 5% compared with 2023. This target reflected our business plan for 2024, which included an increase in staff compensation, higher spend and investment in technology for growth and efficiency, in part mitigated by cost savings from actions taken during 2023. We are targeting growth in target basis operating expenses of approximately 3% in 2025 compared with 2024.

Our target basis operating expenses for 2025 excludes the direct cost impact of the business disposals in Canada and Argentina, notable items and the impact of retranslating the prior year results of hyperinflationary economies at constant currency.

Our cost target includes the impact of simplification-related saves associated with our announced reorganisation, see page 103, which aims to generate approximately $0.3bn of cost reductions in 2025, with a commitment to an annualised reduction of $1.5bn in our cost base expected by the end of 2026. To deliver these reductions, we plan to incur severance and other up-front costs of $1.8bn over 2025 and 2026, which will be classified as notable items.

We do not reconcile our forward target basis operating expenses guidance to the reported operating expenses.

Target basis operating expenses

	2024	2023
	$m	$m
Reported operating expenses	33,043	32,070
Notable items	(233)	(185)
– disposals, acquisitions and related costs	(199)	(321)
– restructuring and other related costs[1]	(34)	136
Currency translation[2]		(577)
Excluding the constant currency impact of the sale of our retail banking operations in France and banking business in Canada[3]	(162)	(976)
Excluding the impact of retranslating prior year costs of hyperinflationary economies at a constant currency foreign exchange rate		742
Target basis operating expenses	32,648	31,074

1 Amounts relate to restructuring provisions recognised in 2024 and reversals of restructuring provisions recognised during 2022.
2 Currency translation on reported operating expenses, excluding currency translation on notable items.
3 This represents the business as usual costs which are not classified as notable items relating to our retail banking operations in France and banking business in Canada, on a constant currency basis. This does not include the disposal costs which relate to these transactions.

Basic earnings per share excluding material notable items and related impacts

Basic earnings per share excluding material notable items and related impacts

	2024 $m	2023 $m
Profit attributable to shareholders of company	**23,979**	23,533
Coupon payable on capital securities classified as equity	**(1,062)**	(1,101)
Profit attributable to ordinary shareholders of company	**22,917**	22,432
Impairment of interest in associate[1]	**—**	3,000
Gain on acquisition of SVB UK	**(5)**	(1,549)
Impact of the sale of our retail banking operations in France	**(56)**	108
Impact of the sale of our banking business in Canada[2]	**(4,963)**	(311)
Impact of the sale of our business in Argentina	**6,161**	—
Profit attributable to ordinary shareholders of company excluding material notable items and related impacts	**24,054**	23,680
Number of shares		
Weighted average basic number of ordinary shares (millions) after deducting own shares held	**18,357**	19,478
Basic earnings per share ($)	**1.25**	1.15
Basic earnings per share excluding material notable items and related impacts ($)	**1.31**	1.22
Dividend per ordinary share (in respect of the period) ($)[3]	**0.87**	0.61
Dividend payout ratio (%) (dividend per ordinary share divided by basic earnings per share excluding material notable items and related impacts)	**50%**	50%

1 Represents an impairment loss of $3bn recognised in respect of the Group's investment in BoCom in 2023. See Note 18 on page 402.
2 Represents gain on sale of business in Canada recognised on completion, inclusive of the earnings recognised by the banking business from 30 June 2022, the recycling of losses in foreign currency translation reserves and other reserves, and gain on the foreign exchange hedging of the sale proceeds.
3 In 2024, dividend per share includes the special dividend of $0.21 per ordinary share arising from the proceeds of the sale of our banking business in Canada to Royal Bank of Canada.

Material notable items are a subset of notable items. Material notable items are components of our income statement that management would consider as outside the normal course of business and generally non-recurring in nature, which are excluded from our dividend payout ratio calculation and our earnings per share measure, along with related impacts. Categorisation as a material notable item is dependent on the nature of each item in conjunction with the financial impact on the Group's income statement.

Related impacts include those items that do not qualify for designation as notable items but whose adjustment is considered by management to be appropriate for the purposes of determining the basis for our dividend payout ratio calculation.

Material notable items in 2024 and comparative periods included the sale of our business in Argentina, the sale of our retail banking operations in France, the sale of our banking business in Canada, the gain following the acquisition of SVB UK and the impairment of our investment in BoCom. In determining this measure, we also excluded HSBC Bank Canada's financial results from the 30 June 2022 net asset reference date until completion of the sale, as the gain on sale was recognised through a combination of the consolidation of HSBC Bank Canada's results in the Group's results since this date, and the remaining gain on sale recognised at completion. For the sale of our business in Argentina, between signing and closing, the loss on sale varied by changes in the net asset value of the disposed business and associated hyperinflation and foreign currency translation, and in the fair value of consideration including price adjustments and migration costs. There were no additional related impacts identified, and the ongoing profits from HSBC Argentina were not excluded from our basic earnings per share excluding material notable items and related impacts.

Multi-jurisdictional client revenue

Multi-jurisdictional client revenue is a financial metric we use to assess our ability to drive value from our international network.

In our wholesale businesses, we identify a client as multi-jurisdictional if they hold a relationship with us that generates revenue in any market outside of where the primary relationship is managed. A client is defined as a mastergroup (HSBC's own client groupings) that includes both the parent and, where relevant, any subsidiaries.

Multi-jurisdictional client revenue is a component of wholesale client revenue and represents the total client revenue we generate from multi-jurisdictional clients. Wholesale client revenue is derived by excluding from CMB and GBM reported revenue the revenue we generate from client facilitation in Fixed Income and Equities, as well as other non-client revenue. In 2023, we also excluded the gain on the acquisition of SVB UK.

Wholesale multi-jurisdictional client revenue

	2024 $bn	2023 $bn
CMB and GBM revenue	**39.1**	39.0
Allocated revenue and other[1]	**(1.3)**	0.9
Client facilitation in Fixed Income and Equities	**(5.6)**	(4.8)
Gain on acquisition of SVB UK	**—**	(1.6)
Wholesale client revenue	**32.3**	33.5
– clients banked in multiple jurisdictions ('multi-jurisdictional')	**20.0**	20.4
– domestic only clients	**12.3**	13.1

1 Including allocations of Market Treasury revenue, HSBC Holdings interest expense and hyperinflationary accounting adjustments, and interest earned on capital held in the global businesses.

Risk review

Our risk review outlines our approach to risk management, how we identify and monitor top and emerging risks, and the actions we take to mitigate them. In addition, it explains our material banking risks, including how we manage capital.

Bangkok, Thailand, 1990s. Customer Service Desk.

Our approach to risk

Our risk appetite

Our risk appetite defines the level and types of risk that we are willing to take, while informing the financial planning process and guiding strategic decision making. Our risk appetite is defined as the aggregate level of risk that we are comfortable to take to achieve our strategic objectives. Risk appetite also provides a mechanism for non-executive directors and executive directors to collectively establish the Group's willingness to engage in certain activities and assess these activities.

Enterprise-wide application

Our risk appetite is expressed holistically through various risk management mechanisms and activities, in both quantitative and qualitative terms. The Group Risk and Compliance function carried out a review in 2024, which led to enhancements to our Global Risk Appetite Framework to help ensure it remains aligned to industry best practices, regulatory expectations and our strategic goals. Our Global Risk Appetite Framework continues to evolve and expand its scope as part of our periodic review process.

The Board reviews and approves the Group's risk appetite regularly to make sure it remains fit for purpose. The Group's risk appetite is considered, developed, and enhanced through the following principles:

- alignment with our strategy, purpose, values, external risk environment, reputational and customer needs;
- compliance with applicable laws, regulations and regulatory priorities;
- forward-looking insights into future risk exposure;
- sufficiency of available capital, liquidity and balance sheet leverage to absorb the risks;
- capacity and capabilities of people to manage the risk landscape;
- functionality, capacity and resilience of available systems to manage the risk landscape;
- effectiveness of the applicable control environment to mitigate risk; and
- internally and externally disclosed commitments.

We formally articulate our risk appetite through our Risk Appetite Statement ('RAS'). Setting out our risk appetite helps ensure that we agree a suitable level of risk for our strategy. In this way, risk appetite informs our financial planning process and helps senior management to allocate capital to business activities, services and products.

At a Group level, performance against the RAS is reported to the Group Risk Management Meeting alongside key risk indicators to support targeted insight and discussion of breaches of risk appetite and any associated mitigating actions. This reporting allows risks to be promptly identified and mitigated, and informs risk-adjusted remuneration to drive a strong risk culture.

Coverage of each principal subsidiary and material operating entity is monitored through a RAS, which helps ensure they remain aligned with the Group's RAS. Each RAS and business activity is guided and underpinned by qualitative principles and/or quantitative metrics.

Risk management

We recognise that the primary role of risk management is to help protect our customers, business, colleagues, shareholders and the communities that we serve, while ensuring we are able to support our strategy and provide sustainable growth. This is supported through our three lines of defence model described on page 128.

In addition, we recognise the importance of a strong culture, which refers to our shared attitudes, beliefs, values and standards that shape behaviours including those related to risk awareness, risk taking and risk management. All our people are responsible for the management of risk, with ultimate supervisory oversight residing with the Board.

The implementation of our business strategy remains a key focus. As we implement change initiatives, we actively manage the execution risks. We also perform periodic risk assessments, including against strategies, to help ensure retention of key personnel for our continued safe operation.

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

Group Risk and Compliance is independent from the global businesses, including our sales and trading functions. It provides challenge, oversight and appropriate balance in risk/return decisions.

Our risk management framework

The following diagram and descriptions summarise key aspects of the risk management framework, including governance, structure, risk management tools and our culture, which together help align employee behaviour with risk appetite.

Key components of our risk management framework

HSBC values and risk culture

Risk governance	Non-executive risk governance	The Board approves the Group's risk appetite, plans and performance targets. It sets the 'tone from the top' and is advised by the Group Risk Committee (see page 251).
	Executive risk governance	Our executive risk governance structure is responsible for the enterprise-wide management of all risks, including key policies and frameworks for the management of risk within the Group (see pages 128 and 137).
Roles and responsibilities	Three lines of defence model	Our 'three lines of defence' model defines roles and responsibilities for risk management. An independent Group Risk and Compliance function helps ensure the necessary balance in risk/return decisions (see page 128).
Processes and tools	Risk appetite	The Group has processes in place to identify, assess, monitor, manage and report risks to help ensure we remain within our risk appetite and to anticipate, prevent, respond to, and recover from, significant operational disruptions.
	Enterprise-wide risk management tools	
	Active risk management: identification/assessment, monitoring, management and reporting	
	Operational resilience	
Internal controls	Policies and procedures	Policies and procedures define the minimum requirements for the controls required to manage our risks.
	Control activities	Operational and resilience risk management defines minimum standards and processes for managing operational risks and internal controls.
	Systems and infrastructure	The Group has systems and processes that support the identification, capture and exchange of information to support risk management activities.

Risk governance

The Board has ultimate supervisory responsibility for the effective management of risk and approves our risk appetite.

The Group Chief Risk and Compliance Officer, supported by members of the Group Risk Management Meeting, holds executive accountability for the ongoing monitoring, assessment and management of the risk environment and the effectiveness of the risk management framework.

The Group Chief Risk and Compliance Officer is also responsible for the oversight of reputational risk, with the support of the Group Reputational Risk Committee. The Group Reputational Risk Committee considers matters arising from customers, transactions and third parties that either present a serious potential reputational risk to the Group or merit a Group-led decision to help enable a consistent risk management approach across the regions, global businesses and global functions. Further details can be found under the 'Reputational risk' section of www.hsbc.com/who-we-are/esg-and-responsible-business/managing-risk.

Day-to-day responsibility for risk management is delegated to senior managers with individual accountability for decision making. All our people have a role to play in risk management. These roles are defined using the three lines of defence model, which takes into account our business and functional structures, including regulatory compliance and financial crime, as described in the following commentary, 'Our responsibilities'.

We use a defined executive risk governance structure to help enable appropriate oversight and accountability of risk, which facilitates reporting and escalation to the Group Risk Management Meeting. This structure is summarised in the following table.

Governance structure for the management of risk and compliance

Authority	Membership	Responsibilities include:
Group Risk Management Meeting	Group Chief Risk and Compliance Officer Group Chief Legal Officer Group CEO Group CFO Group Head of Financial Crime and Group Money Laundering Reporting Officer All other Group Executive Committee members	– Supporting the Group Chief Risk and Compliance Officer in exercising Board-delegated risk management authority – Overseeing the implementation of risk appetite and the risk management framework – Forward-looking assessment of the risk environment, analysing possible risk impacts and taking appropriate action – Monitoring all categories of risk and determining appropriate mitigating action – Promoting a supportive Group culture in relation to risk management and conduct
Group Risk and Compliance Executive Committee	Group Chief Risk and Compliance Officer Chief risk and compliance officers of HSBC's global businesses Regional chief risk and compliance officers and chief risk officers Heads of Global Risk and Compliance sub-functions	– Supporting the Group Chief Risk and Compliance Officer in providing strategic direction for the Group Risk and Compliance function, setting priorities and providing oversight – Overseeing a consistent approach to accountability for, and mitigation of, risk and compliance across the Group

Governance structure for the management of risk and compliance (continued)

Authority	Membership	Responsibilities include:
Global business/regional risk management meetings	Global business/regional chief risk and compliance officers and chief risk officers Global business/regional chief executive officers Global business/regional chief financial officers Global business/regional heads of global functions	– Supporting the Group Chief Risk and Compliance Officer in exercising Board-delegated risk management authority – Forward-looking assessment of the risk environment – Implementation of risk appetite and the risk management framework – Monitoring all categories of risk and overseeing appropriate mitigating actions – Embedding a supportive culture in relation to risk management and controls

The Board committees with responsibility for oversight of risk-related matters are set out on page 249.

Treasury risks are the responsibility of the Group Executive Committee and the Group Risk Committee. Global Treasury actively manages these risks, supported by the Holdings Asset and Liability Management Committee ('ALCO') and local ALCOs, overseen by Treasury Risk Management and the Group Risk Management Meeting. Further details on treasury risk management are set out on page 200.

Our responsibilities

All our people are responsible for identifying and managing risk within the scope of their roles. Roles are defined using the three lines of defence model, which takes into account our business and functional structures as described below.

Three lines of defence

To create a robust control environment to manage risks, we use an activity-based three lines of defence model. This model delineates management accountabilities and responsibilities for risk management and the control environment.

The model underpins our approach to risk management by clarifying responsibility and encouraging collaboration, as well as enabling effective coordination of risk and control activities. The three lines of defence are summarised below:

- The first line of defence owns the risks and is responsible for identifying, recording, reporting and managing these risks in line with risk appetite, including that the right controls and assessments are in place to mitigate them.
- The second line of defence challenges the first line of defence on effective risk management, and provides advice, guidance and assurance of the first line of defence to help ensure it is managing risk effectively.
- The third line of defence is our Global Internal Audit function, which provides independent assurance as to whether our risk management approach and processes are designed and operating effectively.

Group Risk and Compliance function

Our Group Risk and Compliance function is responsible for the Group's risk management framework. This responsibility includes establishing global policy, monitoring risk profiles, and identifying and managing forward-looking risk. Group Risk and Compliance is made up of sub-functions covering all risks to our business. Forming part of the second line of defence, the Group Risk and Compliance function is independent from the global businesses, including sales and trading functions. It provides challenge, appropriate oversight and balance in risk/return decisions.

Responsibility for minimising both financial and non-financial risk, including regulatory compliance and financial crime, lies with our people. They are required to manage the risks of the business and operational activities for which they are responsible. We maintain adequate oversight of our risks through our various specialist risk stewards and the collective accountability held by our chief risk and compliance officers.

We have continued to strengthen the control environment and our approach to the management of risk, as set out in our risk management framework. Our ongoing focus is on helping to enable more effective oversight and better end-to-end identification and management of financial and non-financial risks. This is overseen by the Enterprise Risk Management function, headed by the Global Head of Enterprise Risk Management.

Stress testing and recovery planning

Our stress testing programme assesses our capital and liquidity strength through an examination of our resilience to external shocks, and forms part of our risk management and capital and liquidity planning. As well as undertaking regulatory-driven stress tests, we conduct our own internal stress tests to understand the nature and level of material risks, quantify the impact of such risks and develop plausible mitigating actions. The outcome of a stress test provides management with key insights into the impact of severely adverse events on the Group and provides an indication to regulators of the Group's resilience to shocks and financial stability.

Internal stress tests

Our internal capital assessment uses a range of stress scenarios that explore risks identified by management. They include potential adverse macroeconomic, geopolitical, climate and operational risk events, as well as other potential events that are specific to HSBC.

The selection of stress scenarios is based upon the output of our identified top and emerging risks and our risk appetite processes. Stress testing analysis helps management understand the nature and extent of vulnerabilities to which the Group is exposed. Using this information, management decides whether risks can or should be mitigated through management actions or, if they were to crystallise, be absorbed through capital and liquidity. This in turn informs decisions about preferred capital and liquidity levels and allocations.

During 2024, we completed a Group-wide internal stress test alongside testing of the Group's strategy, otherwise known as the corporate plan, to test and inform our strategy and assumptions. The stress scenario assessed the impact of two contrasting scenarios envisioning severe macroeconomic conditions over a five-year period. These scenarios reflected the uncertain inflation and interest rate environment, heightened geopolitical tensions, banking sector challenges and global economic stress.

In addition to the Group-wide stress testing scenarios, each major subsidiary conducts regular macroeconomic and event-driven scenario analysis specific to its region. They also participate, as required, in the regulatory stress testing programmes of the jurisdictions in which they operate, such as stress tests required by the Bank of England ('BoE') in the UK, the Federal Reserve Board ('FRB') in the US, and the Hong Kong Monetary Authority ('HKMA') in Hong Kong.

We also conduct reverse stress tests each year at Group level and, where required, at subsidiary entity level to understand potential extreme conditions that would make our business model non-viable. Reverse stress testing identifies potential stresses and vulnerabilities we might face, and helps inform early warning triggers, management actions and contingency plans designed to mitigate risks.

Recovery and resolution plans

Recovery and resolution plans form part of the integral framework safeguarding the Group's financial stability under severe stress. The Group recovery plan, together with stress testing, helps us identify credible recovery options that can be implemented under a range of idiosyncratic and market-wide stress scenarios. The aim is to mitigate the potential shortfall in capital and liquidity pressures. The Group continues to develop its recovery and resolution capabilities, including in relation to the Resolvability Assessment Framework.

Key developments in 2024

In 2024, we continued to manage risks related to macroeconomic and geopolitical uncertainties and develop risk management capabilities through the continued enhancement of our risk management framework. We also retained our focus on risk transformation and financial crime and continued to assess the Group's operational resilience capability while prioritising the most significant enterprise risks. We made progress with, and continue to develop capabilities to address key risks. More specifically, we sought to enhance our risk management in the following areas:

– We are advancing on our comprehensive initiative aimed at strengthening our global regulatory reporting processes and making them more sustainable. This multifaceted programme includes enhancing data, consistency and controls.

– We are further strengthening our control environment through the delivery of a new Global Control Oversight function which aims to help drive a centralised and consistent approach to controls oversight across the first line of defence business and process owners.

– We continue to maintain a focus on our technology and cybersecurity controls to improve the resilience and security of our technology services in response to the heightened external threat environment.

– We have improved the quality of our strategic change investment processes and associated control monitoring and are seeking to transition to a more agile approach to delivery of complex transformation portfolios and initiatives.

– We continue to enhance our model risk framework in response to changes in regulation and external factors. AI and machine learning models remain a key focus. Progress has been made in enhancing governance activity in this area with particular focus on generative AI due to the pace of technological change and regulatory and wider interest in adoption and usage.

– We enhanced our processes, framework and controls to improve the oversight of our material third parties. We have strengthened our due diligence and monitoring capabilities, with respect to the financial stability of our third parties to better manage our supply chain and operational resilience. We will continue to assess and manage our operational resilience.

– Through our climate risk programme, we made progress on embedding climate considerations throughout our organisation, including through risk policy updates. We also developed risk metrics to monitor and manage exposures, and further enhanced our internal climate scenario analysis. We continue to implement our climate risk programme to complete our annual materiality assessment and make changes to our policies, processes and capabilities to better embed climate considerations throughout our organisation.

– We deployed industry-leading technology and advanced analytics capabilities into new markets to improve our ability to identify suspicious activities and prevent financial crime. We will continue to evaluate technological solutions to improve our capabilities in the detection and prevention of financial crime.

– We continued to embed our regulatory management systems focusing on forward-looking analysis, regulatory mapping, and regulatory content for our inventory.

– We continued to enhance our frameworks, policies and governance processes to embed regulatory requirements.

Top and emerging risks

We use a top and emerging risks process to provide a forward-looking view of issues with the potential to threaten the execution of our strategy or operations over the medium to long term.

We proactively assess the internal and external risk environment, as well as review the themes identified across our regions and global businesses, for any risks that may require global escalation. We update our top and emerging risks as necessary.

Our current top and emerging risks are as follows.

Externally driven

Geopolitical and macroeconomic risks

Elections and subsequent changes of government during 2024 have created uncertainty as domestic and foreign policy priorities have shifted. The US in particular is expected to continue to bring about changes to economic and foreign policy that will have broad economic and geopolitical implications.

Key economic and financial risks are monitored closely. Major markets, including the US and UK, continued to grow during the second half of 2024, due to expansionary fiscal policies and the positive impact of monetary easing on domestic demand and investment. Similarly, Hong Kong and mainland China also continued to grow, despite ongoing declines in house prices and weakness in consumer spending.

The outlook for 2025 remains uncertain as the new US administration intends to enact a significant change in economic and foreign policies that could have an uncertain impact on global growth, inflation and interest rates. In particular, the prospect of additional US tariffs and retaliatory actions on trade has started to weigh on economic growth forecasts and has raised future inflation expectations. Consequently, markets now expect that major central banks will adopt a more cautious approach to lowering policy interest rates during the course of 2025.

The prospective impact on individual economies from the imposition of higher US tariffs will depend on the breadth and level of the increases and the dependence of the relevant countries' exports on US import demand. Emerging markets with higher levels of US dollar-denominated debt and weaker public finances could be further impacted by higher US interest rates and US dollar strength which could result in higher repayment costs and refinancing risks and the associated possibility of sovereign rating downgrades.

The country and sector implications of changing global trade policies remains an area that is closely monitored. The implications for export demand from mainland China and Hong Kong is a key area of concern.

Markets continue to finance high public deficits, but debt sustainability remains a risk when set against a backdrop of more uncertain global growth prospects and a higher interest rate environment. Debt levels continue to rise in major markets as demands grow on government budgets from rising social welfare costs, defence and climate transition. We are monitoring the fiscal and market implications of recent government changes, including in the UK and the US, where election pledges are ambitious relative to already stretched fiscal positions. As global yields have increased, government bond prices have become increasingly sensitive to differences in growth and inflation expectations between markets, as well as the perception of fiscal and funding risks. A loss of investor confidence could drive a rise in yields, raise funding costs for governments and lead to tax increases and expenditure cuts that are negative for growth. For HSBC, the risks of a sharp rise in funding costs in our key markets relate both to the credit and refunding risks of our customers, market pricing risks of assets held for sale, and risks to net interest margins.

We continue to monitor real estate conditions in mainland China and Hong Kong, where activity remains mixed. Various central government policies have been introduced to support the property market and wider economy, but meaningful signs of recovery are yet to be observed, with the exception of the residential real estate market in Hong Kong, which has seen some improvement in sentiment and transaction volumes in the fourth quarter of 2024.

In Hong Kong, the high vacancy rate in the commercial real estate sector and the elevated interest rate environment have added downward pressure to the commercial real estate market. Commercial land sales resumed during the latter part of 2024 after a halt earlier in the year, and the recent reduction in interest rates has provided some liquidity relief to borrowers operating in this sector. Nevertheless, a sustainable recovery in underlying demand is yet to materialise, so the pressure on property prices may persist. We continue to closely monitor the risk of further credit deterioration and defaults in the portfolio.

The Israel-Hamas conflict may resurge. While a 42-day ceasefire was agreed in January 2025, the durability of the ceasefire remains uncertain. The regional economic impact of this conflict was relatively limited throughout 2024. The US and UK imposed additional sanctions on Iran in 2024 in response to Iran's activities and the increase in tensions between Israel and Iran. Further sanctions may be imposed and could increase the risk within our operations. While supply chains have largely adapted to the Russia-Ukraine war and the conflict in the Middle East, the disruption of key supply routes, particularly through the Red Sea, continues to impact global supply costs. Escalation, resurgence or other changes in the Russia-Ukraine war and the conflict in the Middle East could impact economic activity regionally or globally for a prolonged period, which in turn could have a material adverse effect on the Group's business, financial condition, results of operations, prospects, liquidity, capital position and credit ratings. HSBC actively monitors and responds to financial sanctions and trade restrictions that have been adopted in response to the conflicts.

The sanctions and trade restrictions imposed by the US, the UK, and the EU, as well as other countries, as a result of the Russia-Ukraine war, remain complex, far-reaching and evolving. The US has expanded the reach of its secondary sanctions regime, which includes broad discretion to impose severe sanctions on non-US banks that are knowingly or even unknowingly engaged in certain transactions or services directly or indirectly involving Russia's military-industrial base, including certain third-party activities that are difficult to detect or beyond HSBC's control. The imposition of such sanctions against any non-US HSBC entity could result in significant adverse commercial, operational and reputational consequences for HSBC. In response to such sanctions and trade restrictions, as well as asset flight, Russia has implemented certain countermeasures, including the expropriation of foreign assets.

Following a strategic review in 2022, HSBC Europe BV (a wholly-owned subsidiary of HSBC Bank plc) entered into an agreement to sell its wholly-owned subsidiary HSBC Bank Russia (RR) (Limited Liability Company), which was completed in May 2024.

Global tensions over trade and technology are resulting in divergent regulatory standards and compliance regimes, presenting long-term strategic challenges for multinational businesses. The relationships between China and several other countries, including the US and the UK, remain complex.

To date, the US, the UK, the EU and other countries have imposed various sanctions and trade restrictions on Chinese persons and companies, and there is a continued risk of additional sanctions and trade restrictions or tariffs being imposed by the US and other governments in relation to, among other things, alleged human rights abuses, advances in certain sensitive technologies, territorial conflicts, and the illicit trade of fentanyl and other synthetic opioids. Strategic competition with China has the potential to impact the Group's operations and global supply chains remain vulnerable to a deterioration in the relationship between China and other countries. For example, the US recently imposed a new programme restricting certain US outbound investments in Chinese companies engaged in sensitive technology sectors and the EU is considering a similar programme. In addition, during 2024 both the US and the EU raised the rate at which they levy tariffs on a range of Chinese imports, including electric vehicles. These have been imposed on the basis of unfair competition, where the Chinese government is accused of providing unfair subsidies to industry.

China, in turn, imposed a number of its own sanctions and trade restrictions that target, or provide authority to target, foreign individuals or companies as well as certain goods such as rare earth minerals and metals, and technology and services. These, as well as certain other retaliatory measures, have been and may continue to be imposed against certain countries, businesses and individuals.

Existing and additional sanctions, trade restrictions, counter-sanctions and other retaliatory measures relating to the foregoing or other geopolitical tensions may adversely affect the Group, its customers and the markets in which the Group operates by creating regulatory, reputational and market risks, including additional inflationary pressures, and a more complex operating environment.

As the geopolitical landscape evolves, compliance by multinational corporations with their legal or regulatory obligations in one jurisdiction may be seen as supporting the law or policy objectives of that jurisdiction over another, creating additional legal, regulatory, reputational and political risks for the Group. We maintain dialogue with our regulators in various jurisdictions on the impact of legal and regulatory obligations on our business and customers.

The financial impact on the Group of geopolitical risks in Asia is heightened due to the region's relatively high contribution to the Group's profitability, particularly in Hong Kong.

While it is the Group's policy to comply with all applicable laws and regulations of all jurisdictions in which it operates, geopolitical tensions and potential ambiguities in the Group's compliance obligations continue to present challenges and risks for the Group, and could have a material adverse impact on the Group's strategy, business, customers, operations, financial results and reputation.

More stringent data privacy, national security and cybersecurity laws in a number of markets could pose potential challenges to intra-Group data sharing. These developments may affect our ability to manage financial crime risks across markets due to limitations on cross-border transfers of personal information.

Provisioning against credit loss is conducted under the IFRS 9 'Financial Instruments' ('IFRS 9') calculations of ECL, which use forward-looking scenarios that incorporate the economic and financial risks detailed above.

Key considerations in our calculation of ECLs included inflationary pressures, interest rates and changes to economic and financial policies. In the fourth quarter of 2024, to address heightened policy uncertainty following the US election and to overcome any lags in consensus forecasts, an adjustment factor based on more recent views of expected tariffs and other policy changes was modelled and then applied to each of the economic scenarios. The effect was to lower growth expectations in our major markets, while the impact on inflation and interest rates was varied.

Following the adjustment the Central scenario continues to be assigned the highest probability weighting across all of our major markets. Outer scenarios have incorporated more adverse tariff escalations and the escalation of key geopolitical risks.

There remains uncertainty regarding the adequacy of our models to reflect credit losses under emerging risks which are not captured under the historical loss experience of our models, or to adequately distinguish risks for specific sectors or portfolios.

The above risks could also have an impact on our customers and we continue to closely monitor the potential impacts and offer support to our customers in line with regulatory, government and wider stakeholder expectations.

For further details of our Central and other scenarios, see 'Measurement uncertainty and sensitivity analysis of ECL estimates' on page 148.

Mitigating actions

- We closely monitor geopolitical and economic developments in key markets and sectors and undertake scenario analysis where appropriate. This helps us to take actions to manage our portfolios where necessary, including through enhanced monitoring, amending our risk appetite and/or reducing limits and exposures.
- We stress test portfolios of particular concern to identify sensitivity to loss under a range of scenarios, with management actions being taken to rebalance exposures and manage risk appetite where necessary.
- We apply management judgemental adjustments where modelled ECL does not fully reflect the identified risks and related uncertainty, or to capture significant late-breaking events.
- We regularly review key portfolios – including our commercial real estate portfolio – to help ensure that individual customer or portfolio risks are understood and that our ability to manage the level of facilities offered through any downturn is appropriate.
- We continue to seek to manage sanctions and trade restrictions through the use of reasonably-designed policies, procedures and controls, which are subject to ongoing testing and enhancements.
- We have taken steps, where necessary, to enhance physical security in geographical areas deemed to be at high risk from terrorism and military conflicts.

Technology and cybersecurity risk

Like other organisations, we operate in an extensive and complex technology landscape. We need to remain resilient in order to support customers, our colleagues and financial markets globally. Risks arise where, for example, technology is not understood, maintained or developed appropriately. We also continue to operate in an increasingly complex cyber threat environment globally. These threats include potential unauthorised access to systems including access to customer data, whether ours or that of our third-party suppliers'. These threats require ongoing investment in business and technical controls to defend against them.

Mitigating actions

- We continue to upgrade many of our technology systems and are transforming how software solutions are developed, delivered, maintained and tested as part of our investment in the Group's operational resilience capabilities to seek to meet the expectations of our customers and regulators, and to help prevent disruptions to our services.
- Our cyber intelligence and threat analysis team continually evaluate threat levels for the most prevalent cyber-attack types and their potential outcomes (see page 84), and we continue to seek to strengthen our controls to help reduce the likelihood and impact of attacks including advanced malware, data leakage, exposure through third parties and security vulnerabilities.
- We continue to seek to enhance our cybersecurity capabilities, including Cloud security, identity and access management, metrics and data analytics, and third-party security reviews and to invest in mitigating the potential threats of emerging technologies.
- We regularly report and review cyber risk and control effectiveness at executive level across global businesses, functions and regions, as well as at non-executive Board level to help enable appropriate visibility and governance of the risk and its mitigating actions.
- We participate globally in industry bodies and working groups, working together to seek to prevent, detect and defend against cyber-attacks on financial organisations globally.
- We respond to attempts to compromise our cybersecurity in accordance with our cybersecurity framework. To date, none of these attacks have had a material impact on our business or operations.

Environmental, social and governance ('ESG') risk

We are subject to financial and non-financial risks associated with ESG-related matters, such as climate change, nature-related and human rights issues. These matters can impact us both directly and indirectly through our business activities and relationships. For details of how we govern ESG, see page 74.

We may face credit losses if climate-related regulatory, legislative or technological developments impact customers' business models or if extreme weather events disrupt or interrupt customers' operations, resulting in financial difficulty for customers and/or stranded assets, and impacting their ability to repay their debts. Our customers may find that their business models fail to align to a net zero economy or face disruption to their operations or deterioration to their assets as a result of extreme weather.

Trading losses may arise if climate change results in changes to macroeconomic and financial variables that negatively impact our trading book exposures.

We may also be exposed to liquidity impacts in the form of deposit outflows due to changes in customer behaviours driven by impacts to profitability/wealth, or from reputational concerns relating to the progress we make towards our climate-related ambitions and targets.

We may face impacts to our real estate portfolios due to changes to the climate, an increase in the frequency and severity of extreme weather events and chronic shifts in weather patterns, which could impact both property values and the ability of borrowers to afford their mortgage payments. This may lead to the reduced availability or increased cost of insurance, including insurance that protects property pledged as collateral of HSBC mortgages.

Operational risk may increase if extreme weather events impact critical operations and premises.

We may face regulatory compliance risk resulting from the increasing pace, breadth and depth of climate-related regulatory expectations, including on the management of climate risk, and variations in climate-related reporting standards, requiring implementation in short timeframes across multiple jurisdictions.

Conduct risk may arise in association with the increasing demand for 'green' or 'sustainable' products where there are differing and developing standards or taxonomies.

We may face reputational risk arising from how we decide to support our customers in high-emitting sectors in their transition to net zero, the preferences of different stakeholders in relation to our approach to the transition to net zero, and if we make insufficient progress in achieving our climate-related ambitions and targets.

We may also be exposed to model risk, as the uncertain and evolving impacts of climate change as well as data and methodology limitations, present challenges to creating reliable and accurate model outputs.

Reputational, regulatory compliance and legal risks may increase as we make progress towards our ESG-related ambitions and targets, with stakeholders likely to place greater focus on our actions, such as the development of ESG-related policies, our disclosures and financing and investment decisions relating to our ESG-related ambitions and targets.

We may be exposed to additional risks if we fail to:

- make sufficient progress towards our ESG-related ambitions and targets;
- set adequate plans to execute those plans or adapt those plans to changes in the external environment;
- manage the risks associated both with meeting and not meeting our ESG-related ambitions and targets; and
- meet evolving regulatory expectations and requirements on the management of ESG risks.

We may face additional risks if we knowingly or unknowingly make inaccurate, unclear, misleading, or unsubstantiated claims regarding sustainability to our stakeholders.

We may face climate and ESG-related litigation and regulatory enforcement risks, either directly if stakeholders think that we are not adequately managing climate and ESG-related risks, or indirectly, if our clients and customers are themselves the subject of litigation, potentially resulting in the revaluation of their assets.

Requirements, policy objectives, expectations, views or market and public perceptions and preferences in connection with the transition to a net zero economy and ESG-related matters may vary by jurisdiction and stakeholder, particularly in light of the differing perspectives of stakeholders in different markets, including the UK, the US, the EU and other markets regarding climate impacts and the nature of the appropriate responses to climate change. We may be subject to potentially conflicting approaches to ESG matters in certain jurisdictions, which may impact our ability to conduct certain business within those jurisdictions or result in additional regulatory compliance, reputational, political or litigation risks. For example, our reputation and client relationships may be damaged as a result of our decision to participate, or not to participate, in certain projects perceived to be associated with causing or exacerbating climate change, as well as any decisions we make to continue to conduct or change our activities in response to considerations relating to climate change, including the transition to net zero. These risks may also arise from divergence in the implementation of ESG, climate policy and financial regulation in the many regions in which we operate, including initiatives to apply and enforce policy and regulation with extraterritorial effect.

We may face financial reporting risk in relation to our climate and ESG disclosures, as data remains of limited quality and consistency, exposing us to the risk of using incomplete and inaccurate data and models that could result in sub-optimal decision making. Methodologies, data, scenarios and industry standards that we have used may evolve over time in line with market practice, regulation or developments in science, where applicable. Any such developments in methodologies and scenarios, and changes in the availability, accuracy and verifiability of data over time and our ability to collect and process such data, exposes us to financial reporting risk in relation to our climate and ESG disclosures. This could result in revisions to our internal measurement frameworks as well as reported data going forward, including on financed emissions, meaning that such data may not be reconcilable or comparable year on year. We may also have to re-evaluate our progress towards our ESG-related ambitions and targets in the future.

We may also be exposed to nature-related risks beyond climate change. These risks may arise when the provision of ecosystem services, such as water availability, air quality and soil quality, is compromised, primarily by the five key drivers of nature loss: changes in land/freshwater/sea-use; climate change; pollution of air, water and soil; over-exploitation of natural resources; and invasive alien species. They can manifest themselves in a variety of ways for both HSBC and its customers, including through macroeconomic, market, credit, reputational, regulatory compliance and legal risks.

Regulation and disclosure requirements in relation to human rights are increasing. Businesses are expected to be transparent about their efforts to identify and respond to the risk of adverse human rights impacts arising from their business activities and relationships. Failure to manage this risk may negatively impact people and communities, which in turn may result in reputational, regulatory compliance and legal risks for HSBC.

Mitigating actions

- The Environmental Risk Steering Meeting provides oversight of environmental risk and the risk of greenwashing. For further details of the Group's ESG governance structure, see page 74.
- Our climate risk programme continues to support the development of our climate risk management capabilities across four key pillars: governance and risk appetite, risk management, stress testing and scenario analysis, and disclosures.

- We continue to enhance our approach to managing and mitigating the risk of greenwashing.
- Our sustainability risk policies form part of our broader risk management framework and are important mechanisms for managing risks. Our sustainability risk policies focus on mitigating reputational, credit, legal and other risks related to our customers' environmental and social impacts. For further details of our sustainability risk policies, see page 62.
- We are developing our understanding of nature-related risks in line with European regulatory expectations.
- In 2024, we focused on our approach to human rights risk management relating to the goods and services we buy from third parties and in respect of our business customers. For further details of our approach to human rights risk management, see page 75.
- The scope of our financial reporting risk framework includes oversight of the accuracy and completeness of climate and ESG disclosures. Our risk appetite statement references our climate and ESG disclosures. Our internal controls incorporate requirements for addressing the risk of misstatement in climate and ESG disclosures. To support this, we have developed a framework to guide control implementation over climate and ESG disclosures, which includes areas such as process and data governance, and risk assessment.
- We continue to engage with our customers, investors and regulators proactively on the management of climate and ESG risks. We also engage with initiatives, including the Climate Financial Risk Forum, Task Force on Climate-related Financial Disclosures and CDP (formerly the Carbon Disclosure Project) to help drive best practice for climate risk management.

For further details of our approach to climate risk management, see 'Climate risk' on page 219.

Our ESG review can be found on page 41.

Financial crime risk

Financial institutions remain under considerable regulatory scrutiny regarding their ability to detect and prevent financial crime. In 2024, these risks continued to be exacerbated by rising geopolitical tensions and ongoing macroeconomic factors. These challenges require managing conflicting laws and approaches to legal and regulatory regimes, and implementing increasingly complex and less predictable sanctions and trade restrictions.

Amid increasing cost of living pressures, we continue to face increasing regulatory expectations with respect to managing internal and external fraud and protecting customers. The accessibility and increasing sophistication of generative AI brings additional financial crime risks. While there is potential for the technology to support financial crime detection, there is also a risk that criminals use generative AI to perpetrate fraud, particularly scams.

The digitisation of financial services continues to have an impact on the payments ecosystem, with an increasing number of new market entrants and payment mechanisms, not all of which are subject to the same level of regulatory scrutiny or regulations as banks. Developments around digital assets and currencies have continued at pace, with an increasing regulatory and enforcement focus on the financial crimes linked to these types of assets.

The intersection of ESG issues and financial crime continues to pose risks related to potential 'greenwashing', human rights issues and environmental crime, as our organisation, customers and suppliers transition to net zero. In addition, climate change itself could heighten risks linked to vulnerable migrant populations in countries where financial crime is already more prevalent.

We also continue to face increasing challenges presented by national data privacy requirements, which may affect our ability to manage financial crime risks across markets.

Mitigating actions

- We continue to seek to manage sanctions and trade restrictions through the use of reasonably designed policies, procedures and controls, which are subject to ongoing testing and enhancements.
- We continue to develop our fraud controls and invest in capabilities to fight financial crime through the application of advanced analytics and AI, while monitoring technological developments and engaging with third parties.
- We continue to assess the impact of a rapidly changing payments ecosystem, as well as risks associated with direct and indirect exposure to digital assets and currencies, in an effort to maintain appropriate financial crime controls.
- We regularly review our existing policies and control framework so that developments relating to ESG are considered and the related financial crime risks are mitigated to the extent possible.
- We engage with regulators, policymakers and relevant international bodies, seeking to address data privacy challenges through international standards, guidance and legislation.

Digitalisation and technological advances risk

Developments in technology and changes to regulations are enabling new entrants to the industry, particularly with respect to payments. This challenges us to continue innovating to address evolving customer requirements, drive efficiency and adapt our products to attract and retain customers. As a result, we may need to increase investment in our business to adapt or develop products and services to respond to our customers' evolving needs. We aim to ensure that new digital capabilities do not weaken our resilience or wider risk management capabilities.

New technologies such as generative AI, large language models, blockchain, and quantum computing offer both business opportunities and potential risks for HSBC. As with the use of all technologies, we aim to maximise their potential while seeking to ensure a robust control environment is in place to help manage the inherent risks.

Mitigating actions

- We continue to monitor this emerging risk and advances in technology, as well as changes in customer behaviours, to understand how these may impact our business.
- We assess new technologies to help develop appropriate controls and maintain resilience.
- We closely monitor and assess financial crime risk and the impact on payment transparency and wider payment infrastructure.
- We conduct risk assessments and have governance in place (for example on AI and digital assets and currencies) to help enable Group-wide cross-risk focus on areas of emerging technology.
- We make public commitments as to how we engage with new technology innovation, for example publishing HSBC's Principles for the Ethical Use of Data and AI.
- We continue to make improvements to our related policies and to our control framework in order to enhance the end-to-end management of risks from new technology innovations.

Evolving regulatory environment risk

We aim to keep abreast of the emerging regulatory compliance and conduct risk agenda. Current focus areas include but are not limited to: ESG developments, particularly managing the risk of 'greenwashing'; ensuring good customer outcomes and addressing customer vulnerabilities; enhancements to regulatory reporting controls; employee compliance including the use of e-communication channels; and developments in legal principles or conduct requirements (including in relation to the risk of such developments in one part of the financial industry being construed as applying to other parts of the financial industry, which could lead to legal or regulatory proceedings).

The competitive landscape in which the Group operates may be impacted by future regulatory changes and government intervention including changes driven by governments adopting a pro-business growth agenda.

Mitigating actions

- We monitor regulatory developments to understand the evolving regulatory landscape, and seek to respond with changes in a timely manner.
- We engage with governments and regulators, and respond to consultations with a view to help shape regulations that can be implemented effectively.
- We hold regular meetings with relevant authorities to discuss strategic contingency plans, including those arising from geopolitical issues.
- Our purpose-led conduct approach aligns to our purpose and values, in particular the value 'we take responsibility'.

Internally driven

Data risk

We use multiple systems and growing quantities of data to support our customers. Risk arises if data is incorrect, unavailable, misused or unprotected. Along with other banks and financial institutions, we need to meet external regulatory obligations and laws that cover data, such as the Basel Committee on Banking Supervision's 239 guidelines and the General Data Protection Regulation.

Mitigating actions

- Through our global data management framework, we monitor the quality, availability and security of data that supports our customers and internal processes. We work towards resolving any identified data issues in a timely manner.
- We continue to make improvements to our data policies and to our control framework – which includes trusted sources, data flows and data quality – in order to enhance the end-to-end management of data risk.
- We have established a global data management utility and continue to simplify and unify data management activities across the Group.
- We seek to protect customer data through our data privacy framework, which establishes practices, design principles and guidelines that enable us to demonstrate compliance with data privacy laws and regulations.
- We continue to modernise our data and analytics infrastructure through investments in cloud technology, data visualisation, machine learning and AI.
- We continue to educate our employees on data risk and data management. We have delivered regular mandatory training globally on how to protect and manage data appropriately.

Risks arising from the receipt of services from third parties

We use third parties to provide a range of goods and services. It is critical that we seek to have appropriate risk management policies, processes and practices over the selection, governance and oversight of third parties and their supply chain, particularly for key activities that could affect our operational resilience. Any deficiency in the management of risks associated with our third parties could affect our ability to support our customers and meet regulatory expectations.

Mitigating actions

- We continue to monitor the effectiveness of the controls operated by our third-party providers and request third-party control reports, where required.
- We continued to develop the management of our intra-group arrangements using the same control standards as we apply to external third party arrangements.
- We have strengthened our due diligence and monitoring capabilities in respect of the financial stability of our third parties.
- We have strengthened the way third-party risk is overseen and managed across all non-financial risks, and have enhanced our processes, framework and reporting capabilities to help improve the visibility of risk and enable more robust management of our material third parties by our global businesses, functions and regions.
- We are implementing the changes required by new regulations as set by our regulators.

Model risk

Model risk arises whenever business decision making includes reliance on models. We use models in both financial and non-financial contexts, as well as in a range of business applications such as customer selection, product pricing, financial crime transaction monitoring, creditworthiness evaluation and financial reporting. Assessing model performance is a continuous undertaking including both regular monitoring of the model's performance and more fundamental reviews of the model construct and data.

Model risk remains a key area of focus given the regulatory scrutiny in this area, with local regulatory exams taking place in many jurisdictions and the PRA's supervisory statement 1/23 (SS1/23) coming into effect, This provided detailed principles-based guidance on how model risk should be managed, and further developments in policy are also expected from other regulators.

We continued to prioritise the redevelopment of internal ratings-based ('IRB') and internal model methods ('IMM') models, in relation to counterparty credit, as part of the IRB repair and Basel 3.1 and Fundamental Review of the Trading Book programmes. We have a key focus on enhancing the quality of data used as model inputs and ensuring that models adhere to both the letter and spirit of the regulation. Some models have been approved and a number are pending approval decisions from the UK's Prudential Regulation Authority ('PRA') and other key regulators. We also launched a major project to develop 32 Wholesale IRB models which are expected to be submitted for regulatory approval over the next two and a half years.

Focus remains on AI and machine learning models where the pace of technological advances, including the development of generative AI, is driving significant changes in modelling techniques, and regulators across the globe are beginning to publish regulations and guidance.

Mitigating actions

- We are investing in the redevelopment of our IRB models used in our wholesale businesses to enhance our modelling capability and help ensure we meet regulatory expectations for the adoption of Basel 3.1 requirements.
- We updated our Model Risk Management ('MRM') framework to meet the requirements of the PRA's SS1/23 with a programme of work in progress to implement these changes across our model landscape.
- We completed a review of model tiering across the organisation assessing the materiality and complexity of all models and assigning a new tier which will drive the level of oversight required at model level.
- We introduced a new framework to govern and manage the risks associated with Deterministic Quantitative Methods. These are complex and material calculators, which although not technically models, still present similar risks.
- Model Risk Governance committees at the Group, business and functional levels continue to provide oversight of model risk.
- Model Risk Management works closely with businesses to help develop IRB/IMM/IMA/IFRS 9/stress testing models to meet risk

management, pricing, capital management, and credit risk measurement needs.

- Additional assurance work is performed by the model risk governance teams, which act as second lines of defence. The teams test whether controls implemented by model users comply with model risk policy and if model risk procedures are adequate.
- Models using AI or generative AI techniques are reviewed by the relevant risk teams and monitored by the business to help ensure that identified risks have adequate oversight and review. A framework to manage the range of risks that are generated by these advanced techniques and to recognise the multidisciplinary nature of these risks has been developed.

Change execution risk

The needs of our customers are evolving faster than ever, and the complexity and pace of strategic, regulatory and technological change require us to improve the way we prioritise resources and deliver strategic outcomes safely and sustainably. The embedding of structural changes throughout the Group, arising as part of the reorganisation of our businesses announced in October 2024, is expected to enable the strategy to be executed more efficiently but may elevate the level of change execution risk in the near to medium term.

Mitigating actions

- We have strengthened our investment case and prioritisation processes, while improving the monitoring and oversight of our change portfolio and overall operating control environment.
- The Change Prioritisation and Oversight Committee continues to oversee the prioritisation, strategic alignment, and management of execution risk for strategic change portfolios and initiatives. Additionally, the HSBC Holdings Board provides enhanced oversight over the simplification programme, directly supervising its mobilisation and delivery.
- Change benefits and funding will be aligned to the new Group organisational structure. Consideration of integrated business and technology architecture design will be a critical input to our prioritisation of future change investment.

Risks associated with workforce capability, capacity and environmental factors with potential impact on growth

Our global businesses and functions in all of our markets are exposed to risks associated with workforce capacity challenges, including challenges to retain, develop and attract high-performing employees in key labour markets, the changing skills requirements of our workforce and compliance with employment laws and regulations. Failure to manage these risks may have an impact on the delivery of our strategic objectives. It could also result in poor customer outcomes or a breach of employment laws and regulations, which may lead to regulatory sanctions or legal claims.

Mitigating actions

- We seek to promote an inclusive workforce and provide health and wellbeing support. We continue to build our speak-up culture through active campaigns.
- We monitor hiring activities and levels of employee attrition, with each business and function putting in place plans to help ensure they have effective workforce forecasting to meet business demands.
- We monitor people risks that could arise due to organisational restructuring, seeking to ensure that we manage redundancies sensitively and support impacted employees. We encourage our people leaders to focus on talent retention at all levels, with an empathetic mindset and approach, while ensuring the whole proposition of working at HSBC is well understood.
- Our Future Skills curriculum aims to provide skills that enable employees and HSBC to be successful in the future.
- We develop succession plans for key management roles, with oversight from the Group Executive Committee.

Our material banking risks

The material risk types associated with our banking and insurance manufacturing operations are described in the following tables:

Description of risks – banking operations

Risks	Arising from	Measurement, monitoring and management of risk
Credit risk See page 139 Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract.	Credit risk arises principally from direct lending, trade finance and leasing business, but also from other products such as guarantees and derivatives.	Credit risk is: – measured as the amount that could be lost if a customer or counterparty fails to make repayments; – monitored using various internal risk management measures and within limits approved by individuals within a framework of delegated authorities; and – managed through a risk control framework, which outlines clear and consistent policies, principles and guidance for risk managers; and by setting limits and appetite across geographical markets, portfolios or sectors.
Treasury risk See page 200 Treasury risk is the risk of having insufficient capital, liquidity or funding resources to meet financial obligations and satisfy regulatory requirements, including the risk of an adverse impact on earnings or capital due to structural and transactional foreign exchange exposures and changes in market interest rates, together with pension and insurance risk.	Treasury risk arises from changes to the respective resources and risk profiles driven by customer behaviour, management decisions or the external environment.	Treasury risk is: – measured through risk appetite and more granular limits, set to provide an early warning of increasing risk, minimum ratios of relevant regulatory metrics, and metrics to monitor the key risk drivers impacting treasury resources; – monitored and projected against appetites and by using operating plans based on strategic objectives together with stress and scenario testing; and – managed through control of resources in conjunction with risk profiles, strategic objectives and cash flows.
Market risk See page 216 Market risk is the risk of an adverse financial impact on trading activities arising from changes in market parameters such as interest rates, foreign exchange rates, asset prices, volatilities, correlations and credit spreads.	Market risk arises from both trading portfolios and non-trading portfolios. Market risk for non-trading portfolios is discussed in the Treasury risk section on page 212. Market risk exposures arising from our insurance operations are discussed on page 234.	Market risk is: – measured using sensitivities, value at risk and stress testing, giving a detailed picture of potential gains and losses for a range of market movements and scenarios, as well as tail risks over specified time horizons; – monitored using value at risk, stress testing and other measures; and – managed using risk limits approved by the Group Risk Management Meeting and the risk management meetings in various global businesses.
Climate risk See page 219 Climate risk relates to the financial and non-financial impacts that may arise as a result of climate change and the move to a net zero economy.	Climate risk can materialise through: – physical risk, which arises from the increased frequency and severity of weather events; – transition risk, which arises from the process of moving to a net zero economy; – net zero alignment risk, which arises from failing to meet our net zero ambition or 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.	Climate risk is: – measured using risk metrics and stress testing; – monitored against risk appetite statements; and – managed through adherence to risk appetite thresholds, through specific policies, and through enhancements to processes and development of tools including the development of product market controls to manage the risk of greenwashing and the development of portfolio steering capabilities to manage our net zero ambitions.
Resilience risk See page 229 Resilience risk is the risk of sustained and significant business disruption from execution, delivery, physical security or safety events, causing the inability to provide critical services to our customers, affiliates, and counterparties.	Resilience risk arises from failures or inadequacies in processes, people, systems or external events.	Resilience risk is: – measured using a range of metrics and against our agreed risk appetite; – monitored through oversight of enterprise processes, risks, controls and strategic change programmes; and – managed by continual monitoring and thematic reviews.

Description of risks – banking operations (continued)

Risks	Arising from	Measurement, monitoring and management of risk
Regulatory compliance risk See page 230		
Regulatory compliance risk is the risk associated with breaching our duty to clients and other counterparties, inappropriate market conduct (including unauthorised trading) and breaching related financial services regulatory standards.	Regulatory compliance risk arises from the failure to observe relevant laws, codes, rules and regulations and can manifest itself in poor market or customer outcomes and lead to fines, penalties and reputational damage to our business.	Regulatory compliance risk is: – measured by reference to risk appetite, identified metrics, incident assessments, regulatory feedback and the judgement and assessment of our regulatory compliance teams; – monitored against the first line of defence risk and control assessments, and the results of the monitoring and control assurance activities of the second line of defence functions; and – managed by establishing and communicating appropriate policies and procedures, training employees in them and monitoring activity to help embed their observance. Proactive risk control and/or remediation work is undertaken where required.
Financial crime risk See page 230		
Financial crime risk is the risk that HSBC's products and services will be exploited for criminal activity. This includes fraud, bribery and corruption, tax evasion, sanctions and export control violations and evasion, money laundering, terrorist financing and proliferation financing.	Financial crime risk arises from day-to-day banking operations involving customers, third parties and employees.	Financial crime risk is: – measured by reference to risk appetite, identified metrics, incident assessments, regulatory feedback and the judgement of, and assessment by, our financial crime teams; – monitored against the first line of defence risk and control assessments, and the results of the monitoring and control assurance activities of the second line of defence functions; and – managed by establishing and communicating appropriate policies and procedures, training employees and monitoring activity to help embed their observance. Proactive risk control and/or remediation work is undertaken where required.
Model risk See page 231		
Model risk is the risk of the potential for adverse consequences from model errors or the inappropriate use of modelled outputs to inform business decisions.	Model risk arises in both financial and non-financial contexts whenever business decision making includes reliance on models.	Model risk is: – measured by reference to model performance tracking and the output of detailed technical reviews and regulatory feedback, with key metrics including model review statuses and findings; – monitored against model risk appetite statements, insight from the independent validations completed by the model risk management team; and – managed by creating and communicating appropriate policies, procedures and guidance, training colleagues in their application, and supervising their adoption to help ensure operational effectiveness.

Our insurance manufacturing subsidiaries are regulated separately from our banking operations. Risks in our insurance entities are managed using methodologies and processes that are subject to Group oversight. Our insurance operations are also subject to many of the same risks as our banking operations, and these are covered by the Group's risk management processes. However, there are specific risks inherent to the insurance operations as noted below.

Description of risks – insurance manufacturing operations

Risks	Arising from	Measurement, monitoring and management of risk
Financial risk See page 234		
For insurance entities, financial risk includes the risk of not being able to effectively match liabilities arising under insurance contracts with appropriate investments and that the expected sharing of financial performance with policyholders under certain contracts is not possible.	Exposure to financial risk arises from: – market risk affecting the fair values of financial assets or their future cash flows; – credit risk; and – liquidity risk of entities being unable to make payments to policyholders as they fall due.	Financial risk is: – measured for credit risk, in terms of economic capital and the amount that could be lost if a counterparty fails to make repayments; for market risk, in terms of economic capital, internal metrics and fluctuations in key financial variables; and for liquidity risk, in terms of internal metrics including stressed operational cash flow projections; – monitored through a framework of approved limits and delegated authorities; and – managed through a risk control framework, which outlines clear and consistent policies, principles and guidance. This includes using product design, asset liability matching and bonus rates.
Insurance risk See page 236		
Insurance risk is the risk that, over time, the cost of insurance policies written, including claims and benefits, may exceed the total amount of premiums and investment income received.	The cost of claims and benefits can be influenced by many factors, including mortality and morbidity experience, as well as lapse and surrender rates.	Insurance risk is: – measured in terms of life insurance liabilities and economic capital allocated to insurance underwriting risk; – monitored through a framework of approved limits and delegated authorities; and – managed through a risk control framework, which outlines clear and consistent policies, principles and guidance. This includes using product design, underwriting, reinsurance and claims-handling procedures.

Credit risk

Contents

Overview

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. Credit risk arises principally from direct lending, trade finance and leasing business, but also from other products such as guarantees and derivatives.

Credit risk management

Key developments in 2024

There were no material changes to the policies and practices for the management of credit risk in 2024. We continued to apply the requirements of IFRS 9 'Financial Instruments' within the Credit Risk sub-function.

We actively managed the risks related to macroeconomic uncertainties, including interest rates, inflation, fiscal and monetary policy, broader geopolitical uncertainties and conflicts.

For further details, see 'Top and emerging risks' on page 131.

Governance and structure

We have established Group-wide credit risk management and related IFRS 9 processes. We continue to assess the impact of economic developments in key markets on specific customers, customer segments or portfolios. As credit conditions change, we take mitigating actions, including the revision of risk appetites or limits and tenors, as appropriate. In addition, we continue to evaluate the terms under which we provide credit facilities within the context of individual customer requirements, the quality of the relationship, local regulatory requirements, market practices and our local market position.

Credit Risk sub-function

(Audited)

Credit approval authorities are delegated by the Board to the Group CEO together with the authority to sub-delegate them. The Credit Risk sub-function in Group Risk and Compliance is responsible for the key policies and processes for managing credit risk, which include formulating Group credit policies and risk rating frameworks, guiding the Group's appetite for credit risk exposures, undertaking independent reviews and objective assessment of credit risk, and monitoring performance and management of portfolios.

The principal objectives of our credit risk management are:

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

Key risk management processes

IFRS 9 'Financial Instruments' process

The IFRS 9 process comprises three main areas: modelling, data and forward economic guidance; implementation; and governance.

Modelling, data and forward economic guidance

We have established IFRS 9 modelling and data processes in various geographies, which are subject to internal model risk governance including independent review of significant model developments.

We have a centralised process for generating unbiased and independent global economic scenarios. Scenarios are subject to a process of review and challenge by a dedicated central team and individually for each region. Each quarter, the scenarios and probability weights are reviewed and checked for consistency with the economic conjuncture and current economic and financial risks. These are subject to final review and approval by senior management in a forward economic guidance global business impairment committee.

Implementation

A centralised impairment engine performs the expected credit losses calculation using data, which is subject to a number of validation checks and enhancements, from a variety of client, finance and risk systems. Where possible, these checks and processes are performed in a globally consistent and centralised manner.

Governance

Regional management review forums are established in key sites and regions in order to review and approve the impairment results. Regional management review forums have representatives from Credit Risk and Finance. The key site and regional approvals are reported up to the relevant global business impairment committee for final approval of the Group's ECL for the period. Required members of the committee are the Wholesale Global Chief Corporate Credit Officer and Chief Risk and Compliance Officer for Wealth and Personal Banking Risk, as well as the relevant global business's Chief Financial Officer and the Global Financial Controller.

Concentration of exposure

(Audited)

Concentrations of credit risk arise when a number of counterparties or exposures have comparable economic characteristics, or such counterparties are engaged in similar activities or operate in the same geographical areas or industry sectors so that their collective ability to meet contractual obligations is similarly affected by changes in economic, political or other conditions. We use a number of controls and measures to minimise undue concentration of exposure in our portfolios across industries, countries and global businesses. These include portfolio and counterparty limits, approval and review controls, and stress testing.

Credit quality of financial instruments

(Audited)

Our risk rating system facilitates the internal ratings-based approach under the Basel framework adopted by the Group to support the calculation of our minimum credit regulatory capital requirement. The five credit quality classifications encompass a range of granular internal credit rating grades assigned to wholesale and retail customers, and the external ratings attributed by external agencies to debt securities.

For debt securities and certain other financial instruments, external ratings have been aligned to the five quality classifications based upon the mapping of related customer risk rating ('CRR') to external credit rating.

Wholesale lending

The CRR 10-grade scale summarises a more granular underlying 23-grade scale of obligor probability of default ('PD'). All corporate customers are rated using the 10- or 23-grade scale, depending on the degree of sophistication of the Basel approach adopted for the exposure.

Each CRR band is associated with an external rating grade by reference to long-run default rates for that grade, represented by the average of issuer-weighted historical default rates. This mapping between internal and external ratings is indicative and may vary over time.

Retail lending

Retail lending credit quality is based on a 12-month point-in-time probability-weighted PD.

Credit quality classification

	Sovereign debt securities and bills	Other debt securities and bills	Wholesale lending and derivatives		Retail lending	
	External credit rating	External credit rating	Internal credit rating	12-month Basel probability of default %	Internal credit rating	12 month probability-weighted PD %
Quality classification[1,2]						
Strong	**BBB and above**	**A- and above**	**CRR 1 to CRR 2**	**0–0.169**	**Band 1 and 2**	**0.000–0.500**
Good	**BBB- to BB**	**BBB+ to BBB-**	**CRR 3**	**0.170–0.740**	**Band 3**	**0.501–1.500**
Satisfactory	**BB- to B and unrated**	**BB+ to B and unrated**	**CRR 4 to CRR 5**	**0.741–4.914**	**Band 4 and 5**	**1.501–20.000**
Sub-standard	**B- to C**	**B- to C**	**CRR 6 to CRR 8**	**4.915–99.999**	**Band 6**	**20.001–99.999**
Credit impaired	**Default**	**Default**	**CRR 9 to CRR 10**	**100**	**Band 7**	**100**

1 Customer risk rating ('CRR').
2 12-month point-in-time probability-weighted probability of default ('PD').

Quality classification definitions

- 'Strong' exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default and/or low levels of expected loss.
- 'Good' exposures require closer monitoring and demonstrate a good capacity to meet financial commitments, with low default risk.
- 'Satisfactory' exposures require closer monitoring and demonstrate an average-to-fair capacity to meet financial commitments, with moderate default risk.
- 'Sub-standard' exposures require varying degrees of special attention and default risk is of greater concern.
- 'Credit-impaired' exposures have been assessed as described in Note 1.2(i) to the financial statements.

Forborne loans and advances

(Audited)

Forbearance measures consist of concessions towards an obligor that is experiencing or about to experience difficulties in meeting its financial commitments.

We continue to class loans as forborne when we modify the contractual payment terms due to having concerns about the borrowers' ability to meet contractual payments when they were due. Our definition of forborne captures non-payment-related concessions, such as covenant waivers.

For details of our policy on forbearance, see Note 1.2(i) in the financial statements.

Credit quality of forborne loans

For wholesale lending, where payment-related forbearance measures result in a diminished financial obligation, or if there are other indicators of impairment, the loan will be classified as credit impaired if it is not already so classified. All facilities with a customer, including loans that have not been modified, are considered credit impaired following the identification of a payment-related forborne loan. For retail lending, where a material payment-related concession has been granted, the loan will be classified as credit impaired. In isolation, non-payment related forbearance measures may not result in the loan being classified as credit impaired unless combined with other indicators of credit impairment. These are classed as performing forborne loans for both wholesale and retail lending.

Wholesale and retail lending forborne loans are classified as credit impaired until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows, observed over a minimum one-year period, and there are no other indicators of impairment. Any forborne loans not considered credit impaired will remain forborne for a minimum of two years from the date that credit impairment no longer applies. For wholesale and retail lending, any forbearance measures granted on a loan already classed as forborne results in the customer being classed as credit impaired.

Forborne loans and recognition of expected credit losses

(Audited)

Forborne loans expected credit loss assessments reflect the higher rates of losses typically experienced with these types of loans such that they are in stage 2 and stage 3. The higher rates are more pronounced in unsecured retail lending requiring further segmentation. For wholesale lending, forborne loans are typically assessed individually. Credit risk ratings are intrinsic to the impairment assessments. The individual impairment assessment takes into account the higher risk of the future non-payment inherent in forborne loans.

Impairment assessment

(Audited)

For details of our impairment policies on loans and advances and financial investments, see Note 1.2(i) on the financial statements.

Write-off of loans and advances

(Audited)

Under IFRS 9, write-off should occur when there is no reasonable expectation of recovering further cash flows from the financial asset.

This principle does not prohibit early write-off, which is defined in local policies to ensure effectiveness in the management of customers in the collections process.

Unsecured personal facilities, including credit cards, are generally written off at between 150 and 210 days past due. The standard period runs until the end of the month in which the account becomes 180 days contractually delinquent. However, in exceptional circumstances, to avoid unfair customer outcomes, deliver customer duty or meet regulatory expectations, the period may be extended further.

For secured facilities, write-off should occur upon repossession of collateral, receipt of proceeds via settlement, or determination that recovery of the collateral will not be pursued. Where these assets are maintained on the balance sheet beyond 60 months of consecutive delinquency-driven default, the prospect of recovery is reassessed.

Recovery activity, on both secured and unsecured assets, may continue after write-off.

Any unsecured exposures that are not written off at 180 days past due, and any secured exposures that are in 'default' status for 60 months or greater but are not written off, are subject to additional monitoring via the appropriate governance forums.

Credit risk in 2024

At 31 December 2024, gross loans and advances to banks and customers of $1,042bn decreased by $20.1bn on a reported basis compared with 31 December 2023. Gross loans and advances to customers decreased by $9.2bn while gross loans and advances to banks decreased by $10.9bn. This included total adverse foreign exchange movements of $26.2bn.

On a constant currency basis, the increase of $6.1bn was driven by a $9.6bn rise in personal loans and advances to customers and a $3.0bn rise in wholesale loans and advances to customers. These were partly offset by a $6.5bn decrease in loans and advances to banks.

The rise in personal loans and advances to customers was driven by mortgage growth (up $7.5bn), mainly in HSBC UK (up $4.5bn), in our legal entities in the US (up $2.7bn) and in Mexico (up $0.3bn). There was a further increase in other personal lending (up $2.1bn), mainly in our entities in Europe (up $1.1bn) and in Asia (up $1.0bn).

The rise in wholesale loans and advances to customers was driven by an increase in balances with non-bank financial institutions (up $9.6bn), mainly in HSBC Bank plc (up $4.2bn) and in our legal entities in Asia (up $2.2bn), in the US (up $1.2bn), in HSBC UK (up $1.0bn) and in the Middle East (up $0.8bn). This was partly offset by a $6.6bn reduction in corporate and commercial balances, observed mainly in our legal entities in the US (down $2.9bn) and in Asia (down $2.4bn).

The decrease in loans and advances to banks was driven by lower central bank balances and money market lending balances in our legal entities in Asia (down $9.1bn), partly offset by higher balances in our legal entities in the Middle East (up $3.6bn).

The movement in gross loans and advances to banks and customers included a $3.1bn decrease on a constant currency basis due to the reclassification of businesses into 'assets held for sale' during the period.

At 31 December 2024, the allowance for ECL of $10.3bn decreased by $1.7bn compared with 31 December 2023, including favourable foreign exchange movements of $0.5bn. The $10.3bn allowance comprised $9.8bn in respect of assets held at amortised cost, $0.4bn in respect of loan commitments and financial guarantees, and $0.1bn in respect of debt instruments measured at fair value through other comprehensive income ('FVOCI').

On a constant currency basis, stage 3 gross loans and advances to customers at 31 December 2024 increased by $3.9bn. The increase in stage 3 exposures was driven by defaults in the commercial real estate portfolio in Hong Kong, which are generally well collateralised. There was a decrease in the associated allowance for ECL due to write-offs of heavily-impaired exposures.

On a constant currency basis, the allowance for ECL in relation to loans and advances to customers decreased by $0.9bn from 31 December 2023. This was attributable to:

- a $0.8bn decrease in wholesale loans and advances to customers, which included a $0.7bn decrease in stage 3 and a $0.1bn decrease in stages 1 and 2; and
- a $0.1bn decrease in personal loans and advances to customers driven by stages 1 and 2.

The ECL charge for 2024 was $3.4bn, inclusive of recoveries. The ECL charge comprised: $2.1bn in respect of wholesale lending, of which the stage 3 charge was $1.6bn; $1.2bn in respect of personal lending, of which $0.9bn were in stage 3; and $0.1bn in respect of other assets and debt instruments measured at FVOCI.

Wholesale lending charges were recognised mainly in our legal entities in Hong Kong ($1.0bn). While the mainland China commercial real estate sector remained subdued, there were limited new defaults and lower total ECL charges of $0.4bn during the period ($1.0bn during 2023). ECL charges in the Hong Kong commercial real estate sector excluding exposure to mainland China borrowers of $0.1bn during the period were also low due to the limited impact from defaults, driven by the high level of collateralisation in the portfolio.

Personal lending charges reflected higher charges in our legal entity in Mexico, mainly in our unsecured portfolio, due to portfolio growth and unemployment trends. In addition, there were higher charges in our legal entities in the UK and Hong Kong as a result of portfolio growth.

At 31 December 2024, gross other financial assets measured at amortised cost of $828.6bn decreased by $131.7bn on a reported basis compared with 31 December 2023. This included total adverse foreign exchange movements of $30.7bn.

On a constant currency basis, the decrease of $101.0bn was mainly driven by a $91.9bn decrease in assets held for sale, due to the completion of the disposals of our banking business in Canada and our retail banking operations in France.

Income statement movements are analysed further on page 90.

While credit risk arises across most of our balance sheet, ECL have typically been recognised on loans and advances to customers and banks, in addition to securitisation exposures and other structured products. As a result, our disclosures focus primarily on these two areas. For further details of:

- maximum exposure to credit risk, see page 148;
- measurement uncertainty and sensitivity analysis of ECL estimates, see page 148;
- reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees, see page 161;
- credit quality, see page 166;
- total wholesale lending for loans and advances to banks and customers by stage distribution, see page 171;
- wholesale lending collateral, see page 181;
- total personal lending for loans and advances to customers at amortised cost by stage distribution, see page 185; and
- personal lending collateral, see page 194.

Summary of credit risk

The following disclosure presents the gross carrying/nominal amount of financial instruments to which the impairment requirements in IFRS 9 are applied and the associated allowance for ECL.

Summary of financial instruments to which the impairment requirements in IFRS 9 are applied

(Audited)

	31 Dec 2024		At 31 Dec 2023	
	Gross carrying/ nominal amount	**Allowance for ECL[1]**	Gross carrying/ nominal amount	Allowance for ECL[1]
	$m	**$m**	$m	$m
Loans and advances to customers at amortised cost	**940,373**	**(9,715)**	949,609	(11,074)
Loans and advances to banks at amortised cost	**102,052**	**(13)**	112,917	(15)
Other financial assets measured at amortised cost	**828,580**	**(92)**	960,271	(422)
– cash and balances at central banks	**267,674**	**—**	285,868	—
– Hong Kong Government certificates of indebtedness	**42,293**	**—**	42,024	—
– reverse repurchase agreements – non-trading	**252,549**	**—**	252,217	—
– financial investments	**153,982**	**(9)**	148,346	(20)
– assets held for sale[2]	**3,273**	**(4)**	103,186	(324)
– prepayments, accrued income and other assets[3]	**108,809**	**(79)**	128,630	(78)
Total gross carrying amount on-balance sheet	**1,871,005**	**(9,820)**	2,022,797	(11,511)
Loans and other credit-related commitments	**619,367**	**(348)**	661,015	(367)
Financial guarantees	**16,998**	**(29)**	17,009	(39)
Total nominal amount off-balance sheet[4]	**636,365**	**(377)**	678,024	(406)
	2,507,370	**(10,197)**	2,700,821	(11,917)

	Fair value	**Memorandum allowance for ECL[5]**	Fair value	Memorandum allowance for ECL[5]
	$m	**$m**	$m	$m
Debt instruments measured at fair value through other comprehensive income ('FVOCI')	**346,124**	**(54)**	302,348	(97)

1 The total ECL is recognised in the loss allowance for the financial asset unless the total ECL exceeds the gross carrying amount of the financial asset, in which case the ECL is recognised as a provision.
2 For further details on gross carrying amounts and allowances for ECL related to assets held for sale, see 'Assets held for sale' on page 146. At 31 December 2024, the gross carrying amount comprised $1,113m of loans and advances to customers and banks (2023: $84,075m) and $2,160m of other financial assets at amortised cost (2023: $19,111m). The corresponding allowance for ECL comprised $4m of loans and advances to customers and banks (2023: $303m) and $0.3m of other financial assets at amortised cost (2023: $21m).
3 Includes only those financial instruments that are subject to the impairment requirements of IFRS 9. 'Prepayments, accrued income and other assets' as presented within the consolidated balance sheet on page 343 comprises both financial and non-financial assets, including cash collateral and settlement accounts. It also includes 'Items in the course of collection from other banks' which was presented separately in 2023.
4 Represents the maximum amount at risk should the contracts be fully drawn upon and clients default.
5 Debt instruments measured at FVOCI continue to be measured at fair value with the allowance for ECL as a memorandum item. Change in ECL is recognised in 'Change in expected credit losses and other credit impairment charges' in the income statement.

The following table provides an overview of the Group's credit risk by stage and industry, and the associated ECL coverage. The financial assets recorded in each stage have the following characteristics:

– Stage 1: These financial assets are unimpaired and without significant increase in credit risk on which a 12-month allowance for ECL is recognised.

– Stage 2: A significant increase in credit risk has been experienced on these financial assets since initial recognition for which 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 on which a lifetime ECL is recognised.

– POCI: Financial assets that are purchased or originated at a deep discount are seen to reflect the incurred credit losses on which a lifetime ECL is recognised.

Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage by industry sector at 31 December 2024

(Audited)

	Gross carrying/nominal amount[1]					Allowance for ECL					ECL coverage %				
	Stage 1	Stage 2	Stage 3	POCI[2]	Total	Stage 1	Stage 2	Stage 3	POCI[2]	Total	Stage 1	Stage 2	Stage 3	POCI[2]	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	%	%	%	%	%
Loans and advances to customers at amortised cost	824,420	93,248	22,615	90	940,373	(1,078)	(2,546)	(6,040)	(51)	(9,715)	0.1	2.7	26.7	56.7	1.0
– personal	403,746	39,919	3,560	—	447,225	(570)	(1,158)	(796)	—	(2,524)	0.1	2.9	22.4	—	0.6
– corporate and commercial	340,987	51,231	18,376	90	410,684	(463)	(1,358)	(4,883)	(51)	(6,755)	0.1	2.7	26.6	56.7	1.6
– non-bank financial institutions	79,687	2,098	679	—	82,464	(45)	(30)	(361)	—	(436)	0.1	1.4	53.2	—	0.5
Loans and advances to banks at amortised cost	101,852	198	2	—	102,052	(9)	(2)	(2)	—	(13)	—	1.0	100.0	—	—
Other financial assets measured at amortised cost	826,621	1,806	153	—	828,580	(64)	(5)	(23)	—	(92)	—	0.3	15.0	—	—
Loan and other credit-related commitments	597,231	21,175	958	3	619,367	(137)	(121)	(90)	—	(348)	—	0.6	9.4	—	0.1
– personal	251,489	1,680	86	—	253,255	(17)	—	(5)	—	(22)	—	—	5.8	—	—
– corporate and commercial	231,201	17,453	838	3	249,495	(111)	(116)	(83)	—	(310)	—	0.7	9.9	—	0.1
– financial	114,541	2,042	34	—	116,617	(9)	(5)	(2)	—	(16)	—	0.2	5.9	—	—
Financial guarantees	15,353	1,397	248	—	16,998	(8)	(5)	(16)	—	(29)	0.1	0.4	6.5	—	0.2
– personal	1,416	11	—	—	1,427	—	—	—	—	—	—	—	—	—	—
– corporate and commercial	10,048	1,232	195	—	11,475	(7)	(5)	(15)	—	(27)	0.1	0.4	7.7	—	0.2
– financial	3,889	154	53	—	4,096	(1)	—	(1)	—	(2)	—	—	1.9	—	—
At 31 Dec 2024	2,365,477	117,824	23,976	93	2,507,370	(1,296)	(2,679)	(6,171)	(51)	(10,197)	0.1	2.3	25.7	54.8	0.4

1 Represents the maximum amount at risk should the contracts be fully drawn upon and clients default.
2 Purchased or originated credit-impaired ('POCI').

Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when they are 30 days past due ('DPD') and are transferred from stage 1 to stage 2. The following disclosure presents the ageing of stage 2 financial assets by those less than 30 DPD and greater than 30 DPD and therefore presents those financial assets classified as stage 2 due to ageing (30 DPD) and those identified at an earlier stage (less than 30 DPD).

Stage 2 days past due analysis at 31 December 2024

(Audited)

	Gross carrying amount				Allowance for ECL				ECL coverage %			
	Stage 2	Up-to-date	1 to 29 DPD[1]	30 and > DPD[1]	Stage 2	Up-to-date	1 to 29 DPD[1]	30 and > DPD[1]	Stage 2	Up-to-date	1 to 29 DPD[1]	30 and > DPD[1]
	$m	$m	$m	$m	$m	$m	$m	$m	%	%	%	%
Loans and advances to customers at amortised cost	93,248	90,157	1,888	1,203	(2,546)	(2,147)	(192)	(207)	2.7	2.4	10.2	17.2
– personal	39,919	37,676	1,361	882	(1,158)	(799)	(169)	(190)	2.9	2.1	12.4	21.5
– corporate and commercial	51,231	50,486	506	239	(1,358)	(1,326)	(21)	(11)	2.7	2.6	4.2	4.6
– non-bank financial institutions	2,098	1,995	21	82	(30)	(22)	(2)	(6)	1.4	1.1	9.5	7.3
Loans and advances to banks at amortised cost	198	198	—	—	(2)	(2)	—	—	1.0	1.0	—	—
Other financial assets measured at amortised cost	1,806	1,794	3	9	(5)	(5)	—	—	0.3	0.3	—	—

1 The days past due amounts presented above are on a contractual basis.

Risk review

Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage by industry sector at 31 December 2023

(Audited)

	Gross carrying/nominal amount[1]					Allowance for ECL					ECL coverage %				
	Stage 1	Stage 2	Stage 3	POCI[2]	Total	Stage 1	Stage 2	Stage 3	POCI[2]	Total	Stage 1	Stage 2	Stage 3	POCI[2]	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	%	%	%	%	%
Loans and advances to customers at amortised cost	809,384	120,871	19,273	81	949,609	(1,130)	(2,964)	(6,950)	(30)	(11,074)	0.1	2.5	36.1	37.0	1.2
– personal	396,534	47,483	3,505	—	447,522	(579)	(1,434)	(854)	—	(2,867)	0.1	3.0	24.4	—	0.6
– corporate and commercial	342,878	69,738	14,958	81	427,655	(499)	(1,500)	(5,774)	(30)	(7,803)	0.1	2.2	38.6	37.0	1.8
– non-bank financial institutions	69,972	3,650	810	—	74,432	(52)	(30)	(322)	—	(404)	0.1	0.8	39.8	—	0.5
Loans and advances to banks at amortised cost	111,479	1,436	2	—	112,917	(10)	(3)	(2)	—	(15)	—	0.2	100.0	—	—
Other financial assets measured at amortised cost	946,873	12,734	664	—	960,271	(109)	(132)	(181)	—	(422)	—	1.0	27.3	—	—
Loan and other credit-related commitments	630,949	28,922	1,140	4	661,015	(153)	(128)	(86)	—	(367)	—	0.4	7.5	—	0.1
– personal	253,183	3,459	355	—	256,997	(23)	—	(2)	—	(25)	—	—	0.6	—	—
– corporate and commercial	246,210	20,928	736	4	267,878	(120)	(119)	(83)	—	(322)	—	0.6	11.3	—	0.1
– financial	131,556	4,535	49	—	136,140	(10)	(9)	(1)	—	(20)	—	0.2	2.0	—	—
Financial guarantees	14,746	1,879	384	—	17,009	(7)	(7)	(25)	—	(39)	—	0.4	6.5	—	0.2
– personal	1,106	13	—	—	1,119	—	—	—	—	—	—	—	—	—	—
– corporate and commercial	10,157	1,290	330	—	11,777	(6)	(6)	(24)	—	(36)	0.1	0.5	7.3	—	0.3
– financial	3,483	576	54	—	4,113	(1)	(1)	(1)	—	(3)	—	0.2	1.9	—	0.1
At 31 Dec 2023	2,513,431	165,842	21,463	85	2,700,821	(1,409)	(3,234)	(7,244)	(30)	(11,917)	0.1	2.0	33.8	35.3	0.4

1 Represents the maximum amount at risk should the contracts be fully drawn upon and clients default.
2 Purchased or originated credit-impaired ('POCI').

Stage 2 days past due analysis at 31 December 2023

(Audited)

	Gross carrying amount				Allowance for ECL				ECL coverage %			
	Stage 2	Up-to-date	1 to 29 DPD[1]	30 and > DPD[1]	Stage 2	Up-to-date	1 to 29 DPD[1]	30 and > DPD[1]	Stage 2	Up-to-date	1 to 29 DPD[1]	30 and > DPD[1]
	$m	$m	$m	$m	$m	$m	$m	$m	%	%	%	%
Loans and advances to customers at amortised cost	120,871	116,320	2,571	1,980	(2,964)	(2,458)	(245)	(261)	2.5	2.1	9.5	13.2
– personal	47,483	44,634	1,785	1,064	(1,434)	(974)	(214)	(246)	3.0	2.2	12.0	23.1
– corporate and commercial	69,738	68,446	697	595	(1,500)	(1,454)	(31)	(15)	2.2	2.1	4.4	2.5
– non-bank financial institutions	3,650	3,240	89	321	(30)	(30)	—	—	0.8	0.9	—	—
Loans and advances to banks at amortised cost	1,436	1,424	—	12	(3)	(3)	—	—	0.2	0.2	—	—
Other financial assets measured at amortised cost	12,734	12,417	171	146	(132)	(113)	(9)	(10)	1.0	0.9	5.3	6.8

1 The days past due amounts presented above are on a contractual basis.

Stage 2 decomposition

The following table presents the stage 2 decomposition of gross carrying amount and allowances for ECL for loans and advances to customers and banks. It also sets out the reasons why an exposure is classified as stage 2 and therefore presented as a significant increase in credit risk at 31 December 2024.

The quantitative classification shows gross carrying amount and allowances for ECL for which the applicable reporting date probability of default ('PD') measure exceeds defined quantitative thresholds for retail and wholesale exposures, as set out in Note 1.2 'Summary of material accounting policies', on page 359.

The qualitative classification primarily accounts for customer risk rating ('CRR') deterioration, watch-and-worry and retail management judgemental adjustments.

A summary of our current policies and practices for the significant increase in credit risk is set out in 'Summary of material accounting policies' on page 359.

Loans and advances to customers and banks[1]

	At 31 Dec 2024							
	Loans and advances to customers						Loans and advances to banks at amortised cost	Total stage 2
		of which:						
	Personal	first lien mortgages	credit cards	other personal lending	Corporate and commercial	Non-bank financial institutions		
	$m	$m	$m	$m	$m	$m	$m	$m
Quantitative	**36,356**	**30,992**	**2,904**	**2,460**	**37,787**	**1,658**	**176**	**75,977**
Qualitative	**3,452**	**3,107**	**85**	**260**	**13,327**	**438**	**22**	**17,239**
of which: forbearance	**175**	**70**	**40**	**65**	**1,086**	**3**	**—**	**1,264**
30 DPD backstop[2]	**111**	**78**	**2**	**31**	**117**	**2**	**—**	**230**
Total gross carrying amount	**39,919**	**34,177**	**2,991**	**2,751**	**51,231**	**2,098**	**198**	**93,446**
Quantitative	**(1,118)**	**(121)**	**(651)**	**(346)**	**(1,124)**	**(28)**	**—**	**(2,270)**
Qualitative	**(35)**	**(8)**	**(9)**	**(18)**	**(229)**	**(2)**	**(2)**	**(268)**
of which: forbearance	**(5)**	**—**	**(1)**	**(4)**	**(12)**	**—**	**—**	**(17)**
30 DPD backstop[2]	**(5)**	**(1)**	**—**	**(4)**	**(5)**	**—**	**—**	**(10)**
Total allowance for ECL	**(1,158)**	**(130)**	**(660)**	**(368)**	**(1,358)**	**(30)**	**(2)**	**(2,548)**
ECL coverage %	**2.9**	**0.4**	**22.1**	**13.4**	**2.7**	**1.4**	**1.0**	**2.7**
Residual average life[3] (in years)	**17.0**	**19.5**	**<1.0**	**3.6**	**2.7**	**1.9**	**<1.0**	
	At 31 Dec 2023							
Quantitative	35,742	31,178	1,940	2,624	53,034	2,955	781	92,512
Qualitative	11,678	7,077	2,477	2,124	16,241	653	642	29,214
of which: forbearance	171	69	34	68	982	2	—	1,155
30 DPD backstop[2]	63	32	2	29	463	42	13	581
Total gross carrying amount	47,483	38,287	4,419	4,777	69,738	3,650	1,436	122,307
Quantitative	(1,103)	(149)	(554)	(400)	(1,225)	(24)	(1)	(2,353)
Qualitative	(324)	(50)	(142)	(132)	(270)	(6)	(2)	(602)
of which: forbearance	(4)	—	(1)	(3)	(11)	—	—	(15)
30 DPD backstop[2]	(7)	(1)	(1)	(5)	(5)	—	—	(12)
Total allowance for ECL	(1,434)	(200)	(697)	(537)	(1,500)	(30)	(3)	(2,967)
ECL coverage %	3.0	0.5	15.8	11.2	2.2	0.8	0.2	2.4
Residual average life[3] (in years)	16.0	19.3	<1.0	4.1	2.5	1.2	<1.0	

1 Where balances satisfy more than one of the above three criteria for determining a significant increase in credit risk, the corresponding gross carrying amount and allowance for ECL have been assigned in order of categories presented.
2 Days past due ('DPD').
3 Calculated as the difference between final contractual maturities and the reporting date, weighted based on the contribution of the instrument to the stage 2 total gross carrying amount of the corresponding product or sector.

Assets held for sale

(Audited)

At 31 December 2024, the most material balances held for sale arose from our business in South Africa and our private banking business in Germany.

Disclosures relating to assets held for sale are provided in the following credit risk tables, primarily where the disclosure is relevant to the measurement of these financial assets:

- 'Maximum exposure to credit risk' (page 148); and
- 'Distribution of financial instruments by credit quality at 31 December' (page 166);

Although there was a reclassification on the balance sheet, there was no separate income statement reclassification. As a result, charges for changes in expected credit losses and other credit impairment charges shown in the credit risk disclosures include charges relating to financial assets classified as 'assets held for sale'.

'Loans and other credit-related commitments', 'financial guarantees' and 'Debt instruments measured at fair value through other comprehensive income' as reported in credit disclosures, also include exposures and allowances relating to financial assets classified as 'assets held for sale'.

Loans and advances to customers and banks measured at amortised cost

(Audited)

	2024		2023	
	Total gross loans and advances	**Allowance for ECL**	Total gross loans and advances	Allowance for ECL
	$m	**$m**	$m	$m
As reported	**1,042,425**	**(9,728)**	1,062,526	(11,089)
Reported in 'Assets held for sale'	**1,113**	**(4)**	84,075	(303)
At 31 December	**1,043,538**	**(9,732)**	1,146,601	(11,392)

At 31 December 2024, gross loans and advances of our business in South Africa were $660m and the related allowance for ECL was $4m. Gross loans and advances of our private banking business in Germany were $309m and of our French life insurance business were $144m, both with negligible allowance for ECL.

Lending balances held for sale continue to be measured at amortised cost less allowances for impairment and, therefore, such carrying amounts may differ from fair value.

These lending balances are part of associated disposal groups that are measured in their entirety at the lower of carrying amount and fair value less costs to sell. Any difference between the carrying amount of these assets and their sales price is part of the overall gain or loss on the associated disposal group as a whole.

For further details of the carrying amount and the fair value at 31 December 2024 of loans and advances to banks and customers classified as held for sale, see Note 23 on the financial statements.

Gross loans and allowance for ECL on loans and advances to customers and banks reported in 'Assets held for sale'

(Audited)

	South Africa		**German Private Banking Business**		**Other**		**Total**	
	Gross carrying amount	**Allowance for ECL**	**Gross carrying amount**	**Allowance for ECL**	**Gross carrying amount**	**Allowance for ECL**	**Gross carrying amount**	**Allowance for ECL**
	$m	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Loans and advances to customers at amortised cost	**660**	**(4)**	**309**	**—**	**—**	**—**	**969**	**(4)**
– personal	**—**	**—**	**130**	**—**	**—**	**—**	**130**	**—**
– corporate and commercial	**586**	**(4)**	**19**	**—**	**—**	**—**	**605**	**(4)**
– non-bank financial institutions	**74**	**—**	**160**	**—**	**—**	**—**	**234**	**—**
Loans and advances to banks at amortised cost	**—**	**—**	**—**	**—**	**144**	**—**	**144**	**—**
At 31 Dec 2024[1]	**660**	**(4)**	**309**	**—**	**144**	**—**	**1,113**	**(4)**

	Banking business in Canada		Retail banking operations in France		Other		Total	
	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL
	$m	$m	$m	$m	$m	$m	$m	$m
Loans and advances to customers at amortised cost	56,349	(220)	16,984	(82)	255	(1)	73,588	(303)
– personal	27,071	(95)	13,920	(79)	140	(1)	41,131	(175)
– corporate and commercial	27,789	(120)	3,012	(3)	—	—	30,801	(123)
– non-bank financial institutions	1,489	(5)	52	—	115	—	1,656	(5)
Loans and advances to banks at amortised cost	154	—	10,333	—	—	—	10,487	—
At 31 Dec 2023	56,503	(220)	27,317	(82)	255	(1)	84,075	(303)

1 The table above does not include disposals completed during 2024 including the sale of our retail banking operations in France completed on 1 January 2024 and our banking business in Canada completed on 28 March 2024. The sale of our business in Argentina was announced in the first quarter of 2024 and completed on 6 December 2024. The gross loans and advances to customers and banks in Argentina were $1,760m and the associated allowance for ECL was $34m at 31 March 2024. For more details, please refer to business disposals as disclosed in Note 23 on page 411.

The table below analyses the amount of ECL (charges)/releases arising from assets held for sale. The charges during the period relate to our businesses in Canada ($41m) and in Argentina ($40m).

Changes in expected credit losses and other credit impairment

(Audited)

	2024	2023
	$m	$m
ECL (charges)/releases arising from:		
– assets held for sale	(81)	(49)
– assets not held for sale	(3,333)	(3,398)
Year ended 31 Dec	**(3,414)**	(3,447)

Credit exposure

Maximum exposure to credit risk

(Audited)

This section provides information on balance sheet items and their offsets as well as loan and other credit-related commitments. Commentary on consolidated balance sheet movements in 2024 is provided on page 95.

'Maximum exposure to credit risk' table

The following table presents our maximum exposure before taking account of any collateral held or other credit enhancements (unless such enhancements meet accounting offsetting requirements).

The table excludes trading assets, financial assets designated and otherwise mandatorily measured at fair value through profit or loss, and financial investments measured at fair value through other comprehensive income as their carrying amount best represents the net exposure to credit risk. Equity securities are also excluded as they are not subject to credit risk.

For the financial assets recognised on the balance sheet, the maximum exposure to credit risk equals their carrying amount and is net of the allowance for ECL. For financial guarantees and other guarantees granted, it is the maximum amount that we would have to pay if the guarantees were called upon. For loan commitments and other credit-related commitments, it is generally the full amount of the committed facilities.

The offset in the table relates to amounts where there is a legally enforceable right of offset in the event of counterparty default and where, as a result, there is a net exposure for credit risk purposes. However, as there is no intention to settle these balances on a net basis under normal circumstances, they do not qualify for net presentation for accounting purposes. No offset has been applied to off-balance sheet collateral. In the case of derivatives, the offset column also includes collateral received in cash and other financial assets.

Other credit risk mitigants

While not disclosed as an offset in the following 'Maximum exposure to credit risk' table, other arrangements are in place that reduce our maximum exposure to credit risk. These include a charge over collateral on borrowers' specific assets, such as residential properties, collateral held in the form of financial instruments that are not held on the balance sheet and short positions in securities. In addition, for financial assets held as part of linked insurance/investment contracts the credit risk is predominantly borne by the policyholder. See page 358 and Note 31 on the financial statements for further details of collateral in respect of certain loans and advances and derivatives.

Collateral available to mitigate credit risk is disclosed in the 'Collateral' section on page 181.

Maximum exposure to credit risk

(Audited)

	2024			2023		
	Maximum exposure	**Offset**	**Net**	Maximum exposure	Offset	Net
	$m	**$m**	**$m**	$m	$m	$m
Loans and advances to customers held at amortised cost	**930,658**	**(22,822)**	**907,836**	938,535	(22,607)	915,928
– personal	**444,701**	**(2,256)**	**442,445**	444,655	(2,470)	442,185
– corporate and commercial	**403,929**	**(18,897)**	**385,032**	419,852	(18,771)	401,081
– non-bank financial institutions	**82,028**	**(1,669)**	**80,359**	74,028	(1,366)	72,662
Loans and advances to banks at amortised cost	**102,039**	**—**	**102,039**	112,902	—	112,902
Other financial assets held at amortised cost	**854,427**	**(4,383)**	**850,044**	973,316	(13,919)	959,397
– cash and balances at central banks	**267,674**	**—**	**267,674**	285,868	—	285,868
– Hong Kong Government certificates of indebtedness	**42,293**	**—**	**42,293**	42,024	—	42,024
– reverse repurchase agreements – non-trading	**252,549**	**(4,383)**	**248,166**	252,217	(13,919)	238,298
– financial investments	**153,973**	**—**	**153,973**	148,326	—	148,326
– assets held for sale	**27,234**	**—**	**27,234**	114,134	—	114,134
– prepayments, accrued income and other assets	**110,704**	**—**	**110,704**	130,747	—	130,747
Derivatives	**268,637**	**(254,257)**	**14,380**	229,714	(222,059)	7,655
Total on-balance sheet exposure to credit risk	**2,155,761**	**(281,462)**	**1,874,299**	2,254,467	(258,585)	1,995,882
Total off-balance sheet	**970,610**	**—**	**970,610**	1,007,885	—	1,007,885
– financial and other guarantees	**109,380**	**—**	**109,380**	111,102	—	111,102
– loan and other credit-related commitments	**861,230**	**—**	**861,230**	896,783	—	896,783
At 31 Dec	**3,126,371**	**(281,462)**	**2,844,909**	3,262,352	(258,585)	3,003,767

Concentration of exposure

We have a number of global businesses with a broad range of products. We operate in a number of geographical markets with the majority of our exposures in Asia and Europe.

For an analysis of:

– financial investments, see Note 16 on the financial statements;

– trading assets, see Note 11 on the financial statements;

– derivatives, see page 184 and Note 15 on the financial statements; and

– loans and advances by industry sector and by the location of the principal operations of the lending subsidiary (or, in the case of the operations of The Hongkong and Shanghai Banking Corporation Limited, HSBC Bank plc, HSBC Bank Middle East Limited and HSBC Bank USA, by the location of the lending branch), see page 170 for wholesale lending and page 184 for personal lending.

Credit deterioration of financial instruments

(Audited)

A summary of our current policies and practices regarding the identification, treatment and measurement of stage 1, stage 2, stage 3 (credit impaired) and POCI financial instruments can be found in Note 1.2 on the financial statements.

Measurement uncertainty and sensitivity analysis of ECL estimates

(Audited)

The recognition and measurement of ECL involves the use of judgement and estimation. We form multiple economic scenarios, apply these forecasts to credit risk models to estimate future credit losses, and probability weight the results to determine an unbiased ECL estimate.

Management assessed the current economic environment, reviewed the latest forecasts and discussed key risks before selecting the appropriate economic scenarios and their weightings.

The Central scenario is constructed to reflect the latest macroeconomic expectations. Outer scenarios incorporate the crystallisation of economic and geopolitical risks.

In the fourth quarter of 2024, the four economic scenarios were modified to reflect heightened policy uncertainty following the US election and to overcome any lags in consensus forecasts. An adjustment factor based on more recent views of expected tariffs and other policy changes was modelled and then applied to each of the economic scenarios. The effect was to lower growth expectations in our major markets, while the impact on inflation and interest rates was varied.

Management judgemental adjustments are used where modelled ECL does not fully reflect the identified risks and related uncertainty, or to capture significant late-breaking events.

At 31 December 2024, there was an overall reduction in management judgemental adjustments compared with 31 December 2023, as modelled outcomes better reflected the key risks at 31 December 2024.

Methodology

At 31 December 2024, four scenarios were used to capture the latest economic expectations and to articulate management's view of the range of risks and potential outcomes. Each scenario is updated with the latest economic forecasts and distributional estimates every quarter.

Three scenarios, the Upside, Central and Downside, are drawn from consensus forecasts, market data and distributional estimates of the entire range of economic outcomes. The fourth scenario, the Downside 2, represents management's view of severe downside risks. Consensus estimates are deployed as conditioning variables in a proprietary expansion of the scenario variables.

The Central scenario is deemed the 'most likely' scenario, and usually attracts the largest probability weighting. It is created using consensus forecasts, which is the average of a panel of external forecasts.

The outer scenarios represent the tails of the distribution and are less likely to occur. The consensus Upside and Downside scenarios are created with reference to forecast probability distributions for select markets that capture economists' views of the entire range of economic outcomes. In the later years of these scenarios, projections revert to long-term consensus trend expectations. Reversion to trend expectations is done with reference to historically observed quarterly changes in the values of macroeconomic variables.

The fourth scenario, the Downside 2, represents management's view of severe downside risks. It is a globally consistent, narrative-driven scenario that explores a more extreme economic outcome than those captured by the consensus scenarios. In this scenario, variables do not, by design, revert to long-term trend expectations and may instead explore alternative states of equilibrium, where economic variables move permanently away from past trends.

The consensus Downside and the consensus Upside scenarios are each constructed to be consistent with a 10% probability. The Downside 2 is calibrated to a 5% probability. The Central scenario is assigned the remaining 75%. This weighting scheme is deemed appropriate for the unbiased estimation of ECL in most circumstances. However, management may depart from this probability-based scenario weighting approach when the economic outlook and forecasts are determined to be particularly uncertain and risks are elevated.

For the fourth quarter of 2024, we assessed that consensus forecasts and distributional estimates did not adequately reflect the consequences of the US election on the global economic outlook. Due to the lag in forecasts there was increased uncertainty as to how tariffs would be implemented and economic policy would change. As such, scenarios have been constructed using the described standard methodology and an adjustment – to account for policy changes – applied. The adjustment was based on a modelled update to the Central scenario and incorporated a detailed narrative of US economic policy proposals, including specific tariff rates. The modelled results were then layered onto the Central scenario, which resulted in changes to most variables. To quantify the impact, the adjustment reduces GDP growth in our key markets by an average of 30bps and 50bps respectively, in the first two years of the Central scenario forecast. Outer scenarios were adjusted in parallel.

The scenario adjustment entailed no change in scenario probability weights, which remained in line with our Forward Economic Guidance ('FEG') framework. Uncertainties relating to the policy outlook have been addressed in the scenarios directly. Measures of dispersion and uncertainty have remained low but may reflect lags in the consensus economic forecasting process.

Scenarios produced to calculate ECL are aligned to HSBC's top and emerging risks.

Description of economic scenarios

The economic assumptions presented in this section have been formed by HSBC with reference to external forecasts and estimates, specifically for the purpose of calculating ECL.

Forecasts may change and remain subject to uncertainty. Outer scenarios are designed to capture the potential crystallisation of key economic and financial risks and alternative paths for economic variables.

In our key markets, the Central scenario incorporates potential impacts from anticipated changes to US economic and trade policy, including higher tariffs. The overall effect of the adjustment in our key markets is to lower GDP and raise inflation and unemployment estimates, relative to the consensus. Consequently, GDP growth and unemployment forecasts have deteriorated in the fourth quarter of 2024, compared with the fourth quarter of 2023. With regards to monetary policy, the expected path for interest rates in many of our markets is based on market futures. Interest rate expectations have increased relative to the fourth quarter of 2023, with fewer rate cuts forecast. The exception is mainland China, where the headwinds to growth ensure that forecast interest rates are lower.

At the end of 2024, risks to the economic outlook included a number of significant geopolitical issues. Within our Downside scenarios, the economic consequences from the crystallisation of those risks were captured by higher commodity and goods prices, the re-acceleration of inflation, a further rise in interest rates and a global recession.

The scenarios used to calculate ECL are described below.

The consensus Central scenario

HSBC's Central scenario reflects expectations for slower growth and higher inflation and unemployment across many of our key markets.

Expectations of lower GDP growth during 2025 are driven by the assumed effects of higher tariffs, which impede trade flows, weaken consumption and deter investment. In the scenario, the US applies tariffs on key trading partners, focusing on mainland China and Mexico at the outset of the new administration's term, before moving attention to other trading partners. Countries are expected to respond in kind. As a direct consequence of tariffs, trade growth is expected to be lower, which in turn weighs on GDP growth.

Mainland China, Hong Kong and Mexico experience the greatest negative consequences given their deeper trade and financial interlinkages, with the US economy. Indirect consequences from tariffs dampen growth elsewhere. Tariffs, or the threat of them, increases uncertainty, leading to lower confidence and reduced investment.

Tighter restrictions on immigration into the US are also expected to reduce the size of the labour force, putting upward pressure on wage growth. At the same time, higher tariff rates drive US inflation. Higher inflation is assumed to erode purchasing power and reduces GDP growth. In other markets, including in Mexico, higher inflation is also expected due to currency depreciation. The higher projected rates of inflation ensure that central banks are expected to slow the pace of interest rate reductions. The exception is in mainland China, where the PBoC cuts interest rates as the excess of domestic supply is expected to become more acute and drives prices lower.

Global GDP is expected to grow by 2.5% in 2025 in the Central scenario, and the average rate of global GDP growth is forecast to be 2.6% over the five-year forecast period. This is below the average growth rate over the five-year period prior to the onset of the pandemic of 2.9%.

The key features of our Central scenario are:

- GDP growth rates across the majority of our main markets are expected to slow in 2025 and 2026, due to the implementation of higher tariffs as well as underlying structural weaknesses in some economies. The most significant slowdowns in activity are expected to occur in the markets with the highest trade dependence with the US. Elevated interest rates and higher price levels are also expected to continue to weigh on some consumer and corporate segments.
- In most markets, unemployment is forecast to rise moderately in 2025 as economic activity slows, although it will remain low by historical standards.
- Inflation is forecast to increase in several of our main markets, as a result of tariffs, even as services price inflation is expected to ease as wage growth moderates. However, inflation largely remains within central banks' target ranges from 2025. The main exceptions are Hong Kong and mainland China, where inflation is expected to remain subdued, despite higher tariffs, due to weak domestic demand.
- Housing market conditions remain mixed, with price weakness expected to persist in Hong Kong and mainland China, stronger growth in the UAE and Mexico, and more muted price growth in the UK, US and France. High inventory levels remain the biggest drag on Hong Kong and mainland China residential property and this is expected to lead to another year of price declines in 2025, before a gradual recovery from 2026.
- Challenging conditions are also forecast to continue in certain segments of the commercial property sector in a number of our key markets. Structural changes to demand in the office segment in particular have driven lower valuations.
- Policy interest rates in key markets are forecast to gradually decline further in 2025. In the longer term, they are expected to remain at a higher level than in recent years.
- The Brent crude oil price is forecast to average around $69 per barrel over the projection period.

The Central scenario was created with forecasts available in late November, and reviewed continually until the end of December 2024. In accordance with HSBC's scenario framework, a probability weight of 75% has been assigned to the Central scenario across all major markets.

The following tables describe key macroeconomic variables in the consensus Central scenario.

Consensus Central scenario 2025–2029 (as at 4Q24)

	UK	US	Hong Kong	Mainland China	France	UAE	Mexico
GDP (annual average growth rate, %)							
2025	**1.2**	**2.0**	**1.7**	**4.0**	**0.9**	**4.4**	**0.9**
2026	**1.3**	**1.6**	**1.8**	**3.7**	**0.9**	**4.2**	**1.2**
2027	**1.8**	**1.6**	**3.5**	**4.3**	**1.4**	**3.9**	**1.7**
2028	**1.6**	**1.8**	**3.1**	**3.9**	**1.5**	**3.6**	**1.9**
2029	**1.6**	**2.0**	**2.7**	**3.7**	**1.4**	**3.6**	**2.0**
5-year average[1]	**1.5**	**1.8**	**2.6**	**3.9**	**1.2**	**3.9**	**1.5**
Unemployment rate (%)							
2025	**4.9**	**4.4**	**3.3**	**5.2**	**7.5**	**2.7**	**3.5**
2026	**4.7**	**4.3**	**3.7**	**5.4**	**7.3**	**2.6**	**3.5**
2027	**4.5**	**4.3**	**3.3**	**5.2**	**7.2**	**2.6**	**3.5**
2028	**4.3**	**4.2**	**3.0**	**5.0**	**7.0**	**2.5**	**3.5**
2029	**4.3**	**4.1**	**2.9**	**5.0**	**7.0**	**2.5**	**3.5**
5-year average[1]	**4.5**	**4.2**	**3.2**	**5.2**	**7.2**	**2.6**	**3.5**
House prices (annual average growth rate, %)							
2025	**1.4**	**4.4**	**(0.5)**	**(5.9)**	**2.1**	**9.3**	**7.6**
2026	**3.8**	**3.2**	**2.4**	**(0.7)**	**4.4**	**5.1**	**4.5**
2027	**4.6**	**2.4**	**3.0**	**3.2**	**4.4**	**3.6**	**4.2**
2028	**3.5**	**2.5**	**2.7**	**4.1**	**3.8**	**1.8**	**4.0**
2029	**2.7**	**2.6**	**2.7**	**2.9**	**3.1**	**1.3**	**4.0**
5-year average[1]	**3.2**	**3.0**	**2.1**	**0.7**	**3.6**	**4.2**	**4.9**
Inflation (annual average growth rate, %)							
2025	**2.4**	**2.4**	**1.4**	**0.3**	**1.2**	**2.1**	**5.0**
2026	**2.1**	**2.8**	**1.9**	**1.0**	**1.6**	**1.9**	**3.9**
2027	**2.1**	**2.5**	**2.2**	**1.5**	**2.0**	**1.8**	**3.4**
2028	**2.0**	**2.2**	**2.2**	**1.7**	**2.3**	**1.9**	**3.4**
2029	**2.0**	**2.1**	**2.3**	**1.6**	**2.2**	**1.8**	**3.4**
5-year average	**2.1**	**2.4**	**2.0**	**1.2**	**1.9**	**1.9**	**3.8**
Central bank policy rate (annual average, %)							
2025	**4.2**	**4.1**	**4.5**	**2.9**	**2.1**	**4.1**	**9.4**
2026	**3.9**	**3.7**	**4.1**	**2.9**	**1.8**	**3.8**	**8.8**
2027	**3.8**	**3.7**	**4.0**	**3.0**	**2.0**	**3.7**	**8.8**
2028	**3.7**	**3.6**	**4.0**	**3.2**	**2.0**	**3.6**	**8.9**
2029	**3.7**	**3.6**	**4.0**	**3.3**	**2.1**	**3.6**	**8.9**
5-year average[1]	**3.9**	**3.7**	**4.1**	**3.1**	**2.0**	**3.8**	**8.9**

1 The five-year average is calculated over a projected period of 20 quarters from 1Q25 to 4Q29.
2 For mainland China, the rate shown is the Loan Prime Rate.

Consensus Central scenario 2024–2028 (as at 4Q23)

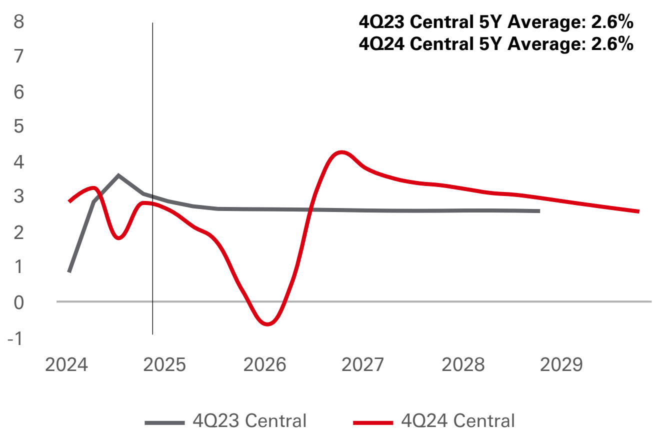
	UK	US	Hong Kong	Mainland China	France	UAE	Mexico
GDP (annual average growth rate, %)							
2024	0.3	1.0	2.6	4.5	0.8	3.7	1.9
2025	1.2	1.8	2.7	4.4	1.5	4.0	2.2
2026	1.7	2.1	2.6	4.3	1.6	3.8	2.3
2027	1.6	2.0	2.6	3.8	1.5	3.4	2.4
2028	1.6	2.0	2.6	3.9	1.5	3.4	2.4
5-year average[1]	1.3	1.8	2.6	4.2	1.4	3.6	2.2
Unemployment rate (%)							
2024	4.7	4.3	3.0	5.2	7.5	2.6	2.9
2025	4.6	4.2	3.0	5.1	7.3	2.6	2.9
2026	4.3	4.0	3.2	5.1	7.0	2.6	2.9
2027	4.2	4.0	3.2	5.1	6.8	2.6	2.9
2028	4.2	4.0	3.2	5.1	6.8	2.6	2.9
5-year average[1]	4.4	4.1	3.1	5.1	7.1	2.6	2.9
House prices (annual average growth rate, %)							
2024	(5.5)	2.9	(6.6)	(0.6)	(1.0)	12.6	6.5
2025	0.1	2.7	(0.7)	1.1	2.4	7.7	4.2
2026	3.5	3.1	2.6	2.6	4.0	4.4	4.2
2027	3.0	2.7	2.8	4.0	4.4	2.6	4.0
2028	3.0	2.1	3.0	4.5	4.0	2.3	4.0
5-year average[1]	0.8	2.7	0.2	2.3	2.8	5.9	4.6
Inflation (annual average growth rate,%)							
2024	3.2	2.7	2.1	1.8	2.7	2.3	4.2
2025	2.2	2.2	2.1	2.0	1.8	2.2	3.6
2026	2.2	2.3	2.2	2.1	1.7	2.1	3.5
2027	2.3	2.2	2.4	2.0	1.9	2.1	3.5
2028	2.3	2.2	2.4	2.0	2.1	2.1	3.5
5-year average[1]	2.4	2.3	2.2	2.0	2.0	2.1	3.7
Central bank policy rate (annual average, %)							
2024	5.0	5.0	5.4	3.2	3.6	5.1	10.4
2025	4.3	4.0	4.4	3.3	2.8	4.1	8.6
2026	3.9	3.7	4.1	3.5	2.6	3.7	7.9
2027	3.8	3.7	4.1	3.7	2.6	3.7	7.9
2028	3.7	3.8	4.1	3.9	2.7	3.8	8.1
5-year average[1]	4.1	4.1	4.4	3.5	2.9	4.1	8.6

1 The five-year average is calculated over a projected period of 20 quarters from 1Q24 to 4Q28.
2 For mainland China, the rate shown is the Loan Prime Rate. In prior periods, including the 4Q23 disclosure, the reference rate shown for mainland China was the Lending Rate.

The graphs compare the Central scenario at the year end 2023 with economic expectations at the end of 2024.

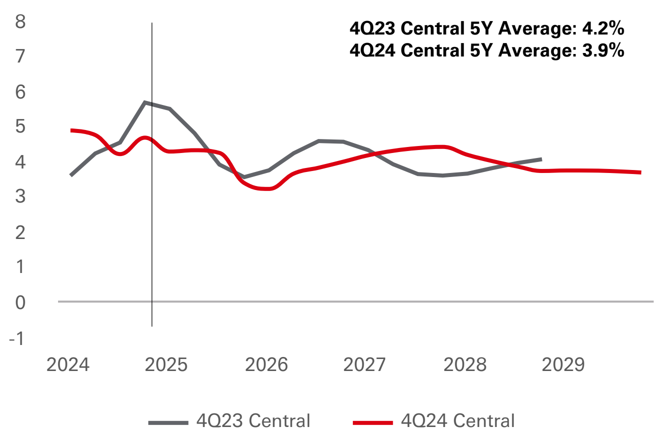
GDP growth: Comparison of Central scenarios

Hong Kong



Note: Real GDP shown as year-on-year percentage change.

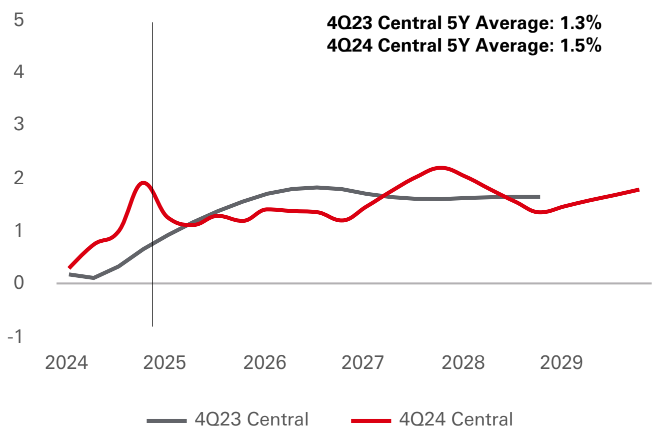
Mainland China



Note: Real GDP shown as year-on-year percentage change.

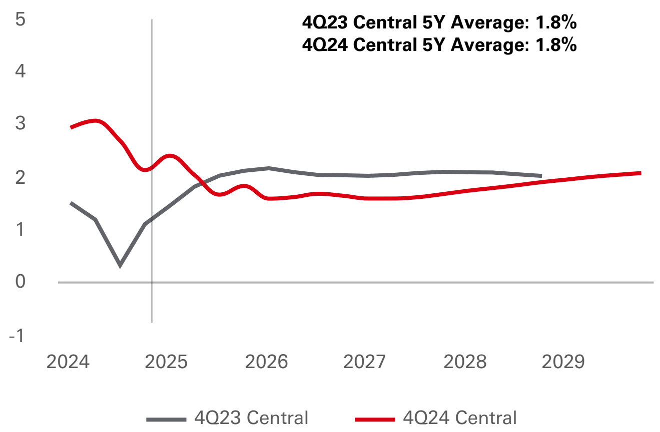
Risk review

UK



Note: Real GDP shown as year-on-year percentage change.

US



Note: Real GDP shown as year-on-year percentage change.

The consensus Upside scenario

Compared with the Central scenario, the consensus Upside scenario features stronger economic activity in the near term, before converging to long-run trend expectations. It also incorporates a faster fall in the rate of inflation than in the Central scenario.

The scenario is consistent with a number of key upside risk themes. These include only limited increases in tariffs and a faster fall in the rate of inflation that allows central banks to reduce interest rates more quickly. The Upside scenario would also be consistent with a de-escalation in geopolitical tensions, where the Russia-Ukraine war moves quickly towards a conclusion, tensions in the Middle East subside and US-China relations become more cordial.

The following tables describe key macroeconomic variables in the consensus Upside scenario.

Consensus Upside scenario 2025–2029 (as at 4Q24)

	UK		**US**		**Hong Kong**		**Mainland China**		**France**		**UAE**		**Mexico**	
GDP level (%, start-to-peak)[1]	**11.3**	**(4Q29)**	**13.6**	**(4Q29)**	**21.4**	**(4Q29)**	**27.5**	**(4Q29)**	**8.9**	**(4Q29)**	**28.9**	**(4Q29)**	**13.6**	**(4Q29)**
Unemployment rate (%, min)[2]	**3.5**	**(3Q26)**	**3.6**	**(1Q26)**	**2.9**	**(4Q29)**	**4.9**	**(4Q26)**	**6.4**	**(4Q26)**	**2.2**	**(4Q26)**	**3.0**	**(1Q25)**
House price index (%, start-to-peak)[1]	**24.2**	**(4Q29)**	**23.6**	**(4Q29)**	**25.3**	**(4Q29)**	**9.8**	**(4Q29)**	**22.8**	**(4Q29)**	**26.1**	**(4Q29)**	**31.7**	**(4Q29)**
Inflation rate (YoY % change, min)[3]	**1.4**	**(1Q26)**	**1.6**	**(2Q26)**	**(0.1)**	**(4Q25)**	**(1.0)**	**(4Q25)**	**0.1**	**(4Q25)**	**0.6**	**(4Q25)**	**3.1**	**(2Q26)**
Central bank policy rate (%, min)[2]	**3.6**	**(4Q25)**	**3.6**	**(1Q29)**	**4.0**	**(1Q29)**	**2.7**	**(1Q26)**	**1.4**	**(3Q25)**	**3.6**	**(1Q29)**	**7.6**	**(1Q26)**

1 Cumulative change to the highest level of the series during the 20-quarter projection.
2 Lowest projected unemployment or policy interest rate in the scenario. For mainland China, rate shown is the Loan Prime Rate.
3 Lowest projected year-on-year percentage change in inflation in the scenario.

Consensus Upside scenario 2024–2028 (as at 4Q23)

	UK		US		Hong Kong		Mainland China		France		UAE		Mexico	
GDP level (%, start-to-peak)[1]	10.8	(4Q28)	14.3	(4Q28)	21.8	(4Q28)	30.4	(4Q28)	10.4	(4Q28)	30.7	(4Q28)	17.8	(4Q28)
Unemployment rate (%, min)[2]	3.1	(4Q24)	3.1	(2Q25)	2.4	(3Q24)	4.8	(4Q25)	6.2	(4Q25)	2.0	(4Q25)	2.4	(3Q24)
House price index (%, start-to-peak)[1]	13.0	(4Q28)	21.9	(4Q28)	17.9	(4Q28)	19.7	(4Q28)	19.6	(4Q28)	34.2	(4Q28)	30.6	(4Q28)
Inflation rate (YoY % change, min)[3]	1.3	(2Q25)	1.4	(1Q25)	0.3	(4Q24)	0.6	(3Q24)	1.5	(3Q24)	1.4	(1Q25)	2.7	(1Q25)
Central bank policy rate (%, min)[2]	3.7	(3Q28)	3.7	(2Q27)	4.1	(1Q27)	3.1	(3Q24)	2.6	(2Q26)	3.7	(1Q27)	7.8	(2Q25)

1 Cumulative change to the highest level of the series during the 20-quarter projection.
2 Lowest projected unemployment or policy interest rate in the scenario. For mainland China, the rate shown is the Loan Prime Rate. In prior periods, including the 4Q23 disclosure, the reference rate shown for mainland China was the Lending Rate.
3 Lowest projected year-on-year percentage change in inflation in the scenario.

Downside scenarios

Downside scenarios explore the intensification and crystallisation of a number of key economic and financial risks. These include a more material escalation of tariff policies and geopolitical tensions, which disrupt key commodity and goods markets, causing inflation and interest rates to rise, and creating a global recession.

As the geopolitical environment remains volatile and complex, risks include:

– an increase in protectionist policies, as countries that impose tariffs are met with retaliatory actions. This lowers investment, complicates international supply chains, and impedes trade flows;

– broader and more prolonged conflicts in the Middle East and between Russia and Ukraine, which further disrupt energy and food supplies; and

– continued differences between the US and China, which could affect economic confidence, and the global goods trade and supply chains for critical technologies.

High inflation and higher interest rates also remain key risks. Should tariffs increase significantly and geopolitical tensions escalate, energy and food prices could rise and increase pressure on household budgets and firms' costs. Higher inflation and labour supply shortages could also trigger a wage-price spiral and put sustained pressure on household incomes and corporate margins. In turn, it raises the risk that central banks react by raising interest rates, leading to higher defaults and an economic recession.

The consensus Downside scenario

In the consensus Downside scenario, economic activity is weaker compared with the Central scenario. In this scenario, GDP declines, unemployment rates rise, and asset prices fall. The scenario features an increase in tariffs over and above those assumed in the Central scenario and an escalation of geopolitical tensions, which causes a rise in inflation, as supply chain constraints intensify and energy prices rise. The scenario also features a temporary increase in interest rates above the Central scenario, before the effects of weaker consumption demand begin to dominate and commodity prices and inflation fall again.

The following tables describe key macroeconomic variables in the consensus Downside scenario.

Consensus Downside scenario 2025–2029 (as at 4Q24)

	UK		**US**		**Hong Kong**		**Mainland China**		**France**		**UAE**		**Mexico**	
GDP level (%, start-to-trough)[1]	**(1.0)**	**(4Q26)**	**(0.6)**	**(3Q25)**	**(4.5)**	**(4Q25)**	**(2.5)**	**(3Q25)**	**(0.6)**	**(1Q26)**	**0.3**	**(1Q25)**	**(2.1)**	**(4Q26)**
Unemployment rate (%, max)[2]	**6.1**	**(4Q25)**	**5.3**	**(3Q25)**	**5.1**	**(2Q26)**	**6.9**	**(4Q26)**	**8.3**	**(3Q25)**	**3.4**	**(1Q26)**	**4.1**	**(4Q25)**
House price index (%, start-to-trough)[1]	**(4.5)**	**(1Q26)**	**(0.2)**	**(1Q25)**	**(1.9)**	**(2Q26)**	**(12.8)**	**(3Q26)**	**(0.3)**	**(1Q25)**	**(0.4)**	**(1Q25)**	**2.1**	**(1Q25)**
Inflation rate (YoY % change, max)[3]	**3.4**	**(4Q25)**	**4.5**	**(1Q26)**	**3.1**	**(1Q26)**	**2.0**	**(1Q26)**	**2.6**	**(3Q25)**	**2.8**	**(1Q26)**	**7.4**	**(4Q25)**
Central bank policy rate (%, max)[2]	**5.0**	**(1Q25)**	**4.8**	**(1Q25)**	**5.2**	**(1Q25)**	**3.0**	**(1Q25)**	**3.2**	**(1Q25)**	**4.8**	**(1Q25)**	**11.5**	**(3Q25)**

1 Cumulative change to the lowest level of the series during the 20-quarter projection.
2 The highest projected unemployment or policy interest rate in the scenario. For mainland China, the rate shown is the Loan Prime Rate.
3 The highest projected year-on-year percentage change in inflation in the scenario.

Consensus Downside scenario 2024–2028 (as at 4Q23)

	UK		US		Hong Kong		Mainland China		France		UAE		Mexico	
GDP level (%, start-to-trough)[1]	(1.0)	(2Q25)	(1.4)	(3Q24)	(1.6)	(3Q25)	(1.5)	(1Q24)	(0.3)	(2Q24)	1.4	(1Q24)	(0.3)	(4Q24)
Unemployment rate (%, max)[2]	6.4	(1Q25)	5.6	(4Q24)	4.7	(4Q25)	6.9	(4Q25)	8.5	(4Q24)	3.7	(4Q25)	3.5	(4Q25)
House price index (%, start-to-trough)[1]	(12.0)	(2Q25)	(1.3)	(3Q24)	(9.6)	(4Q24)	(7.1)	(3Q25)	(1.2)	(3Q24)	0.3	(1Q24)	1.2	(1Q24)
Inflation rate (YoY % change, max)[3]	4.1	(1Q24)	3.5	(4Q24)	3.8	(3Q24)	3.5	(4Q24)	3.8	(2Q24)	3.0	(1Q24)	6.5	(4Q24)
Central bank policy rate (%, max)[2]	5.7	(1Q24)	5.6	(1Q24)	6.0	(1Q24)	3.2	(3Q24)	4.2	(1Q24)	5.7	(1Q24)	12.0	(3Q24)

1 Cumulative change to the lowest level of the series during the 20-quarter projection.
2 The highest projected unemployment or policy interest rate in the scenario. For mainland China, the rate shown is the Loan Prime Rate. In prior periods, including the 4Q23 disclosure, the reference rate shown for mainland China was the Lending Rate.
3 The highest projected year-on-year percentage change in inflation in the scenario.

Downside 2 scenario

The Downside 2 scenario features a deep global recession and reflects management's view of the tail of the economic distribution. It incorporates the crystallisation of a number of risks simultaneously, including significant increases in tariffs globally, where the US imposes particularly high and punitive tariffs on imports from mainland China and Mexico. A further escalation of geopolitical crises is also assumed, which creates severe supply disruptions to goods and energy markets.

In the scenario, as inflation surges and central banks tighten monetary policy further, consumer and business confidence falls. However, this impulse is assumed to be short-lived, as recession takes hold, causing a fall in demand, leading commodity prices to correct sharply and global price inflation to fall.

The following tables describe key macroeconomic variables in the Downside 2 scenario.

Downside 2 scenario 2025–2029 (as at 4Q24)

	UK		**US**		**Hong Kong**		**Mainland China**		**France**		**UAE**		**Mexico**	
GDP level (%, start-to-trough)[1]	**(9.1)**	**(2Q26)**	**(4.1)**	**(2Q26)**	**(10.1)**	**(4Q25)**	**(8.7)**	**(4Q25)**	**(7.9)**	**(2Q26)**	**(6.8)**	**(2Q26)**	**(10.5)**	**(3Q26)**
Unemployment rate (%, max)[2]	**8.4**	**(2Q26)**	**9.3**	**(2Q26)**	**7.1**	**(1Q26)**	**7.1**	**(4Q26)**	**10.4**	**(1Q27)**	**5.0**	**(3Q25)**	**5.6**	**(1Q26)**
House price index (%, start-to-trough)[1]	**(27.2)**	**(4Q26)**	**(15.8)**	**(4Q25)**	**(34.4)**	**(3Q27)**	**(30.5)**	**(4Q26)**	**(14.0)**	**(2Q27)**	**(13.2)**	**(2Q27)**	**2.0**	**(1Q25)**
Inflation rate (YoY % change, max)[3]	**10.1**	**(2Q25)**	**4.9**	**(4Q25)**	**3.6**	**(1Q26)**	**3.8**	**(4Q25)**	**7.6**	**(2Q25)**	**3.7**	**(2Q25)**	**7.9**	**(4Q25)**
Central bank policy rate (%, max)[2]	**5.5**	**(1Q25)**	**5.5**	**(1Q25)**	**5.9**	**(1Q25)**	**3.5**	**(3Q25)**	**4.2**	**(1Q25)**	**5.6**	**(1Q25)**	**12.1**	**(3Q25)**

1 Cumulative change to the lowest level of the series during the 20-quarter projection.
2 The highest projected unemployment or policy interest rate in the scenario. For mainland China, the rate shown is the Loan Prime Rate.
3 The highest projected year-on-year percentage change in inflation in the scenario.

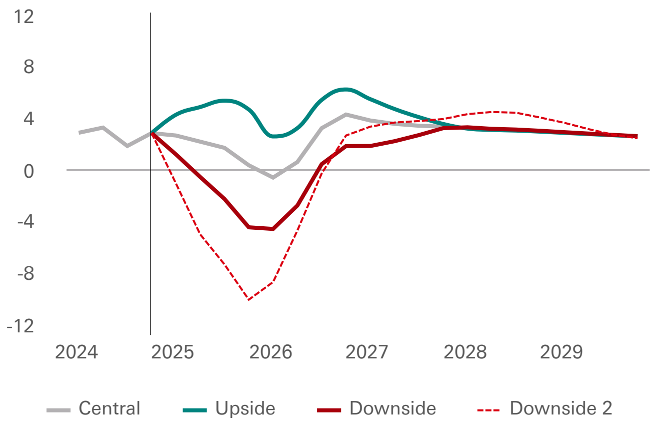
Downside 2 scenario 2024–2028 (as at 4Q23)

	UK		US		Hong Kong		Mainland China		France		UAE		Mexico	
GDP level (%, start-to-trough)[1]	(8.8)	(2Q25)	(4.6)	(1Q25)	(8.2)	(1Q25)	(6.4)	(1Q25)	(6.6)	(1Q25)	(4.9)	(2Q25)	(8.1)	(2Q25)
Unemployment rate (%, max)[2]	8.4	(2Q25)	9.3	(2Q25)	6.4	(4Q24)	7.0	(4Q25)	10.2	(4Q25)	4.3	(3Q24)	4.9	(2Q25)
House price index (%, start-to-trough)[1]	(30.2)	(4Q25)	(14.7)	(4Q24)	(32.8)	(3Q26)	(25.5)	(4Q25)	(14.5)	(2Q26)	(2.9)	(4Q25)	1.2	(1Q24)
Inflation rate (YoY % change, max)[3]	10.1	(2Q24)	4.8	(2Q24)	4.1	(3Q24)	4.1	(4Q24)	8.6	(2Q24)	3.5	(2Q24)	7.0	(4Q24)
Central bank policy rate (%, max)[2]	6.0	(1Q24)	6.1	(1Q24)	6.4	(1Q24)	4.1	(3Q24)	5.2	(1Q24)	6.1	(1Q24)	12.7	(3Q24)

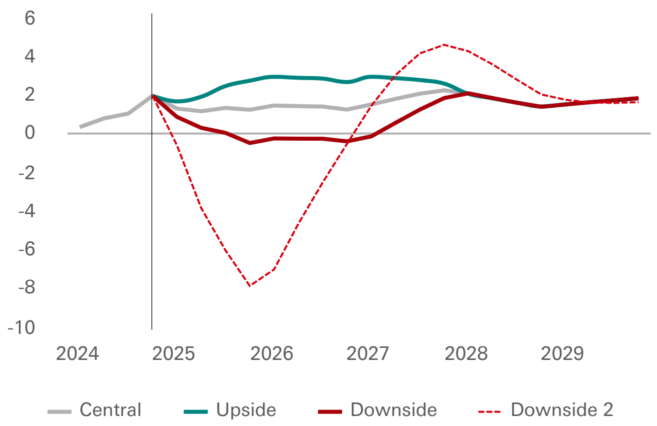
1 Cumulative change to the lowest level of the series during the 20-quarter projection.
2 The highest projected unemployment or policy interest rate in the scenario. For mainland China, rate shown is the Loan Prime Rate. In prior periods, including the 4Q23 disclosure, the reference rate shown for mainland China was the Lending Rate.
3 The highest projected year-on-year percentage change in inflation in the scenario.

The following graphs show the historical and forecasted GDP growth rate for the various economic scenarios in our four largest markets.

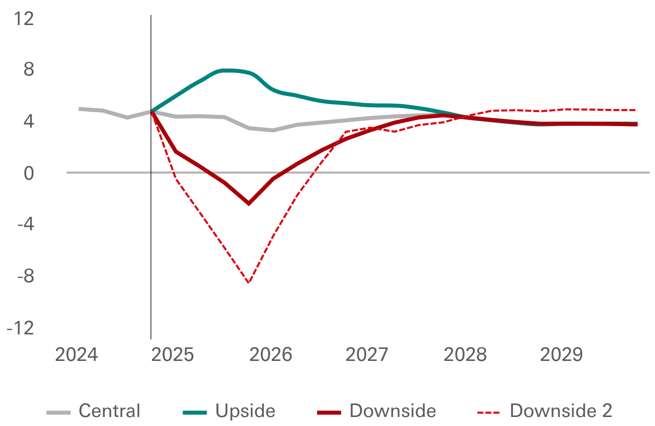
Hong Kong



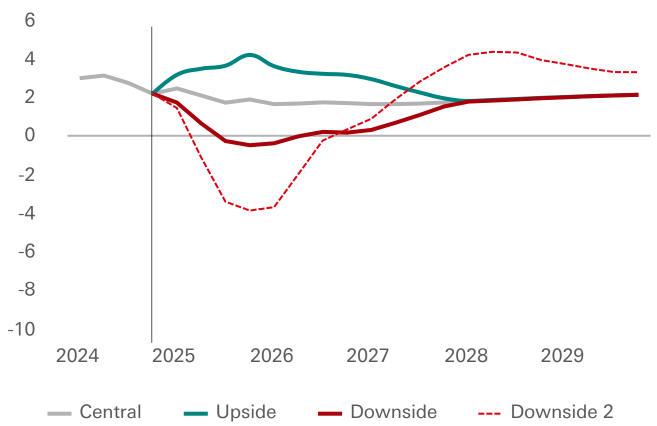
UK



Mainland China



US



Scenario weighting

Scenario weightings are calibrated to probabilities that are determined with reference to consensus forecast probability distributions. Management may then choose to vary weights if they assess that the calibration lags more recent events, or does not reflect their view of the distribution of economic and geopolitical risk. Management's view of the scenarios and the probability distribution takes into consideration the relationship of the consensus scenario to both internal and external assessments of risk.

In assessing the economic environment and the level of risk and uncertainty, management has considered both global and country-specific factors.

In the fourth quarter of 2024, key considerations around uncertainty focused on:

- US import tariffs and bilateral tariff escalations globally, and the impact on trade and manufacturing supply chains;
- the extent and success of mainland China in deploying fiscal and monetary support to secure economic growth and underpin a recovery in the real estate market;
- prospects for recovery in the Hong Kong residential property market;
- the implications of changes to monetary policy expectations on growth and employment;
- estimation and forecast uncertainty for UK unemployment given ongoing methodology updates at the Office for National Statistics; and
- risks of an asset price correction given elevated valuations across different asset classes.

Although these factors are significant, management assessed that following the tariff-based adjustment, the Central scenario reflected the most likely future economic outcome and that outer scenarios were sufficiently well calibrated to address the crystallisation of more severe risks.

This led management to assign scenario probabilities that are aligned to the standard scenario probability calibration framework in all major markets. The Central scenario was assigned a 75% probability weighting in our major markets. The consensus Upside scenario was assigned a 10% weighting, and the consensus Downside scenario was given 10%. The Downside 2 was assigned a 5% weighting.

In support of the decision, it was noted that the effect of higher tariffs would be most negative in mainland China and Hong Kong, as it would limit trade growth (a significant growth driver in 2024) substantially and lead to weaker domestic demand. The adjustment to the Central scenario reflected this assumption.

In the UK, tariffs have a small direct impact on GDP growth forecasts in the Central scenario, but indirect effects would be larger through weaker trade and lower global growth. The outlook also remains weak given the only partially offsetting impacts from measures announced in the 2024-25 Budget and higher US interest rates.

For the US, the Central scenario reflects expectations that economic growth will slow in 2025 as households and businesses adjust to higher inflation, lower labour supply and elevated interest rates.

The impact from tariffs is minimal for the UAE, as trade with the US is small, but it is assumed to be affected through secondary channels, including a stronger US dollar and higher interest rates. It was also observed that geopolitical risks have remained high since the outbreak of conflict in the Middle East, but economic and market impacts have been limited and oil production remains unaffected. Escalation risks were assessed to be consistent with the probabilities assigned to the Downside scenario.

Management concluded that Mexico is likely to be one of the most heavily affected countries from US tariff policies and that the impacts are reflected in the scenarios. GDP growth forecasts in the Central scenario are lower than in previous periods, and inflation and interest rates are higher, in part due to an expected deprecation of the Mexican peso.

In France, recent domestic political uncertainty is the main factor weighing on reduced growth prospects, and as with other European markets, there are also assumed to be negative impacts stemming from higher US tariffs.

The following tables describe the probabilities assigned in each scenario.

Scenario weightings, %

	Standard weights	UK	US	Hong Kong	Mainland China	Canada	France	UAE	Mexico
4Q24									
Upside scenario	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**
Central scenario	**75**	**75**	**75**	**75**	**75**	**75**	**75**	**75**	**75**
Downside scenario	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**
Downside 2 scenario	**5**	**5**	**5**	**5**	**5**	**5**	**5**	**5**	**5**
4Q23									
Upside scenario	10	10	10	10	10	10	10	10	10
Central scenario	75	75	75	75	75	75	75	75	75
Downside scenario	10	10	10	10	10	10	10	10	10
Downside 2 scenario	5	5	5	5	5	5	5	5	5

At 31 December 2024, the consensus Upside and Central scenarios for all markets had a combined weighting of 85%, unchanged as at 31 December 2023. Weightings assigned to downside scenarios also remained unchanged.

Critical estimates and judgements

The calculation of ECL under IFRS 9 involved significant judgements, assumptions and estimates at 31 December 2024. These included:

- the selection and configuration of economic scenarios, given the constant change in economic conditions and distribution of economic risks; and
- estimating the economic effects of those scenarios on ECL, where similar observable historical conditions cannot be captured by the credit risk models.

How economic scenarios are reflected in ECL calculations

Models are used to reflect economic scenarios in ECL estimates. As described above, modelled assumptions and linkages based on historical information could not alone produce relevant information under the conditions experienced in 2024, and management judgemental adjustments were still required to support modelled outcomes.

We have developed globally consistent methodologies for the application of forward economic guidance into the calculation of ECL for wholesale and retail credit risk. These standard approaches are described below, followed by the management judgemental adjustments made, including those to reflect the circumstances experienced in 2024.

For our wholesale portfolios, a global methodology is used for the estimation of the term structure of probability of default ('PD') and loss given default ('LGD'). For PDs, we consider the correlation of forward economic guidance to default rates for a particular industry in a country. For LGD calculations, we consider the correlation of forward economic guidance to collateral values and realisation rates for a particular country and industry. PDs and LGDs are estimated for the entire term structure of each instrument.

For impaired loans, allowance for ECL estimates are derived based on discounted cash flow ('DCF') calculations for internal forward-looking scenarios specific to individual borrower circumstances (see page 359). Probability-weighted outcomes are applied, and depending on materiality and status of the borrower, the number of scenarios considered will change. Where relevant for the case being assessed, forward economic guidance is incorporated as part of these scenarios. LGD-driven proxy and modelled estimates are used for certain less material cases.

For our retail portfolios, the models are predominantly based on historical observations and correlations with default rates and collateral values.

For PD, the impact of economic scenarios is modelled for each portfolio, using historical relationships between default rates and macroeconomic variables. These are included within IFRS 9 ECL estimates using either economic response models or models that contain internal, external and macroeconomic variables. The macroeconomic impact on PD is modelled over the period equal to the remaining maturity of the assets.

For LGD, the impact is modelled for mortgage portfolios by forecasting future loan-to-value profiles for the remaining maturity of the asset, using national level house price index forecasts and applying the corresponding LGD expectation relative to the updated forecast collateral values.

For unsecured retail portfolios historically observed recovery rates are leveraged to measure loss. For both mortgages and unsecured, a limited number of portfolios utilise a macroeconomic dependent stressed LGD applied to the Downside 2 scenario.

Management judgemental adjustments

In the context of IFRS 9, management judgemental adjustments are typically short-term increases or decreases to the modelled allowance for ECL at either a customer, segment or portfolio level where management believes allowances do not sufficiently reflect the credit risk/expected credit losses at the reporting date. These can relate to risks or uncertainties that are not reflected in the models and/or to any late-breaking events with significant uncertainty, subject to management review and challenge.

This includes refining model inputs and outputs and using adjustments to ECL based on management judgement and quantitative analysis for impacts that are difficult to model.

The effects of management judgemental adjustments are considered for both balances and allowance for ECL when determining whether or not a significant increase in credit risk has occurred and is allocated to a stage where appropriate. This is in accordance with the internal adjustments framework.

Management judgemental adjustments are reviewed under the governance process for IFRS 9 (as detailed in the section 'Credit risk management' on page 139). Review and challenge focuses on the rationale and quantum of the adjustments with a further review carried out by the second line of defence where significant. For some management judgemental adjustments, internal frameworks establish the conditions under which these adjustments should no longer be required and as such are considered as part of the governance process. This internal governance process allows management judgemental adjustments to be reviewed regularly and, where possible, to reduce the reliance on these through model recalibration or redevelopment, as appropriate.

The drivers of management judgemental adjustments continue to evolve with the economic environment and as new risks emerge.

In addition to management judgemental adjustments there are also 'Other adjustments', which are made to address process limitations and data/model deficiencies and can also include, where appropriate, the impact of new models where governance has sufficiently progressed to allow an accurate estimate of ECL allowance to be incorporated into the total reported ECL.

'Management judgemental adjustments' and 'Other adjustments' constitute the total value of adjustments to modelled allowance for ECL. For the wholesale portfolio, defaulted exposures are assessed individually and management judgemental adjustments are made only to the performing portfolio.

At 31 December 2024, there was a $0.6bn reduction in management judgemental adjustments compared with 31 December 2023. This was driven by retail due to reductions in economic uncertainty, primarily in the UK and Asia, and model redevelopments which captured macro-economic risks more effectively.

Management judgemental adjustments made in estimating the scenario-weighted reported allowance for ECL at 31 December 2024 are set out in the following table.

Management judgemental adjustments to ECL at 31 December 2024[1]

	Retail	Wholesale[2]	Total
	$bn	$bn	$bn
Modelled ECL (A)[3]	**2.6**	**2.0**	**4.6**
Banks, sovereigns, government entities and low-risk counterparties		**0.0**	**0.0**
Corporate lending adjustments		**0.1**	**0.1**
Inflation related adjustments	**0.0**		**0.0**
Other credit judgements	**0.0**		**0.0**
Total management judgemental adjustments (B)[4]	**0.0**	**0.1**	**0.1**
Other adjustments (C)[5]	**(0.0)**	**0.1**	**0.1**
Final ECL (A + B + C)[6]	**2.6**	**2.2**	**4.8**

Management judgemental adjustments to ECL at 31 December 2023[1,7]

	Retail	Wholesale[2]	Total
	$bn	$bn	$bn
Modelled ECL (A)[3]	2.6	2.4	5.0
Banks, sovereigns, government entities and low-risk counterparties		0.0	0.0
Corporate lending adjustments		0.1	0.1
Inflation-related adjustments	0.1		0.1
Other credit judgements	0.5		0.5
Total management judgemental adjustments (B)[4]	0.6	0.1	0.7
Other adjustments (C)[5]	(0.0)	0.0	0.0
Final ECL (A + B + C)[6]	3.2	2.5	5.7

1 Management judgemental adjustments presented in the table reflect increases or (decreases) to allowance for ECL, respectively.
2 The wholesale portfolio corresponds to adjustments to the performing portfolio (stage 1 and stage 2).
3 (A) refers to probability-weighted allowance for ECL before any adjustments are applied.
4 (B) refers to adjustments that are applied where management believes allowance for ECL does not sufficiently reflect the credit risk/expected credit losses of any given portfolio at the reporting date. These can relate to risks or uncertainties that are not reflected in the model and/or to any late-breaking events.
5 (C) refers to adjustments to allowance for ECL made to address process limitations and data/model deficiencies and can also include where appropriate, the impact of new models where governance has sufficiently progressed to allow an accurate estimate of ECL allowance to be incorporated into the total reported ECL.
6 As presented within our internal credit risk governance (see page 139).
7 31 December 2023 includes the Canada, Argentina, Armenia and Oman businesses and retail banking operations in France.

Management judgemental adjustments at 31 December 2024 were an increase to allowance for ECL of $0.1bn for the wholesale portfolio and $0.0bn for the retail portfolio.

At 31 December 2024, wholesale management judgemental adjustments were an increase to allowance for ECL of $0.1bn (31 December 2023: $0.1bn increase). These were mainly to corporate exposures to reflect heightened uncertainty in specific sectors and geographies, including offsetting adjustments to the real estate sector in mainland China, Hong Kong and the US, and adjustments to exposures to the automotive and industrial sectors in Germany.

At 31 December 2024, retail management judgemental adjustments to allowance for ECL were $0.0bn (31 December 2023 $0.6bn). The reduction in adjustments compared with 31 December 2023 for inflation-related adjustments was primarily due to the reduction of inflation related risk in the UK and the sale of the Canadian banking business. Other credit judgements decreased due to reductions in economic uncertainty, primarily in the UK and Asia, and model redevelopments which captured macro-economic risks more effectively.

Economic scenarios sensitivity analysis of ECL estimates

Management considered the sensitivity of the ECL outcome against the economic forecasts as part of the ECL governance process by recalculating the allowance for ECL under each scenario described above for selected portfolios, applying a 100% weighting to each scenario in turn. The weighting is reflected in both the determination of a significant increase in credit risk and the measurement of the resulting allowances.

The allowance for ECL calculated for the Upside and Downside scenarios should not be taken to represent the upper and lower limits of possible ECL outcomes. The impact of defaults that might occur in the future under different economic scenarios is captured by recalculating allowances for loans at the balance sheet date.

There is a particularly high degree of estimation uncertainty in numbers representing tail risk scenarios when assigned a 100% weighting.

For wholesale credit risk exposures, the sensitivity analysis excludes allowance for ECL and financial instruments related to defaulted (stage 3) obligors. The measurement of stage 3 ECL is relatively more sensitive to credit factors specific to the obligor than future economic scenarios, and therefore the effects of macroeconomic factors are not necessarily the key consideration when performing individual assessments of allowances for obligors in default. Loans to defaulted obligors are a small portion of the overall wholesale lending exposure, even if representing the majority of the allowance for ECL. Due to the range and specificity of the credit factors to which the ECL is sensitive, it is not possible to provide a meaningful alternative sensitivity analysis for a consistent set of risks across all defaulted obligors.

For retail mortgage exposures the sensitivity analysis includes allowance for ECL for defaulted obligors of loans and advances. This is because the retail ECL for secured mortgage portfolios, including loans in all stages, is sensitive to macroeconomic variables.

Wholesale and retail sensitivity

The wholesale and retail sensitivity tables present the 100% weighted results. These exclude portfolios held by the insurance business and small portfolios, and as such cannot be directly compared with personal and wholesale lending presented in other credit risk tables. In both the wholesale and retail analysis, the comparative period results for Downside 2 scenarios are also not directly comparable with the current period, because they reflect different risks relative to the consensus scenarios for the period end.

The wholesale and retail sensitivity analysis is stated inclusive of management judgemental adjustments, as appropriate to each scenario.

For both retail and wholesale portfolios, the gross carrying amount of financial instruments are the same under each scenario. For exposures with similar risk profile and product characteristics, the sensitivity impact is therefore largely the result of changes in macroeconomic assumptions.

Wholesale analysis

IFRS 9 ECL sensitivity to future economic conditions[1,2,3]

By geography at 31 Dec 2024	Reported Gross carrying amount[4] $m	Reported allowance for ECL $m	Consensus Central scenario allowance for ECL $m	Consensus Upside scenario allowance for ECL $m	Consensus Downside scenario allowance for ECL $m	Downside 2 scenario allowance for ECL $m
UK	**432,160**	**717**	**667**	**526**	**850**	**2,389**
US	**202,888**	**216**	**201**	**205**	**247**	**461**
Hong Kong	**450,966**	**659**	**616**	**465**	**906**	**1,496**
Mainland China	**137,960**	**178**	**141**	**84**	**329**	**886**
Mexico	**34,713**	**69**	**61**	**46**	**86**	**302**
UAE	**58,909**	**51**	**49**	**40**	**58**	**120**
France	**184,591**	**82**	**80**	**69**	**97**	**125**
Other geographies[5]	**455,823**	**234**	**216**	**176**	**304**	**774**
Total	**1,958,010**	**2,205**	**2,031**	**1,612**	**2,877**	**6,555**
of which:						
Stage 1	**1,830,264**	**689**	**632**	**494**	**797**	**803**
Stage 2	**127,746**	**1,516**	**1,399**	**1,118**	**2,080**	**5,751**
By geography at 31 Dec 2023						
UK	426,427	820	754	599	1,041	2,487
US	191,104	215	199	189	268	441
Hong Kong	447,480	609	566	433	807	1,393
Mainland China	129,945	258	217	142	414	945
Canada[5]	84,092	89	75	56	107	487
Mexico	30,159	60	56	46	73	226
UAE	52,074	32	32	30	34	40
France	178,827	98	102	90	124	141
Other geographies[5,7]	450,271	325	298	245	410	882
Total	1,990,378	2,507	2,301	1,829	3,278	7,043
of which:						
Stage 1	1,820,843	754	702	553	860	854
Stage 2	169,535	1,753	1,599	1,276	2,418	6,189

1 Allowance for ECL sensitivity includes off-balance sheet financial instruments. These are subject to significant measurement uncertainty.
2 Includes low credit-risk financial instruments such as debt instruments at FVOCI, which have high carrying amounts but low ECL under all the above scenarios.
3 Excludes defaulted obligors. For a detailed breakdown of performing and non-performing wholesale portfolio exposures, see page 170.
4 Staging refers only to probability-weighted/reported gross carrying amount. Stage allocation of gross exposures varies by scenario, with higher allocation to stage 2 under the Downside 2 scenario.
5 Includes small portfolios that use less complex modelling approaches and are not sensitive to macroeconomic changes.
6 Classified as held for sale at 31 December 2023.
7 Includes the Argentina and Armenia businesses, which were sold in 2024.

At 31 December 2024, the highest level of 100% scenario-weighted allowance for ECL was observed in the UK and Hong Kong under the Downside 2 scenario, driven primarily by a larger exposure to those geographies, namely in the real estate sector. In relation to the underlying exposure, mainland China and Mexico have the higher Downside 2 ECL coverage, mostly due to the relatively larger proportion of higher risk exposures in those geographies.

Compared with 31 December 2023, the Downside 2 ECL impact reduced by $0.5bn mostly due to the sale of the Canada business while observing offsetting impacts driven by updates to our forward economic scenarios.

In the wholesale portfolio, off-balance sheet financial instruments have a lower likelihood to be fully converted to a funded exposure at the point of default, and consequently the sensitivity of the allowance for ECL is lower in relation to its nominal amount, when compared with an on-balance sheet exposure with a similar risk profile.

Retail analysis

IFRS 9 ECL sensitivity to future economic conditions[1]

By geography at 31 Dec 2024	Reported gross carrying amount $m	Reported allowance for ECL $m	Consensus Central scenario allowance for ECL $m	Consensus Upside scenario allowance for ECL $m	Consensus Downside scenario allowance for ECL $m	Downside 2 scenario allowance for ECL $m
UK						
Mortgages	163,541	126	117	107	132	288
Credit cards	7,415	280	275	265	276	447
Other	8,249	241	233	217	243	351
Mexico						
Mortgages	7,482	165	162	155	168	215
Credit cards	2,227	337	333	330	338	423
Other	3,722	419	416	413	422	593
Hong Kong						
Mortgages	106,866	5	5	4	5	10
Credit cards	9,419	293	275	268	300	770
Other	6,210	106	102	101	105	249
UAE						
Mortgages	1,993	8	8	8	8	8
Credit cards	536	31	31	31	31	35
Other	688	17	17	17	17	19
US						
Mortgages	16,965	6	6	6	6	8
Credit cards	193	15	14	14	15	17
Other geographies						
Mortgages	51,064	131	127	124	136	180
Credit cards	3,500	162	159	156	164	223
Other	2,292	72	72	69	73	93
Total	392,361	2,413	2,351	2,285	2,440	3,928
of which: mortgages	347,910	440	425	405	456	708
Stage 1	311,875	51	47	43	58	129
Stage 2	33,761	126	117	107	129	275
Stage 3	2,274	263	261	255	269	304
of which: credit cards	23,290	1,116	1,086	1,064	1,124	1,915
Stage 1	19,915	276	267	258	284	701
Stage 2	3,107	655	634	621	656	1,027
Stage 3	267	185	185	185	185	188
of which: others	21,161	856	839	816	860	1,305
Stage 1	18,574	216	204	193	217	532
Stage 2	2,005	360	355	343	363	483
Stage 3	583	279	279	279	279	290

IFRS 9 ECL sensitivity to future economic conditions[1,2]

By geography at 31 Dec 2023	Reported gross carrying amount $m	Reported allowance for ECL $m	Consensus Central scenario allowance for ECL $m	Consensus Upside scenario allowance for ECL $m	Consensus Downside scenario allowance for ECL $m	Downside 2 scenario allowance for ECL $m
UK						
Mortgages	161,127	189	180	172	201	334
Credit cards	7,582	344	340	302	353	486
Other	8,183	341	333	273	383	515
Mexico						
Mortgages	8,666	188	180	150	235	363
Credit cards	2,445	295	286	206	376	489
Other	4,529	513	503	426	600	731
Hong Kong						
Mortgages	106,136	2	2	1	3	5
Credit cards	9,128	287	239	214	395	887
Other	6,269	109	100	88	124	256
UAE						
Mortgages	2,001	25	25	25	25	25
Credit cards	471	24	24	22	25	32
Other	721	20	20	19	21	28
France						
Mortgages	20,589	50	50	50	51	51
Other	1,328	44	44	43	45	48
US						
Mortgages	14,385	8	4	3	4	10
Credit cards	204	15	15	10	15	16
Canada						
Mortgages	25,464	67	65	64	70	99
Credit cards	338	13	13	12	16	15
Other	1,368	13	13	12	14	33
Other geographies						
Mortgages	55,368	152	149	144	158	198
Credit cards	3,655	173	166	151	202	291
Other	2,416	91	86	83	95	137
Total	442,373	2,962	2,835	2,471	3,411	5,049
of which: mortgages	393,736	681	655	609	747	1,085
Stage 1	347,874	101	92	77	145	303
Stage 2	43,451	264	249	225	280	429
Stage 3	2,412	316	314	307	322	352
of which: credit cards	23,822	1,150	1,082	918	1,381	2,217
Stage 1	18,557	249	232	180	329	604
Stage 2	4,953	707	657	546	859	1,415
Stage 3	312	193	193	192	194	197
of which: others	24,815	1,131	1,098	944	1,283	1,748
Stage 1	19,551	218	205	151	272	501
Stage 2	4,542	540	519	423	636	868
Stage 3	722	373	373	370	375	379

1 Allowance for ECL sensitivities exclude portfolios utilising less complex modelling approaches.
2 Included balances and allowance for ECL which had been reclassified from 'loans and advances to customers' to 'assets held for sale' in the balance sheet at 31 December 2023. This also included any balances and allowance for ECL which continued to be reported as personal lending in 'loans and advances to customers' that are in accordance with the basis of inclusion for retail sensitivity analysis. This includes the Canada, Argentina businesses and retail banking operations in France.

At 31 December 2024, the most significant level of allowance for ECL sensitivity was observed in the UK, Mexico and Hong Kong. Mortgages reflected the lowest level of allowance for ECL sensitivity across most markets given the significant levels of collateral relative to the exposure values. Credit cards and other unsecured lending across stages 1 and 2 are more sensitive to economic forecasts and therefore reflected the highest level of allowance for ECL sensitivity during 2024.

There was a reduction in the total sensitivity for ECL allowance in all scenarios compared with 31 December 2023, due to banking portfolio sales, reduction of management judgemental adjustments, model redevelopments and scenario evolution.

There is limited sensitivity in credit cards and other unsecured lending in stage 3 as levels of loss on defaulted exposures remain consistent through various economic conditions. The Downside 2 scenario is from the tail of the economic distribution where allowance for ECL is more sensitive based on historical experience and includes a macroeconomic-dependent stressed LGD for a limited number of portfolios.

The reported gross carrying amount by stage is representative of the weighted scenario allowance for ECL. The allowance for ECL sensitivity to the other scenarios includes changes in allowance for ECL due to the levels of loss and the migration of additional lending balances in or out of stage 2.

Group ECL sensitivity results

The allowance for ECL of the scenarios and management judgemental adjustments is highly sensitive to movements in economic forecasts. Based upon the sensitivity tables presented above, if the Group allowance for ECL balance was estimated solely on the basis of the Central scenario, Downside scenario or the Downside 2 scenario at 31 December 2024, it would increase/(decrease) as presented in the below table.

Total Group ECL at 31 December 2024

	Retail[1] $bn	Wholesale[1] $bn
Reported allowance for ECL	**2.4**	**2.2**
Scenarios		
100% Consensus Central scenario	**(0.1)**	**(0.2)**
100% Consensus Upside scenario	**(0.1)**	**(0.6)**
100% Consensus Downside scenario	**0.0**	**0.7**
100% Downside 2 scenario	**1.5**	**4.3**
Total Group ECL at 31 December 2023		
Reported allowance for ECL	3.0	2.5
Scenarios		
100% Consensus Central scenario	(0.1)	(0.2)
100% Consensus Upside scenario	(0.5)	(0.7)
100% Consensus Downside scenario	0.4	0.8
100% Downside 2 scenario	2.1	4.5

1 On the same basis as retail and wholesale sensitivity analysis.

At 31 December 2024, the Group allowance for ECL decreased in the retail portfolio by $0.6bn and decreased by $0.3bn in the wholesale portfolio, compared with 31 December 2023.

There was also a reduction in allowance for ECL sensitivity across all scenarios within the retail and wholesale portfolios since 31 December 2023, primarily as a result of the sale of our Canada banking business, the sale of our retail banking operations in France, and various other business sales during the first half of 2024.

For the wholesale portfolio this was the main driver of the decrease in Downside 2 ECL sensitivity.

For the retail portfolios the ECL sensitivity decrease across all scenarios including the Downside 2 was also primarily due to the reduction of management judgemental adjustments, model redevelopments and scenario evolution.

Reconciliation from reported exposure and ECL to sensitised exposure and weighted ECL

	Wholesale		Retail		Total	
	Gross carrying/ nominal amount $m	Allowance for ECL $m	Gross carrying/ nominal amount $m	Allowance for ECL $m	Gross carrying/ nominal amount $m	Allowance for ECL $m
Included in sensitivity analysis	**1,958,010**	**(2,205)**	**392,361**	**(2,413)**	**2,350,371**	**(4,618)**
– Exclusions from sensitivity as described in the section above[1]	**20,409**	**(5,419)**	**309,178**	**(124)**	**329,587**	**(5,543)**
– Debt instruments measured at fair value through other comprehensive income[2]	**(346,124)**	**54**	**—**	**—**	**(346,124)**	**54**
– Performance guarantees[2]	**(92,722)**	**311**	**—**	**—**	**(92,722)**	**311**
– Other financial assets at amortised cost not presented as wholesale or personal lending, including held for sale[2]	**(568,668)**	**141**	**(130)**	**—**	**(568,798)**	**141**
– Other[3]	**5,978**	**(441)**	**498**	**(9)**	**6,476**	**(450)**
As reported in the Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage by industry sector at 31 Dec 2024	**976,883**	**(7,559)**	**701,907**	**(2,546)**	**1,678,790**	**(10,105)**
Other financial assets at amortised cost					**828,580**	**(92)**
Total reported in the Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage by industry sector at 31 Dec 2024					**2,507,370**	**(10,197)**

Reconciliation from reported exposure and ECL to sensitised exposure and weighted ECL (continued)

	Wholesale		Retail		Total	
	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL
	$m	$m	$m	$m	$m	$m
Included in sensitivity analysis	1,990,378	(2,507)	442,373	(2,962)	2,432,751	(5,469)
– Exclusions from sensitivity as described in the section above[1]	17,024	(6,237)	308,569	(93)	325,593	(6,330)
– Debt instruments measured at fair value through other comprehensive income[2]	(302,348)	97	—	—	(302,348)	97
– Performance guarantees[2]	(93,312)	35	—	—	(93,312)	35
– Other financial assets at amortised cost not presented as wholesale or personal lending, including held for sale[2]	(579,534)	93	(41,129)	174	(620,663)	267
– Other[3]	2,704	(84)	(4,175)	(11)	(1,471)	(95)
As reported in the Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage by industry sector at 31 Dec 2023	1,034,912	(8,603)	705,638	(2,892)	1,740,550	(11,495)
Other financial assets at amortised cost					960,271	(422)
Total reported in the Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage by industry sector at 31 Dec 2023					2,700,821	(11,917)

1 Comprises wholesale defaulted obligors, retail portfolios utilising less complex modelling approaches, private banking and insurance.
2 The sensitivity analysis includes certain items reported in Other assets at amortised cost, which are not allocated to an industry in the credit tables. It also includes FVOCI and performance guarantees, which are presented separately in the credit tables.
3 Includes FX and other operational variances.

Reconciliations of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees

The following disclosure provides a reconciliation by stage of the Group's gross carrying/nominal amount and allowances for loans and advances to banks and customers, including loan commitments and financial guarantees.

In addition, a reconciliation by stage of the Group's gross carrying amount and allowances for loans and advances to banks and customers and a reconciliation by stage of the Group's nominal amount and allowances for loan commitments and financial guarantees, were included in this section following adoption of the recommendations of the third report from The Taskforce on Disclosures about Expected Credit Losses ('DECL').

Movements are calculated on a quarterly basis and therefore fully capture stage movements between quarters. If movements were calculated on a year-to-date basis they would only reflect the opening and closing position of the financial instrument.

The transfers of financial instruments represents the impact of stage transfers upon the gross carrying/nominal amount and associated allowance for ECL.

The net remeasurement of ECL arising from transfer of stage represents the increase or decrease due to these transfers, for example, moving from a 12-month (stage 1) to a lifetime (stage 2) ECL measurement basis. Net remeasurement excludes the underlying customer risk rating ('CRR')/probability of default ('PD') movements of the financial instruments transferring stage. This is captured, along with other credit quality movements in the 'changes to risk parameters – credit quality' line item.

Changes in 'Net new and further lending/repayments' represents the impact from volume movements within the Group's lending portfolio and includes 'New financial assets originated or purchased', 'assets derecognised (including final repayments)' and 'changes to risk parameters – further lending/repayment'.

Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees

(Audited)

	Non-credit impaired				Credit impaired					
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
At 1 Jan 2024	**1,496,805**	**(1,300)**	**153,084**	**(3,102)**	**20,799**	**(7,063)**	**85**	**(30)**	**1,670,773**	**(11,495)**
Transfers of financial instruments:	**(19,629)**	**(1,259)**	**6,652**	**2,302**	**12,977**	**(1,043)**	**—**	**—**	**—**	**—**
– transfers from stage 1 to stage 2	**(116,211)**	**419**	**116,211**	**(419)**	**—**	**—**	**—**	**—**	**—**	**—**
– transfers from stage 2 to stage 1	**98,731**	**(1,627)**	**(98,731)**	**1,627**	**—**	**—**	**—**	**—**	**—**	**—**
– transfers to stage 3	**(2,799)**	**16**	**(12,230)**	**1,321**	**15,029**	**(1,337)**	**—**	**—**	**—**	**—**
– transfers from stage 3	**650**	**(67)**	**1,402**	**(227)**	**(2,052)**	**294**	**—**	**—**	**—**	**—**
Net remeasurement of ECL arising from transfer of stage	**—**	**959**	**—**	**(831)**	**—**	**(144)**	**—**	**—**	**—**	**(16)**
Changes due to modifications not derecognised	**—**	**—**	**—**	**—**	**(25)**	**—**	**—**	**—**	**(25)**	**—**
Net new and further lending/repayments	**87,833**	**(168)**	**(37,731)**	**589**	**(5,246)**	**1,689**	**7**	**(7)**	**44,863**	**2,103**
Changes to risk parameters – credit quality	**—**	**363**	**—**	**(1,773)**	**—**	**(3,945)**	**—**	**(11)**	**—**	**(5,366)**
Changes to models used for ECL calculation	**—**	**68**	**—**	**(4)**	**—**	**(20)**	**—**	**—**	**—**	**44**
Assets written off	**—**	**—**	**—**	**—**	**(4,459)**	**4,459**	**—**	**—**	**(4,459)**	**4,459**
Credit-related modifications that resulted in derecognition	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Foreign exchange and others[1, 2, 3]	**(75,322)**	**105**	**(6,107)**	**145**	**(223)**	**(81)**	**1**	**(3)**	**(81,651)**	**166**
At 31 Dec 2024	**1,489,687**	**(1,232)**	**115,898**	**(2,674)**	**23,823**	**(6,148)**	**93**	**(51)**	**1,629,501**	**(10,105)**
ECL income statement change for the period		**1,222**		**(2,019)**		**(2,420)**		**(18)**		**(3,235)**
Recoveries										**260**
Others										**(158)**
Total ECL income statement change for the period										**(3,133)**

1 Total includes $3.7bn of gross carrying loans and advances to customers and banks, which were classified to assets held for sale, and a corresponding allowance for ECL of $46m, reflecting business disposals as disclosed in Note 23 'Assets held for sale and liabilities of disposal groups held for sale' on page 411.
2 Total includes $35.3bn of nominal amount and $21m of corresponding allowance for ECL related to derecognition of loan commitments and financial guarantees following the sale of our banking business in Canada during 2024.
3 Total includes $2.7bn of nominal amount related to derecognition of loan commitments and financial guarantees following the sale of our banking business in Argentina during 2024.

	At 31 Dec 2024		12 months ended 31 Dec 2024
	Gross carrying/ nominal amount	Allowance for ECL	ECL charge
	$m	$m	$m
As above	**1,629,501**	**(10,105)**	**(3,133)**
Other financial assets measured at amortised cost	**828,580**	**(92)**	**(114)**
Non-trading reverse purchase agreement commitments	**49,289**	**—**	**—**
Performance and other guarantees not considered for IFRS 9	**—**	**—**	**(173)**
Summary of financial instruments to which the impairment requirements in IFRS 9 are applied/Summary consolidated income statement	**2,507,370**	**(10,197)**	**(3,420)**
Debt instruments measured at FVOCI	**346,124**	**(54)**	**6**
Total allowance for ECL/total income statement ECL change for the period	**n/a**	**(10,251)**	**(3,414)**

As shown in the previous table, the allowance for ECL for loans and advances to customers and banks and relevant loan commitments and financial guarantees decreased $1,390m during the period from $11,495m at 31 December 2023 to $10,105m at 31 December 2024.

This decrease was driven by:

– $4,459m of assets written off;

– $2,103m relating to volume movements, which included the allowance for ECL associated with new originations, assets derecognised and further lending/repayment;

– foreign exchange and other movements of $166m; and

– $44m of changes to models used for ECL calculation.

These were partly offset by:

- $5,366m relating to credit quality changes, including the credit quality impact of financial instruments transferring between stages; and
- $16m relating to the net remeasurement impact of stage transfers.

The ECL charge for the period of $3,235m presented in the previous table consisted of $5,366m relating to credit quality changes, including the credit quality impact of financial instruments transferring between stages and $16m relating to the net remeasurement impact of stage transfers.

This was partly offset by $2,103m relating to underlying net book volume movement and $44m in changes to models used for ECL calculation.

Summary views of the movement in wholesale and personal lending are presented on pages 173 and 185.

Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees

(Audited)

	Non-credit impaired				Credit impaired					
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross exposure	Allowance/ provision for ECL	Gross exposure	Allowance/ provision for ECL	Gross exposure	Allowance/ provision for ECL	Gross exposure	Allowance/ provision for ECL	Gross exposure	Allowance/ provision for ECL
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
At 1 Jan 2023	1,433,643	(1,257)	177,223	(3,710)	21,207	(6,949)	129	(38)	1,632,202	(11,954)
Transfers of financial instruments:	(18,948)	(1,048)	10,286	2,228	8,662	(1,180)	—	—	—	—
– transfers from stage 1 to stage 2	(150,728)	442	150,728	(442)	—	—	—	—	—	—
– transfers from stage 2 to stage 1	133,079	(1,467)	(133,079)	1,467	—	—	—	—	—	—
– transfers to stage 3	(1,986)	23	(8,600)	1,379	10,586	(1,402)	—	—	—	—
– transfers from stage 3	687	(46)	1,237	(176)	(1,924)	222	—	—	—	—
Net remeasurement of ECL arising from transfer of stage	—	917	—	(973)	—	(124)	—	—	—	(180)
Net new and further lending/ repayments	77,693	(185)	(36,795)	661	(4,956)	1,117	(36)	3	35,906	1,596
Changes to risk parameters – credit quality	—	307	—	(1,262)	—	(3,896)	—	21	—	(4,830)
Changes to models used for ECL calculation	—	(22)	—	46	—	7	—	—	—	31
Assets written off	—	—	—	—	(3,922)	3,922	—	—	(3,922)	3,922
Credit-related modifications that resulted in derecognition	—	—	—	—	(119)	95	—	—	(119)	95
Foreign exchange and others[1]	4,417	(12)	2,370	(92)	(73)	(55)	(8)	(16)	6,706	(175)
At 31 Dec 2023	1,496,805	(1,300)	153,084	(3,102)	20,799	(7,063)	85	(30)	1,670,773	(11,495)
ECL income statement change for the period		1,017		(1,528)		(2,896)		24		(3,383)
Recoveries										268
Others	—	—	—	—	—	—	—	—	—	(195)
Total ECL income statement change for the period										(3,310)

1 Total includes $7.7bn of gross carrying loans and advances to customers and banks, which were classified to assets held for sale, and a corresponding allowance for ECL of $70m, reflecting business disposals as disclosed in Note 23 'Assets held for sale and liabilities of disposal groups held for sale' on page 411.

(Audited)

	At 31 Dec 2023		12 months ended 31 Dec 2023
	Gross carrying/ nominal amount	Allowance for ECL	ECL charge
	$m	$m	$m
As above	1,670,773	(11,495)	(3,310)
Other financial assets measured at amortised cost	960,271	(422)	(35)
Non-trading reverse purchase agreement commitments	69,777	—	—
Performance and other guarantees not considered for IFRS 9	—	—	(44)
Summary of financial instruments to which the impairment requirements in IFRS 9 are applied/Summary consolidated income statement	2,700,821	(11,917)	(3,389)
Debt instruments measured at FVOCI	302,348	(97)	(58)
Total allowance for ECL/total income statement ECL change for the period	n/a	(12,014)	(3,447)

Reconciliation of changes in gross carrying amount and allowances for loans and advances to banks and customers

	Non-credit impaired				Credit impaired					
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
At 1 Jan 2024	**920,863**	**(1,140)**	**122,307**	**(2,967)**	**19,275**	**(6,952)**	**81**	**(30)**	**1,062,526**	**(11,089)**
Transfers of financial instruments:	**(19,794)**	**(1,227)**	**7,344**	**2,259**	**12,450**	**(1,032)**	**—**	**—**	**—**	**—**
– transfers from stage 1 to stage 2	**(90,611)**	**404**	**90,611**	**(404)**	**—**	**—**	**—**	**—**	**—**	**—**
– transfers from stage 2 to stage 1	**72,935**	**(1,580)**	**(72,935)**	**1,580**	**—**	**—**	**—**	**—**	**—**	**—**
– transfers to stage 3	**(2,559)**	**16**	**(11,512)**	**1,310**	**14,071**	**(1,326)**	**—**	**—**	**—**	**—**
– transfers from stage 3	**441**	**(67)**	**1,180**	**(227)**	**(1,621)**	**294**	**—**	**—**	**—**	**—**
Net remeasurement of ECL arising from transfer of stage	**—**	**932**	**—**	**(801)**	**—**	**(144)**	**—**	**—**	**—**	**(13)**
Changes due to modifications not derecognised	**—**	**—**	**—**	**—**	**(25)**	**—**	**—**	**—**	**(25)**	**—**
Net new and further lending/ repayments	**52,439**	**(161)**	**(33,154)**	**570**	**(4,535)**	**1,606**	**7**	**(7)**	**14,757**	**2,008**
Changes to risk parameters – credit quality	**—**	**361**	**—**	**(1,724)**	**—**	**(3,873)**	**—**	**(11)**	**—**	**(5,247)**
Changes to models used for ECL calculation	**—**	**66**	**—**	**(18)**	**—**	**(20)**	**—**	**—**	**—**	**28**
Assets written off	**—**	**—**	**—**	**—**	**(4,459)**	**4,459**	**—**	**—**	**(4,459)**	**4,459**
Credit-related modifications that resulted in derecognition	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Foreign exchange and others[1]	**(27,236)**	**82**	**(3,051)**	**133**	**(89)**	**(86)**	**2**	**(3)**	**(30,374)**	**126**
At 31 Dec 2024	**926,272**	**(1,087)**	**93,446**	**(2,548)**	**22,617**	**(6,042)**	**90**	**(51)**	**1,042,425**	**(9,728)**
ECL income statement change for the period		**1,198**		**(1,973)**		**(2,431)**		**(18)**		**(3,224)**
Recoveries										**260**
Others										**(161)**
Total ECL income statement change for the period										**(3,125)**

1 Total includes $3.7bn of gross carrying loans and advances to customers and banks, which were classified to assets held for sale, and a corresponding allowance for ECL of $46m, reflecting business disposals as disclosed in Note 23 'Assets held for sale and liabilities of disposal groups held for sale' on page 411.

Reconciliation of changes in gross carrying amount and allowances for loans and advances to banks and customers (continued)

	Non-credit impaired				Credit impaired					
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
At 1 Jan 2023	879,023	(1,109)	140,816	(3,518)	19,586	(6,851)	129	(38)	1,039,554	(11,516)
Transfers of financial instruments:	(19,276)	(980)	11,250	2,154	8,026	(1,174)	—	—	—	—
– transfers from stage 1 to stage 2	(108,758)	423	108,758	(423)	—	—	—	—	—	—
– transfers from stage 2 to stage 1	90,655	(1,382)	(90,655)	1,382	—	—	—	—	—	—
– transfers to stage 3	(1,692)	22	(7,975)	1,367	9,667	(1,389)	—	—	—	—
– transfers from stage 3	519	(43)	1,122	(172)	(1,641)	215	—	—	—	—
Net remeasurement of ECL arising from transfer of stage	—	859	—	(934)	—	(118)	—	—	—	(193)
Net new and further lending/ repayments	55,024	(210)	(32,069)	685	(4,233)	1,026	(40)	3	18,682	1,504
Changes to risk parameters – credit quality	—	311	—	(1,292)	—	(3,804)	—	21	—	(4,764)
Changes to models used for ECL calculation	—	(17)	—	28	—	7	—	—	—	18
Assets written off	—	—	—	—	(3,922)	3,922	—	—	(3,922)	3,922
Credit-related modifications that resulted in derecognition	—	—	—	—	(119)	95	—	—	(119)	95
Foreign exchange and others[1]	6,092	6	2,310	(90)	(63)	(55)	(8)	(16)	8,331	(155)
At 31 Dec 2023	920,863	(1,140)	122,307	(2,967)	19,275	(6,952)	81	(30)	1,062,526	(11,089)
ECL income statement change for the period		943		(1,513)		(2,889)		24		(3,435)
Recoveries										268
Others										(203)
Total ECL income statement change for the period										(3,370)

1 Total includes $7.7bn of gross carrying loans and advances to customers and banks, which were classified to assets held for sale, and a corresponding allowance for ECL of $70m, reflecting business disposals as disclosed in Note 23 'Assets held for sale and liabilities of disposal groups held for sale' on page 411.

Reconciliation of changes in nominal amount and allowances for loan commitments and financial guarantees

	Non-credit impaired				Credit impaired					
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Nominal amount	Allowance for ECL	Nominal amount	Allowance for ECL	Nominal amount	Allowance for ECL	Nominal amount	Allowance for ECL	Nominal amount	Allowance for ECL
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
At 1 Jan 2024	**575,942**	**(160)**	**30,777**	**(135)**	**1,524**	**(111)**	**4**	**—**	**608,247**	**(406)**
Transfers of financial instruments:	**165**	**(32)**	**(692)**	**43**	**527**	**(11)**	**—**	**—**	**—**	**—**
– transfers from stage 1 to stage 2	**(25,600)**	**15**	**25,600**	**(15)**	**—**	**—**	**—**	**—**	**—**	**—**
– transfers from stage 2 to stage 1	**25,796**	**(47)**	**(25,796)**	**47**	**—**	**—**	**—**	**—**	**—**	**—**
– transfers to stage 3	**(240)**	**—**	**(718)**	**11**	**958**	**(11)**	**—**	**—**	**—**	**—**
– transfers from stage 3	**209**	**—**	**222**	**—**	**(431)**	**—**	**—**	**—**	**—**	**—**
Net remeasurement of ECL arising from transfer of stage	**—**	**27**	**—**	**(30)**	**—**	**—**	**—**	**—**	**—**	**(3)**
Net new and further lending/ repayments	**35,394**	**(7)**	**(4,577)**	**19**	**(711)**	**83**	**—**	**—**	**30,106**	**95**
Changes to risk parameters – credit quality	**—**	**2**	**—**	**(49)**	**—**	**(72)**	**—**	**—**	**—**	**(119)**
Changes to models used for ECL calculation	**—**	**2**	**—**	**14**	**—**	**—**	**—**	**—**	**—**	**16**
Foreign exchange and others[1,2]	**(48,086)**	**23**	**(3,056)**	**12**	**(134)**	**5**	**(1)**	**—**	**(51,277)**	**40**
At 31 Dec 2024	**563,415**	**(145)**	**22,452**	**(126)**	**1,206**	**(106)**	**3**	**—**	**587,076**	**(377)**
ECL income statement change for the period		**24**		**(46)**		**11**		**—**		**(11)**
Recoveries										**—**
Others										**3**
Total ECL income statement change for the period										**(8)**

1 Total includes $35.3bn of nominal amount and $21m of corresponding allowance for ECL related to derecognition of loan commitments and financial guarantees following the sale of our banking business in Canada during 2024.
2 Total includes $2.7bn of nominal amount related to derecognition of loan commitments and financial guarantees following the sale of our banking business in Argentina during 2024.

Reconciliation of changes in nominal amount and allowances for loan commitments and financial guarantees

	Non-credit impaired				Credit impaired					
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Nominal amount	Allowance for ECL	Nominal amount	Allowance for ECL	Nominal amount	Allowance for ECL	Nominal amount	Allowance for ECL	Nominal amount	Allowance for ECL
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
At 1 Jan 2023	554,620	(148)	36,407	(192)	1,621	(98)	—	—	592,648	(438)
Transfers of financial instruments:	328	(68)	(964)	74	636	(6)	—	—	—	—
– transfers from stage 1 to stage 2	(41,970)	19	41,970	(19)	—	—	—	—	—	—
– transfers from stage 2 to stage 1	42,424	(85)	(42,424)	85	—	—	—	—	—	—
– transfers to stage 3	(294)	1	(625)	12	919	(13)	—	—	—	—
– transfers from stage 3	168	(3)	115	(4)	(283)	7	—	—	—	—
Net remeasurement of ECL arising from transfer of stage	—	58	—	(39)	—	(6)	—	—	—	13
Net new and further lending/ repayments	22,669	25	(4,726)	(24)	(723)	91	4	—	17,224	92
Changes to risk parameters – credit quality	—	(4)	—	30	—	(92)	—	—	—	(66)
Changes to models used for ECL calculation	—	(5)	—	18	—	—	—	—	—	13
Foreign exchange and others	(1,675)	(18)	60	(2)	(10)	—	—	—	(1,625)	(20)
At 31 Dec 2023	575,942	(160)	30,777	(135)	1,524	(111)	4	—	608,247	(406)
ECL income statement change for the period		74		(15)		(7)		—		52
Recoveries										—
Others										8
Total ECL income statement change for the period										60

Credit quality

Credit quality of financial instruments

(Audited)

We assess the credit quality of all financial instruments that are subject to credit risk. The credit quality of financial instruments is a point-in-time assessment of PD, whereas stages 1 and 2 are determined based on relative deterioration of credit quality since initial recognition for the majority of portfolios. Accordingly, for non-credit-impaired financial instruments, there is no direct relationship between the credit quality assessment and stages 1 and 2, although typically the lower credit quality bands exhibit a higher proportion in stage 2.

The five credit quality classifications provided below each encompass a range of granular internal credit rating grades assigned to wholesale and personal lending businesses and the external ratings attributed by external agencies to debt securities, as shown in the table on page 139.

Distribution of financial instruments by credit quality at 31 December 2024

(Audited)

	Gross carrying/notional amount						Allowance for ECL/ other credit provisions	
	Strong	Good	Satisfactory	Sub-standard	Credit impaired	Total		Net
	$m	$m	$m	$m	$m	$m	$m	$m
In-scope for IFRS 9 ECL								
Loans and advances to customers held at amortised cost	515,266	193,080	186,416	22,906	22,705	940,373	(9,715)	930,658
– personal	360,317	53,595	27,774	1,979	3,560	447,225	(2,524)	444,701
– corporate and commercial	114,504	118,785	138,705	20,224	18,466	410,684	(6,755)	403,929
– non-bank financial institutions	40,445	20,700	19,937	703	679	82,464	(436)	82,028
Loans and advances to banks held at amortised cost	92,621	4,255	5,040	134	2	102,052	(13)	102,039
Cash and balances at central banks	266,713	949	12	—	—	267,674	—	267,674
Hong Kong Government certificates of indebtedness	42,293	—	—	—	—	42,293	—	42,293
Reverse repurchase agreements – non-trading	155,831	70,877	25,799	42	—	252,549	—	252,549
Financial investments	146,970	3,681	3,331	—	—	153,982	(9)	153,973
Assets held for sale	2,425	458	367	1	22	3,273	(4)	3,269
Other assets	88,338	9,735	10,151	454	131	108,809	(79)	108,730
– endorsements and acceptances	2,101	2,663	3,090	243	10	8,107	(14)	8,093
– accrued income and other	86,237	7,072	7,061	211	121	100,702	(65)	100,637
Debt instruments measured at fair value through other comprehensive income[1]	336,313	9,448	7,768	380	—	353,909	(54)	353,855
Out-of-scope for IFRS 9 ECL								
Trading assets	119,546	21,951	15,804	2,300	47	159,648	—	159,648
Other financial assets designated and otherwise mandatorily measured at fair value through profit or loss	53,282	11,862	4,390	231	11	69,776	—	69,776
Derivatives	224,870	34,124	9,373	258	12	268,637	—	268,637
Assets held for sale	3,019	—	—	—	—	3,019	—	3,019
Total gross carrying amount on balance sheet	2,047,487	360,420	268,451	26,706	22,930	2,725,994	(9,874)	2,716,120
Percentage of total credit quality (%)	75.1	13.2	9.9	1.0	0.8	100		
Loan and other credit-related commitments	400,120	131,396	77,220	9,670	961	619,367	(348)	619,019
Financial guarantees	7,365	4,263	4,399	723	248	16,998	(29)	16,969
In-scope: Irrevocable loan commitments and financial guarantees	407,485	135,659	81,619	10,393	1,209	636,365	(377)	635,988
Loan and other credit-related commitments	96,952	76,340	65,619	2,847	453	242,211	—	242,211
Performance and other guarantees	39,940	32,956	17,339	1,671	817	92,723	(312)	92,411
Out-of-scope: Revocable loan commitments and non-financial guarantees	136,892	109,296	82,958	4,518	1,270	334,934	(312)	334,622

1 For the purposes of this disclosure, gross carrying amount is defined as the amortised cost of a financial asset before adjusting for any loss allowance. As such, the gross carrying amount of debt instruments at FVOCI as presented above will not reconcile to the balance sheet as it excludes fair value gains and losses.

Distribution of financial instruments by credit quality at 31 December 2023

(Audited)

	Gross carrying/notional amount						Allowance for ECL/ other credit provisions	Net
	Strong	Good	Satisfactory	Sub-standard	Credit impaired	Total		
	$m	$m	$m	$m	$m	$m	$m	$m
In-scope for IFRS 9 ECL								
Loans and advances to customers held at amortised cost	497,665	206,476	197,582	28,532	19,354	949,609	(11,074)	938,535
– personal	346,562	62,656	32,314	2,485	3,505	447,522	(2,867)	444,655
– corporate and commercial	118,123	123,713	145,249	25,531	15,039	427,655	(7,803)	419,852
– non-bank financial institutions	32,980	20,107	20,019	516	810	74,432	(404)	74,028
Loans and advances to banks held at amortised cost	101,057	4,640	6,363	855	2	112,917	(15)	112,902
Cash and balances at central banks	284,723	1,068	77	—	—	285,868	—	285,868
Hong Kong Government certificates of indebtedness	42,024	—	—	—	—	42,024	—	42,024
Reverse repurchase agreements – non-trading	170,494	46,884	34,206	633	—	252,217	—	252,217
Financial investments	143,333	3,814	1,137	62	—	148,346	(20)	148,326
Assets held for sale	68,501	16,403	14,812	2,939	531	103,186	(324)	102,862
Other assets	106,184	11,982	9,965	366	133	128,630	(78)	128,552
– endorsements and acceptances	2,405	2,666	2,707	161	18	7,957	(18)	7,939
– accrued income and other	103,779	9,316	7,258	205	115	120,673	(60)	120,613
Debt instruments measured at fair value through other comprehensive income[1]	288,959	12,037	7,897	805	5	309,703	(97)	309,606
Out-of-scope for IFRS 9 ECL								
Trading assets	122,695	20,595	20,746	1,326	135	165,497	—	165,497
Other financial assets designated and otherwise mandatorily measured at fair value through profit or loss	52,649	11,517	4,733	84	6	68,989	—	68,989
Derivatives	196,098	27,377	6,041	187	11	229,714	—	229,714
Assets held for sale	12,495	—	—	—	—	12,495	—	12,495
Total gross carrying amount on balance sheet	2,086,877	362,793	303,559	35,789	20,177	2,809,195	(11,608)	2,797,587
Percentage of total credit quality (%)	74.3	12.9	10.8	1.3	0.7	100		
Loan and other credit-related commitments	436,359	142,500	73,230	7,782	1,144	661,015	(367)	660,648
Financial guarantees	7,700	4,146	4,080	699	384	17,009	(39)	16,970
In-scope: Irrevocable loan commitments and financial guarantees	444,059	146,646	77,310	8,481	1,528	678,024	(406)	677,618
Loan and other credit-related commitments	92,509	77,891	61,462	3,896	377	236,135	—	236,135
Performance and other guarantees	39,784	32,231	19,445	1,853	964	94,277	(145)	94,132
Out-of-scope: Revocable loan commitments and non-financial guarantees	132,293	110,122	80,907	5,749	1,341	330,412	(145)	330,267

1 For the purposes of this disclosure, gross carrying amount is defined as the amortised cost of a financial asset before adjusting for any loss allowance. As such, the gross carrying amount of debt instruments at FVOCI as presented above will not reconcile to the balance sheet as it excludes fair value gains and losses.

Distribution of financial instruments to which the impairment requirements in IFRS 9 are applied, by credit quality and stage allocation
(Audited)

	Gross carrying/notional amount							
	Strong	Good	Satisfactory	Sub-standard	Credit impaired	Total	Allowance for ECL	Net
	$m	$m	$m	$m	$m	$m	$m	$m
Loans and advances to customers at amortised cost	515,266	193,080	186,416	22,906	22,705	940,373	(9,715)	930,658
– stage 1	498,415	170,420	150,818	4,767	—	824,420	(1,078)	823,342
– stage 2	16,851	22,660	35,598	18,139	—	93,248	(2,546)	90,702
– stage 3	—	—	—	—	22,615	22,615	(6,040)	16,575
– POCI	—	—	—	—	90	90	(51)	39
Loans and advances to banks at amortised cost	92,621	4,255	5,040	134	2	102,052	(13)	102,039
– stage 1	92,528	4,226	4,981	117	—	101,852	(9)	101,843
– stage 2	93	29	59	17	—	198	(2)	196
– stage 3	—	—	—	—	2	2	(2)	—
– POCI	—	—	—	—	—	—	—	—
Other financial assets measured at amortised cost	702,570	85,700	39,660	497	153	828,580	(92)	828,488
– stage 1	702,373	85,032	38,977	239	—	826,621	(64)	826,557
– stage 2	197	668	683	258	—	1,806	(5)	1,801
– stage 3	—	—	—	—	153	153	(23)	130
– POCI	—	—	—	—	—	—	—	—
Loan and other credit-related commitments	400,120	131,396	77,220	9,670	961	619,367	(348)	619,019
– stage 1	398,779	125,956	67,949	4,547	—	597,231	(137)	597,094
– stage 2	1,341	5,440	9,271	5,123	—	21,175	(121)	21,054
– stage 3	—	—	—	—	958	958	(90)	868
– POCI	—	—	—	—	3	3	—	3
Financial guarantees	7,365	4,263	4,399	723	248	16,998	(29)	16,969
– stage 1	7,352	4,192	3,625	184	—	15,353	(8)	15,345
– stage 2	13	71	774	539	—	1,397	(5)	1,392
– stage 3	—	—	—	—	248	248	(16)	232
– POCI	—	—	—	—	—	—	—	—
At 31 Dec 2024	1,717,942	418,694	312,735	33,930	24,069	2,507,370	(10,197)	2,497,173
Debt instruments at FVOCI[1]								
– stage 1	336,264	9,448	7,290	—	—	353,002	(31)	352,971
– stage 2	49	—	478	380	—	907	(23)	884
– stage 3	—	—	—	—	—	—	—	—
– POCI	—	—	—	—	—	—	—	—
At 31 Dec 2024	336,313	9,448	7,768	380	—	353,909	(54)	353,855
Loans and advances to customers at amortised cost	497,665	206,476	197,582	28,532	19,354	949,609	(11,074)	938,535
– stage 1	478,422	177,410	147,940	5,612	—	809,384	(1,130)	808,254
– stage 2	19,243	29,066	49,642	22,920	—	120,871	(2,964)	117,907
– stage 3	—	—	—	—	19,273	19,273	(6,950)	12,323
– POCI	—	—	—	—	81	81	(30)	51
Loans and advances to banks at amortised cost	101,057	4,640	6,363	855	2	112,917	(15)	112,902
– stage 1	101,011	4,631	5,550	287	—	111,479	(10)	111,469
– stage 2	46	9	813	568	—	1,436	(3)	1,433
– stage 3	—	—	—	—	2	2	(2)	—
– POCI	—	—	—	—	—	—	—	—
Other financial assets measured at amortised cost	815,259	80,151	60,197	4,000	664	960,271	(422)	959,849
– stage 1	814,776	78,486	53,095	516	—	946,873	(109)	946,764
– stage 2	483	1,665	7,102	3,484	—	12,734	(132)	12,602
– stage 3	—	—	—	—	664	664	(181)	483
– POCI	—	—	—	—	—	—	—	—
Loan and other credit-related commitments	436,359	142,500	73,230	7,782	1,144	661,015	(367)	660,648
– stage 1	432,017	135,192	61,213	2,527	—	630,949	(153)	630,796
– stage 2	4,342	7,308	12,017	5,255	—	28,922	(128)	28,794
– stage 3	—	—	—	—	1,140	1,140	(86)	1,054
– POCI	—	—	—	—	4	4	—	4
Financial guarantees	7,700	4,146	4,080	699	384	17,009	(39)	16,970
– stage 1	7,497	3,943	3,204	102	—	14,746	(7)	14,739
– stage 2	203	203	876	597	—	1,879	(7)	1,872
– stage 3	—	—	—	—	384	384	(25)	359
– POCI	—	—	—	—	—	—	—	—
At 31 Dec 2023	1,858,040	437,913	341,452	41,868	21,548	2,700,821	(11,917)	2,688,904
Debt instruments at FVOCI[1]								
– stage 1	288,909	12,037	7,579	—	—	308,525	(37)	308,488
– stage 2	50	—	318	805	—	1,173	(59)	1,114
– stage 3	—	—	—	—	5	5	(1)	4
– POCI	—	—	—	—	—	—	—	—
At 31 Dec 2023	288,959	12,037	7,897	805	5	309,703	(97)	309,606

1 For the purposes of this disclosure, gross carrying amount is defined as the amortised cost of a financial asset before adjusting for any loss allowance. As such, the gross carrying amount of debt instruments at FVOCI as presented above will not reconcile to the balance sheet as it excludes fair value gains and losses.

Credit-impaired loans

(Audited)

We determine that a financial instrument is credit impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are past due for more than 90 days;
- there are other indications that the borrower is unlikely to pay, such as when a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and
- the loan is otherwise considered to be in default. If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due. Therefore, the definitions of credit impaired and default are aligned as far as possible so that stage 3 represents all loans that are considered defaulted or otherwise credit impaired.

Forbearance

The following table shows the gross carrying amount and allowance for ECL of the Group's holdings of forborne loans and advances to customers by industry sector and by stages.

A summary of our current policies and practices for forbearance is set out in 'Credit risk management' on page 139.

Forborne loans and advances to customers at amortised cost by stage allocation

	Performing forborne	Non-performing forborne		Total forborne
	Stage 2	Stage 3	POCI	Total
	$m	$m	$m	$m
Gross carrying amount				
Personal	**545**	**1,424**	**—**	**1,969**
– first lien residential mortgages	**266**	**1,040**	**—**	**1,306**
– second lien residential mortgages	**1**	**3**	**—**	**4**
– guaranteed loans in respect of residential property	**32**	**7**	**—**	**39**
– other personal lending which is secured	**—**	**7**	**—**	**7**
– credit cards	**86**	**87**	**—**	**173**
– other personal lending which is unsecured	**147**	**280**	**—**	**427**
– motor vehicle finance	**13**	**—**	**—**	**13**
Wholesale	**4,325**	**7,542**	**85**	**11,952**
– corporate and commercial	**4,247**	**7,351**	**85**	**11,683**
– non-bank financial institutions	**78**	**191**	**—**	**269**
At 31 Dec 2024	**4,870**	**8,966**	**85**	**13,921**
Allowance for ECL				
Personal	**(73)**	**(305)**	**—**	**(378)**
– first lien residential mortgages	**(12)**	**(148)**	**—**	**(160)**
– second lien residential mortgages	**—**	**—**	**—**	**—**
– guaranteed loans in respect of residential property	**(1)**	**(1)**	**—**	**(2)**
– other personal lending which is secured	**—**	**(2)**	**—**	**(2)**
– credit cards	**(17)**	**(45)**	**—**	**(62)**
– other personal lending which is unsecured	**(38)**	**(109)**	**—**	**(147)**
– motor vehicle finance	**(5)**	**—**	**—**	**(5)**
Wholesale	**(461)**	**(2,008)**	**(51)**	**(2,520)**
– corporate and commercial	**(460)**	**(1,972)**	**(51)**	**(2,483)**
– non-bank financial institutions	**(1)**	**(36)**	**—**	**(37)**
At 31 Dec 2024	**(534)**	**(2,313)**	**(51)**	**(2,898)**
Gross carrying amount				
Personal	816	1,282	—	2,098
– first lien residential mortgages	530	815	—	1,345
– second lien residential mortgages	1	8	—	9
– guaranteed loans in respect of residential property	24	20	—	44
– other personal lending which is secured	1	6	—	7
– credit cards	96	83	—	179
– other personal lending which is unsecured	155	349	—	504
– motor vehicle finance	9	1	—	10
Wholesale	5,848	5,505	68	11,421
– corporate and commercial	5,778	5,459	68	11,305
– non-bank financial institutions	70	46	—	116
At 31 Dec 2023	6,664	6,787	68	13,519
Allowance for ECL				
Personal	(113)	(307)	—	(420)
– first lien residential mortgages	(50)	(113)	—	(163)
– second lien residential mortgages	—	(3)	—	(3)
– guaranteed loans in respect of residential property	—	(2)	—	(2)
– other personal lending which is secured	—	(1)	—	(1)
– credit cards	(17)	(46)	—	(63)
– other personal lending which is unsecured	(43)	(142)	—	(185)
– motor vehicle finance	(3)	—	—	(3)
Wholesale	(259)	(1,932)	(28)	(2,219)
– corporate and commercial	(257)	(1,920)	(28)	(2,205)
– non-bank financial institutions	(2)	(12)	—	(14)
At 31 Dec 2023	(372)	(2,239)	(28)	(2,639)

Forborne loans and advances to customers by legal entities

	HSBC UK Bank plc	HSBC Bank plc	The Hongkong and Shanghai Banking Corporation Limited	HSBC Bank Middle East Limited	HSBC North America Holdings Inc.	Grupo Financiero HSBC, S.A. de C.V.	Other trading entities	Total
	$m	$m	$m	$m	$m	$m	$m	$m
Gross carrying amount								
Performing forborne	**1,251**	**1,506**	**1,073**	**10**	**787**	**201**	**42**	**4,870**
Non-performing forborne	**2,231**	**1,578**	**3,698**	**460**	**464**	**355**	**265**	**9,051**
At 31 Dec 2024	**3,482**	**3,084**	**4,771**	**470**	**1,251**	**556**	**307**	**13,921**
Allowance for ECL								
Performing forborne	**(101)**	**(36)**	**(296)**	**(1)**	**(52)**	**(48)**	**—**	**(534)**
Non-performing forborne	**(393)**	**(464)**	**(943)**	**(196)**	**(71)**	**(127)**	**(170)**	**(2,364)**
At 31 Dec 2024	**(494)**	**(500)**	**(1,239)**	**(197)**	**(123)**	**(175)**	**(170)**	**(2,898)**
Gross carrying amount								
Performing forborne	1,478	2,081	1,574	31	954	503	43	6,664
Non-performing forborne	1,936	1,199	2,250	471	430	233	336	6,855
At 31 Dec 2023	3,414	3,280	3,824	502	1,384	736	379	13,519
Allowance for ECL								
Performing forborne	(75)	(25)	(142)	(1)	(43)	(84)	(2)	(372)
Non-performing forborne	(289)	(400)	(986)	(225)	(74)	(126)	(167)	(2,267)
At 31 Dec 2023	(364)	(425)	(1,128)	(226)	(117)	(210)	(169)	(2,639)

Wholesale lending

This section presents further disclosures related to wholesale lending. It provides details of the main legal entities, countries and customer classification that are driving the change observed in wholesale loans and advances to banks and customers, with the impact of foreign exchange separately identified.

This section also provides reconciliations of the opening 1 January 2024 to 31 December 2024 closing gross carrying/nominal amounts and the associated allowance for ECL. Further granularity is also provided by stage, with data for our main legal entities presented for gross loans and advances to banks and customers, loan and other credit-related commitments and financial guarantees.

At 31 December 2024, wholesale lending for gross loans and advances to banks and customers of $595.2bn decreased by $19.8bn on a reported basis, compared with 31 December 2023. Excluding adverse foreign exchange movements of $16.3bn, total wholesale lending decreased by $3.5bn.

On a constant currency basis, the wholesale loans and advances to customers grew by $3.0bn, mainly driven by an increase in non-bank financial institutions (up $9.6bn), partly offset by a decrease in corporate and commercial lending (down $6.6bn).

The increase in non-bank financial institutions of $9.6bn was largely driven by growth in balances in HSBC Bank plc (up $4.2bn), in our legal entities in Asia (up $2.2bn), in the US (up $1.2bn), in HSBC UK (up $1.0bn) and in the Middle East (up $0.8bn).

The decrease in corporate and commercial balances of $6.6bn, mainly in our legal entities in the US (down $2.9bn) and in Asia (down $2.4bn), was driven by repayments, including in 'real estate and construction' and in HSBC Bank plc (down $0.7bn). Additionally, there was a decrease of $0.5bn from the sale of our business in Argentina.

On a constant currency basis, gross loans and advances to banks decreased by $6.5bn, mainly driven by lower central bank balances and money market lending balances in our legal entities in Asia (down $9.1bn) and a decrease of $0.6bn from the sale of our business in Argentina. This was partly offset by higher balances in our legal entities in the Middle East (up $3.6bn).

The decrease in stage 2 exposures on a constant currency basis (down $19.5bn) was mainly driven by maturities, repayments and new downgrades to stage 3 exposures, primarily in Asia.

On a constant currency basis, stage 3 gross loans and advances to customers increased by $3.7bn, primarily driven by corporate and commercial exposure (up $3.8bn) driven by defaults in commercial real estate lending in Hong Kong, which are generally well collateralised. There was a decrease in the associated allowance for ECL due to write-offs of heavily-impaired exposures.

At 31 December 2024, the write-offs attributable to wholesale lending increased by $0.3bn to $2.9bn, compared with 31 December 2023.

The allowance for ECL attributable to loans and advances to banks and customers of $7.2bn at 31 December 2024 decreased by $1.0bn from $8.2bn at 31 December 2023. This included adverse foreign exchange movements of $0.2bn.

On a constant currency basis, the allowance for ECL attributable to corporate and commercial loans and advances decreased by $0.8bn, largely due to the write-offs of heavily-impaired exposures in 'real estate and construction', mainly in Hong Kong. The allowance for ECL attributable to loans and advances to non-bank financial institutions remained broadly stable.

On a reported basis, loan commitments and financial guarantees of $381.7bn decreased by $38.2bn compared with 31 December 2023. Excluding adverse foreign exchange movements of $14.0bn, financial nominal amounts decreased by $14.8bn, and corporate and commercial nominal amounts decreased by $9.4bn.

The allowance for ECL attributable to loan commitments and financial guarantees at 31 December 2024 remained unchanged at $0.4bn.

The table below provides a breakdown by industry sector and stage of the Group's gross carrying amount and allowances for ECL for wholesale loans and advances to banks and customers. Counterparties or exposures are classified when presenting comparable economic characteristics, or engaged in similar activities so that their collective ability to meet contractual obligations is uniformly affected by changes in economic, political or other conditions. Therefore, the industry classification does not adhere to Nomenclature des Activités Économiques dans la Communauté Européenne ('NACE'), which is applicable to other financial regulatory reporting.

Total wholesale lending for loans and advances to banks and customers by stage distribution

	Gross carrying amount					Allowance for ECL				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Corporate and commercial	**340,987**	**51,231**	**18,376**	**90**	**410,684**	**(463)**	**(1,358)**	**(4,883)**	**(51)**	**(6,755)**
– agriculture, forestry and fishing	5,437	1,314	282	—	7,033	(14)	(34)	(46)	—	(94)
– mining and quarrying	6,811	463	318	—	7,592	(6)	(7)	(32)	—	(45)
– manufacturing	70,987	10,250	1,466	21	82,724	(83)	(172)	(618)	(20)	(893)
– electricity, gas, steam and air-conditioning supply	15,277	971	209	—	16,457	(14)	(23)	(85)	—	(122)
– water supply, sewerage, waste management and remediation	2,530	388	43	—	2,961	(4)	(4)	(16)	—	(24)
– real estate and construction	63,794	17,320	8,887	62	90,063	(90)	(666)	(1,811)	(31)	(2,598)
– of which: commercial real estate	49,994	14,720	7,558	61	72,333	(67)	(604)	(1,355)	(29)	(2,055)
– wholesale and retail trade, repair of motor vehicles and motorcycles	66,977	8,125	2,725	3	77,830	(67)	(117)	(1,188)	—	(1,372)
– transportation and storage	18,589	3,637	417	—	22,643	(15)	(74)	(232)	—	(321)
– accommodation and food	11,406	1,718	1,610	—	14,734	(30)	(55)	(214)	—	(299)
– publishing, audiovisual and broadcasting	18,181	1,416	229	—	19,826	(42)	(55)	(61)	—	(158)
– professional, scientific and technical activities	23,044	2,436	644	4	26,128	(29)	(49)	(188)	—	(266)
– administrative and support services	17,671	1,707	739	—	20,117	(26)	(40)	(254)	—	(320)
– public administration and defence, compulsory social security	64	—	—	—	64	—	—	—	—	—
– education	1,361	192	43	—	1,596	(4)	(7)	(16)	—	(27)
– health and care	3,357	489	184	—	4,030	(8)	(18)	(25)	—	(51)
– arts, entertainment and recreation	1,817	171	78	—	2,066	(5)	(4)	(26)	—	(35)
– other services	6,470	491	327	—	7,288	(24)	(20)	(66)	—	(110)
– activities of households	582	7	—	—	589	—	—	—	—	—
– extra-territorial organisations and bodies activities	118	—	—	—	118	—	—	—	—	—
– government	6,495	123	175	—	6,793	(2)	—	(5)	—	(7)
– asset-backed securities	19	13	—	—	32	—	(13)	—	—	(13)
Non-bank financial institutions	79,687	2,098	679	—	82,464	(45)	(30)	(361)	—	(436)
Loans and advances to banks	101,852	198	2	—	102,052	(9)	(2)	(2)	—	(13)
At 31 Dec 2024	**522,526**	**53,527**	**19,057**	**90**	**595,200**	**(517)**	**(1,390)**	**(5,246)**	**(51)**	**(7,204)**
By legal entity										
HSBC UK Bank plc	81,630	12,772	3,356	—	97,758	(197)	(403)	(603)	—	(1,203)
HSBC Bank plc[1]	85,022	5,843	2,305	47	93,217	(54)	(111)	(752)	(22)	(939)
The Hongkong and Shanghai Banking Corporation Limited	279,535	27,078	11,483	39	318,135	(170)	(677)	(2,999)	(28)	(3,874)
HSBC Bank Middle East Limited	26,359	951	848	4	28,162	(20)	(6)	(463)	(1)	(490)
HSBC North America Holdings Inc.	30,107	4,665	503	—	35,275	(31)	(141)	(121)	—	(293)
Grupo Financiero HSBC, S.A. de C.V.	11,957	1,703	230	—	13,890	(35)	(48)	(128)	—	(211)
Other trading entities[1]	7,840	515	332	—	8,687	(10)	(4)	(180)	—	(194)
Holding companies, shared service centres and intra-Group eliminations	76	—	—	—	76	—	—	—	—	—
At 31 Dec 2024	**522,526**	**53,527**	**19,057**	**90**	**595,200**	**(517)**	**(1,390)**	**(5,246)**	**(51)**	**(7,204)**

1 At 31 December 2023, Other trading entities included gross carrying amount of $1,792m related to Private Banking entities that were reclassified to HSBC Bank plc to continue the process of simplifying our structure in 2024 and gross carrying amount of $1,169m related to our business in Argentina which was sold on 6 December 2024.

Total wholesale lending for loans and other credit-related commitments and financial guarantees to banks and customers by stage distribution[1]

	Nominal amount					Allowance for ECL				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Corporate and commercial	241,249	18,685	1,033	3	260,970	(118)	(121)	(98)	—	(337)
Financial	118,430	2,196	87	—	120,713	(10)	(5)	(3)	—	(18)
At 31 Dec 2024	**359,679**	**20,881**	**1,120**	**3**	**381,683**	**(128)**	**(126)**	**(101)**	**—**	**(355)**
By legal entity										
HSBC UK Bank plc	37,848	4,540	445	—	42,833	(27)	(36)	(57)	—	(120)
HSBC Bank plc	144,941	6,118	256	3	151,318	(21)	(30)	(21)	—	(72)
The Hongkong and Shanghai Banking Corporation Limited	72,860	3,973	99	—	76,932	(54)	(32)	(6)	—	(92)
HSBC Bank Middle East Limited	8,879	329	35	—	9,243	(5)	(1)	(10)	—	(16)
HSBC North America Holdings Inc.	91,314	5,723	226	—	97,263	(20)	(26)	(5)	—	(51)
HSBC Bank Canada	—	—	—	—	—	—	—	—	—	—
Grupo Financiero HSBC, S.A. de C.V.	2,334	53	—	—	2,387	(1)	(1)	—	—	(2)
Other trading entities	1,503	145	59	—	1,707	—	—	(2)	—	(2)
At 31 Dec 2024	**359,679**	**20,881**	**1,120**	**3**	**381,683**	**(128)**	**(126)**	**(101)**	**—**	**(355)**

1 Included in loans and other credit-related commitments and financial guarantees is $49bn relating to unsettled reverse repurchase agreements, which once drawn are classified as 'Reverse repurchase agreements – non-trading'.

Total wholesale lending for loans and advances to banks and customers by stage distribution (continued)

	Gross carrying amount					Allowance for ECL				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Corporate and commercial	342,878	69,738	14,958	81	427,655	(499)	(1,500)	(5,774)	(30)	(7,803)
– agriculture, forestry and fishing	5,207	1,662	312	—	7,181	(13)	(53)	(64)	—	(130)
– mining and quarrying	6,260	638	325	—	7,223	(7)	(11)	(83)	—	(101)
– manufacturing	69,690	13,744	1,877	22	85,333	(89)	(194)	(839)	(21)	(1,143)
– electricity, gas, steam and air-conditioning supply	12,817	1,283	255	—	14,355	(14)	(17)	(88)	—	(119)
– water supply, sewerage, waste management and remediation	2,753	407	102	—	3,262	(5)	(7)	(51)	—	(63)
– real estate and construction	73,701	21,871	5,835	48	101,455	(96)	(629)	(2,554)	(7)	(3,286)
– of which: commercial real estate	59,883	19,107	4,552	47	83,589	(73)	(603)	(2,091)	(7)	(2,774)
– wholesale and retail trade, repair of motor vehicles and motorcycles	66,083	10,676	2,358	4	79,121	(80)	(127)	(1,132)	(2)	(1,341)
– transportation and storage	17,117	3,894	445	—	21,456	(18)	(52)	(160)	—	(230)
– accommodation and food	9,681	5,135	1,058	—	15,874	(27)	(118)	(112)	—	(257)
– publishing, audiovisual and broadcasting	17,455	2,066	210	—	19,731	(42)	(81)	(50)	—	(173)
– professional, scientific and technical activities	22,686	3,327	733	7	26,753	(32)	(63)	(306)	—	(401)
– administrative and support services	19,055	2,551	597	—	22,203	(31)	(63)	(174)	—	(268)
– public administration and defence, compulsory social security	1,037	5	—	—	1,042	—	—	—	—	—
– education	1,137	277	46	—	1,460	(3)	(8)	(4)	—	(15)
– health and care	3,245	808	183	—	4,236	(9)	(21)	(26)	—	(56)
– arts, entertainment and recreation	1,666	196	99	—	1,961	(5)	(6)	(31)	—	(42)
– other services	7,065	972	318	—	8,355	(26)	(37)	(90)	—	(153)
– activities of households	684	10	—	—	694	—	—	—	—	—
– extra-territorial organisations and bodies activities	100	1	—	—	101	—	—	—	—	—
– government	5,420	202	205	—	5,827	(2)	—	(10)	—	(12)
– asset-backed securities	19	13	—	—	32	—	(13)	—	—	(13)
Non-bank financial institutions	69,972	3,650	810	—	74,432	(52)	(30)	(322)	—	(404)
Loans and advances to banks	111,479	1,436	2	—	112,917	(10)	(3)	(2)	—	(15)
At 31 Dec 2023	524,329	74,824	15,770	81	615,004	(561)	(1,533)	(6,098)	(30)	(8,222)
By legal entity										
HSBC UK Bank plc	76,793	18,735	3,769	—	99,297	(213)	(474)	(593)	—	(1,280)
HSBC Bank plc	82,025	8,452	2,673	40	93,190	(69)	(138)	(1,035)	(7)	(1,249)
The Hongkong and Shanghai Banking Corporation Limited	287,876	37,402	7,077	38	332,393	(185)	(696)	(3,349)	(21)	(4,251)
HSBC Bank Middle East Limited	21,927	1,598	894	3	24,422	(17)	(11)	(571)	(2)	(601)
HSBC North America Holdings Inc.	30,797	5,712	583	—	37,092	(24)	(145)	(127)	—	(296)
Grupo Financiero HSBC, S.A. de C.V.	13,714	1,186	382	—	15,282	(39)	(56)	(231)	—	(326)
Other trading entities	11,164	1,739	392	—	13,295	(14)	(13)	(192)	—	(219)
Holding companies, shared service centres and intra-Group eliminations	33	—	—	—	33	—	—	—	—	—
At 31 Dec 2023	524,329	74,824	15,770	81	615,004	(561)	(1,533)	(6,098)	(30)	(8,222)

Total wholesale lending for loans and other credit-related commitments and financial guarantees by stage distribution[1] (continued)

	Nominal amount					Allowance for ECL				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Corporate and commercial	256,367	22,218	1,066	4	279,655	(126)	(125)	(107)	—	(358)
Financial	135,039	5,111	103	—	140,253	(11)	(10)	(2)	—	(23)
At 31 Dec 2023	391,406	27,329	1,169	4	419,908	(137)	(135)	(109)	—	(381)
By legal entity										
HSBC UK Bank plc	31,982	5,760	350	—	38,092	(31)	(32)	(56)	—	(119)
HSBC Bank plc	148,980	9,466	310	4	158,760	(20)	(27)	(27)	—	(74)
The Hongkong and Shanghai Banking Corporation Limited	70,436	3,975	79	—	74,490	(59)	(39)	(16)	—	(114)
HSBC Bank Middle East Limited	6,944	323	56	—	7,323	(4)	(1)	(3)	—	(8)
HSBC North America Holdings Inc.	101,067	5,103	248	—	106,418	(14)	(27)	(1)	—	(42)
HSBC Bank Canada	28,156	2,461	66	—	30,683	(8)	(8)	(3)	—	(19)
Grupo Financiero HSBC, S.A. de C.V.	2,092	34	—	—	2,126	(1)	—	—	—	(1)
Other trading entities	1,749	207	60	—	2,016	—	(1)	(3)	—	(4)
At 31 Dec 2023	391,406	27,329	1,169	4	419,908	(137)	(135)	(109)	—	(381)

1 Included in loans and other credit-related commitments and financial guarantees is $70bn relating to unsettled reverse repurchase agreements, which once drawn are classified as 'Reverse repurchase agreements – non-trading'.

Wholesale lending – reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees

(Audited)

	Non-credit impaired				Credit impaired				Total	
	Stage 1		Stage 2		Stage 3		POCI			
	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
At 1 Jan 2024	**845,982**	**(698)**	**102,129**	**(1,668)**	**16,939**	**(6,207)**	**85**	**(30)**	**965,135**	**(8,603)**
Transfers of financial instruments:	**(17,606)**	**(214)**	**6,997**	**825**	**10,609**	**(611)**	**—**	**—**	**—**	**—**
– transfers from stage 1 to stage 2	(70,991)	173	70,991	(173)	—	—	—	—	—	—
– transfers from stage 2 to stage 1	55,182	(380)	(55,182)	380	—	—	—	—	—	—
– transfers to stage 3	(2,056)	7	(9,515)	636	11,571	(643)	—	—	—	—
– transfers from stage 3	259	(14)	703	(18)	(962)	32	—	—	—	—
Net remeasurement of ECL arising from transfer of stage	—	214	—	(226)	—	(12)	—	—	—	(24)
Net new and further lending/ repayments	58,044	(151)	(29,842)	311	(4,450)	1,219	7	(7)	23,759	1,372
Change to risk parameters – credit quality	—	112	—	(899)	—	(2,508)	—	(11)	—	(3,306)
Changes to models used for ECL calculation	—	39	—	105	—	—	—	—	—	144
Assets written off	—	—	—	—	(2,925)	2,925	—	—	(2,925)	2,925
Credit-related modifications that resulted in derecognition	—	—	—	—	—	—	—	—	—	—
Foreign exchange and others[1,2,3]	(53,384)	53	(4,996)	36	4	(153)	1	(3)	(58,375)	(67)
At 31 Dec 2024	**833,036**	**(645)**	**74,288**	**(1,516)**	**20,177**	**(5,347)**	**93**	**(51)**	**927,594**	**(7,559)**
ECL income statement change for the period		214		(709)		(1,301)		(18)		(1,814)
Recoveries										40
Others										(126)
Total ECL income statement change for the period										**(1,900)**

1 Total includes $2.9bn of gross carrying loans and advances to customers and banks, which were classified to assets held for sale during the year, and a corresponding allowance for ECL of $23m, reflecting business disposals as disclosed in Note 23 'Assets held for sale and liabilities of disposal groups held for sale' on page 411.
2 Total includes $28.9bn of nominal amount and $20m of corresponding allowance for ECL related to derecognition of loan commitments and financial guarantees following the sale of our banking business in Canada during 2024.
3 Total includes $0.3bn of nominal amount related to derecognition of loan commitments and financial guarantees following the sale of our banking business in Argentina during 2024.

As shown in the above table, the allowance for ECL for loans and advances to customers and banks and relevant loan commitments and financial guarantees decreased by $1,044m during the period from $8,603m at 31 December 2023 to $7,559m at 31 December 2024.

This decrease was driven by:

– $2,925m of assets written off;

– $1,372m relating to volume movements, which included the allowance for ECL associated with new originations, assets derecognised and further lending/repayments; and

– $144m relating to changes to models used for ECL calculation.

These were partly offset by:

– $3,306m relating to credit quality changes, including the credit quality impact of financial instruments transferring between stages;

– foreign exchange and other movements of $67m; and

– $24m relating to the net remeasurement impact of stage transfers.

The ECL charge for the period of $1,814m presented in the previous table consisted of $3,306m relating to credit quality changes, including the credit quality impact of financial instruments transferring between stages and $24m relating to the net remeasurement impact of stage transfers. This was partly offset by $1,372m relating to underlying net book volume movement and $144m in changes to models used for ECL calculation.

During the period, there was a net transfer between stage 1 and stage 2 of $15,809m gross carrying/nominal amounts. It was primarily driven by our entities in Asia ($12,878m), mainly due to deterioration in the real estate and construction sectors, and in our main entity in the US ($1,986m) and Mexico ($1,805m), partly offset by improvements in the economic outlook that led to upgrades to stage 1 exposures, primarily in our legal entities in the UK($3,077m).

A summary of basis of preparation is available on page 161.

Wholesale lending – reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees

(Audited)

	Non-credit impaired				Credit impaired				Total	
	Stage 1		Stage 2		Stage 3		POCI			
	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
At 1 Jan 2023	830,322	(670)	124,660	(2,205)	17,068	(6,144)	129	(38)	972,179	(9,057)
Transfers of financial instruments:	(16,804)	(429)	10,247	1,141	6,557	(712)	—	—	—	—
– transfers from stage 1 to stage 2	(93,511)	172	93,511	(172)	—	—	—	—	—	—
– transfers from stage 2 to stage 1	77,772	(605)	(77,772)	605	—	—	—	—	—	—
– transfers to stage 3	(1,444)	20	(6,255)	765	7,699	(785)	—	—	—	—
– transfers from stage 3	379	(16)	763	(57)	(1,142)	73	—	—	—	—
Net remeasurement of ECL arising from transfer of stage	—	354	—	(294)	—	(45)	—	—	—	15
Net new and further lending/ repayments	43,282	(138)	(32,082)	311	(3,787)	973	(36)	3	7,377	1,149
Changes to risk parameters – credit quality	—	203	—	(621)	—	(2,941)	—	21	—	(3,338)
Changes to models used for ECL calculation	—	(9)	—	25	—	—	—	—	—	16
Assets written off	—	—	—	—	(2,596)	2,596			(2,596)	2,596
Credit-related modifications that resulted in derecognition	—	—	—	—	(119)	95	—	—	(119)	95
Foreign exchange and others[1]	(10,818)	(9)	(696)	(25)	(184)	(29)	(8)	(16)	(11,706)	(79)
At 31 Dec 2023	845,982	(698)	102,129	(1,668)	16,939	(6,207)	85	(30)	965,135	(8,603)
ECL income statement change for the period		410		(579)		(2,013)		24		(2,158)
Recoveries										42
Others	—	—	—	—	—	—	—	—	—	(203)
Total ECL income statement change for the period										(2,319)

1 Total includes $13.5bn of gross carrying loans and advances to customers and banks, which were classified to assets held for sale during the year, and a corresponding allowance for ECL of $61m, reflecting business disposals as disclosed in Note 23 'Assets held for sale and liabilities of disposal groups held for sale' on page 411.

Wholesale lending – distribution of financial instruments to which the impairment requirements of IFRS 9 are applied by credit quality

	Gross carrying amount							
	Strong	**Good**	**Satisfactory**	**Sub-standard**	**Credit impaired**	**Total**	**Allowance for ECL**	**Net**
	$m	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
By legal entity								
HSBC UK Bank plc	**21,548**	**30,317**	**36,450**	**6,087**	**3,356**	**97,758**	**(1,203)**	**96,555**
HSBC Bank plc	**42,189**	**21,755**	**24,150**	**2,771**	**2,352**	**93,217**	**(939)**	**92,278**
The Hongkong and Shanghai Banking Corporation Limited	**157,900**	**69,084**	**71,651**	**7,978**	**11,522**	**318,135**	**(3,874)**	**314,261**
HSBC Bank Middle East Limited	**15,854**	**4,263**	**6,927**	**266**	**852**	**28,162**	**(490)**	**27,672**
HSBC North America Holdings Inc.	**6,095**	**11,726**	**13,967**	**2,984**	**503**	**35,275**	**(293)**	**34,982**
Grupo Financiero HSBC, S.A. de C.V.	**1,476**	**5,523**	**5,974**	**687**	**230**	**13,890**	**(211)**	**13,679**
Other trading entities	**2,432**	**1,072**	**4,563**	**288**	**332**	**8,687**	**(194)**	**8,493**
Holding companies, shared service centres and intra-Group eliminations	**76**	**—**	**—**	**—**	**—**	**76**	**—**	**76**
At 31 Dec 2024	**247,570**	**143,740**	**163,682**	**21,061**	**19,147**	**595,200**	**(7,204)**	**587,996**
Percentage of total credit quality (%)	**41.6**	**24.2**	**27.5**	**3.5**	**3.2**	**100.0**		
By legal entity								
HSBC UK Bank plc	20,777	30,245	36,206	8,300	3,769	99,297	(1,280)	98,017
HSBC Bank plc	41,149	20,962	24,164	4,202	2,713	93,190	(1,249)	91,941
The Hongkong and Shanghai Banking Corporation Limited	165,255	72,683	78,566	8,774	7,115	332,393	(4,251)	328,142
HSBC Bank Middle East Limited	13,660	3,082	6,270	513	897	24,422	(601)	23,821
HSBC North America Holdings Inc.	6,244	13,668	13,094	3,503	583	37,092	(296)	36,796
Grupo Financiero HSBC, S.A. de C.V.	1,853	6,543	5,882	622	382	15,282	(326)	14,956
Other trading entities	3,189	1,277	7,449	988	392	13,295	(219)	13,076
Holding companies, shared service centres and intra-Group eliminations	33	—	—	—	—	33	—	33
At 31 Dec 2023	252,160	148,460	171,631	26,902	15,851	615,004	(8,222)	606,782
Percentage of total credit quality (%)	41.0	24.1	27.9	4.4	2.6	100.0		

Our risk rating system facilitates the internal ratings-based approach under the Basel framework adopted by the Group to support calculation of our minimum credit regulatory capital requirement. The credit quality classifications can be found on page 139.

Wholesale lending – credit risk profile by obligor grade for loans and advances at amortised cost

		Gross carrying amount					Allowance for ECL						
	Basel one-year PD range	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	ECL coverage	Mapped external rating
	%	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	%	
Corporate and commercial		340,987	51,231	18,376	90	410,684	(463)	(1,358)	(4,883)	(51)	(6,755)	1.6	
– CRR 1	0.000 to 0.053	32,564	121	—	—	32,685	(3)	(5)	—	—	(8)	—	AA- and above
– CRR 2	0.054 to 0.169	79,350	2,469	—	—	81,819	(25)	(15)	—	—	(40)	—	A+ to A-
– CRR 3	0.170 to 0.740	111,229	7,556	—	—	118,785	(103)	(72)	—	—	(175)	0.1	BBB+ to BBB-
– CRR 4	0.741 to 1.927	73,050	12,591	—	—	85,641	(144)	(99)	—	—	(243)	0.3	BB+ to BB-
– CRR 5	1.928 to 4.914	40,391	12,673	—	—	53,064	(158)	(159)	—	—	(317)	0.6	BB- to B
– CRR 6	4.915 to 8.860	2,491	7,436	—	—	9,927	(16)	(190)	—	—	(206)	2.1	B-
– CRR 7	8.861 to 15.000	1,370	3,735	—	—	5,105	(7)	(172)	—	—	(179)	3.5	CCC+
– CRR 8	15.001 to 99.999	542	4,650	—	—	5,192	(7)	(646)	—	—	(653)	12.6	CCC to C
– CRR 9/10	100.000	—	—	18,376	90	18,466	—	—	(4,883)	(51)	(4,934)	26.7	D
Non-bank financial institutions		79,687	2,098	679	—	82,464	(45)	(30)	(361)	—	(436)	0.5	
– CRR 1	0.000 to 0.053	19,516	191	—	—	19,707	(1)	(1)	—	—	(2)	—	AA- and above
– CRR 2	0.054 to 0.169	20,572	166	—	—	20,738	(5)	—	—	—	(5)	—	A+ to A-
– CRR 3	0.170 to 0.740	20,370	330	—	—	20,700	(12)	(3)	—	—	(15)	0.1	BBB+ to BBB-
– CRR 4	0.741 to 1.927	12,987	502	—	—	13,489	(16)	(2)	—	—	(18)	0.1	BB+ to BB-
– CRR 5	1.928 to 4.914	6,058	390	—	—	6,448	(11)	(6)	—	—	(17)	0.3	BB- to B
– CRR 6	4.915 to 8.860	48	319	—	—	367	—	(8)	—	—	(8)	2.2	B-
– CRR 7	8.861 to 15.000	63	79	—	—	142	—	(1)	—	—	(1)	0.7	CCC+
– CRR 8	15.001 to 99.999	73	121	—	—	194	—	(9)	—	—	(9)	4.6	CCC to C
– CRR 9/10	100.000	—	—	679	—	679	—	—	(361)	—	(361)	53.2	D
Banks		101,852	198	2	—	102,052	(9)	(2)	(2)	—	(13)	—	
– CRR 1	0.000 to 0.053	79,213	53	—	—	79,266	(3)	—	—	—	(3)	—	AA- and above
– CRR 2	0.054 to 0.169	13,315	40	—	—	13,355	(2)	—	—	—	(2)	—	A+ to A-
– CRR 3	0.170 to 0.740	4,226	29	—	—	4,255	(2)	—	—	—	(2)	—	BBB+ to BBB-
– CRR 4	0.741 to 1.927	3,275	12	—	—	3,287	(1)	—	—	—	(1)	—	BB+ to BB-
– CRR 5	1.928 to 4.914	1,706	47	—	—	1,753	(1)	(1)	—	—	(2)	0.1	BB- to B
– CRR 6	4.915 to 8.860	10	1	—	—	11	—	—	—	—	—	—	B-
– CRR 7	8.861 to 15.000	107	13	—	—	120	—	—	—	—	—	—	CCC+
– CRR 8	15.001 to 99.999	—	3	—	—	3	—	(1)	—	—	(1)	33.3	CCC to C
– CRR 9/10	100.000	—	—	2	—	2	—	—	(2)	—	(2)	100.0	D
At 31 Dec 2024		522,526	53,527	19,057	90	595,200	(517)	(1,390)	(5,246)	(51)	(7,204)	1.2	

Wholesale lending – credit risk profile by obligor grade for loans and advances at amortised cost (continued)

	Basel one-year PD range	Gross carrying amount					Allowance for ECL					ECL coverage	Mapped external rating
		Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total		
	%	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	%	
Corporate and commercial		342,878	69,738	14,958	81	427,655	(499)	(1,500)	(5,774)	(30)	(7,803)	1.8	
– CRR 1	0.000 to 0.053	34,097	715	—	—	34,812	(4)	(3)	—	—	(7)	—	AA- and above
– CRR 2	0.054 to 0.169	81,131	2,180	—	—	83,311	(23)	(14)	—	—	(37)	—	A+ to A-
– CRR 3	0.170 to 0.740	112,322	11,391	—	—	123,713	(106)	(87)	—	—	(193)	0.2	BBB+ to BBB-
– CRR 4	0.741 to 1.927	72,654	16,904	—	—	89,558	(156)	(130)	—	—	(286)	0.3	BB+ to BB-
– CRR 5	1.928 to 4.914	37,631	18,060	—	—	55,691	(169)	(240)	—	—	(409)	0.7	BB- to B
– CRR 6	4.915 to 8.860	2,675	7,341	—	—	10,016	(24)	(176)	—	—	(200)	2.0	B-
– CRR 7	8.861 to 15.000	1,031	6,319	—	—	7,350	(10)	(246)	—	—	(256)	3.5	CCC+
– CRR 8[1]	15.001 to 99.999	1,337	6,828	—	—	8,165	(7)	(604)	—	—	(611)	7.5	CCC to C
– CRR 9/10	100.000	—	—	14,958	81	15,039	—	—	(5,774)	(30)	(5,804)	38.6	D
Non-bank financial institutions		69,972	3,650	810	—	74,432	(52)	(30)	(322)	—	(404)	0.5	
– CRR 1	0.000 to 0.053	15,475	211	—	—	15,686	(2)	—	—	—	(2)	—	AA- and above
– CRR 2	0.054 to 0.169	16,920	374	—	—	17,294	(6)	(2)	—	—	(8)	—	A+ to A-
– CRR 3	0.170 to 0.740	19,195	912	—	—	20,107	(10)	(4)	—	—	(14)	0.1	BBB+ to BBB-
– CRR 4	0.741 to 1.927	11,480	1,032	—	—	12,512	(19)	(5)	—	—	(24)	0.2	BB+ to BB-
– CRR 5	1.928 to 4.914	6,635	872	—	—	7,507	(9)	(15)	—	—	(24)	0.3	BB- to B
– CRR 6	4.915 to 8.860	232	116	—	—	348	(6)	(1)	—	—	(7)	2.0	B-
– CRR 7	8.861 to 15.000	25	93	—	—	118	—	(2)	—	—	(2)	1.7	CCC+
– CRR 8	15.001 to 99.999	10	40	—	—	50	—	(1)	—	—	(1)	2.0	CCC to C
– CRR 9/10	100.000	—	—	810	—	810	—	—	(322)	—	(322)	39.8	D
Banks		111,479	1,436	2	—	112,917	(10)	(3)	(2)	—	(15)	—	
– CRR 1	0.000 to 0.053	89,112	10	—	—	89,122	(4)	—	—	—	(4)	—	AA- and above
– CRR 2	0.054 to 0.169	11,899	36	—	—	11,935	(2)	—	—	—	(2)	—	A+ to A-
– CRR 3	0.170 to 0.740	4,631	9	—	—	4,640	(1)	—	—	—	(1)	—	BBB+ to BBB-
– CRR 4	0.741 to 1.927	2,488	58	—	—	2,546	(1)	—	—	—	(1)	—	BB+ to BB-
– CRR 5	1.928 to 4.914	3,062	755	—	—	3,817	(2)	(1)	—	—	(3)	0.1	BB- to B
– CRR 6	4.915 to 8.860	22	20	—	—	42	—	—	—	—	—	—	B-
– CRR 7	8.861 to 15.000	1	—	—	—	1	—	—	—	—	—	—	CCC+
– CRR 8	15.001 to 99.999	264	548	—	—	812	—	(2)	—	—	(2)	0.2	CCC to C
– CRR 9/10	100.000	—	—	2	—	2	—	—	(2)	—	(2)	100.0	D
At 31 Dec 2023		524,329	74,824	15,770	81	615,004	(561)	(1,533)	(6,098)	(30)	(8,222)	1.3	

1 Corporate and commercial lending reported in CRR 8 for stage 1 includes $782m related to the UK Bounce Back Loan Scheme with immaterial allowances for ECL.

Wholesale lending – credit risk profile by obligor grade for loan and other credit-related commitments and financial guarantees

	Basel one-year PD range	Nominal amount					Allowance for ECL					ECL coverage	Mapped external rating
		Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total		
	%	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	%	
Loan and other credit-related commitments		**345,742**	**19,495**	**872**	**3**	**366,112**	**(120)**	**(121)**	**(85)**	**—**	**(326)**	**0.1**	
– CRR 1	**0.000 to 0.053**	**92,090**	**89**	**—**	**—**	**92,179**	**(3)**	**—**	**—**	**—**	**(3)**	**—**	**AA- and above**
– CRR 2	**0.054 to 0.169**	**92,967**	**1,009**	**—**	**—**	**93,976**	**(12)**	**(2)**	**—**	**—**	**(14)**	**—**	**A+ to A-**
– CRR 3	**0.170 to 0.740**	**97,876**	**5,051**	**—**	**—**	**102,927**	**(38)**	**(15)**	**—**	**—**	**(53)**	**0.1**	**BBB+ to BBB-**
– CRR 4	**0.741 to 1.927**	**40,135**	**4,349**	**—**	**—**	**44,484**	**(28)**	**(22)**	**—**	**—**	**(50)**	**0.1**	**BB+ to BB-**
– CRR 5	**1.928 to 4.914**	**18,581**	**3,976**	**—**	**—**	**22,557**	**(26)**	**(22)**	**—**	**—**	**(48)**	**0.2**	**BB- to B**
– CRR 6	**4.915 to 8.860**	**1,828**	**2,297**	**—**	**—**	**4,125**	**(4)**	**(22)**	**—**	**—**	**(26)**	**0.6**	**B-**
– CRR 7	**8.861 to 15.000**	**1,378**	**678**	**—**	**—**	**2,056**	**(1)**	**(12)**	**—**	**—**	**(13)**	**0.6**	**CCC+**
– CRR 8	**15.001 to 99.999**	**887**	**2,046**	**—**	**—**	**2,933**	**(8)**	**(26)**	**—**	**—**	**(34)**	**1.2**	**CCC to C**
– CRR 9/10	**100.000**	**—**	**—**	**872**	**3**	**875**	**—**	**—**	**(85)**	**—**	**(85)**	**9.7**	**D**
Financial guarantees		**13,937**	**1,386**	**248**	**—**	**15,571**	**(8)**	**(5)**	**(16)**	**—**	**(29)**	**0.2**	
– CRR 1	**0.000 to 0.053**	**1,895**	**1**	**—**	**—**	**1,896**	**—**	**—**	**—**	**—**	**—**	**—**	**AA- and above**
– CRR 2	**0.054 to 0.169**	**4,326**	**12**	**—**	**—**	**4,338**	**(1)**	**—**	**—**	**—**	**(1)**	**—**	**A+ to A-**
– CRR 3	**0.170 to 0.740**	**4,137**	**71**	**—**	**—**	**4,208**	**(2)**	**—**	**—**	**—**	**(2)**	**—**	**BBB+ to BBB-**
– CRR 4	**0.741 to 1.927**	**2,106**	**286**	**—**	**—**	**2,392**	**(3)**	**—**	**—**	**—**	**(3)**	**0.1**	**BB+ to BB-**
– CRR 5	**1.928 to 4.914**	**1,295**	**478**	**—**	**—**	**1,773**	**(2)**	**(1)**	**—**	**—**	**(3)**	**0.2**	**BB- to B**
– CRR 6	**4.915 to 8.860**	**162**	**232**	**—**	**—**	**394**	**—**	**(1)**	**—**	**—**	**(1)**	**0.3**	**B-**
– CRR 7	**8.861 to 15.000**	**5**	**128**	**—**	**—**	**133**	**—**	**(2)**	**—**	**—**	**(2)**	**1.5**	**CCC+**
– CRR 8	**15.001 to 99.999**	**11**	**178**	**—**	**—**	**189**	**—**	**(1)**	**—**	**—**	**(1)**	**0.5**	**CCC to C**
– CRR 9/10	**100.000**	**—**	**—**	**248**	**—**	**248**	**—**	**—**	**(16)**	**—**	**(16)**	**6.5**	**D**
At 31 Dec 2024		**359,679**	**20,881**	**1,120**	**3**	**381,683**	**(128)**	**(126)**	**(101)**	**—**	**(355)**	**0.1**	

Wholesale lending – credit risk profile by obligor grade for loan and other credit-related commitments and financial guarantees (continued)

	Basel one-year PD range	Nominal amount					Allowance for ECL					ECL coverage	Mapped external rating
		Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total		
	%	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	%	
Loan and other credit-related commitments		377,766	25,463	785	4	404,018	(130)	(128)	(84)	—	(342)	0.1	
– CRR 1	0.000 to 0.053	65,730	1,676	—	—	67,406	(5)	(1)	—	—	(6)	—	AA- and above
– CRR 2	0.054 to 0.169	152,224	2,490	—	—	154,714	(13)	(6)	—	—	(19)	—	A+ to A-
– CRR 3	0.170 to 0.740	105,569	6,044	—	—	111,613	(46)	(24)	—	—	(70)	0.1	BBB+ to BBB-
– CRR 4	0.741 to 1.927	38,102	4,751	—	—	42,853	(33)	(20)	—	—	(53)	0.1	BB+ to BB-
– CRR 5	1.928 to 4.914	14,054	5,367	—	—	19,421	(28)	(31)	—	—	(59)	0.3	BB- to B
– CRR 6	4.915 to 8.860	1,170	2,453	—	—	3,623	(4)	(15)	—	—	(19)	0.5	B-
– CRR 7	8.861 to 15.000	780	848	—	—	1,628	(1)	(10)	—	—	(11)	0.7	CCC+
– CRR 8	15.001 to 99.999	137	1,834	—	—	1,971	—	(21)	—	—	(21)	1.1	CCC to C
– CRR 9/10	100.000	—	—	785	4	789	—	—	(84)	—	(84)	10.6	D
Financial guarantees		13,640	1,866	384	—	15,890	(7)	(7)	(25)	—	(39)	0.2	
– CRR 1	0.000 to 0.053	2,553	1	—	—	2,554	—	—	—	—	—	—	AA- and above
– CRR 2	0.054 to 0.169	4,212	202	—	—	4,414	(1)	—	—	—	(1)	—	A+ to A-
– CRR 3	0.170 to 0.740	3,584	202	—	—	3,786	(2)	—	—	—	(2)	0.1	BBB+ to BBB-
– CRR 4	0.741 to 1.927	1,932	407	—	—	2,339	(2)	(1)	—	—	(3)	0.1	BB+ to BB-
– CRR 5	1.928 to 4.914	1,266	455	—	—	1,721	(2)	(2)	—	—	(4)	0.2	BB- to B
– CRR 6	4.915 to 8.860	91	387	—	—	478	—	(1)	—	—	(1)	0.2	B-
– CRR 7	8.861 to 15.000	1	76	—	—	77	—	—	—	—	—	—	CCC+
– CRR 8	15.001 to 99.999	1	136	—	—	137	—	(3)	—	—	(3)	2.2	CCC to C
– CRR 9/10	100.000	—	—	384	—	384	—	—	(25)	—	(25)	6.5	D
At 31 Dec 2023		391,406	27,329	1,169	4	419,908	(137)	(135)	(109)	—	(381)	0.1	

Commercial real estate

Commercial real estate ('CRE') lending includes the financing of corporate, institutional and high net worth customers who are investing primarily in income-producing assets and, to a lesser extent, in their construction and development. The portfolio has larger concentrations in Hong Kong, the UK and mainland China.

Our global exposure is centred largely on cities with economic, political or cultural significance. In more developed markets, our exposure mainly comprises the financing of investment assets, the redevelopment of existing stock and the augmentation of both commercial and residential markets to support economic and population growth. In less developed commercial real estate markets, our exposures comprise lending for development assets on relatively short tenors with a particular focus on supporting larger, better-capitalised developers involved in residential construction or assets supporting economic expansion.

Excluding favourable foreign exchange movements of $1.1bn, commercial real estate lending decreased by $10.1bn, mainly from $6.4bn in our entities in Hong Kong due to loan repayments and write-offs.

Commercial real estate lending to customers

	HSBC UK Bank plc	HSBC Bank plc	The Hongkong and Shanghai Banking Corporation Limited	HSBC Bank Middle East Limited	HSBC North America Holdings Inc.	Grupo Financiero HSBC, S.A. de C.V.	Other trading entities	Total	of which: UK	of which: Hong Kong	of which: Hong Kong excluding exposure to mainland China borrowers
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Gross loans and advances											
Stage 1	**9,394**	**3,285**	**34,337**	**1,136**	**1,420**	**380**	**42**	**49,994**	**9,758**	**22,643**	**22,132**
Stage 2	**4,052**	**313**	**9,103**	**–**	**1,184**	**67**	**1**	**14,720**	**4,112**	**7,619**	**6,515**
Stage 3	**492**	**213**	**6,451**	**117**	**240**	**22**	**23**	**7,558**	**492**	**5,967**	**4,554**
POCI	**–**	**43**	**18**	**–**	**–**	**–**	**–**	**61**	**43**	**18**	**–**
At 31 Dec 2024	**13,938**	**3,854**	**49,909**	**1,253**	**2,844**	**469**	**66**	**72,333**	**14,405**	**36,247**	**33,201**
– of which: forborne loans	**502**	**54**	**3,087**	**116**	**273**	**19**	**23**	**4,074**	**545**	**2,729**	
Allowance for ECL	**(203)**	**(72)**	**(1,627)**	**(23)**	**(103)**	**(8)**	**(19)**	**(2,055)**	**(227)**	**(1,418)**	**(405)**

Risk review

Commercial real estate lending to customers (continued)

	HSBC UK Bank plc	HSBC Bank plc	The Hongkong and Shanghai Banking Corporation Limited	HSBC Bank Middle East Limited	HSBC North America Holdings Inc.	Grupo Financiero HSBC, S.A. de C.V.	Other trading entities	Total	of which: UK	of which: Hong Kong	of which: Hong Kong excluding exposure to mainland China borrowers
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Gross loans and advances											
Stage 1	10,304	4,218	41,307	1,126	1,803	685	440	59,883	10,790	28,846	27,560
Stage 2	3,262	400	13,229	189	1,956	70	1	19,107	3,294	10,375	8,681
Stage 3	444	184	3,570	145	166	25	18	4,552	470	3,226	576
POCI	—	32	15	—	—	—	—	47	32	15	—
At 31 Dec 2023	14,010	4,834	58,121	1,460	3,925	780	459	83,589	14,586	42,462	36,817
– of which: forborne loans	461	69	2,454	126	433	52	—	3,595	519	2,227	
Allowance for ECL	(148)	(49)	(2,399)	(55)	(98)	(15)	(10)	(2,774)	(172)	(2,149)	(296)

Commercial real estate gross loans and advances to customers by global business

	HSBC UK Bank plc	HSBC Bank plc	The Hongkong and Shanghai Banking Corporation Limited	HSBC Bank Middle East Limited	HSBC North America Holdings Inc.	Grupo Financiero HSBC, S.A. de C.V.	Other trading entities	Total	of which: UK	of which: Hong Kong
	$m	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Wealth and Personal Banking[1]	**325**	**273**	**37**	**—**	**2**	**—**	**—**	**637**	**469**	**37**
Commercial Banking	**13,613**	**2,757**	**33,551**	**695**	**2,842**	**469**	**66**	**53,993**	**13,640**	**24,473**
Global Banking and Markets	**—**	**824**	**16,183**	**558**	**—**	**—**	**—**	**17,565**	**296**	**11,599**
Corporate Centre	**—**	**—**	**138**	**—**	**—**	**—**	**—**	**138**	**—**	**138**
At 31 Dec 2024	**13,938**	**3,854**	**49,909**	**1,253**	**2,844**	**469**	**66**	**72,333**	**14,405**	**36,247**
Wealth and Personal Banking[1]	409	377	66	—	2	—	423	1,277	409	66
Commercial Banking	13,601	3,322	37,826	733	3,923	780	36	60,221	13,686	27,811
Global Banking and Markets	—	1,135	20,066	727	—	—	—	21,928	491	14,444
Corporate Centre	—	—	163	—	—	—	—	163	—	141
At 31 Dec 2023	14,010	4,834	58,121	1,460	3,925	780	459	83,589	14,586	42,462

1 Comprised exclusively by exposures in Global Private Banking.

Commercial real estate gross loans and advances to customers by credit quality

									of which:		
	HSBC UK Bank plc	HSBC Bank plc	The Hongkong and Shanghai Banking Corporation Limited	HSBC Bank Middle East Limited	HSBC North America Holdings Inc.	Grupo Financiero HSBC, S.A. de C.V.	Other trading entities	Total	UK	Hong Kong	of which: Hong Kong excluding exposure to mainland China borrowers
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Strong	**4,663**	**739**	**9,106**	**137**	**—**	**18**	**42**	**14,705**	**4,875**	**4,522**	**4,484**
Good	**2,098**	**1,430**	**16,113**	**407**	**566**	**111**	**—**	**20,725**	**2,107**	**10,421**	**9,754**
Satisfactory	**5,770**	**1,312**	**13,556**	**592**	**1,423**	**283**	**—**	**22,936**	**5,948**	**10,850**	**10,716**
Sub-standard	**915**	**117**	**4,665**	**—**	**615**	**35**	**1**	**6,348**	**940**	**4,469**	**3,693**
Credit impaired	**492**	**256**	**6,469**	**117**	**240**	**22**	**23**	**7,619**	**535**	**5,985**	**4,554**
At 31 Dec 2024	**13,938**	**3,854**	**49,909**	**1,253**	**2,844**	**469**	**66**	**72,333**	**14,405**	**36,247**	**33,201**
Strong	3,940	740	12,394	255	25	65	16	17,435	4,191	6,527	6,118
Good	2,555	2,054	17,777	246	781	130	18	23,561	2,592	12,004	11,262
Satisfactory	6,370	1,642	19,509	634	1,691	500	407	30,753	6,575	16,290	15,759
Sub-standard	701	182	4,856	180	1,262	60	—	7,241	726	4,400	3,102
Credit impaired	444	216	3,585	145	166	25	18	4,599	502	3,241	576
At 31 Dec 2023	14,010	4,834	58,121	1,460	3,925	780	459	83,589	14,586	42,462	36,817

The Hong Kong CRE portfolio (excluding exposure to mainland China borrowers) saw negative credit migration in 2024 as a result of higher interest rates, high inventory levels and weak demand. This was predominantly driven by a deterioration in the secured portfolio as borrowers sought payment deferrals to accommodate debt serviceability challenges.

Secured exposures account for 54% of the total portfolio (31 December 2023: 54%), with collateral values regularly updated in line with our existing practice. The trend of loan right-sizing and borrower deleveraging within the secured portfolio has supported good collateral coverage levels that continue to provide headroom in the event of a further softening of property valuations. As at 31 December 2024, the weighted average LTV:

- of performing exposures rated ‘sub-standard’ was 46% (31 December 2023: 54%);
- of ‘credit impaired’ exposures was 58% (31 December 2023: 71%). This has driven relatively low levels of stage 3 allowance for ECL. The reduction in LTV reflects the significantly smaller 'credit impaired' portfolio at 31 December 2023.

The unsecured portfolio remained stable in size and quality, with limited levels of default and close to 90% rated Strong or Good. Unsecured exposures are typically granted to strong, listed Hong Kong CRE developers, which commonly are members of conglomerate groups with diverse cashflows. We continue to closely assess and manage the risk in the portfolio, including through portfolio reviews and stress testing. Vulnerable borrowers, including those with debt serviceability challenges and higher LTV levels, are subject to heightened monitoring and management.

Market conditions remain challenging, particularly for commercial property as a result of continued weakness in demand. The performance of the residential market remains mixed, with some initial improvement in sentiment and transaction levels observed in the fourth quarter of 2024, driven by a further easing of real estate regulatory policies in October and improved end-user affordability as prices and interest rates fell. Nevertheless, property price pressure is likely to persist in the near term and until economic conditions and sentiment improve. Given the more uncertain interest rate outlook, we expect broader market fundamentals to remain subdued and challenges in this sector to continue.

Refinance risk in commercial real estate

Commercial real estate lending tends to require the repayment of a significant proportion of the principal at maturity. Typically, a customer will arrange repayment through the acquisition of a new loan to settle the existing debt. Refinance risk is the risk that a customer, being unable to repay the debt on maturity, fails to refinance it at commercial terms. We monitor our commercial real estate portfolio closely, assessing indicators for signs of potential issues with refinancing.

Maturity analysis commercial real estate gross loans and advances to customers

									of which:	
	HSBC UK Bank plc	HSBC Bank plc	The Hongkong and Shanghai Banking Corporation Limited	HSBC Bank Middle East Limited	HSBC North America Holdings Inc.	Grupo Financiero HSBC, S.A. de C.V.	Other trading entities	Total	UK	Hong Kong
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
< 1 year	**3,488**	**846**	**22,244**	**455**	**1,084**	**111**	**20**	**28,248**	**3,826**	**18,204**
1–2 years	**3,303**	**876**	**11,213**	**162**	**603**	**142**	**6**	**16,305**	**3,373**	**7,196**
2–5 years	**6,634**	**1,600**	**14,079**	**447**	**1,145**	**143**	**40**	**24,088**	**6,685**	**9,254**
> 5 years	**513**	**532**	**2,373**	**189**	**12**	**73**	**—**	**3,692**	**521**	**1,593**
At 31 Dec 2024	**13,938**	**3,854**	**49,909**	**1,253**	**2,844**	**469**	**66**	**72,333**	**14,405**	**36,247**
< 1 year	3,553	1,496	25,427	396	1,472	619	437	33,400	3,950	19,887
1–2 years	4,514	474	14,144	175	623	60	2	19,992	4,571	10,923
2–5 years	5,411	2,149	16,052	441	1,814	71	3	25,941	5,520	9,885
> 5 years	532	715	2,498	448	16	30	17	4,256	545	1,767
At 31 Dec 2023	14,010	4,834	58,121	1,460	3,925	780	459	83,589	14,586	42,462

The following table presents the Group's exposure to borrowers classified in the commercial real estate sector where the ultimate parent is based in mainland China, as well as all commercial real estate exposures booked on mainland China balance sheets. In addition to CRE as defined in our primary CRE disclosure above, this table includes financing provided to a corporate or financial entity for the purchase or financing of a property which supports the overall operations of the business. This provides a more comprehensive view of our mainland China CRE exposures. The exposures at 31 December 2024 are split by country/territory and credit quality including allowances for ECL by stage.

Mainland China commercial real estate

(Audited)

	Hong Kong	Mainland China	Rest of the Group	Total
	$m	$m	$m	$m
Loans and advances to customers[1]	**3,161**	**3,694**	**303**	**7,158**
Guarantees issued and others[2]	**80**	**16**	**5**	**101**
Total mainland China commercial real estate exposure at 31 Dec 2024	**3,241**	**3,710**	**308**	**7,259**
Distribution of mainland China commercial real estate exposure by credit quality				
Strong	**118**	**1,817**	**109**	**2,044**
Good	**578**	**595**	**1**	**1,174**
Satisfactory	**196**	**899**	**49**	**1,144**
Sub-standard	**777**	**136**	**149**	**1,062**
Credit impaired	**1,572**	**263**	**—**	**1,835**
At 31 Dec 2024	**3,241**	**3,710**	**308**	**7,259**
Allowance for ECL by credit quality				
Strong	**—**	**(4)**	**—**	**(4)**
Good	**—**	**(3)**	**—**	**(3)**
Satisfactory	**—**	**(13)**	**—**	**(13)**
Sub-standard	**(261)**	**(30)**	**(17)**	**(308)**
Credit impaired	**(749)**	**(81)**	**—**	**(830)**
At 31 Dec 2024	**(1,010)**	**(131)**	**(17)**	**(1,158)**
Allowance for ECL by stage distribution				
Stage 1	**—**	**(9)**	**—**	**(9)**
Stage 2	**(261)**	**(41)**	**(17)**	**(319)**
Stage 3	**(743)**	**(81)**	**—**	**(824)**
POCI	**(6)**	**—**	**—**	**(6)**
At 31 Dec 2024	**(1,010)**	**(131)**	**(17)**	**(1,158)**
ECL coverage %	**31.2**	**3.5**	**5.5**	**16.0**
Loans and advances to customers[1]	6,033	4,917	839	11,789
Guarantees issued and others[2]	255	66	37	358
Total mainland China commercial real estate exposure at 31 Dec 2023	6,288	4,983	876	12,147
Distribution of mainland China commercial real estate exposure by credit quality				
Strong	781	1,723	6	2,510
Good	604	953	421	1,978
Satisfactory	679	1,704	261	2,644
Sub-standard	1,298	327	188	1,813
Credit impaired	2,926	276	—	3,202
At 31 Dec 2023	6,288	4,983	876	12,147
Allowance for ECL by credit quality				
Strong	—	(3)	—	(3)
Good	—	(5)	(1)	(6)
Satisfactory	(3)	(27)	—	(30)
Sub-standard	(66)	(87)	(16)	(169)
Credit impaired	(1,726)	(125)	—	(1,851)
At 31 Dec 2023	(1,795)	(247)	(17)	(2,059)
Allowance for ECL by stage distribution				
Stage 1	—	(10)	—	(10)
Stage 2	(69)	(112)	(17)	(198)
Stage 3	(1,726)	(125)	—	(1,851)
At 31 Dec 2023	(1,795)	(247)	(17)	(2,059)
ECL coverage %	28.5	5.0	1.9	17.0

1 Amounts represent gross carrying amount.
2 Amounts represent nominal amount for guarantees and other contingent liabilities.

(Unaudited)

The mainland China commercial real estate portfolio continues to face challenges as market fundamentals remain weak and refinancing risks continue. The portfolio remains closely managed, with reductions in exposures driven by a combination of de-risking measures, repayments by performing customers and write-offs in the 'credit impaired' category.

The portfolio of mainland China CRE loans booked in Hong Kong remains relatively higher risk, with allowances for ECL substantially against unsecured exposures. For secured exposures, allowances for ECL are minimal, reflecting the nature and value of the security held.

Approximately half of the performing exposure in the mainland China CRE portfolio booked in Hong Kong is lending to state-owned enterprises and relatively strong privately-owned enterprises. This is reflected in the relatively low allowances for ECL in this part of the portfolio.

Mainland China real estate market activity remains depressed with continued weakness in underlying buyer demand for housing. Various government stimulus measures were introduced in 2024 to underpin market confidence. Despite some early signs of price stabilisation in certain cities, these measures have not yet triggered a meaningful recovery in transaction levels. Financing conditions and liquidity for borrowers operating in the real estate sector therefore remains constrained, particularly for privately-owned enterprises. A market recovery is likely to be protracted and contingent on further government support.

The Group has additional exposures to mainland China commercial real estate as a result of lending to multinational corporates booked outside of mainland China, which is not incorporated in the table above.

Collateral and other credit enhancements

(Audited)

Although collateral can be an important mitigant of credit risk, it is the Group's practice to lend on the basis of the customer's ability to meet their obligations out of cash flow resources rather than placing primary reliance on collateral and other credit risk enhancements. Depending on the customer's standing and the type of product, facilities may be provided without any collateral or other credit enhancements. For other lending, a charge over collateral is obtained and considered in determining the credit decision and pricing. In the event of default, the Group may utilise the collateral as a source of repayment.

Depending on its form, collateral can have a significant financial effect in mitigating our exposure to credit risk. Where there is sufficient collateral, an expected credit loss is not recognised. This is the case for reverse repurchase agreements and for certain loans and advances to customers where the loan to value ('LTV') is very low.

Mitigants may include a charge on borrowers' specific assets, such as real estate or financial instruments. Other credit risk mitigants include short positions in securities and financial assets held as part of linked insurance/investment contracts where the risk is predominantly borne by the policyholder. Additionally, risk may be managed by employing other types of collateral and credit risk enhancements, such as second charges, other liens and unsupported guarantees. Guarantees are normally taken from corporates and export credit agencies. Corporates would normally provide guarantees as part of a parent/subsidiary relationship and span a number of credit grades. The export credit agencies will normally be investment grade.

Certain credit mitigants are used strategically in portfolio management activities. While single name concentrations arise in portfolios managed by Global Banking and Corporate Banking, it is only in Global Banking that their size requires the use of portfolio level credit mitigants. Across Global Banking, risk limits and utilisations, maturity profiles and risk quality are monitored and managed proactively. This process is key to the setting of risk appetite for these larger, more complex, geographically distributed customer groups. While the principal form of risk management continues to be at the point of exposure origination, through the lending decision-making process, Global Banking also utilises loan sales and credit default swap ('CDS') hedges to manage concentrations and reduce risk.

These transactions are the responsibility of a dedicated Global Banking portfolio management team. Hedging activity is carried out within agreed credit parameters, and is subject to market risk limits and a robust governance structure. Where applicable, CDSs are entered into directly with a central clearing house counterparty. Otherwise, the Group's exposure to CDS protection providers is diversified among mainly banking counterparties with strong credit ratings.

CDS mitigants are held at portfolio level and are not included in the expected credit loss calculations. CDS mitigants are not reported in the following tables.

Collateral on loans and advances

Collateral held is analysed separately for commercial real estate and for other corporate, commercial and financial (non-bank) lending. The following tables include off-balance sheet loan commitments, primarily undrawn credit lines.

The collateral measured in the following tables consists of fixed first charges on real estate, and charges over cash and marketable financial instruments. The values in the tables represent the expected market value on an open market basis, actual values realised are a function of market conditions. No adjustment has been made to the collateral for any expected costs of recovery. Marketable securities are measured at their fair value.

Other types of collateral, such as unsupported guarantees and floating charges over the assets of a customer's business, are not measured in the following tables. While such mitigants have value, often providing rights in insolvency, their assignable value is not sufficiently certain and they are therefore assigned no value for disclosure purposes.

The LTV ratios presented are calculated by directly associating loans and advances with the collateral that individually and uniquely supports each facility. When collateral assets are shared by multiple loans and advances, whether specifically or, more generally, by way of an all monies charge, the collateral value is pro-rated across the loans and advances protected by the collateral.

For credit-impaired loans, the collateral values cannot be directly compared with impairment allowances recognised. The LTV figures use open market values with no adjustments, actual values realised are a function of market conditions. Impairment allowances are calculated on a different basis, by considering other cash flows and adjusting collateral values for costs of realising collateral as explained further on page 359.

Commercial real estate loans and advances

The value of commercial real estate collateral is determined by using a combination of external and internal valuations and physical inspections. For commercial real estate, where the facility exceeds regulatory threshold requirements, Group policy requires an independent review of the valuation at least every three years, or more frequently as the need arises.

In Hong Kong, market practice is typically for lending to major property companies to be either secured by guarantees or unsecured. In Europe, facilities of a working capital nature are generally not secured by a first fixed charge, and are therefore disclosed as not collateralised.

Wholesale lending – commercial real estate loans and advances to customers including loan commitments by level of collateral for key countries/territories (by stage)

(Audited)

	Gross carrying/nominal amount					ECL coverage				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
	$m	$m	$m	$m	$m	%	%	%	%	%
Not collateralised	36,168	4,709	1,704	—	42,581	0.1	9.0	47.5	—	3.0
Fully collateralised by LTV ratio	37,090	11,909	5,254	—	54,253	0.1	1.7	7.8	—	1.2
– less than 50%	20,522	5,154	2,413	—	28,089	0.1	1.7	5.7	—	0.9
– 51% to 75%	11,392	3,840	1,691	—	16,923	0.1	2.2	7.6	—	1.3
– 76% to 90%	2,554	2,277	767	—	5,598	0.1	0.9	12.5	—	2.1
– 91% to 100%	2,622	638	383	—	3,643	0.2	2.3	12.3	—	1.8
Partially collateralised (A): LTV > 100%	2,119	698	815	64	3,696	0.2	2.8	19.7	45.8	5.8
– collateral value on A	1,255	457	570	29	2,311					
Total at 31 Dec 2024	**75,377**	**17,316**	**7,773**	**64**	**100,530**	**0.1**	**3.8**	**17.7**	**45.8**	**2.1**
of which: UK										
Not collateralised	4,487	1,890	127	—	6,504	0.4	3.8	27.8	—	1.9
Fully collateralised by LTV ratio	9,139	3,194	305	—	12,638	0.2	1.1	8.2	—	0.6
– less than 50%	2,903	761	160	—	3,824	0.2	1.5	8.0	—	0.8
– 51% to 75%	4,202	1,693	69	—	5,964	0.2	1.2	12.0	—	0.6
– 76% to 90%	1,173	732	24	—	1,929	0.1	0.4	10.2	—	0.3
– 91% to 100%	861	8	52	—	921	0.1	7.7	2.7	—	0.3
Partially collateralised (B): LTV > 100%	503	565	119	46	1,233	0.2	2.9	21.1	48.6	5.3
– collateral value on B	296	350	69	26	741					
Total UK at 31 Dec 2024	**14,129**	**5,649**	**551**	**46**	**20,375**	**0.2**	**2.2**	**15.5**	**48.6**	**1.3**
of which: Hong Kong										
Not collateralised	16,380	2,312	1,404	—	20,096	—	14.3	47.9	—	5.0
Fully collateralised by LTV ratio	17,115	6,045	4,127	—	27,287	0.1	1.4	5.8	—	1.2
– less than 50%	12,935	3,589	2,102	—	18,626	0.1	1.3	3.8	—	0.7
– 51% to 75%	3,534	1,059	1,243	—	5,836	0.1	2.2	6.2	—	1.8
– 76% to 90%	336	1,050	654	—	2,040	0.1	1.1	11.8	—	4.4
– 91% to 100%	310	347	128	—	785	—	0.5	2.4	—	0.6
Partially collateralised (C): LTV > 100%	185	62	562	18	827	—	1.9	17.6	38.1	12.9
– collateral value on C	119	41	397	3	560					
Total Hong Kong at 31 Dec 2024	**33,680**	**8,419**	**6,093**	**18**	**48,210**	**—**	**4.9**	**16.6**	**38.1**	**3.0**
Not collateralised	36,754	5,128	2,543	—	44,425	0.1	3.9	72.4	—	4.7
Fully collateralised by LTV ratio	46,212	15,177	1,963	—	63,352	0.1	2.5	12.0	—	1.0
– less than 50%	24,391	7,413	574	—	32,378	0.1	1.9	13.1	—	0.7
– 51% to 75%	16,086	5,240	657	—	21,983	0.1	3.1	9.3	—	1.1
– 76% to 90%	3,140	1,437	454	—	5,031	0.1	3.5	11.8	—	2.1
– 91% to 100%	2,595	1,087	278	—	3,960	0.2	2.3	16.6	—	1.9
Partially collateralised (A): LTV > 100%	7,075	1,487	156	50	8,768	0.1	1.8	30.2	14.5	1.0
– collateral value on A	4,004	1,061	115	26	5,206					
Total at 31 Dec 2023	90,041	21,792	4,662	50	116,545	0.1	2.8	45.6	14.5	2.4
of which: UK										
Not collateralised	4,644	1,288	97	—	6,029	0.4	2.0	12.4	—	0.9
Fully collateralised by LTV ratio	9,762	2,512	295	—	12,569	0.1	1.3	13.9	—	0.7
– less than 50%	3,514	507	51	—	4,072	0.1	1.9	21.6	—	0.6
– 51% to 75%	4,826	1,418	103	—	6,347	0.1	1.1	16.4	—	0.6
– 76% to 90%	749	292	80	—	1,121	0.1	1.3	14.9	—	1.5
– 91% to 100%	673	295	61	—	1,029	0.1	1.6	1.9	—	0.6
Partially collateralised (B): LTV > 100%	1,580	239	82	35	1,936	0.1	1.1	34.2	20.7	2.0
– collateral value on B	524	171	62	17	774					
Total UK at 31 Dec 2023	15,986	4,039	474	35	20,534	0.2	1.5	17.1	20.7	0.9
of which: Hong Kong										
Not collateralised	16,889	2,323	2,215	—	21,427	—	6.5	78.7	—	8.8
Fully collateralised by LTV ratio	20,783	8,447	989	—	30,219	—	2.1	5.0	—	0.8
– less than 50%	15,425	5,604	294	—	21,323	—	1.5	1.4	—	0.5
– 51% to 75%	4,102	2,140	312	—	6,554	0.1	3.8	2.1	—	1.4
– 76% to 90%	657	619	315	—	1,591	0.1	1.8	8.0	—	2.3
– 91% to 100%	599	84	68	—	751	—	0.1	20.5	—	1.9
Partially collateralised (C): LTV > 100%	1,770	616	52	15	2,453	—	0.8	24.5	—	0.7
– collateral value on C	1,569	535	39	8	2,151					
Total Hong Kong at 31 Dec 2023	39,442	11,386	3,256	15	54,099	—	2.9	55.5	—	4.0

Other corporate, commercial and financial (non-bank) loans and advances

Other corporate, commercial and financial (non-bank) loans are analysed separately in the following table, which focuses on the countries/territories containing the majority of our loans and advances balances. For financing activities in other corporate and commercial lending, collateral value is not strongly correlated to principal repayment performance.

Collateral values are generally refreshed when an obligor's general credit performance deteriorates and we have to assess the likely performance of secondary sources of repayment should it prove necessary to rely on them.

Wholesale lending – other corporate, commercial and financial (non-bank) loans and advances including loan commitments by level of collateral for key countries/territories (by stage)

(Audited)

	Gross carrying/nominal amount					ECL coverage				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
	$m	$m	$m	$m	$m	%	%	%	%	%
Not collateralised	**713,028**	**62,844**	**6,870**	**5**	**782,747**	**0.1**	**0.9**	**41.5**	**14.2**	**0.5**
Fully collateralised by LTV ratio	**87,488**	**11,992**	**3,394**	**21**	**102,895**	**0.1**	**2.0**	**8.0**	**98.1**	**0.6**
– less than 50%	**39,432**	**4,360**	**1,703**	**—**	**45,495**	**0.1**	**1.6**	**6.9**	**—**	**0.5**
– 51% to 75%	**20,169**	**4,643**	**778**	**21**	**25,611**	**0.1**	**2.8**	**12.0**	**98.1**	**1.0**
– 76% to 90%	**9,016**	**1,515**	**512**	**—**	**11,043**	**0.1**	**1.6**	**7.1**	**—**	**0.6**
– 91% to 100%	**18,871**	**1,474**	**401**	**—**	**20,746**	**—**	**0.8**	**6.3**	**—**	**0.2**
Partially collateralised (A): LTV > 100%	**51,536**	**5,772**	**2,411**	**3**	**59,722**	**0.1**	**0.8**	**34.3**	**7.0**	**1.5**
– collateral value on A	**22,800**	**2,519**	**1,162**	**1**	**26,482**					
Total at 31 Dec 2024	**852,052**	**80,608**	**12,675**	**29**	**945,364**	**0.1**	**1.1**	**31.2**	**72.8**	**0.6**
of which: UK										
Not collateralised	**134,075**	**10,822**	**2,661**	**4**	**147,562**	**0.1**	**2.5**	**32.4**	**—**	**0.9**
Fully collateralised by LTV ratio	**24,552**	**3,046**	**968**	**—**	**28,566**	**0.1**	**2.4**	**5.8**	**—**	**0.6**
– less than 50%	**9,183**	**1,288**	**473**	**—**	**10,944**	**0.1**	**2.2**	**2.8**	**—**	**0.5**
– 51% to 75%	**7,544**	**1,216**	**244**	**—**	**9,004**	**0.1**	**2.7**	**7.0**	**—**	**0.7**
– 76% to 90%	**2,942**	**367**	**129**	**—**	**3,438**	**0.1**	**2.3**	**15.3**	**—**	**0.9**
– 91% to 100%	**4,883**	**175**	**122**	**—**	**5,180**	**0.1**	**2.1**	**5.3**	**—**	**0.3**
Partially collateralised (B): LTV > 100%	**7,016**	**1,055**	**395**	**—**	**8,466**	**0.2**	**1.3**	**10.8**	**—**	**0.8**
– collateral value on B	**3,832**	**581**	**252**	**—**	**4,665**					
Total UK at 31 Dec 2024	**165,643**	**14,923**	**4,024**	**4**	**184,594**	**0.1**	**2.4**	**23.9**	**—**	**0.8**
of which: Hong Kong										
Not collateralised	**117,849**	**6,389**	**1,313**	**—**	**125,551**	**—**	**0.6**	**58.1**	**—**	**0.7**
Fully collateralised by LTV ratio	**28,291**	**5,866**	**1,877**	**21**	**36,055**	**0.1**	**2.1**	**5.3**	**98.1**	**0.7**
– less than 50%	**14,500**	**1,774**	**903**	**—**	**17,177**	**0.1**	**1.4**	**5.1**	**—**	**0.5**
– 51% to 75%	**7,331**	**2,766**	**449**	**21**	**10,567**	**0.1**	**3.0**	**8.3**	**98.1**	**1.4**
– 76% to 90%	**2,896**	**752**	**372**	**—**	**4,020**	**0.1**	**1.9**	**3.6**	**—**	**0.7**
– 91% to 100%	**3,564**	**574**	**153**	**—**	**4,291**	**—**	**0.3**	**1.7**	**—**	**0.1**
Partially collateralised (C): LTV > 100%	**17,125**	**1,535**	**1,048**	**—**	**19,708**	**—**	**0.4**	**46.8**	**—**	**2.6**
– collateral value on C	**6,741**	**627**	**639**	**—**	**8,007**					
Total Hong Kong at 31 Dec 2024	**163,265**	**13,790**	**4,238**	**21**	**181,314**	**—**	**1.2**	**31.9**	**98.1**	**0.9**
Not collateralised	672,142	76,261	7,702	8	756,113	0.1	0.9	40.0	6.8	0.6
Fully collateralised by LTV ratio	113,339	19,747	2,629	23	135,738	0.1	1.4	10.7	89.8	0.5
– less than 50%	42,953	7,069	1,168	—	51,190	0.1	1.5	11.8	—	0.5
– 51% to 75%	24,011	8,222	887	—	33,120	0.1	1.3	6.4	—	0.6
– 76% to 90%	10,194	2,531	421	23	13,169	0.1	1.6	10.3	90.6	0.9
– 91% to 100%	36,181	1,925	153	—	38,259	—	1.1	27.6	—	0.2
Partially collateralised (A): LTV > 100%	53,686	9,019	2,233	3	64,941	0.1	0.7	32.2	38.4	1.3
– collateral value on A	24,505	4,266	993	1	29,765					
Total at 31 Dec 2023	839,167	105,027	12,564	34	956,792	0.1	1.0	32.5	67.1	0.6
of which: UK										
Not collateralised	117,824	20,401	3,423	—	141,648	0.2	1.9	23.2	—	1.0
Fully collateralised by LTV ratio	22,217	5,912	1,162	—	29,291	0.1	1.7	3.7	—	0.6
– less than 50%	7,385	2,340	601	—	10,326	0.1	1.2	1.3	—	0.5
– 51% to 75%	6,966	2,292	434	—	9,692	0.1	1.7	3.6	—	0.7
– 76% to 90%	2,256	809	106	—	3,171	0.2	2.5	15.8	—	1.3
– 91% to 100%	5,610	471	21	—	6,102	0.1	2.1	14.5	—	0.3
Partially collateralised (B): LTV > 100%	6,335	1,732	299	—	8,366	0.2	1.8	18.4	—	1.2
– collateral value on B	3,508	1,080	175	—	4,763					
Total UK at 31 Dec 2023	146,376	28,045	4,884	—	179,305	0.2	1.8	18.3	—	0.9
of which: Hong Kong										
Not collateralised	114,025	7,523	906	—	122,454	—	0.4	57.5	—	0.5
Fully collateralised by LTV ratio	32,857	8,918	877	22	42,674	0.1	1.3	6.6	94.7	0.5
– less than 50%	16,175	2,898	230	—	19,303	0.1	1.4	11.8	—	0.4
– 51% to 75%	9,461	4,515	336	—	14,312	0.1	1.2	3.1	—	0.5
– 76% to 90%	4,245	863	253	22	5,383	0.1	1.8	2.0	94.7	0.9
– 91% to 100%	2,976	642	58	—	3,676	—	0.4	27.0	—	0.5
Partially collateralised (C): LTV > 100%	16,152	2,887	704	—	19,743	—	0.6	30.2	—	1.2
– collateral value on C	6,619	1,306	318	—	8,243					
Total Hong Kong at 31 Dec 2023	163,034	19,328	2,487	22	184,871	0.1	0.8	31.8	94.7	0.6

Other credit risk exposures

In addition to collateralised lending, other credit enhancements are employed and methods used to mitigate credit risk arising from financial assets. These are summarised below:

- Some securities issued by governments, banks and other financial institutions benefit from additional credit enhancements provided by government guarantees that cover the assets.
- Debt securities issued by banks and financial institutions include asset-backed securities ('ABSs') and similar instruments, which are supported by underlying pools of financial assets. Credit risk associated with ABSs is reduced through the purchase of credit default swap ('CDS') protection.
- Trading loans and advances mainly consist of reverse repos and stock borrowing, which are by their nature collateralised.
- Cash collateral is posted to satisfy margin requirements. There is limited credit risk on cash collateral posted since in the event of default of the counterparty this would be set off against the related liability.

Collateral accepted as security that the Group is permitted to sell or repledge under these arrangements is described on page 400 of the financial statements.

The Group's maximum exposure to credit risk includes financial guarantees and similar contracts granted, as well as loan and other credit-related commitments. Depending on the terms of the arrangement, we may use additional credit mitigation if a guarantee is called upon or a loan commitment is drawn and subsequently defaults.

For further information on these arrangements, see Note 32 on the financial statements.

Derivatives

We participate in transactions exposing us to counterparty credit risk. Counterparty credit risk is the risk of financial loss if the counterparty to a transaction defaults before satisfactorily settling it. It arises principally from over-the-counter ('OTC') derivatives and securities financing transactions and is calculated in both the trading and non-trading books. Transactions vary in value by reference to a market factor such as an interest rate, exchange rate or asset price.

The counterparty risk from derivative transactions is taken into account when reporting the fair value of derivative positions. The adjustment to the fair value is known as the credit valuation adjustment ('CVA').

For an analysis of CVAs, see Note 12 on the financial statements.

The following table reflects by risk type the fair values and gross notional contract amounts of derivatives cleared through an exchange, central counterparty or non-central counterparty.

Notional contract amounts and fair values of derivatives

	2024			2023		
	Notional amount	**Fair value**		Notional amount	Fair value	
		Assets	**Liabilities**		Assets	Liabilities
	$m	**$m**	**$m**	$m	$m	$m
Total OTC derivatives	**29,273,397**	**368,938**	**367,759**	24,551,539	337,066	343,098
– total OTC derivatives cleared by central counterparties	**13,484,581**	**111,974**	**113,091**	11,130,785	116,520	118,796
– total OTC derivatives not cleared by central counterparties	**15,788,816**	**256,964**	**254,668**	13,420,754	220,546	224,302
Total exchange traded derivatives	**1,267,685**	**12,445**	**9,435**	1,111,247	9,134	8,159
Gross	**30,541,082**	**381,383**	**377,194**	25,662,786	346,200	351,258
Offset		**(112,746)**	**(112,746)**		(116,486)	(116,486)
At 31 Dec		**268,637**	**264,448**		229,714	234,772

The purposes for which HSBC uses derivatives are described in Note 15 on the financial statements.

The International Swaps and Derivatives Association ('ISDA') master agreement is our preferred agreement for documenting derivatives activity. It is common, and our preferred practice, for the parties involved in a derivative transaction to execute a credit support annex ('CSA') in conjunction with the ISDA master agreement. Under a CSA, collateral is passed between the parties to mitigate the counterparty risk inherent in outstanding positions. The majority of our CSAs are with financial institutional clients.

We manage the counterparty exposure on our OTC derivative contracts by using collateral agreements with counterparties and netting agreements. Currently, we do not actively manage our general OTC derivative counterparty exposure in the credit markets, although we may manage individual exposures in certain circumstances.

We place strict policy restrictions on collateral types and as a consequence the types of collateral received and pledged are, by value, highly liquid and of a strong quality, being predominantly cash.

Where a collateral type is required to be approved outside the collateral policy, approval is required from a committee of senior representatives from Markets, Legal and Risk.

See Note 31 on the financial statements for details regarding legally enforceable right of offset in the event of counterparty default and collateral received in respect of derivatives.

Personal lending

This section presents further disclosures related to personal lending. It provides details of the main legal entities, countries and products that are driving the change observed in personal gross loans and advances to customers, with the impact of foreign exchange separately identified. Additionally, Hong Kong and UK mortgage book loan to value ('LTV') data is provided.

This section also provides reconciliations of the opening 1 January 2024 to 31 December 2024 closing gross carrying/nominal amounts and associated allowance for ECL by product. Further product granularity is also provided by stage, with data for our main legal entities presented for gross loans and advances to customers, loan and other credit-related commitments and financial guarantees.

At 31 December 2024, total personal lending for gross loans and advances to customers of $447.2bn decreased by $0.3bn on a reported basis, compared with 31 December 2023. This decrease included adverse foreign exchange movements of $9.9bn. On a constant currency basis, the increase of $9.6bn was driven by growth in mortgages (up $7.5bn) and other personal lending (up $2.1bn).

On a constant currency basis, mortgage lending gross balances increased by $7.5bn to $361.3bn at 31 December 2024. Mortgages grew in our main legal entities in the UK (up $4.5bn), in the US (up $2.7bn), Australia (up $1.3bn) and Mexico (up $0.3bn). These increases were partly offset by a $1.2bn decrease in China, mainly due to loan repayments.

On a constant currency basis, other personal lending balances at 31 December 2024 increased by $2.1bn compared with 31 December 2023. This included an increase in our entities in Europe (up $1.1bn), in our entities in Asia (up $1.0bn) and in Mexico (up $0.3bn). This was partly offset by the sale of our business in Argentina (down $0.3bn).

Total personal lending gross carrying amounts in stage 2 decreased by $7.6bn compared with 31 December 2023. Excluding adverse foreign exchange movements of $1.1bn, the decrease of $6.5bn was driven by a reduction in credit judgements, primarily in the UK.

At 31 December 2024, the write-offs attributable to personal lending increased by $0.2bn to $1.5bn, compared with 31 December 2023.

At 31 December 2024, the allowance for ECL attributable to personal lending, excluding off-balance sheet loan commitments and guarantees, decreased by $0.3bn to $2.5bn, compared with 31 December 2023. This decrease included favourable foreign exchange movements of $0.2bn.

On a constant currency basis, the allowance for ECL attributable to other personal lending of $2.1bn decreased by $0.1bn compared with 31 December 2023. This net release was driven by resilient performance and a reduction in credit judgements in the UK. The allowance for ECL attributable to mortgages of $0.5bn remained unchanged compared with 31 December 2023.

The quality of both our Hong Kong and UK mortgage books remained strong, with low levels of impairment allowances. The average LTV ratio on new mortgage lending in Hong Kong was 67%, compared with an estimated 63% for the overall mortgage portfolio. The average LTV ratio on new lending in the UK was 69%, compared with an estimated 53% for the overall mortgage portfolio.

Total personal lending for loans and advances to customers at amortised cost by stage distribution

	Gross carrying amount				Allowance for ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	$m	$m	$m	$m	$m	$m	$m	$m
By portfolio								
First lien residential mortgages	324,703	34,177	2,450	361,330	(59)	(130)	(284)	(473)
– of which: interest-only (including offset)	21,155	2,457	103	23,715	(3)	(10)	(17)	(30)
– affordability (including US adjustable rate mortgages)	16,628	386	243	17,257	(2)	(2)	(7)	(11)
Other personal lending	79,043	5,742	1,110	85,895	(511)	(1,028)	(512)	(2,051)
– second lien residential mortgages	366	10	19	395	—	—	(2)	(2)
– guaranteed loans in respect of residential property	6,492	186	20	6,698	(2)	(2)	(5)	(9)
– other personal lending which is secured	30,564	478	138	31,180	(12)	(4)	(15)	(31)
– credit cards	21,611	2,991	313	24,915	(268)	(660)	(199)	(1,127)
– other personal lending which is unsecured	18,198	1,864	598	20,660	(214)	(345)	(279)	(838)
– motor vehicle finance	1,812	213	22	2,047	(15)	(17)	(12)	(44)
At 31 Dec 2024	403,746	39,919	3,560	447,225	(570)	(1,158)	(796)	(2,524)
By legal entity								
HSBC UK Bank plc	152,338	31,325	1,075	184,738	(148)	(307)	(211)	(666)
HSBC Bank plc[1]	23,501	1,198	324	25,023	(17)	(24)	(99)	(140)
The Hongkong and Shanghai Banking Corporation Limited	191,614	5,519	1,170	198,303	(174)	(385)	(164)	(723)
HSBC Bank Middle East Limited	3,678	158	40	3,876	(14)	(29)	(30)	(73)
HSBC North America Holdings Inc.	20,851	497	327	21,675	(4)	(12)	(11)	(27)
Grupo Financiero HSBC, S.A. de C.V.	11,016	1,172	620	12,808	(207)	(400)	(279)	(886)
Other trading entities[1]	748	50	4	802	(6)	(1)	(2)	(9)
At 31 Dec 2024	403,746	39,919	3,560	447,225	(570)	(1,158)	(796)	(2,524)

1 At 31 December 2023, 'Other trading entities' included gross carrying amount of $9,079m and allowances for ECL of $23m related to Private Banking entities that were reclassified to HSBC Bank plc to continue the process of simplifying our structure.

Total personal lending for loans and other credit-related commitments and financial guarantees by stage distribution

	Nominal amount				Allowance for ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	$m	$m	$m	$m	$m	$m	$m	$m
HSBC UK Bank plc	51,078	442	47	51,567	(6)	—	(3)	(9)
HSBC Bank plc	1,605	7	2	1,614	—	—	—	—
The Hongkong and Shanghai Banking Corporation Limited	189,737	1,165	35	190,937	(4)	—	(2)	(6)
HSBC Bank Middle East Limited	2,452	7	—	2,459	—	—	—	—
HSBC North America Holdings Inc.	3,707	68	2	3,777	—	—	—	—
HSBC Bank Canada	—	—	—	—	—	—	—	—
Grupo Financiero HSBC, S.A. de C.V.	3,892	—	—	3,892	(7)	—	—	(7)
Other trading entities	434	2	—	436	—	—	—	—
At 31 Dec 2024	252,905	1,691	86	254,682	(17)	—	(5)	(22)

Total personal lending for loans and advances to customers at amortised cost by stage distribution (continued)

	Gross carrying amount				Allowance for ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	$m	$m	$m	$m	$m	$m	$m	$m
By portfolio								
First lien residential mortgages	320,410	38,287	2,212	360,909	(102)	(200)	(269)	(571)
– of which: interest-only (including offset)	21,895	2,923	139	24,957	(4)	(27)	(31)	(62)
– affordability (including US adjustable rate mortgages)	14,380	381	291	15,052	(3)	(1)	(10)	(14)
Other personal lending	76,124	9,196	1,293	86,613	(477)	(1,234)	(585)	(2,296)
– second lien residential mortgages	317	58	21	396	—	(3)	(5)	(8)
– guaranteed loans in respect of residential property	8,001	502	90	8,593	(1)	(5)	(14)	(20)
– other personal lending which is secured	28,900	424	157	29,481	(13)	(5)	(24)	(42)
– credit cards	19,909	4,419	352	24,680	(236)	(697)	(203)	(1,136)
– other personal lending which is unsecured	17,010	3,582	659	21,251	(212)	(505)	(331)	(1,048)
– motor vehicle finance	1,987	211	14	2,212	(15)	(19)	(8)	(42)
At 31 Dec 2023	396,534	47,483	3,505	447,522	(579)	(1,434)	(854)	(2,867)
By legal entity								
HSBC UK Bank plc	146,354	35,190	1,218	182,762	(152)	(490)	(255)	(897)
HSBC Bank plc	14,598	1,747	273	16,618	(24)	(22)	(91)	(137)
The Hongkong and Shanghai Banking Corporation Limited	191,382	7,741	948	200,071	(165)	(402)	(162)	(729)
HSBC Bank Middle East Limited	3,335	397	47	3,779	(19)	(33)	(36)	(88)
HSBC North America Holdings Inc.	18,096	553	364	19,013	(5)	(14)	(16)	(35)
Grupo Financiero HSBC, S.A. de C.V.	12,717	1,740	536	14,993	(197)	(463)	(273)	(933)
Other trading entities	10,052	115	119	10,286	(17)	(10)	(21)	(48)
At 31 Dec 2023	396,534	47,483	3,505	447,522	(579)	(1,434)	(854)	(2,867)

Total personal lending for loans and other credit-related commitments and financial guarantees by stage distribution (continued)

	Nominal amount				Allowance for ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	$m	$m	$m	$m	$m	$m	$m	$m
HSBC UK Bank plc	52,093	734	88	52,915	(11)	—	(2)	(13)
HSBC Bank plc	1,630	36	4	1,670	—	—	—	—
The Hongkong and Shanghai Banking Corporation Limited	181,967	2,479	223	184,669	(3)	—	—	(3)
HSBC Bank Middle East Limited	1,978	7	1	1,986	—	—	—	—
HSBC North America Holdings Inc.	3,695	72	8	3,775	—	—	—	—
HSBC Bank Canada	6,610	113	30	6,753	—	—	—	—
Grupo Financiero HSBC, S.A. de C.V.	4,308	—	—	4,308	(8)	—	—	(8)
Other trading entities	2,008	31	1	2,040	(1)	—	—	(1)
At 31 Dec 2023	254,289	3,472	355	258,116	(23)	—	(2)	(25)

Exposure to UK interest-only mortgage loans

The following information is presented for HSBC branded interest-only mortgage loans. This excludes offset mortgages in first direct and private banking mortgages.

At the end of 2024, the average LTV ratio of the interest-only mortgage loans was 44% (2023: 44%), and 99% (2023: 97%) had an LTV ratio of 75% or less.

Of the interest-only mortgage loans that expired in 2022, 82% were repaid within 12 months of expiry with a total of 97% being repaid within 24 months of expiry. For those expired during 2023, 83% were repaid within 12 months of expiry.

At 31 December 2024, interest-only mortgage loan exposures were $15.2bn (2023: $15.2bn) and the maturity profile was as follows:

UK interest-only mortgage loans

	$m
Expired interest-only mortgage loans	**128**
Interest-only mortgage loans by maturity	
– 2025	**165**
– 2026	**247**
– 2027	**366**
– 2028	**515**
– 2029–2033	**2,728**
– post-2033	**11,100**
At 31 Dec 2024	**15,249**

UK interest-only mortgage loans (continued)

	$m
Expired interest-only mortgage loans	141
Interest-only mortgage loans by maturity	
– 2024	141
– 2025	242
– 2026	315
– 2027	436
– 2028–2032	2,919
– post-2032	11,010
At 31 Dec 2023	15,204

Exposure to offset mortgage in first direct

The offset mortgage in first direct is no longer on sale and is only available for existing offset mortgage customers. It works by grouping together the customer's mortgage, savings and current accounts to offset their credit and debit balances against their mortgage exposure. At 31 December 2024, exposures were worth a total $4.1bn with an average LTV ratio of 28% (2023: $5.0bn exposure and 29% LTV ratio).

Reconciliations of changes in personal lending gross carrying/nominal amount and allowances for loans and advances to customers including loan commitments and financial guarantees

The following disclosure provides a reconciliation by stage of the Group's personal lending gross carrying/nominal amount and allowances for loans and advances to customers, including loan commitments and financial guarantees.

In addition, three reconciliations by stage of the Group's gross carrying/nominal amount and allowances for first lien mortgages, credit cards and other personal lending, including loan commitments and financial guarantees, have been included following the adoption of the recommendations of the DECL Taskforce's third report since 2023.

Personal lending – reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to customers including loan commitments and financial guarantees

(Audited)

	Non-credit impaired				Credit impaired			
	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL
	$m	$m	$m	$m	$m	$m	$m	$m
At 1 Jan 2024	**650,823**	**(602)**	**50,955**	**(1,434)**	**3,860**	**(856)**	**705,638**	**(2,892)**
Transfers of financial instruments:	**(2,023)**	**(1,045)**	**(345)**	**1,477**	**2,368**	**(432)**	**—**	**—**
– transfers from stage 1 to stage 2	**(45,220)**	**246**	**45,220**	**(246)**	**—**	**—**	**—**	**—**
– transfers from stage 2 to stage 1	**43,549**	**(1,247)**	**(43,549)**	**1,247**	**—**	**—**	**—**	**—**
– transfers to stage 3	**(743)**	**9**	**(2,715)**	**685**	**3,458**	**(694)**	**—**	**—**
– transfers from stage 3	**391**	**(53)**	**699**	**(209)**	**(1,090)**	**262**	**—**	**—**
Net remeasurement of ECL arising from transfer of stage	**—**	**745**	**—**	**(605)**	**—**	**(132)**	**—**	**8**
Changes due to modifications not derecognised	**—**	**—**	**—**	**—**	**(25)**	**—**	**(25)**	**—**
Net new and further lending/repayments	**29,789**	**(17)**	**(7,889)**	**278**	**(796)**	**470**	**21,104**	**731**
Change to risk parameters – credit quality	**—**	**251**	**—**	**(874)**	**—**	**(1,437)**	**—**	**(2,060)**
Changes to models used for ECL calculation	**—**	**29**	**—**	**(109)**	**—**	**(20)**	**—**	**(100)**
Assets written off	**—**	**—**	**—**	**—**	**(1,534)**	**1,534**	**(1,534)**	**1,534**
Foreign exchange and others[1,2,3]	**(21,938)**	**52**	**(1,111)**	**109**	**(227)**	**72**	**(23,276)**	**233**
At 31 Dec 2024	**656,651**	**(587)**	**41,610**	**(1,158)**	**3,646**	**(801)**	**701,907**	**(2,546)**
ECL income statement change for the period		**1,008**		**(1,310)**		**(1,119)**		**(1,421)**
Recoveries								**220**
Others								**(32)**
Total ECL income statement change for the period								**(1,233)**

1 Total includes $0.8bn of gross carrying loans and advances to customers, which were classified to assets held for sale, and a corresponding allowance for ECL of $23m, reflecting business disposals, as disclosed in Note 23 'Assets held for sale and liabilities of disposal groups held for sale' on page 411.
2 Total includes $6.4bn of nominal amount and $1m of corresponding allowance for ECL related to derecognition of loan commitments and financial guarantees following the sale of our banking business in Canada during 2024.
3 Total includes $2.4bn of nominal amount related to derecognition of loan commitments and financial guarantees following the sale of our banking business in Argentina during 2024.

As shown in the above table, the allowance for ECL for loans and advances to customers and relevant loan commitments and financial guarantees decreased by $346m during the period from $2,892m at 31 December 2023 to $2,546m at 31 December 2024.

This decrease was driven by:

- $1,534m of assets written off;
- $731m relating to volume movements, which included the allowance for ECL associated with new originations, assets derecognised and further lending/repayment;
- foreign exchange and other movements of $233m; and
- $8m relating to the net remeasurement impact of stage transfers.

These were partly offset by:

- $2,060m relating to credit quality changes, including the credit quality impact of financial instruments transferring between stages; and
- $100m of changes to models used for ECL calculation.

The ECL charge for the period of $1,421m presented in the above table consisted of $2,060m relating to credit quality changes, including the credit quality impact of financial instruments transferring between stages, and $100m relating to changes to models used for the calculation of ECL. This was partly offset by $731m relating to underlying net book volume movements and $8m relating to the net remeasurement impact of stage transfer.

During the period, there was a net transfer between stage 1 and stage 2 of $1,671m gross carrying/nominal amounts. This increase was mainly driven by HSBC UK ($3,410m) due to mortgages portfolio and Mexico ($860m) due to a slight deterioration in unsecured lending portfolio, partly offset by Hong Kong ($2,983m) due to improvement in credit cards and other unsecured lending portfolio.

A summary of basis of preparation is available on page 161.

Personal lending – reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to customers including loan commitments and financial guarantees

(Audited)

	Non-credit impaired				Credit impaired			
	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL
	$m	$m	$m	$m	$m	$m	$m	$m
At 1 Jan 2023	603,321	(587)	52,563	(1,505)	4,139	(805)	660,023	(2,897)
Transfers of financial instruments:	(2,144)	(619)	39	1,087	2,105	(468)	—	—
– transfers from stage 1 to stage 2	(57,217)	270	57,217	(270)	—	—	—	—
– transfers from stage 2 to stage 1	55,307	(862)	(55,307)	862	—	—	—	—
– transfers to stage 3	(542)	3	(2,345)	614	2,887	(617)	—	—
– transfers from stage 3	308	(30)	474	(119)	(782)	149	—	—
Net remeasurement of ECL arising from transfer of stage	—	563	—	(679)	—	(79)	—	(195)
Net new and further lending/repayments	34,411	(47)	(4,713)	350	(1,169)	144	28,529	447
Change to risk parameters – credit quality	—	104	—	(641)	—	(955)	—	(1,492)
Changes to models used for ECL calculation	—	(13)	—	21	—	7	—	15
Assets written off	—	—	—	—	(1,326)	1,326	(1,326)	1,326
Foreign exchange and others[1,2]	15,235	(3)	3,066	(67)	111	(26)	18,412	(96)
At 31 Dec 2023	650,823	(602)	50,955	(1,434)	3,860	(856)	705,638	(2,892)
ECL income statement change for the period		607		(949)		(883)		(1,225)
Recoveries								226
Others								8
Total ECL income statement change for the period								(991)

1 Total includes $7.8bn of gross carrying loans and advances and a corresponding allowance for ECL of $11m, due to the retention of certain balances previously classified as assets held for sale of our retail banking operations in France. For further details, see Note 23 'Assets held for sale and liabilities of disposal groups held for sale' on page 411.
2 Total includes $2.0bn of gross carrying loans and advances to customers, which were classified to assets held for sale, and a corresponding allowance for ECL of $20m, reflecting business disposals, as disclosed in Note 23 'Assets held for sale and liabilities of disposal groups held for sale' on page 411.

First lien residential mortgages – reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to customers including loan commitments and financial guarantees

	Non-credit impaired				Credit impaired			
	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL
	$m	$m	$m	$m	$m	$m	$m	$m
At 1 Jan 2024	**340,764**	**(109)**	**38,513**	**(202)**	**2,258**	**(264)**	**381,535**	**(575)**
Transfers of financial instruments:	**(3,561)**	**(232)**	**2,694**	**232**	**867**	**—**	**—**	**—**
– transfers from stage 1 to stage 2	**(33,524)**	**23**	**33,524**	**(23)**	**—**	**—**	**—**	**—**
– transfers from stage 2 to stage 1	**30,113**	**(244)**	**(30,113)**	**244**	**—**	**—**	**—**	**—**
– transfers to stage 3	**(290)**	**6**	**(1,127)**	**90**	**1,417**	**(96)**	**—**	**—**
– transfers from stage 3	**140**	**(17)**	**410**	**(79)**	**(550)**	**96**	**—**	**—**
Net remeasurement of ECL arising from transfer of stage	**—**	**163**	**—**	**(152)**	**—**	**(30)**	**—**	**(19)**
Changes due to modifications not derecognised	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Net new and further lending/repayments	**14,008**	**20**	**(6,336)**	**26**	**(523)**	**33**	**7,149**	**79**
Change to risk parameters – credit quality	**—**	**115**	**—**	**(73)**	**—**	**(103)**	**—**	**(61)**
Changes to models used for ECL calculation	**—**	**(8)**	**—**	**29**	**—**	**1**	**—**	**22**
Assets written off	**—**	**—**	**—**	**—**	**(63)**	**63**	**(63)**	**63**
Foreign exchange and others	**(6,535)**	**(7)**	**(530)**	**10**	**(65)**	**15**	**(7,130)**	**18**
At 31 Dec 2024	**344,676**	**(58)**	**34,341**	**(130)**	**2,474**	**(285)**	**381,491**	**(473)**
ECL income statement change for the period		**290**		**(170)**		**(99)**		**21**
Recoveries								**7**
Others								**(1)**
Total ECL income statement change for the period								**27**
At 1 Jan 2023	317,666	(74)	40,048	(231)	2,230	(270)	359,944	(575)
Transfers of financial instruments:	(1,182)	(109)	421	138	761	(29)	—	—
– transfers from stage 1 to stage 2	(41,207)	28	41,207	(28)	—	—	—	—
– transfers from stage 2 to stage 1	40,164	(117)	(40,164)	117	—	—	—	—
– transfers to stage 3	(354)	1	(958)	100	1,312	(101)	—	—
– transfers from stage 3	215	(21)	336	(51)	(551)	72	—	—
Net remeasurement of ECL arising from transfer of stage	—	72	—	(79)	—	(67)	—	(74)
Net new and further lending/repayments	15,447	(3)	(3,939)	22	(751)	322	10,757	341
Change to risk parameters – credit quality	—	16	—	(67)	—	(269)	—	(320)
Changes to models used for ECL calculation	—	(2)	—	28	—	—	—	26
Assets written off	—	—	—	—	(53)	53	(53)	53
Foreign exchange and others	8,833	(9)	1,983	(13)	71	(4)	10,887	(26)
At 31 Dec 2023	340,764	(109)	38,513	(202)	2,258	(264)	381,535	(575)
ECL income statement change for the period		83		(96)		(14)		(27)
Recoveries								10
Others								13
Total ECL income statement change for the period								(4)

Credit cards – reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to customers including loan commitments

	Non-credit impaired				Credit impaired			
	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL
	$m	$m	$m	$m	$m	$m	$m	$m
At 1 Jan 2024	**153,292**	**(253)**	**6,547**	**(698)**	**450**	**(144)**	**160,289**	**(1,095)**
Transfers of financial instruments:	**796**	**(453)**	**(1,469)**	**717**	**673**	**(264)**	**—**	**—**
– transfers from stage 1 to stage 2	**(6,427)**	**129**	**6,427**	**(129)**	**—**	**—**	**—**	**—**
– transfers from stage 2 to stage 1	**7,255**	**(569)**	**(7,255)**	**569**	**—**	**—**	**—**	**—**
– transfers to stage 3	**(179)**	**2**	**(765)**	**327**	**944**	**(329)**	**—**	**—**
– transfers from stage 3	**147**	**(15)**	**124**	**(50)**	**(271)**	**65**	**—**	**—**
Net remeasurement of ECL arising from transfer of stage	**—**	**280**	**—**	**(256)**	**—**	**(45)**	**—**	**(21)**
Changes due to modifications not derecognised	**—**	**—**	**—**	**—**	**(2)**	**—**	**(2)**	**—**
Net new and further lending/repayments	**9,604**	**18**	**(1,122)**	**127**	**(1)**	**194**	**8,481**	**339**
Change to risk parameters – credit quality	**—**	**79**	**—**	**(476)**	**—**	**(694)**	**—**	**(1,091)**
Changes to models used for ECL calculation	**—**	**22**	**—**	**(122)**	**—**	**1**	**—**	**(99)**
Assets written off	**—**	**—**	**—**	**—**	**(736)**	**736**	**(736)**	**736**
Foreign exchange and others[1]	**(7,380)**	**27**	**(196)**	**50**	**(41)**	**17**	**(7,617)**	**94**
At 31 Dec 2024	**156,312**	**(280)**	**3,760**	**(658)**	**343**	**(199)**	**160,415**	**(1,137)**
ECL income statement change for the period		**399**		**(727)**		**(544)**		**(872)**
Recoveries								**106**
Others								**(10)**
Total ECL income statement change for the period								**(776)**

1 Total includes $4.5bn of nominal amount related to derecognition of loan commitments and financial guarantees following the sale of our banking business in Canada and our business in Argentina during 2024.

	Non-credit impaired				Credit impaired			
	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL
	$m	$m	$m	$m	$m	$m	$m	$m
At 1 Jan 2023	140,519	(244)	6,747	(777)	353	(160)	147,619	(1,181)
Transfers of financial instruments:	199	(292)	(848)	496	649	(204)	—	—
– transfers from stage 1 to stage 2	(7,855)	102	7,855	(102)	—	—	—	—
– transfers from stage 2 to stage 1	8,124	(391)	(8,124)	391	—	—	—	—
– transfers to stage 3	(82)	1	(621)	227	703	(228)	—	—
– transfers from stage 3	12	(4)	42	(20)	(54)	24	—	—
Net remeasurement of ECL arising from transfer of stage	—	185	—	(301)	—	(5)	—	(121)
Net new and further lending/repayments	13,206	27	621	169	12	(41)	13,839	155
Change to risk parameters – credit quality	—	82	—	(281)	—	(301)	—	(500)
Changes to models used for ECL calculation	—	(9)	—	15	—	1	—	7
Assets written off	—	—	—	—	(571)	571	(571)	571
Foreign exchange and others	(632)	(2)	27	(19)	7	(5)	(598)	(26)
At 31 Dec 2023	153,292	(253)	6,547	(698)	450	(144)	160,289	(1,095)
ECL income statement change for the period		285		(398)		(346)		(459)
Recoveries								108
Others								(200)
Total ECL income statement change for the period								(551)

Other personal lending – reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to customers including loan commitments and financial guarantees

	Non-credit impaired				Credit impaired			
	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL
	$m	$m	$m	$m	$m	$m	$m	$m
At 1 Jan 2024	**156,767**	**(240)**	**5,895**	**(534)**	**1,152**	**(448)**	**163,814**	**(1,222)**
Transfers of financial instruments:	**742**	**(360)**	**(1,570)**	**528**	**828**	**(168)**	**—**	**—**
– transfers from stage 1 to stage 2	**(5,269)**	**94**	**5,269**	**(94)**	**—**	**—**	**—**	**—**
– transfers from stage 2 to stage 1	**6,181**	**(434)**	**(6,181)**	**434**	**—**	**—**	**—**	**—**
– transfers to stage 3	**(274)**	**1**	**(823)**	**268**	**1,097**	**(269)**	**—**	**—**
– transfers from stage 3	**104**	**(21)**	**165**	**(80)**	**(269)**	**101**	**—**	**—**
Net remeasurement of ECL arising from transfer of stage	**—**	**302**	**—**	**(197)**	**—**	**(57)**	**—**	**48**
Changes due to modifications not derecognised	**—**	**—**	**—**	**—**	**(23)**	**—**	**(23)**	**—**
Net new and further lending/repayments	**6,177**	**(55)**	**(431)**	**125**	**(272)**	**243**	**5,474**	**313**
Change to risk parameters – credit quality	**—**	**57**	**—**	**(325)**	**—**	**(640)**	**—**	**(908)**
Changes to models used for ECL calculation	**—**	**15**	**—**	**(16)**	**—**	**(22)**	**—**	**(23)**
Assets written off	**—**	**—**	**—**	**—**	**(735)**	**735**	**(735)**	**735**
Foreign exchange and others[1,2]	**(8,023)**	**32**	**(385)**	**49**	**(121)**	**40**	**(8,529)**	**121**
At 31 Dec 2024	**155,663**	**(249)**	**3,509**	**(370)**	**829**	**(317)**	**160,001**	**(936)**
ECL income statement change for the period		**319**		**(413)**		**(476)**		**(570)**
Recoveries								**107**
Others								**(21)**
Total ECL income statement change for the period								**(484)**

1 Total includes $0.3bn of gross carrying loans and advances, which were classified to assets held for sale, and a corresponding allowance for ECL of $10m, reflecting business disposals, as disclosed in Note 23 'Assets held for sale and liabilities of disposal groups held for sale' on page 411.
2 Total includes $4.4bn of nominal amount related to derecognition of loan commitments and financial guarantees following the sale of our banking business in Canada during 2024.

	Non-credit impaired				Credit impaired			
	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL
	$m	$m	$m	$m	$m	$m	$m	$m
At 1 Jan 2023	145,136	(269)	5,768	(497)	1,556	(375)	152,460	(1,141)
Transfers of financial instruments:	(1,161)	(218)	466	453	695	(235)	—	—
– transfers from stage 1 to stage 2	(8,155)	140	8,155	(140)	—	—	—	—
– transfers from stage 2 to stage 1	7,019	(354)	(7,019)	354	—	—	—	—
– transfers to stage 3	(106)	1	(766)	287	872	(288)	—	—
– transfers from stage 3	81	(5)	96	(48)	(177)	53	—	—
Net remeasurement of ECL arising from transfer of stage	—	306	—	(299)	—	(7)	—	—
Net new and further lending/repayments	5,758	(71)	(1,395)	159	(430)	(137)	3,933	(49)
Change to risk parameters – credit quality	—	6	—	(293)	—	(385)	—	(672)
Changes to models used for ECL calculation	—	(2)	—	(22)	—	6	—	(18)
Assets written off	—	—	—	—	(702)	702	(702)	702
Foreign exchange and others[1]	7,034	8	1,056	(35)	33	(17)	8,123	(44)
At 31 Dec 2023	156,767	(240)	5,895	(534)	1,152	(448)	163,814	(1,222)
ECL income statement change for the period		239		(455)		(523)		(739)
Recoveries								108
Others								195
Total ECL income statement change for the period								(436)

1 Total includes $7.2bn of gross carrying loans and advances and a corresponding allowance for ECL of $10m, due to the retention of certain balances previously classified as assets held for sale of our retail banking operations in France. For further details, see Note 23 'Assets held for sale and liabilities of disposal groups held for sale' on page 411.

Personal lending – credit risk profile by internal PD band for loans and advances to customers at amortised cost

		Gross carrying amount				Allowance for ECL				
	PD range[1,2]	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	ECL coverage
	%	$m	$m	$m	$m	$m	$m	$m	$m	%
First lien residential mortgages		**324,703**	**34,177**	**2,450**	**361,330**	**(59)**	**(130)**	**(284)**	**(473)**	**0.1**
– Band 1	**0.000 to 0.250**	**234,451**	**1,820**	**—**	**236,271**	**(15)**	**(4)**	**—**	**(19)**	**—**
– Band 2	**0.251 to 0.500**	**64,340**	**11,816**	**—**	**76,156**	**(10)**	**(9)**	**—**	**(19)**	**—**
– Band 3	**0.501 to 1.500**	**22,005**	**14,631**	**—**	**36,636**	**(16)**	**(25)**	**—**	**(41)**	**0.1**
– Band 4	**1.501 to 5.000**	**3,668**	**3,990**	**—**	**7,658**	**(17)**	**(27)**	**—**	**(44)**	**0.6**
– Band 5	**5.001 to 20.000**	**117**	**1,178**	**—**	**1,295**	**—**	**(13)**	**—**	**(13)**	**1.0**
– Band 6	**20.001 to 99.999**	**122**	**742**	**—**	**864**	**(1)**	**(52)**	**—**	**(53)**	**6.1**
– Band 7	**100.000**	**—**	**—**	**2,450**	**2,450**	**—**	**—**	**(284)**	**(284)**	**11.6**
Credit cards		**21,611**	**2,991**	**313**	**24,915**	**(268)**	**(660)**	**(199)**	**(1,127)**	**4.5**
– Band 1	**0.000 to 0.250**	**10,051**	**1**	**—**	**10,052**	**(26)**	**—**	**—**	**(26)**	**0.3**
– Band 2	**0.251 to 0.500**	**2,340**	**4**	**—**	**2,344**	**(15)**	**(1)**	**—**	**(16)**	**0.7**
– Band 3	**0.501 to 1.500**	**5,113**	**23**	**—**	**5,136**	**(72)**	**(5)**	**—**	**(77)**	**1.5**
– Band 4	**1.501 to 5.000**	**3,847**	**1,013**	**—**	**4,860**	**(123)**	**(103)**	**—**	**(226)**	**4.7**
– Band 5	**5.001 to 20.000**	**260**	**1,526**	**—**	**1,786**	**(32)**	**(263)**	**—**	**(295)**	**16.5**
– Band 6	**20.001 to 99.999**	**—**	**424**	**—**	**424**	**—**	**(288)**	**—**	**(288)**	**67.9**
– Band 7	**100.000**	**—**	**—**	**313**	**313**	**—**	**—**	**(199)**	**(199)**	**63.6**
Other personal lending		**57,432**	**2,751**	**797**	**60,980**	**(243)**	**(368)**	**(313)**	**(924)**	**1.5**
– Band 1	**0.000 to 0.250**	**29,124**	**19**	**—**	**29,143**	**(30)**	**—**	**—**	**(30)**	**0.1**
– Band 2	**0.251 to 0.500**	**6,109**	**242**	**—**	**6,351**	**(9)**	**(1)**	**—**	**(10)**	**0.2**
– Band 3	**0.501 to 1.500**	**11,702**	**121**	**—**	**11,823**	**(37)**	**(3)**	**—**	**(40)**	**0.3**
– Band 4	**1.501 to 5.000**	**9,006**	**660**	**—**	**9,666**	**(95)**	**(25)**	**—**	**(120)**	**1.2**
– Band 5	**5.001 to 20.000**	**1,433**	**1,076**	**—**	**2,509**	**(70)**	**(111)**	**—**	**(181)**	**7.2**
– Band 6	**20.001 to 99.999**	**58**	**633**	**—**	**691**	**(2)**	**(228)**	**—**	**(230)**	**33.3**
– Band 7	**100.000**	**—**	**—**	**797**	**797**	**—**	**—**	**(313)**	**(313)**	**39.3**
At 31 Dec 2024		**403,746**	**39,919**	**3,560**	**447,225**	**(570)**	**(1,158)**	**(796)**	**(2,524)**	**0.6**
First lien residential mortgages		320,410	38,287	2,212	360,909	(102)	(200)	(269)	(571)	0.2
– Band 1	0.000 to 0.250	229,188	3,174	—	232,362	(16)	(14)	—	(30)	—
– Band 2	0.251 to 0.500	54,891	12,266	—	67,157	(11)	(17)	—	(28)	—
– Band 3	0.501 to 1.500	28,159	16,140	—	44,299	(22)	(49)	—	(71)	0.2
– Band 4	1.501 to 5.000	7,451	4,559	—	12,010	(52)	(30)	—	(82)	0.7
– Band 5	5.001 to 20.000	599	1,097	—	1,696	—	(11)	—	(11)	0.6
– Band 6	20.001 to 99.999	122	1,051	—	1,173	(1)	(79)	—	(80)	6.8
– Band 7	100.000	—	—	2,212	2,212	—	—	(269)	(269)	12.2
Credit cards		19,909	4,419	352	24,680	(236)	(697)	(203)	(1,136)	4.6
– Band 1	0.000 to 0.250	9,490	1	—	9,491	(32)	—	—	(32)	0.3
– Band 2	0.251 to 0.500	2,481	6	—	2,487	(21)	(1)	—	(22)	0.9
– Band 3	0.501 to 1.500	4,799	294	—	5,093	(56)	(17)	—	(73)	1.4
– Band 4	1.501 to 5.000	2,787	2,291	—	5,078	(93)	(158)	—	(251)	4.9
– Band 5	5.001 to 20.000	352	1,374	—	1,726	(34)	(258)	—	(292)	16.9
– Band 6	20.001 to 99.999	—	453	—	453	—	(263)	—	(263)	58.1
– Band 7	100	—	—	352	352	—	—	(203)	(203)	57.7
Other personal lending		56,215	4,777	941	61,933	(241)	(537)	(382)	(1,160)	1.9
– Band 1	0.000 to 0.250	28,115	30	—	28,145	(34)	(1)	—	(35)	0.1
– Band 2	0.251 to 0.500	6,634	286	—	6,920	(11)	(1)	—	(12)	0.2
– Band 3	0.501 to 1.500	12,935	329	—	13,264	(61)	(9)	—	(70)	0.5
– Band 4	1.501 to 5.000	7,215	1,447	—	8,662	(79)	(46)	—	(125)	1.4
– Band 5	5.001 to 20.000	1,137	2,005	—	3,142	(55)	(199)	—	(254)	8.1
– Band 6	20.001 to 99.999	179	680	—	859	(1)	(281)	—	(282)	32.8
– Band 7	100.000	—	—	941	941	—	—	(382)	(382)	40.6
At 31 Dec 2023		396,534	47,483	3,505	447,522	(579)	(1,434)	(854)	(2,867)	0.6

1 12-month point in time adjusted for multiple economic scenarios.
2 PD bands do not consider the impact of any management judgemental adjustments on stage or allowances for ECL including the impact of new models not yet formally implemented. For a list of management judgemental adjustments see page 155.

Personal lending – credit risk profile by internal PD band for loan and other credit-related commitments and financial guarantees

		Nominal amount				Allowance for ECL				
	PD range[1]	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	ECL coverage
	%	$m	$m	$m	$m	$m	$m	$m	$m	%
Loan and other credit-related commitments		**251,489**	**1,680**	**86**	**253,255**	**(17)**	**—**	**(5)**	**(22)**	**—**
– Band 1	**0.000 to 0.250**	**199,314**	**65**	**—**	**199,379**	**(9)**	**—**	**—**	**(9)**	**—**
– Band 2	**0.251 to 0.500**	**14,409**	**178**	**—**	**14,587**	**(2)**	**—**	**—**	**(2)**	**—**
– Band 3	**0.501 to 1.500**	**28,081**	**389**	**—**	**28,470**	**(1)**	**—**	**—**	**(1)**	**—**
– Band 4	**1.501 to 5.000**	**8,431**	**463**	**—**	**8,894**	**(3)**	**—**	**—**	**(3)**	**—**
– Band 5	**5.001 to 20.000**	**800**	**484**	**—**	**1,284**	**(2)**	**—**	**—**	**(2)**	**0.2**
– Band 6	**20.001 to 99.999**	**454**	**101**	**—**	**555**	**—**	**—**	**—**	**—**	**—**
– Band 7	**100.000**	**—**	**—**	**86**	**86**	**—**	**—**	**(5)**	**(5)**	**5.8**
Financial guarantees		**1,416**	**11**	**—**	**1,427**	**—**	**—**	**—**	**—**	**—**
– Band 1	**0.000 to 0.250**	**743**	**—**	**—**	**743**	**—**	**—**	**—**	**—**	**—**
– Band 2	**0.251 to 0.500**	**389**	**—**	**—**	**389**	**—**	**—**	**—**	**—**	**—**
– Band 3	**0.501 to 1.500**	**55**	**—**	**—**	**55**	**—**	**—**	**—**	**—**	**—**
– Band 4	**1.501 to 5.000**	**220**	**—**	**—**	**220**	**—**	**—**	**—**	**—**	**—**
– Band 5	**5.001 to 20.000**	**3**	**11**	**—**	**14**	**—**	**—**	**—**	**—**	**—**
– Band 6	**20.001 to 99.999**	**6**	**—**	**—**	**6**	**—**	**—**	**—**	**—**	**—**
– Band 7	**100.000**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
At 31 Dec 2024		**252,905**	**1,691**	**86**	**254,682**	**(17)**	**—**	**(5)**	**(22)**	**—**
Loan and other credit-related commitments		253,183	3,459	355	256,997	(23)	—	(2)	(25)	—
– Band 1	0.000 to 0.250	196,201	114	—	196,315	(15)	—	—	(15)	—
– Band 2	0.251 to 0.500	17,861	63	—	17,924	(1)	—	—	(1)	—
– Band 3	0.501 to 1.500	29,623	1,262	—	30,885	(1)	—	—	(1)	—
– Band 4	1.501 to 5.000	8,550	1,334	—	9,884	(4)	—	—	(4)	—
– Band 5	5.001 to 20.000	508	564	—	1,072	(2)	—	—	(2)	0.2
– Band 6	20.001 to 99.999	440	122	—	562	—	—	—	—	—
– Band 7	100.000	—	—	355	355	—	—	(2)	(2)	0.6
Financial guarantees		1,106	13	—	1,119	—	—	—	—	—
– Band 1	0.000 to 0.250	348	—	—	348	—	—	—	—	—
– Band 2	0.251 to 0.500	386	—	—	386	—	—	—	—	—
– Band 3	0.501 to 1.500	359	1	—	360	—	—	—	—	—
– Band 4	1.501 to 5.000	3	—	—	3	—	—	—	—	—
– Band 5	5.001 to 20.000	2	12	—	14	—	—	—	—	—
– Band 6	20.001 to 99.999	8	—	—	8	—	—	—	—	—
– Band 7	100.000	—	—	—	—	—	—	—	—	—
At 31 Dec 2023		254,289	3,472	355	258,116	(23)	—	(2)	(25)	—

1 12-month point in time adjusted for multiple economic scenarios.

Collateral on loans and advances

(Audited)

The following table provides a quantification of the value of fixed charges we hold over specific assets where we have a history of enforcing, and are able to enforce, collateral in satisfying a debt in the event of the borrower failing to meet its contractual obligations, and where the collateral is cash or can be realised by sale in an established market. The collateral valuation excludes any adjustments for obtaining and selling the collateral and, in particular, loans shown as not collateralised or partially collateralised may also benefit from other forms of credit mitigants.

Personal lending – residential mortgage loans including loan commitments by level of collateral for key countries/territories by stage

(Audited)

	Gross carrying/nominal amount				ECL coverage			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	$m	$m	$m	$m	%	%	%	%
Fully collateralised by LTV ratio	**332,641**	**34,203**	**2,371**	**369,215**	**—**	**0.4**	**10.0**	**0.1**
– less than 50%	**141,331**	**18,076**	**1,238**	**160,645**	**—**	**0.2**	**7.6**	**0.1**
– 51% to 70%	**111,963**	**11,507**	**698**	**124,168**	**—**	**0.4**	**11.2**	**0.1**
– 71% to 80%	**39,374**	**3,040**	**242**	**42,656**	**—**	**0.7**	**13.1**	**0.1**
– 81% to 90%	**25,514**	**1,264**	**131**	**26,909**	**—**	**0.9**	**15.0**	**0.1**
– 91% to 100%	**14,459**	**316**	**62**	**14,837**	**—**	**1.8**	**22.4**	**0.1**
Partially collateralised (A): LTV > 100%	**12,031**	**139**	**103**	**12,273**	**—**	**3.2**	**46.2**	**0.4**
– collateral value on A	**11,274**	**126**	**70**	**11,470**				
Total at 31 Dec 2024	**344,672**	**34,342**	**2,474**	**381,488**	**—**	**0.4**	**11.5**	**0.1**
of which: UK								
Fully collateralised by LTV ratio	**151,264**	**30,574**	**747**	**182,585**	**—**	**0.2**	**8.5**	**0.1**
– less than 50%	**62,753**	**16,689**	**445**	**79,887**	**—**	**0.1**	**6.9**	**0.1**
– 51% to 70%	**50,374**	**10,456**	**206**	**61,036**	**—**	**0.2**	**9.7**	**0.1**
– 71% to 80%	**20,552**	**2,423**	**64**	**23,039**	**—**	**0.4**	**12.1**	**0.1**
– 81% to 90%	**15,965**	**939**	**23**	**16,927**	**—**	**0.6**	**13.0**	**0.1**
– 91% to 100%	**1,620**	**67**	**9**	**1,696**	**—**	**0.7**	**16.7**	**0.1**
Partially collateralised (B): LTV > 100%	**146**	**15**	**5**	**166**	**—**	**1.0**	**27.7**	**0.9**
– collateral value on B	**109**	**12**	**4**	**125**				
Total UK at 31 Dec 2024	**151,410**	**30,589**	**752**	**182,751**	**—**	**0.2**	**8.6**	**0.1**
of which: Hong Kong								
Fully collateralised	**95,751**	**756**	**138**	**96,645**	**—**	**—**	**1.3**	**—**
– less than 50%	**38,894**	**372**	**79**	**39,345**	**—**	**—**	**0.4**	**—**
– 51% to 70%	**30,088**	**227**	**31**	**30,346**	**—**	**—**	**0.4**	**—**
– 71% to 80%	**6,783**	**47**	**11**	**6,841**	**—**	**—**	**5.1**	**—**
– 81% to 90%	**7,602**	**42**	**9**	**7,653**	**—**	**0.2**	**1.1**	**—**
– 91% to 100%	**12,384**	**68**	**8**	**12,460**	**—**	**0.1**	**8.8**	**—**
Partially collateralised (C): LTV > 100%	**11,744**	**103**	**14**	**11,861**	**—**	**0.2**	**19.1**	**—**
– collateral value on C	**11,034**	**96**	**12**	**11,142**				
Total Hong Kong at 31 Dec 2024	**107,495**	**859**	**152**	**108,506**	**—**	**0.1**	**2.9**	**—**
Fully collateralised by LTV ratio	331,279	38,378	2,129	371,786	—	0.5	10.1	0.1
– less than 50%	140,992	19,715	1,165	161,872	—	0.3	7.1	0.1
– 51% to 70%	113,043	12,636	568	126,247	—	0.6	10.9	0.1
– 71% to 80%	37,866	4,111	229	42,206	—	0.9	15.2	0.2
– 81% to 90%	23,278	1,499	109	24,886	—	1.2	17.3	0.2
– 91% to 100%	16,100	417	58	16,575	—	1.6	28.9	0.2
Partially collateralised (A): LTV > 100%	9,529	136	129	9,794	—	3.4	42.0	0.6
– collateral value on A	8,968	123	104	9,195				
Total at 31 Dec 2023	340,808	38,514	2,258	381,580	—	0.5	11.9	0.1
of which: UK								
Fully collateralised by LTV ratio	146,739	33,597	759	181,095	—	0.3	9.7	0.1
– less than 50%	60,403	17,629	458	78,490	—	0.2	7.9	0.1
– 51% to 70%	49,945	11,248	207	61,400	—	0.4	9.4	0.1
– 71% to 80%	20,293	3,275	61	23,629	—	0.6	13.4	0.1
– 81% to 90%	12,946	1,161	18	14,125	—	0.8	17.5	0.1
– 91% to 100%	3,152	284	15	3,451	—	1.0	41.6	0.3
Partially collateralised (B): LTV > 100%	317	19	27	363	0.1	1.7	17.5	1.4
– collateral value on B	244	15	22	281				
Total UK at 31 Dec 2023	147,056	33,616	786	181,458	—	0.3	9.9	0.1
of which: Hong Kong								
Fully collateralised by LTV ratio	97,414	1,354	93	98,861	—	—	0.3	—
– less than 50%	41,903	831	66	42,800	—	—	0.1	—
– 51% to 70%	29,762	330	15	30,107	—	—	0.5	—
– 71% to 80%	5,260	48	2	5,310	—	0.1	0.4	—
– 81% to 90%	8,161	61	4	8,226	—	0.1	1.9	—
– 91% to 100%	12,328	84	6	12,418	—	0.3	1.8	—
Partially collateralised (C): LTV > 100%	8,973	86	4	9,063	—	0.9	7.8	—
– collateral value on C	8,535	81	4	8,620				
Total Hong Kong at 31 Dec 2023	106,387	1,440	97	107,924	—	0.1	0.7	—

Supplementary information

Wholesale lending – loans and advances to customers at amortised cost by country/territory

	Gross carrying amount				Allowance for ECL			
	Corporate and commercial	of which: real estate and construction[1]	Non-bank financial institutions	Total	Corporate and commercial	of which: real estate and construction[1]	Non-bank financial institutions	Total
	$m	$m	$m	$m	$m	$m	$m	$m
UK	**102,245**	**17,540**	**21,771**	**124,016**	**(1,412)**	**(289)**	**(234)**	**(1,646)**
– of which: HSBC UK Bank plc (ring-fenced bank)	**79,833**	**16,722**	**10,268**	**90,101**	**(1,146)**	**(260)**	**(54)**	**(1,200)**
– of which: HSBC Bank plc (non-ring-fenced bank)	**22,412**	**818**	**11,503**	**33,915**	**(266)**	**(29)**	**(180)**	**(446)**
– of which: Other trading entities	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
France	**25,950**	**3,986**	**7,222**	**33,172**	**(257)**	**(42)**	**(9)**	**(266)**
Germany	**6,256**	**264**	**421**	**6,677**	**(153)**	**—**	**—**	**(153)**
Hong Kong	**118,332**	**42,042**	**17,846**	**136,178**	**(2,922)**	**(1,494)**	**(112)**	**(3,034)**
Australia	**12,532**	**4,509**	**2,931**	**15,463**	**(30)**	**(3)**	**—**	**(30)**
India	**12,540**	**2,581**	**6,425**	**18,965**	**(45)**	**(5)**	**(6)**	**(51)**
Indonesia	**3,132**	**184**	**356**	**3,488**	**(109)**	**(44)**	**—**	**(109)**
Mainland China	**29,930**	**5,326**	**8,044**	**37,974**	**(222)**	**(117)**	**(6)**	**(228)**
Malaysia	**5,773**	**1,067**	**278**	**6,051**	**(40)**	**(10)**	**—**	**(40)**
Singapore	**17,267**	**3,266**	**1,830**	**19,097**	**(234)**	**(80)**	**(1)**	**(235)**
Taiwan	**3,848**	**60**	**—**	**3,848**	**—**	**—**	**—**	**—**
Egypt	**777**	**32**	**51**	**828**	**(115)**	**(20)**	**—**	**(115)**
UAE	**13,278**	**1,809**	**1,589**	**14,867**	**(408)**	**(258)**	**—**	**(408)**
US	**24,084**	**4,028**	**10,348**	**34,432**	**(246)**	**(106)**	**(47)**	**(293)**
Mexico	**10,318**	**525**	**1,407**	**11,725**	**(201)**	**(9)**	**(11)**	**(212)**
Other	**24,422**	**2,844**	**1,945**	**26,367**	**(361)**	**(121)**	**(10)**	**(371)**
At 31 Dec 2024	**410,684**	**90,063**	**82,464**	**493,148**	**(6,755)**	**(2,598)**	**(436)**	**(7,191)**
UK	105,536	17,852	18,343	123,879	(1,451)	(246)	(231)	(1,682)
– of which: HSBC UK Bank plc (ring-fenced bank)	80,248	17,060	9,372	89,620	(1,212)	(212)	(66)	(1,278)
– of which: HSBC Bank plc (non-ring-fenced bank)	24,791	792	8,971	33,762	(240)	(34)	(165)	(405)
– of which: Other trading entities	497	—	—	497	1	—	—	1
France	27,017	4,796	5,701	32,718	(636)	(53)	(18)	(654)
Germany	6,667	240	632	7,299	(74)	—	—	(74)
Hong Kong	125,340	48,594	19,319	144,659	(3,099)	(2,147)	(57)	(3,156)
Australia	12,685	4,443	1,564	14,249	(49)	(1)	—	(49)
India	10,856	2,083	5,315	16,171	(47)	(7)	(4)	(51)
Indonesia	3,100	162	411	3,511	(136)	(58)	—	(136)
Mainland China	28,655	6,709	7,775	36,430	(313)	(212)	(11)	(324)
Malaysia	5,797	1,137	258	6,055	(69)	(15)	—	(69)
Singapore	15,845	3,458	948	16,793	(321)	(40)	(1)	(322)
Taiwan	4,512	30	81	4,593	—	—	—	—
Egypt	899	45	86	985	(128)	(10)	(1)	(129)
UAE	13,740	1,979	823	14,563	(543)	(296)	—	(543)
US	26,993	5,143	9,155	36,148	(239)	(101)	(58)	(297)
Mexico	11,326	865	1,349	12,675	(320)	(19)	(5)	(325)
Other	28,687	3,919	2,672	31,359	(378)	(81)	(18)	(396)
At 31 Dec 2023	427,655	101,455	74,432	502,087	(7,803)	(3,286)	(404)	(8,207)

1 Real estate lending within this disclosure corresponds solely to the industry of the borrower. Commercial real estate on page 177 includes borrowers in multiple industries investing in income-producing assets and, to a lesser extent, their construction and development.

Personal lending – loans and advances to customers at amortised cost by country/territory

	Gross carrying amount				Allowance for ECL			
	First lien residential mortgages	Other personal	of which: credit cards	Total	First lien residential mortgages	Other personal	of which: credit cards	Total
	$m	$m	$m	$m	$m	$m	$m	$m
UK	**170,809**	**21,426**	**8,016**	**192,235**	**(139)**	**(540)**	**(284)**	**(679)**
– of which: HSBC UK Bank plc (ring-fenced bank)	**166,709**	**18,029**	**7,933**	**184,738**	**(132)**	**(534)**	**(283)**	**(666)**
– of which: HSBC Bank plc (non-ring-fenced bank)	**4,100**	**3,397**	**83**	**7,497**	**(7)**	**(6)**	**(1)**	**(13)**
– of which: Other trading entities	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
France[1]	**377**	**6,601**	**1**	**6,978**	**(12)**	**(12)**	**—**	**(24)**
Germany	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Hong Kong	**107,759**	**31,676**	**10,165**	**139,435**	**(5)**	**(421)**	**(291)**	**(426)**
Australia	**22,154**	**407**	**372**	**22,561**	**(7)**	**(9)**	**(8)**	**(16)**
India	**1,984**	**865**	**265**	**2,849**	**(3)**	**(18)**	**(14)**	**(21)**
Indonesia	**46**	**323**	**142**	**369**	**(3)**	**(11)**	**(6)**	**(14)**
Mainland China	**6,087**	**771**	**227**	**6,858**	**(12)**	**(42)**	**(33)**	**(54)**
Malaysia	**3,252**	**1,198**	**938**	**4,450**	**(23)**	**(62)**	**(36)**	**(85)**
Singapore	**5,802**	**6,653**	**571**	**12,455**	**—**	**(56)**	**(28)**	**(56)**
Taiwan	**5,788**	**1,424**	**340**	**7,212**	**—**	**(15)**	**(4)**	**(15)**
Egypt	**—**	**321**	**89**	**321**	**—**	**(1)**	**—**	**(1)**
UAE	**2,082**	**1,338**	**543**	**3,420**	**(3)**	**(55)**	**(31)**	**(58)**
US	**21,021**	**653**	**195**	**21,674**	**(12)**	**(16)**	**(14)**	**(28)**
Mexico	**7,488**	**5,320**	**2,242**	**12,808**	**(167)**	**(719)**	**(339)**	**(886)**
Other	**6,681**	**6,919**	**809**	**13,600**	**(87)**	**(74)**	**(39)**	**(161)**
At 31 Dec 2024	**361,330**	**85,895**	**24,915**	**447,225**	**(473)**	**(2,051)**	**(1,127)**	**(2,524)**
UK	168,469	19,503	8,056	187,972	(209)	(697)	(339)	(906)
– of which: HSBC UK Bank plc (ring-fenced bank)	164,878	17,884	7,975	182,762	(205)	(692)	(336)	(897)
– of which: HSBC Bank plc (non-ring-fenced bank)	3,226	141	81	3,367	(3)	(5)	(2)	(8)
– of which: Other trading entities	365	1,478	—	1,843	(1)	—	(1)	(1)
France[1]	436	7,476	1	7,912	(13)	(8)	—	(21)
Germany	—	165	—	165	—	—	—	—
Hong Kong	107,182	31,248	9,663	138,430	(2)	(417)	(286)	(419)
Australia	23,001	446	396	23,447	(5)	(19)	(18)	(24)
India	1,537	680	185	2,217	(4)	(16)	(12)	(20)
Indonesia	58	288	137	346	(2)	(11)	(7)	(13)
Mainland China	7,503	754	287	8,257	(3)	(49)	(39)	(52)
Malaysia	2,313	2,115	882	4,428	(23)	(87)	(36)	(110)
Singapore	8,151	5,589	521	13,740	—	(38)	(17)	(38)
Taiwan	5,607	1,370	309	6,977	—	(17)	(4)	(17)
Egypt	—	341	89	341	—	(1)	(1)	(1)
UAE	1,957	1,325	440	3,282	(10)	(62)	(24)	(72)
US	18,340	673	199	19,013	(15)	(19)	(14)	(34)
Mexico	8,778	6,215	2,465	14,993	(176)	(757)	(297)	(933)
Other	7,577	8,425	1,050	16,002	(109)	(98)	(42)	(207)
At 31 Dec 2023	360,909	86,613	24,680	447,522	(571)	(2,296)	(1,136)	(2,867)

1 Included in other personal lending at 31 December 2024 is $6,562m (31 December 2023: $7,424m) guaranteed by Crédit Logement.

Summary of financial instruments to which the impairment requirements in IFRS 9 are applied – by global business

	Gross carrying/nominal amount					Allowance for ECL				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
WPB[1]	**569,548**	**39,984**	**3,717**	**—**	**613,249**	**(596)**	**(1,166)**	**(811)**	**—**	**(2,573)**
CMB	**436,536**	**44,223**	**16,912**	**48**	**497,719**	**(446)**	**(1,020)**	**(4,713)**	**(29)**	**(6,208)**
GBM	**674,730**	**10,676**	**2,116**	**42**	**687,564**	**(106)**	**(331)**	**(524)**	**(22)**	**(983)**
Corporate Centre[1]	**72,079**	**369**	**25**	**—**	**72,473**	**(3)**	**(36)**	**(17)**	**—**	**(56)**
Total gross carrying amount on-balance sheet at 31 Dec 2024	**1,752,893**	**95,252**	**22,770**	**90**	**1,871,005**	**(1,151)**	**(2,553)**	**(6,065)**	**(51)**	**(9,820)**
WPB	**252,695**	**1,674**	**84**	**—**	**254,453**	**(17)**	**—**	**(9)**	**—**	**(26)**
CMB	**132,703**	**13,879**	**896**	**—**	**147,478**	**(97)**	**(92)**	**(86)**	**—**	**(275)**
GBM	**226,995**	**7,019**	**226**	**3**	**234,243**	**(31)**	**(34)**	**(11)**	**—**	**(76)**
Corporate Centre	**191**	**—**	**—**	**—**	**191**	**—**	**—**	**—**	**—**	**—**
Total nominal amount off-balance sheet at 31 Dec 2024	**612,584**	**22,572**	**1,206**	**3**	**636,365**	**(145)**	**(126)**	**(106)**	**—**	**(377)**
WPB	**142,388**	**339**	**—**	**—**	**142,727**	**(14)**	**(2)**	**—**	**—**	**(16)**
CMB	**103,406**	**323**	**—**	**—**	**103,729**	**(7)**	**(2)**	**—**	**—**	**(9)**
GBM	**97,422**	**149**	**—**	**—**	**97,571**	**(9)**	**—**	**—**	**—**	**(9)**
Corporate Centre	**2,028**	**69**	**—**	**—**	**2,097**	**(1)**	**(19)**	**—**	**—**	**(20)**
Debt instruments measured at FVOCI at 31 Dec 2024	**345,244**	**880**	**—**	**—**	**346,124**	**(31)**	**(23)**	**—**	**—**	**(54)**
WPB	630,661	54,069	4,233	—	688,963	(621)	(1,551)	(977)	—	(3,149)
CMB	464,893	66,688	12,698	49	544,328	(508)	(1,336)	(4,995)	(23)	(6,862)
GBM	696,377	14,247	3,002	32	713,658	(119)	(199)	(1,161)	(7)	(1,486)
Corporate Centre	75,805	37	6	—	75,848	(1)	(13)	—	—	(14)
Total gross carrying amount on-balance sheet at 31 Dec 2023	1,867,736	135,041	19,939	81	2,022,797	(1,249)	(3,099)	(7,133)	(30)	(11,511)
WPB	253,333	3,811	333	—	257,477	(22)	—	(2)	—	(24)
CMB	142,206	16,238	877	—	159,321	(100)	(101)	(102)	—	(303)
GBM	250,007	10,752	314	4	261,077	(38)	(34)	(7)	—	(79)
Corporate Centre	149	—	—	—	149	—	—	—	—	—
Total nominal amount off-balance sheet at 31 Dec 2023	645,695	30,801	1,524	4	678,024	(160)	(135)	(111)	—	(406)
WPB	124,747	406	—	—	125,153	(14)	(17)	—	—	(31)
CMB	86,021	405	—	—	86,426	(9)	(18)	—	—	(27)
GBM	88,229	173	1	—	88,403	(13)	(6)	(1)	—	(20)
Corporate Centre	2,201	165	—	—	2,366	(1)	(18)	—	—	(19)
Debt instruments measured at FVOCI at 31 Dec 2023	301,198	1,149	1	—	302,348	(37)	(59)	(1)	—	(97)

1 With effect from 1 January 2024, following the sale of our retail banking business in France, we have prospectively reclassified the $7.4bn portfolio of retained loans from WPB to Corporate Centre.

Loans and advances to customers and banks – other supplementary information

	Gross carrying amount $m	of which: stage 3 and POCI $m	Allowance for ECL $m	of which: stage 3 and POCI $m	Change in ECL $m	Write-offs $m	Recoveries $m
First lien residential mortgages	361,330	2,450	(473)	(284)	33	(63)	7
– second lien residential mortgages	395	19	(2)	(2)	6	—	1
– guaranteed loans in respect of residential property	6,698	20	(9)	(5)	3	(7)	—
– other personal lending which is secured	31,180	138	(31)	(15)	5	(3)	—
– credit cards	24,915	313	(1,127)	(199)	(804)	(736)	106
– other personal lending which is unsecured	20,660	598	(838)	(279)	(484)	(699)	103
– motor vehicle finance	2,047	22	(44)	(12)	(38)	(26)	3
Other personal lending	85,895	1,110	(2,051)	(512)	(1,312)	(1,471)	213
Personal lending	**447,225**	**3,560**	**(2,524)**	**(796)**	**(1,279)**	**(1,534)**	**220**
– agriculture, forestry and fishing	7,033	282	(94)	(46)	4	(10)	1
– mining and quarrying	7,592	318	(45)	(32)	29	(26)	—
– manufacturing	82,724	1,487	(893)	(638)	(170)	(403)	3
– electricity, gas, steam and air-conditioning supply	16,457	209	(122)	(85)	—	—	—
– water supply, sewerage, waste management and remediation	2,961	43	(24)	(16)	2	(40)	—
– real estate and construction	90,063	8,949	(2,598)	(1,842)	(812)	(1,554)	12
– wholesale and retail trade, repair of motor vehicles and motorcycles	77,830	2,728	(1,372)	(1,188)	(369)	(337)	8
– transportation and storage	22,643	417	(321)	(232)	(104)	(20)	1
– accommodation and food	14,734	1,610	(299)	(214)	(81)	(27)	—
– publishing, audiovisual and broadcasting	19,826	229	(158)	(61)	(79)	(75)	2
– professional, scientific and technical activities	26,128	648	(266)	(188)	(132)	(174)	1
– administrative and support services	20,117	739	(320)	(254)	(39)	(88)	1
– public administration and defence, compulsory social security	64	—	—	—	—	—	—
– education	1,596	43	(27)	(16)	(16)	(3)	—
– health and care	4,030	184	(51)	(25)	(3)	(12)	1
– arts, entertainment and recreation	2,066	78	(35)	(26)	(19)	(22)	—
– other services	7,288	327	(110)	(66)	(82)	(115)	10
– activities of households	589	—	—	—	—	—	—
– extra-territorial organisations and bodies activities	118	—	—	—	—	—	—
– government	6,793	175	(7)	(5)	6	—	—
– asset-backed securities	32	—	(13)	—	1	—	—
Corporate and commercial	410,684	18,466	(6,755)	(4,934)	(1,864)	(2,906)	40
Non-bank financial institutions	82,464	679	(436)	(361)	(59)	(19)	—
Wholesale lending	**493,148**	**19,145**	**(7,191)**	**(5,295)**	**(1,923)**	**(2,925)**	**40**
Loans and advances to customers	940,373	22,705	(9,715)	(6,091)	(3,202)	(4,459)	260
Loans and advances to banks	102,052	2	(13)	(2)	(1)	—	—
At 31 Dec 2024	**1,042,425**	**22,707**	**(9,728)**	**(6,093)**	**(3,203)**	**(4,459)**	**260**

Loans and advances to customers and banks – other supplementary information (continued)

	Gross carrying amount	of which: stage 3 and POCI	Allowance for ECL	of which: stage 3 and POCI	Change in ECL	Write-offs	Recoveries
	$m	$m	$m	$m	$m	$m	$m
First lien residential mortgages	360,909	2,212	(571)	(269)	(10)	(53)	10
– second lien residential mortgages	396	21	(8)	(5)	(1)	(1)	2
– guaranteed loans in respect of residential property	8,593	90	(20)	(14)	2	(8)	2
– other personal lending which is secured	29,481	157	(42)	(24)	8	(2)	2
– credit cards	24,680	352	(1,136)	(203)	(577)	(571)	108
– other personal lending which is unsecured	21,251	659	(1,048)	(331)	(380)	(663)	99
– motor vehicle finance	2,212	14	(42)	(8)	(61)	(28)	3
Other personal lending	86,613	1,293	(2,296)	(585)	(1,009)	(1,273)	216
Personal lending	447,522	3,505	(2,867)	(854)	(1,019)	(1,326)	226
– agriculture, forestry and fishing	7,181	312	(130)	(64)	(21)	(9)	—
– mining and quarrying	7,223	325	(101)	(83)	27	(49)	—
– manufacturing	85,333	1,899	(1,143)	(860)	(355)	(273)	11
– electricity, gas, steam and air-conditioning supply	14,355	255	(119)	(88)	(26)	(10)	—
– water supply, sewerage, waste management and remediation	3,262	102	(63)	(51)	(44)	(2)	—
– real estate and construction	101,455	5,883	(3,286)	(2,561)	(1,358)	(1,191)	6
– wholesale and retail trade, repair of motor vehicles and motorcycles	79,121	2,362	(1,341)	(1,134)	(124)	(447)	12
– transportation and storage	21,456	445	(230)	(160)	(87)	(42)	—
– accommodation and food	15,874	1,058	(257)	(112)	(33)	(26)	—
– publishing, audiovisual and broadcasting	19,731	210	(173)	(50)	(106)	(73)	—
– professional, scientific and technical activities	26,753	740	(401)	(306)	(262)	(110)	1
– administrative and support services	22,203	597	(268)	(174)	39	(137)	—
– public administration and defence, compulsory social security	1,042	—	—	—	—	—	—
– education	1,460	46	(15)	(4)	(1)	(22)	—
– health and care	4,236	183	(56)	(26)	40	(7)	—
– arts, entertainment and recreation	1,961	99	(42)	(31)	15	(8)	—
– other services	8,355	318	(153)	(90)	22	(181)	12
– activities of households	694	—	—	—	—	—	—
– extra-territorial organisations and bodies activities	101	—	—	—	—	—	—
– government	5,827	205	(12)	(10)	(15)	—	—
– asset-backed securities	32	—	(13)	—	—	—	—
Corporate and commercial	427,655	15,039	(7,803)	(5,804)	(2,289)	(2,587)	42
Non-bank financial institutions	74,432	810	(404)	(322)	(168)	(9)	—
Wholesale lending	502,087	15,849	(8,207)	(6,126)	(2,457)	(2,596)	42
Loans and advances to customers	949,609	19,354	(11,074)	(6,980)	(3,476)	(3,922)	268
Loans and advances to banks	112,917	2	(15)	(2)	53	—	—
At 31 Dec 2023	1,062,526	19,356	(11,089)	(6,982)	(3,423)	(3,922)	268

HSBC Holdings

(Audited)

Credit risk in HSBC Holdings primarily arises from transactions with Group subsidiaries.

In HSBC Holdings, the maximum exposure to credit risk arises from two components:

– financial assets on the balance sheet, where maximum exposure equals the carrying amount (see page 350); and

– financial guarantees and other guarantees, where the maximum exposure is the maximum that we would have to pay if the guarantees were called upon (see Note 33).

In the case of our derivative asset balances (see page 350), there is a legally enforceable right of offset in the event of counterparty default and where, as a result, there is a net exposure for credit risk purposes. However, as there is no intention to settle these balances on a net basis under normal circumstances, they do not qualify for net presentation for accounting purposes. These offsets also include collateral received in cash and other financial assets.

The total offset relating to our derivative asset balances was $3.0bn at 31 December 2024 (2023: $3.0bn).

The credit quality of loans and advances and financial investments, both of which consist of intra-Group lending and US Treasury bills and bonds, is assessed as 'strong', with 100% of the exposure being neither past due nor impaired (2023: 100%). For further details of credit quality classification, see page 140.

Treasury risk

Contents

Overview

Treasury risk is the risk of having insufficient capital, liquidity or funding resources to meet financial obligations and satisfy regulatory requirements, including the risk of adverse impact on earnings or capital due to structural and transactional foreign exchange exposures, as well as changes in market interest rates, together with pension and insurance risk.

Treasury risk arises from changes to the respective resources and risk profiles driven by customer behaviour, management decisions or the external environment.

Approach and policy

(Audited)

Our objective in the management of treasury risk is to maintain appropriate levels of capital, liquidity, funding, foreign exchange and market risk to support our business strategy, and meet our regulatory and stress testing-related requirements.

Our approach to treasury management is driven by our strategic and organisational requirements, and considers the regulatory, economic and commercial environment. We aim to maintain a strong capital and liquidity base to support the risks inherent in our business and invest in accordance with our strategy, meeting both consolidated and local regulatory requirements at all times.

Our policy is underpinned by our risk management framework. The risk management framework incorporates a number of measures aligned to our assessment of risks for both internal and regulatory purposes. These risks include credit, market, operational, pensions, structural and transactional foreign exchange risk, and interest rate risk in the banking book.

For further details, refer to our Pillar 3 Disclosures at 31 December 2024.

Treasury risk management

Key developments in 2024

- The Group continues to benefit from a healthy capital, liquidity and funding position.
- The Board approved a fourth interim dividend for full year 2023, paid in April 2024. For the full year 2024, the Board approved three interim dividends, which were paid in June, September and December 2024. A fourth interim dividend has also been announced with these results. We announced a total of $11bn of share buy-backs during 2024.
- On 1 January 2024, HSBC Continental Europe completed the sale of its retail banking operations in France.
- On 28 March 2024, HSBC completed the sale of HSBC Bank Canada to the Royal Bank of Canada. The associated gain on sale of $4.8bn, including the recycling of related reserves, added approximately 0.8 percentage points to our CET1 ratio in 1Q24. The Board approved a special dividend of $0.21 per share, paid in June 2024 alongside the first interim dividend.
- On 6 December 2024, HSBC completed the sale of HSBC Argentina to Grupo Financiero Galicia recognising a loss on disposal of $1bn. In addition, $5.2bn of FX and other reserve losses were recycled to the income statement on completion. The sale had an immaterial capital impact.
- The Bank continues its delivery efforts against regulatory commitments, including enhancements to regulatory reporting and the implementation of prudential policy changes across the jurisdictions in which we operate. We continue to assess the impact of Basel 3.1, following the PRA announcement to delay the implementation until 1 January 2027, and expect a modest benefit to our CET1 ratio.
- We have made significant progress in improving our recovery and resolution capabilities in line with the Group's preferred resolution strategy and regulatory expectations, including the Bank of England's ('BoE') Resolvability Assessment Framework ('RAF').
- We further stabilised our banking net interest income through increasing both the size and duration of our structural hedge.

For quantitative disclosures on capital ratios, own funds and risk-weighted assets ('RWAs'), see pages 204 to 205. For quantitative disclosures on liquidity and funding metrics, see pages 208 to 209. For quantitative disclosures on interest rate risk in the banking book, see pages 212 to 214.

Governance and structure

The Global Head of Traded and Treasury Risk Management and Risk Analytics is the accountable risk steward for all treasury risks. The Group Treasurer is the risk owner for all treasury risks, with the exception of pension risk and insurance risk. The Group Treasurer co-owns pension risk with the Group Head of Performance and Reward. Insurance risk is owned by the Chief Executive Officer for Global Insurance.

Capital risk, liquidity risk, interest rate risk in the banking book, structural foreign exchange risk and transactional foreign exchange risk are the responsibility of the Group Operating Committee and the Group Risk Committee ('GRC'). Global Treasury actively manages these risks on an ongoing basis, supported by the Holdings Asset and Liability Management Committee ('ALCO') and local ALCOs, overseen by Treasury Risk Management and Risk Management Meetings.

Pension risk is overseen by a network of local and regional pension risk management meetings. The Global Pensions Financial Risk Management Meeting provides oversight of all pension plans sponsored by HSBC globally and is chaired by the accountable risk steward. Insurance risk is overseen by the Global Insurance Risk Management Meeting, chaired by the Chief Risk and Compliance Officer for Global Insurance.

Capital, liquidity and funding risk management processes

Assessment and risk appetite

Our capital management approach is underpinned by a Global Capital Risk policy and supporting frameworks for recovery and resolution planning and stress testing. The policy sets out our approach to determining key capital risk appetites including CET1, total capital, minimum requirements for own funds and eligible liabilities ('MREL'), the leverage ratio and double leverage. Our internal capital adequacy assessment process ('ICAAP') is an assessment of the Group's capital position, outlining both regulatory and internal capital resources and requirements resulting from HSBC's business model, strategy, risk profile and management, performance and planning, risks to capital, and the implications of stress testing. Our assessment of capital adequacy is driven by an assessment of risks. These risks include credit, market, operational, pensions, insurance, structural foreign exchange, interest rate risk in the banking book and group risk. Climate risk is also considered as part of the ICAAP, and we are continuing to develop our approach. The Group's ICAAP supports the determination of the consolidated capital risk appetite and target ratios, as well as enables the assessment and determination of capital requirements by regulators. Subsidiaries prepare ICAAPs in line with global guidance, while considering their local regulatory regimes to determine their own risk appetites and ratios.

HSBC Holdings is the provider of MREL to its subsidiaries, including equity and non-equity capital. These investments are funded by HSBC Holdings' own equity capital and MREL-eligible debt. MREL includes own funds and liabilities that can be written down or converted into capital resources in order to absorb losses or recapitalise a bank in the event of its failure. In line with our existing structure and business model, HSBC has three resolution groups – the European Resolution Group, the Asian Resolution Group and the US Resolution Group. There are some smaller entities that fall outside these resolution groups.

HSBC Holdings seeks to maintain a prudent balance between the composition of its capital and its investments in subsidiaries.

As a matter of long-standing policy, the holding company group retains a substantial holdings capital buffer comprising cash and other high-quality liquid assets, which at 31 December 2024 was in excess of $20bn, our target operating level.

We aim to ensure that management has oversight of our liquidity and funding risks at Group and entity level through governance arrangements, in line with our risk management framework. We manage liquidity and funding risk at an operating entity level in accordance with globally consistent policies, procedures and reporting standards. This ensures that obligations can be met in a timely manner, in the jurisdiction where they fall due.

Operating entities are required to meet internal minimum requirements and any applicable regulatory requirements at all times.

These requirements are assessed through our internal liquidity adequacy assessment process ('ILAAP'), which ensures that operating entities have strategies, policies, processes and systems for the identification, measurement, management and monitoring of liquidity risk over an appropriate set of time horizons, including intra-day. The ILAAP informs the setting of risk appetite. It also assesses the capability to manage liquidity and funding effectively in each major entity. These metrics are set and managed locally but are subject to global review and challenge to ensure consistency of approach and application of the Group's policies and controls.

Planning and performance

Capital and RWA plans form part of the annual financial resource plan that is approved by the Board. Capital and RWA forecasts are submitted to the Group Executive Committee on a monthly basis, and capital and RWAs are monitored and managed against the plan. The responsibility for global capital allocation principles rests with the Group Chief Financial Officer, supported by the Group Capital Management Meeting. This is a specialist forum addressing capital management, reporting into Holdings ALCO.

Through our internal governance processes, we seek to strengthen discipline over our investment and capital allocation decisions, and to ensure that returns on investment meet management's objectives. The Group allocates financial resources to businesses and entities to support the execution of our strategy and to meet their regulatory and economic capital needs. We evaluate and manage business returns by using a return on average tangible equity measure and a related economic profit measure.

Funding and liquidity plans also form part of the financial resource plan that is approved by the Board. The Board-level appetite measures are the liquidity coverage ratio ('LCR') and net stable funding ratio ('NSFR'), together with an internal liquidity metric, at entity level. In addition, we use a wider set of measures to manage an appropriate funding and liquidity profile, including legal entity depositor concentration limits, intra-day liquidity, forward-looking funding assessments and other key measures.

Risks to capital and liquidity

Outside the stress testing framework, other risks may be identified that have the potential to affect our RWAs, capital and/or liquidity position. Downside and upside scenarios are assessed against our management objectives, and mitigating actions are assigned as necessary. We closely monitor future regulatory developments and continue to evaluate the impact of these upon our capital and liquidity requirements, particularly those related to the UK's implementation of the outstanding measures to be implemented from the Basel III reforms ('Basel 3.1').

Regulatory developments

The Prudential Regulation Authority ('PRA') published the second part of its near-final rules on the UK's implementation of Basel 3.1 on 12 September 2024. On 17 January 2025, the PRA revised the implementation date to 1 January 2027 to allow greater clarity regarding implementation in the United States. The Risk Weighted Asset ('RWA') output floor is now subject to a three-year transitional provision, ensuring that the date for full implementation remains 1 January 2030. We continue to assess the impact of Basel 3.1 standards on our capital, including the recent release of more beneficial PRA near-final rules, developments in the US and associated implementation challenges (including data provision). We expect that the impact on our CET1 ratio at 1 January 2027 will be a modest benefit.

Regulatory reporting processes and controls

We are advancing a comprehensive initiative aimed at strengthening our global regulatory reporting processes and making them more sustainable. This multifaceted programme includes enhancing data, consistency and controls. This remains a key priority for both HSBC management and regulatory authorities.

While this programme continues, there may be further impacts on some of our regulatory ratios, such as the CET1, LCR and NSFR, as we implement recommended changes and continue to enhance our controls across the process.

Stress testing and recovery and resolution planning

The Group uses stress testing to inform management of the capital and liquidity needed to withstand internal and external shocks, including a global economic downturn or a systems failure. Stress testing results are also used to inform risk mitigation actions, input into global business performance through tangible equity allocation, and recovery and resolution planning, as well as to re-evaluate business plans where analysis shows capital, liquidity and/or returns do not meet their target.

In addition to a range of internal stress tests, we are subject to supervisory stress testing in many jurisdictions. These include the exercises of the Bank of England ('BoE'), the US Federal Reserve Board, the European Banking Authority, the European Central Bank and the Hong Kong Monetary Authority. The results of regulatory stress testing and our internal stress tests are used when assessing our internal capital and liquidity requirements through the ICAAP and ILAAP. The outcomes of stress testing exercises carried out by the PRA and other regulators feed into the setting of regulatory minimum ratios and buffers.

We maintain recovery plans for the Group and material entities, which set out potential options management could take in a range of stress scenarios that could result in a breach of capital or liquidity buffers.

The Group recovery plan sets out the framework and governance arrangements to support restoring HSBC to a stable and viable position, and so lowering the probability of failure from either idiosyncratic company-specific stress or systemic market-wide issues. Our material entities' recovery plans provide detailed actions that management would consider taking in a stress scenario should their positions deteriorate and threaten to breach risk appetite and regulatory minimum levels. This is to help ensure that HSBC entities can stabilise their financial position and recover from financial losses in a stress environment.

The Group has capabilities, resources and arrangements in place to address the unlikely event that HSBC might not be recoverable and would therefore need to be resolved by regulators. In August 2024, the Group and the Bank of England ('BoE') publicly disclosed the status of HSBC's progress against the BoE's Resolvability Assessment Framework ('RAF'). The BoE acknowledged the significant progress made by HSBC in enhancing its resolvability capabilities.

Overall, our recovery and resolution planning helps safeguard the Group's financial and operational stability. HSBC has a programme of continuous improvement to maintain and enhance its recovery and resolution capabilities, designed to meet the BoE's expectations and RAF requirements.

Measurement of interest rate risk in the banking book processes

Assessment and risk appetite

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 or changes in expected interest rate repricing of client products that impact banking book positions. It is generated by our non-traded assets and liabilities, specifically loans, deposits and financial instruments that are not held for trading intent or in order to hedge positions held with trading intent.

Our global IRRBB risk management framework is designed to ensure that all material sources of IRRBB are identified, measured, managed, and monitored, with policies and frameworks in place.

Our IRRBB risks are measured and managed using a combination of earnings-based and economic value measures to ensure that the balance between stabilising earnings and generating value sensitivity is managed appropriately. These metrics measure IRRBB risks across the banking book, to support the overall monitoring against risk appetite, including:

- Banking Net Interest Income ('BNII') Sensitivity; and
- Economic Value of Equity ('EVE') Sensitivity.

Banking net interest income sensitivity

BNII sensitivity captures the risk to earnings generated from the Banking Book from changes in market implied interest rates over a 12-month period using static rolling balance sheet assumptions.

The static rolling balance sheet assumptions are in place to ensure that IRRBB management actions are focused on risks which can be managed within Treasury. A notable exception to this is related to the price sensitivity of certain interest bearing non-maturity deposits, where we apply dynamic assumptions to ensure we capture any potential margin widening or compression over the corresponding shock horizon and rate scenario.

Economic value of equity sensitivity

EVE measures the present value of our 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. It is measured and reported as part of our internal risk metrics, regulatory rules (including the Supervisory Outlier Test) and Pillar 3 disclosures.

Further details of HSBC's risk management of interest rate risk in the banking book can be found in the Group's Pillar 3 Disclosures at 31 December 2024.

Other Group risks

Non-trading book foreign exchange exposures

Structural foreign exchange exposures

Structural foreign exchange exposures arise from capital invested or net assets in a foreign operation. A foreign operation is an entity that is a subsidiary, associate, joint venture or branch of a reporting entity the activities of which are based or conducted in a country or currency other than those of the reporting entity. An entity's functional reporting currency is normally that of the primary economic environment in which the entity operates.

Exchange differences on structural exposures are recognised in other comprehensive income. We use the US dollar as our presentation currency in our consolidated financial statements because the US dollar and currencies linked to it form the major currency bloc in which we transact and fund our business. Therefore, our consolidated balance sheet is affected by exchange differences between the US dollar and all the non-US dollar functional currencies of underlying foreign operations.

Our structural foreign exchange exposures are managed with the primary objective of ensuring, where practical, that our consolidated capital ratios and the capital ratios of individual banking subsidiaries are largely protected from the effect of changes in exchange rates. We hedge structural foreign exchange positions where it is capital efficient to do so, and subject to approved limits. This is achieved through a combination of net investment hedges and economic hedges. Hedging positions are monitored and rebalanced periodically to manage RWA or downside risks associated with HSBC's foreign currency investments.

For further details of our structural foreign exchange exposures, see page 211.

Transactional foreign exchange exposures

Transactional foreign exchange risk arises primarily from day-to-day transactions in the banking book generating profit and loss or fair value through other comprehensive income reserves in a currency other than the reporting currency of the operating entity. Transactional foreign exchange exposure generated through profit and loss is periodically transferred to Markets and Securities Services and managed within limits, with the exception of limited residual foreign exchange exposure arising from timing differences or for other reasons. Transactional foreign exchange exposure generated through other comprehensive income reserves is managed by Global Treasury within approved appetite.

HSBC Holdings risk management

As a financial services holding company, HSBC Holdings has limited market risk activities. Its activities predominantly involve maintaining sufficient capital resources to support the Group's diverse activities; allocating these capital resources across the Group's businesses; earning dividend and interest income on its investments in the businesses; payment of operating expenses; providing dividend payments to its equity shareholders and interest payments to providers of debt capital; and maintaining a supply of short-term liquid assets for deployment under extraordinary circumstances.

The main market risks to which HSBC Holdings is exposed are banking book interest rate risk and foreign currency risk. Exposure to these risks arises from short-term cash balances, funding positions held, loans to subsidiaries, investments in long-term financial assets, financial liabilities including debt capital issued, and structural foreign exchange hedges. In addition, the impacts of the American Depository Receipts in Grupo Financiero Galicia received as part of the purchase consideration for HSBC Argentina are recognised by HSBC Holdings. The objective of HSBC Holdings' market risk management strategy is to manage volatility in capital resources, cash flows and distributable reserves that could be caused by movements in market parameters. Market risk for HSBC Holdings is monitored by Holdings ALCO in accordance with its risk appetite statement.

HSBC Holdings uses interest rate swaps and cross-currency interest rate swaps to manage the interest rate risk and foreign currency risk arising from its long-term debt issues. It also uses forward foreign exchange contracts to manage its structural foreign exchange exposures.

For quantitative disclosures on HSBC Holdings' interest rate risk in the banking book see page 215.

Pension risk management processes

Our global pensions strategy is to move from defined benefit to defined contribution plans, where local law allows and it is considered competitive to do so. Our most material defined benefit plans have been closed to new entrants for many years, and the majority (including the largest plan in the UK) are also closed to future accrual.

In defined contribution pension plans, the contributions that HSBC is required to make are known, while the ultimate pension benefit will vary, typically with investment returns achieved by investment choices made by the employee. While the market risk to HSBC of defined contribution plans is low, the Group is still exposed to operational and reputational risk.

In defined benefit pension plans, the level of pension benefit is known. Therefore, the level of contributions required by HSBC will vary due to a number of risks, including:

- investments delivering a return below the level required to provide the projected plan benefits;
- the prevailing economic environment leading to corporate failures, thus triggering write-downs in asset values (both equity and debt);
- a change in either interest rates or inflation expectations, causing an increase in the value of plan liabilities; and
- plan members living longer than expected (known as longevity risk).

Pension risk is assessed using an economic capital model that takes into account potential variations in these factors. The impact of these variations on both pension assets and pension liabilities is assessed using a one-in-200-year stress test. Scenario analysis and other stress tests are also used to support pension risk management, including the review of de-risking opportunities.

To fund the benefits associated with defined benefit plans, sponsoring Group companies, and in some instances employees, make regular contributions in accordance with advice from actuaries and in consultation with the plan's fiduciaries where relevant. These contributions are normally set to ensure that there are sufficient funds to meet the cost of the accruing benefits for the future service of active members. However, higher contributions are required when plan assets are considered insufficient to cover the existing pension liabilities. Contribution rates are typically revised annually or once every three years, depending on the plan.

The defined benefit plans invest contributions in a range of investments designed to limit the risk of assets failing to meet a plan's liabilities. Any changes in expected returns from the investments may also change future contribution requirements. In pursuit of these long-term objectives, an overall target allocation is established between asset classes of the defined benefit plan. In addition, each permitted asset class has its own benchmarks, such as stock-market or property valuation indices or liability characteristics. The benchmarks are reviewed at least once every three to five years and more frequently if required by local legislation or circumstances. The process generally involves an extensive asset and liability review.

In addition, some of the Group's pension plans hold longevity swap contracts. These arrangements provide long-term protection to the relevant plans against costs resulting from pensioners or their dependants living longer than initially expected. The most sizeable plan to do this is the HSBC Bank (UK) Pension Scheme, which holds longevity swaps covering approximately 50% of the plan's pensioner liabilities.

Capital risk in 2024

Capital overview

Capital and liquidity adequacy metrics

	At	
	31 Dec 2024	31 Dec 2023
Risk-weighted assets (‘RWAs’) ($bn)		
Credit risk	**657.9**	683.9
Counterparty credit risk	**37.7**	35.5
Market risk	**36.2**	37.5
Operational risk	**106.5**	97.2
Total RWAs	**838.3**	854.1
Capital on a transitional basis ($bn)		
Common equity tier 1 capital	**124.9**	126.5
Tier 1 capital	**144.1**	144.2
Total capital	**172.4**	171.2
Capital ratios on a transitional basis (%)		
Common equity tier 1 ratio	**14.9**	14.8
Tier 1 ratio	**17.2**	16.9
Total capital ratio	**20.6**	20.0
Capital on an end point basis ($bn)		
Common equity tier 1 (‘CET1’) capital	**124.9**	126.5
Tier 1 capital	**144.1**	144.2
Total capital	**168.5**	167.1
Capital ratios on an end point basis (%)		
Common equity tier 1 ratio	**14.9**	14.8
Tier 1 ratio	**17.2**	16.9
Total capital ratio	**20.1**	19.6
Liquidity coverage ratio (‘LCR’)		
Total high-quality liquid assets ($bn)	**649.2**	647.5
Total net cash outflow ($bn)	**470.7**	477.1
LCR (%)[1]	**138**	136
Net stable funding ratio (‘NSFR’)[1,2]		
Total available stable funding ($bn)	**1,523.4**	1,601.9
Total required stable funding ($bn)	**1,064.5**	1,162.3
NSFR (%)	**143**	138

1 We enhanced our liquidity consolidation process in 2Q24 by revising provisions that addressed historical limitations. As our Group LCR and NSFR are reported on an average basis, the benefit of these changes incrementally increased our LCR and NSFR by circa 3% and 11% during the year, respectively. Compared to year ended 31 December 2023, the increase in LCR was mainly driven by these enhancements. The associated NSFR increase driven by these changes was partly offset by higher required stable funding primarily due to a rise in financial investments and derivatives activities.
2 We enhanced our calculation process during 1Q24 and our NSFR comparatives have been restated.

References to EU regulations and directives (including technical standards) should, as applicable, be read as references to the UK’s version of such regulation or directive, as onshored into UK law under the European Union (Withdrawal) Act 2018, and as may be subsequently amended under UK law.

Capital figures and ratios in the previous table are calculated in accordance with the regulatory requirements of the Capital Requirements Regulation and Directive, the CRR II regulation and the Prudential Regulation Authority (‘PRA’) Rulebook (‘CRR II’).

The table presents them under the transitional arrangements in CRR II for capital instruments and after their expiry, known as the end point.

Regulatory numbers and ratios are presented as at the date of reporting. Small changes may exist between these numbers and ratios and those submitted in regulatory filings. Where differences are significant, we may restate in subsequent periods.

Own funds disclosure

(Audited)

Ref*		At 31 Dec 2024 $m	At 31 Dec 2023 $m
	Common equity tier 1 capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	**22,378**	22,964
	– ordinary shares	**22,378**	22,964
2	Retained earnings[1]	**138,959**	135,614
3	Accumulated other comprehensive income (and other reserves)[1]	**(8,410)**	(7,195)
5	Minority interests (amount allowed in consolidated CET1)	**3,960**	3,917
5a	Independently reviewed net profits net of any foreseeable charge or dividend	**7,184**	10,568
6	**Common equity tier 1 capital before regulatory adjustments**	**164,071**	165,868
28	Total regulatory adjustments to common equity tier 1	**(39,160)**	(39,367)
29	**Common equity tier 1 capital**	**124,911**	126,501
36	Additional tier 1 capital before regulatory adjustments	**19,286**	17,732
43	Total regulatory adjustments to additional tier 1 capital	**(70)**	(70)
44	**Additional tier 1 capital**	**19,216**	17,662
45	**Tier 1 capital**	**144,127**	144,163
51	Tier 2 capital before regulatory adjustments	**29,334**	28,148
57	Total regulatory adjustments to tier 2 capital	**(1,075)**	(1,107)
58	**Tier 2 capital**	**28,259**	27,041
59	**Total capital**	**172,386**	171,204

* The references identify lines prescribed in the PRA template, which are applicable and where there is a value.

1 We have updated the classification between components of shareholders' equity to present 'Retained Earnings' in Row 2 and 'Accumulated other comprehensive income (and other reserves)' in Row 3. The comparatives have been aligned.

The CET1 capital ratio increased marginally from 14.8% at 31 December 2023 to 14.9% at 31 December 2024, reflecting a decrease in RWAs of $15.8bn, partly offset by a decrease in CET1 capital of $1.6bn. The key drivers of the overall rise in our CET1 ratio during the year were:

– a 0.9 percentage point increase, excluding foreign exchange fluctuations, was primarily driven by a reduction in RWAs through strategic transactions, and the gain on disposal of our Canadian banking business adjusted for the $0.21 per share special dividend;

– a 0.9 percentage point reduction excluding foreign exchange fluctuations, owing to higher RWAs mainly driven by organic balance sheet growth and credit migrations excluding strategic transactions;

– a 0.4 percentage point increase from capital generation, mainly through regulatory profits and other reserves less dividends and share buy-backs; and

– a 0.3 percentage point decrease from the adverse impact of regulatory deductions and foreign exchange fluctuations on our RWAs and capital.

Our Pillar 2A requirement at 31 December 2024, as per the PRA's Individual Capital Requirement based on a point-in-time assessment, was equivalent to 2.6% of RWAs, of which 1.5% was required to be met by CET1. Throughout 2024 we complied with the PRA's regulatory capital adequacy requirements.

Risk-weighted assets

RWAs by global business

	WPB $bn	CMB $bn	GBM $bn	Corporate Centre $bn	Total RWAs $bn
Credit risk	**143.3**	**299.7**	**132.6**	**82.3**	**657.9**
Counterparty credit risk	**0.7**	**0.2**	**35.2**	**1.6**	**37.7**
Market risk	**1.1**	**0.9**	**27.1**	**7.1**	**36.2**
Operational risk[1]	**36.0**	**37.1**	**37.0**	**(3.6)**	**106.5**
At 31 Dec 2024[2]	**181.1**	**337.9**	**231.9**	**87.4**	**838.3**
At 31 Dec 2023	192.9	354.5	218.5	88.2	854.1

1 Operational risk RWAs for HSBC Bank Canada are excluded post the PRA waiver permission granted in October 2024.

2 RWAs balance at 31 December 2024 includes HSBC Argentina operational risk RWAs due to the averaging calculation and will roll off over future reporting cycles.

RWAs by legal entities[1]

	HSBC UK Bank plc	HSBC Bank plc	The Hongkong and Shanghai Banking Corporation Limited	HSBC Bank Middle East Limited	HSBC North America Holdings Inc	HSBC Bank Canada[3]	Grupo Financiero HSBC, S.A. de C.V.	Other trading entities[4]	Holding companies, shared service centres and intra-Group eliminations	Total RWAs
	$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn
Credit risk	**117.2**	**71.8**	**314.3**	**19.3**	**60.7**	**—**	**23.7**	**40.7**	**10.2**	**657.9**
Counterparty credit risk	**0.3**	**19.7**	**10.9**	**0.6**	**3.4**	**—**	**0.6**	**2.2**	**—**	**37.7**
Market risk[2]	**0.2**	**26.1**	**23.0**	**2.1**	**2.7**	**—**	**0.5**	**1.3**	**1.5**	**36.2**
Operational risk[3]	**20.6**	**20.0**	**54.6**	**4.6**	**7.6**	**—**	**4.9**	**6.5**	**(12.3)**	**106.5**
At 31 Dec 2024	**138.3**	**137.6**	**402.8**	**26.6**	**74.4**	**—**	**29.7**	**50.7**	**(0.6)**	**838.3**
At 31 Dec 2023	129.2	131.5	396.7	24.3	72.2	31.9	32.6	59.6	6.7	854.1

1 Balances are on a third-party Group consolidated basis.
2 Market risk RWAs are non-additive across the legal entities due to diversification effects within the Group.
3 Operational risk RWAs for HSBC Bank Canada are excluded post the PRA waiver permission granted in October 2024.
4 RWAs balance at 31 December 2024 includes HSBC Argentina operational risk RWAs due to the averaging calculation and will roll off over future reporting cycles.

RWA movement by global business by key driver

	Credit risk, counterparty credit risk and operational risk					
	WPB	CMB	GBM	Corporate Centre	Market risk	Total RWAs
	$bn	$bn	$bn	$bn	$bn	$bn
RWAs at 1 Jan 2024	**191.6**	**353.5**	**196.3**	**75.2**	**37.5**	**854.1**
Asset size	**11.1**	**17.3**	**13.9**	**2.6**	**4.5**	**49.4**
Asset quality	**1.7**	**5.4**	**(0.9)**	**0.1**	**—**	**6.3**
Model updates	**3.2**	**0.7**	**3.5**	**—**	**—**	**7.4**
Methodology and policy	**(8.9)**	**(3.2)**	**0.2**	**2.8**	**0.2**	**(8.9)**
Acquisitions and disposals[1]	**(12.3)**	**(26.1)**	**(3.7)**	**0.3**	**(6.0)**	**(47.8)**
Foreign exchange movements[2]	**(6.4)**	**(10.6)**	**(4.5)**	**(0.7)**	**—**	**(22.2)**
Total RWA movement	**(11.6)**	**(16.5)**	**8.5**	**5.1**	**(1.3)**	**(15.8)**
RWAs at 31 Dec 2024[3]	**180.0**	**337.0**	**204.8**	**80.3**	**36.2**	**838.3**

1 Balance includes operational risk RWAs for HSBC Bank Canada post the PRA waiver permission granted in October 2024.
2 Credit risk foreign exchange movements in this disclosure are computed by retranslating the RWAs into US dollars based on the underlying transactional currencies, and other movements in the table are presented on a constant currency basis.
3 RWAs balance at 31 December 2024 includes HSBC Argentina operational risk RWAs due to the averaging calculation and will roll off over future reporting cycles.

RWA movement by legal entities by key driver[1]

	Credit risk, counterparty credit risk and operational risk										
	HSBC UK Bank plc	HSBC Bank plc	The Hongkong and Shanghai Banking Corporation Limited	HSBC Bank Middle East Limited	HSBC North America Holdings Inc	HSBC Bank Canada[2]	Grupo Financiero HSBC, S.A. de C.V.	Other trading entities[4]	Holding companies, shared service centres and intra-Group eliminations	Market risk	Total RWAs
	$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn
RWAs at 1 Jan 2024	**129.0**	**108.8**	**369.3**	**21.5**	**69.6**	**31.1**	**31.9**	**58.0**	**(2.6)**	**37.5**	**854.1**
Asset size	**10.2**	**4.3**	**15.5**	**2.5**	**0.6**	**—**	**2.3**	**11.0**	**(1.5)**	**4.5**	**49.4**
Asset quality	**1.9**	**0.5**	**6.2**	**(0.8)**	**0.5**	**—**	**—**	**(2.0)**	**—**	**—**	**6.3**
Model updates	**0.1**	**0.8**	**5.3**	**0.7**	**0.4**	**—**	**—**	**0.1**	**—**	**—**	**7.4**
Methodology and policy	**(0.6)**	**4.5**	**(11.5)**	**0.7**	**0.7**	**—**	**—**	**(4.6)**	**1.7**	**0.2**	**(8.9)**
Acquisitions and disposals[2]	**—**	**(3.9)**	**0.1**	**—**	**—**	**(30.5)**	**—**	**(7.8)**	**0.3**	**(6.0)**	**(47.8)**
Foreign exchange movements[3]	**(2.5)**	**(3.5)**	**(5.1)**	**(0.1)**	**(0.1)**	**(0.6)**	**(5.0)**	**(5.3)**	**—**	**—**	**(22.2)**
Total RWA movement	**9.1**	**2.7**	**10.5**	**3.0**	**2.1**	**(31.1)**	**(2.7)**	**(8.6)**	**0.5**	**(1.3)**	**(15.8)**
RWAs at 31 Dec 2024	**138.1**	**111.5**	**379.8**	**24.5**	**71.7**	**—**	**29.2**	**49.4**	**(2.1)**	**36.2**	**838.3**

1 Balances are on a third-party Group consolidated basis.
2 Balance includes operational risk RWAs for HSBC Bank Canada post the PRA waiver permission granted in October 2024.
3 Credit risk foreign exchange movements in this disclosure are computed by retranslating the RWAs into US dollars based on the underlying transactional currencies, and other movements in the table are presented on a constant currency basis.
4 RWAs balance at 31 December 2024 includes HSBC Argentina operational risk RWAs due to the averaging calculation and will roll off over future reporting cycles.

RWAs decreased by $15.8bn during the year, mainly due to strategic disposals of $47.8bn and foreign currency translation differences of $22.2bn, which were partly offset by asset size movements of $49.4bn.

Asset size

Asset size RWAs increased by $49.4bn, including a $14.6bn rise in operational risk RWAs driven by an increase in average income.

CMB RWAs rose by $17.3bn, including a $6.4bn increase in operational risk RWAs, and additional RWAs contributed by an increase in corporate lending, mainly in HSBC UK Bank plc and higher sovereign exposures in Other trading entities and Asia.

GBM RWAs increased by $13.9bn, mainly reflecting an increase in operational risk RWAs of $5.5bn, higher securities financing exposures in HSBC Bank plc, and mark-to-market movements and organic growth in counterparty credit risk, mainly in Asia. Further RWA increases were due to higher sovereign exposures in Asia and Other trading entities.

WPB RWAs increased by $11.1bn, including a $4.2bn rise in operational risk RWAs, and due to retail mortgage growth in the US and HSBC UK Bank plc, and higher sovereign exposures in Other trading entities and Asia.

Corporate Centre RWAs increased by $2.6bn, primarily due to lending growth in SAB, reflected in Other trading entities.

Market risk RWAs increased by $4.5bn, which was mainly attributed to an increase in stressed value at risk due to higher sensitivities to interest rate shocks under the stress scenario, and the higher incremental risk charge due to increased positions, mainly in Asia and HSBC Bank plc.

Asset quality

The $6.3bn rise in RWAs was mainly due to unfavourable credit migrations in Asia, including in the Hong Kong commercial real estate sector, which was partly offset by favourable credit risk migrations in Sri Lanka and Other trading entities. A further RWA increase in HSBC UK Bank plc was mainly attributed to changes in the loan-to-value mix of our mortgages portfolio.

Model updates

The $7.4bn RWAs increase mainly followed a revision to the definition of default in our PD models for exposures to financial institutions, and an increase in the post-model adjustments for the Hong Kong models.

Methodology and policy

The $8.9bn decrease in RWAs largely reflected a $7.5bn fall due to regulatory changes related to the risk-weighting of residential mortgages in Hong Kong. Credit risk parameter refinements, mainly in Asia, further contributed to the fall in RWAs.

Acquisitions and disposals

RWAs decreased by $47.8bn, predominantly from the disposal of our banking business in Canada, including operational risk RWAs post the PRA waiver permission granted in October 2024, the sale of our business in Argentina and the sale of our retail banking operations in France.

Leverage ratio

	At	
	31 Dec 2024	31 Dec 2023
	$bn	$bn
Tier 1 capital (leverage)	**144.1**	144.2
Total leverage ratio exposure	**2,571.1**	2,574.8
	%	%
Leverage ratio	**5.6**	5.6

Our leverage ratio was 5.6% at 31 December 2024, unchanged from 31 December 2023. Leverage exposures decreased primarily due to strategic disposals and adverse foreign currency translation differences, which exceeded the increase in the underlying balance sheet. This was offset by a fall in the tier 1 capital.

At 31 December 2024, our UK minimum leverage ratio requirement of 3.25% was supplemented by a leverage ratio buffer of 0.9%, which consists of an additional leverage ratio buffer of 0.7% and a countercyclical leverage ratio buffer of 0.2%. These buffers translated into capital values of $18.0bn and $5.1bn respectively.

Regulatory transitional arrangements for IFRS 9 'Financial Instruments'

We have adopted the regulatory transitional arrangements of the Capital Requirements Regulation for IFRS 9, including paragraph four of article 473a. These allow banks to add back to their capital base a proportion of the impact that IFRS 9 has upon their loan loss allowances. Our capital and ratios are presented under these arrangements throughout the tables in this section, including the end point figures.

Pillar 3 disclosure requirements

Pillar 3 of the Basel regulatory framework is related to market discipline and aims to make financial services firms more transparent by requiring publication of wide-ranging information on their risks, capital and management.

For further details, see our Pillar 3 Disclosures at 31 December 2024, which is expected to be published on or around 19 February 2025 at www.hsbc.com/investors.

Liquidity and funding risk in 2024

Liquidity metrics

At 31 December 2024, all of the Group's material operating entities were above the required regulatory minimum liquidity and funding levels. Each entity maintains sufficient unencumbered liquid assets to comply with local and regulatory requirements. Each entity maintains a sufficient stable funding profile and is assessed using the NSFR or other appropriate metrics.

In addition to regulatory metrics, we use a wide set of measures to manage our liquidity and funding profile.

The Group liquidity and funding position on an average basis is analysed in the following sections.

Operating entities' liquidity

	At 31 Dec 2024			
	LCR[1]	HQLA	Net outflows	NSFR[1]
	%	$bn	$bn	%
HSBC UK Bank plc (ring-fenced bank)[2]	**190**	**117**	**61**	**154**
HSBC Bank plc (non-ring-fenced bank)[3]	**148**	**138**	**93**	**115**
The Hongkong and Shanghai Banking Corporation – Hong Kong branch[4]	**191**	**145**	**76**	**124**
HSBC Singapore[5]	**287**	**32**	**11**	**184**
Hang Seng Bank	**299**	**57**	**19**	**174**
HSBC Bank China	**191**	**27**	**14**	**147**
HSBC Bank USA	**167**	**80**	**48**	**127**
HSBC Continental Europe	**149**	**82**	**55**	**139**
HSBC Bank Middle East Ltd – UAE branch	**251**	**14**	**6**	**151**
HSBC Canada	**—**	**—**	**—**	**—**
HSBC Mexico	**164**	**9**	**6**	**125**
	At 31 Dec 2023			
HSBC UK Bank plc (ring-fenced bank)[2]	201	118	59	158
HSBC Bank plc (non-ring-fenced bank)[3]	148	132	89	116
The Hongkong and Shanghai Banking Corporation – Hong Kong branch[4]	192	147	77	127
HSBC Singapore[5]	292	26	9	174
Hang Seng Bank	254	52	21	163
HSBC Bank China	170	24	14	139
HSBC Bank USA	172	82	48	131
HSBC Continental Europe	158	83	52	137
HSBC Bank Middle East Ltd – UAE branch	281	13	5	163
HSBC Canada	164	21	13	129
HSBC Mexico	149	8	5	124

1 The LCR and NSFR ratios presented in the above table are based on average values. The LCR is the average of the preceding 12 months. The NSFR is the average of the preceding four quarters.
2 HSBC UK Bank plc refers to the HSBC UK liquidity group, which comprises five legal entities: HSBC UK Bank plc, Marks and Spencer Financial Services plc, HSBC Private Bank (UK) Ltd, HSBC Innovation Bank Limited and HSBC Trust Company (UK) Limited, managed as a single operating entity, in line with the application of UK liquidity regulation as agreed with the PRA.
3 HSBC Bank plc includes overseas branches and special purpose entities consolidated by HSBC for financial statements purposes.
4 The Hongkong and Shanghai Banking Corporation – Hong Kong branch represents the material activities of The Hongkong and Shanghai Banking Corporation Limited. It is monitored and controlled for liquidity and funding risk purposes as a stand-alone operating entity.
5 HSBC Singapore includes HSBC Bank Singapore Limited and The Hongkong and Shanghai Banking Corporation – Singapore branch. Liquidity and funding risk is monitored and controlled at country level in line with the local regulator's approval.

Consolidated liquidity metrics

Net stable funding ratio

We manage funding risk based on the PRA's NSFR rules. The Group's NSFR at 31 December 2024, calculated from the average of the four preceding quarters, was 143%.

	At[1,2]		
	31 Dec 2024	30 Jun 2024	31 Dec 2023
	$bn	$bn	$bn
Total available stable funding ($bn)	**1,523**	1,544	1,602
Total required stable funding ($bn)	**1,064**	1,115	1,162
NSFR ratio (%)	**143**	138	138

1 We enhanced our liquidity consolidation process in 2Q24 by revising provisions that addressed historical limitations. As our Group NSFR is reported on an average basis, the benefit of these changes incrementally increased our NSFR by circa 11% during the year by reducing required stable funding. This reduction was partly offset by a rise in financial investments and derivatives activities, resulting in a net 5% increase of NSFR compared with year ended 31 December 2023.
2 We enhanced our calculation process during 1Q24 and our NSFR comparatives have been restated.

Liquidity coverage ratio

At 31 December 2024, the average high-quality liquid assets ('HQLA') held at entity level amounted to $790bn (31 December 2023: $795bn). The Group consolidation methodology includes a deduction to reflect the impact of limitations in the transferability of entity liquidity around the Group. That resulted in an adjustment of $141bn to LCR HQLA and $6bn to LCR inflows on an average basis.

We enhanced our liquidity consolidation process in 2Q24 by revising the provisions that addressed historical limitations. As Group LCR is reported on an average basis, the benefits of these changes have incrementally increased our LCR by circa 3% during the year by reducing net outflows. This reduction was partly offset by an organic increase in outflows, mostly in Asia, resulting in a net 2% increase of our LCR compared with year ended 31 December 2023.

	At[1]		
	31 Dec 2024	30 Jun 2024	31 Dec 2023
	$bn	$bn	$bn
High-quality liquid assets (in entities)	**790**	780	795
Group LCR HQLA	**649**	646	648
Net outflows	**471**	472	477
Liquidity coverage ratio (%)	**138**	137	136
Adjustment for transfer restrictions[2]	**(147)**	(141)	(154)

1 Group LCR numbers above are based on average values. The LCR is the average of the preceding 12 months.
2 This includes adjustments made to high-quality liquid assets and inflows in entities to reflect liquidity transfer restrictions.

Liquid assets

After the $141bn deduction, the average Group LCR HQLA of $649bn (31 December 2023: $648bn) was held in a range of asset classes and currencies. Of these, 95% were eligible as level 1 (31 December 2023: 97%).

The following tables reflect the composition of the average liquidity pool by asset type and currency at 31 December 2024.

Liquidity pool by asset type[1]

	Liquidity pool	Cash	Level 1[2]	Level 2[2]
	$bn	$bn	$bn	$bn
Cash and balance at central bank	**266**	**266**	**—**	**—**
Central and local government bonds	**352**	**—**	**326**	**26**
Regional government public sector entities	**2**	**—**	**2**	**—**
International organisation and multilateral developments banks	**18**	**—**	**18**	**—**
Covered bonds	**8**	**—**	**2**	**6**
Other	**3**	**—**	**1**	**2**
Total at 31 Dec 2024	**649**	**266**	**349**	**34**
Total at 31 Dec 2023	648	310	317	21

1 Group liquid assets numbers are based on average values.
2 As defined in EU regulations, level 1 assets means 'assets of extremely high liquidity and credit quality', and level 2 assets means 'assets of high liquidity and credit quality'.

Liquidity pool by currency[1]

	$	£	€	HK$	Other	Total
	$bn	$bn	$bn	$bn	$bn	$bn
Liquidity pool at 31 Dec 2024	**196**	**170**	**113**	**47**	**123**	**649**
Liquidity pool at 31 Dec 2023	184	173	112	51	128	648

1 Group liquid assets numbers are based on average values.

Sources of funding

Our primary sources of funding are customer current accounts and savings deposits payable on demand or at short notice. We issue secured and unsecured wholesale securities to supplement customer deposits, meet regulatory obligations and to change the currency mix, maturity profile or location of our liabilities.

The following 'Funding sources' and 'Funding uses' tables provide a view of how our consolidated balance sheet is funded. In practice, all the principal operating entities are required to manage liquidity and funding risk on a stand-alone basis.

The tables analyse our consolidated balance sheet according to the assets that primarily arise from operating activities and the sources of funding primarily supporting these activities. Assets and liabilities that do not arise from operating activities are presented as a net balancing source or deployment of funds.

Funding sources

(Audited)

	2024	2023
	$m	$m
Customer accounts	**1,654,955**	1,611,647
Deposits by banks	**73,997**	73,163
Repurchase agreements – non-trading	**180,880**	172,100
Debt securities in issue	**105,785**	93,917
Cash collateral, margin, settlement accounts and items in course of transmission to other banks	**82,732**	92,550
Liabilities of disposal groups held for sale	**29,011**	108,406
Subordinated liabilities	**25,958**	24,954
Financial liabilities designated at fair value	**138,727**	141,426
Insurance contract liabilities	**107,629**	120,851
Trading liabilities	**65,982**	73,150
– repos	**14,806**	12,198
– stock lending	**3,525**	3,322
– other trading liabilities	**47,651**	57,630
Total equity	**192,273**	192,610
Other balance sheet liabilities	**359,119**	333,903
At 31 Dec	**3,017,048**	3,038,677

Funding uses

(Audited)

	2024	2023
	$m	$m
Loans and advances to customers	**930,658**	938,535
Loans and advances to banks	**102,039**	112,902
Reverse repurchase agreements – non-trading	**252,549**	252,217
Cash collateral, margin, settlement accounts and items in course of collection from other banks	**78,538**	96,253
Assets held for sale	**27,234**	114,134
Trading assets	**314,842**	289,159
– reverse repos	**16,823**	16,575
– stock borrowing	**8,374**	14,609
– other trading assets	**289,645**	257,975
Financial investments	**493,166**	442,763
Cash and balances with central banks	**267,674**	285,868
Other balance sheet assets	**550,348**	506,846
At 31 Dec	**3,017,048**	3,038,677

Wholesale term debt maturity profile

The maturity profile of our wholesale term debt obligations is set out in the following table. The balances in the table are not directly comparable with those in the consolidated balance sheet because the table presents gross cash flows relating to principal payments and not the balance sheet carrying value, which includes debt securities and subordinated liabilities measured at fair value.

Wholesale funding cash flows payable by HSBC under financial liabilities by remaining contractual maturities[1]

	Due not more than 1 month	Due over 1 month but not more than 3 months	Due over 3 months but not more than 6 months	Due over 6 months but not more than 9 months	Due over 9 months but not more than 1 year	Due over 1 year but not more than 2 years	Due over 2 years but not more than 5 years	Due over 5 years	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m
Debt securities issued	**14,260**	**15,011**	**13,841**	**10,235**	**11,644**	**29,639**	**62,434**	**53,814**	**210,878**
– unsecured CDs and CP	**5,346**	**7,803**	**10,495**	**6,623**	**6,829**	**662**	**1,787**	**1,598**	**41,143**
– unsecured senior MTNs	**7,528**	**3,351**	**1,014**	**1,269**	**2,736**	**21,593**	**47,236**	**42,899**	**127,626**
– unsecured senior structured notes	**874**	**1,826**	**2,258**	**1,457**	**1,526**	**6,055**	**9,160**	**6,520**	**29,676**
– secured covered bonds	**—**	**—**	**—**	**—**	**—**	**—**	**1,254**	**—**	**1,254**
– secured asset-backed commercial paper	**488**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**488**
– secured ABS	**24**	**47**	**67**	**64**	**61**	**664**	**520**	**864**	**2,311**
– others	**—**	**1,984**	**7**	**822**	**492**	**665**	**2,477**	**1,933**	**8,380**
Subordinated liabilities	**—**	**—**	**1,737**	**1,030**	**—**	**892**	**2,694**	**30,349**	**36,702**
– subordinated debt securities	**—**	**—**	**1,737**	**1,030**	**—**	**892**	**2,694**	**29,471**	**35,824**
– preferred securities	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**878**	**878**
At 31 Dec 2024	**14,260**	**15,011**	**15,578**	**11,265**	**11,644**	**30,531**	**65,128**	**84,163**	**247,580**
Debt securities issued	17,620	9,798	14,284	13,226	12,226	20,882	64,010	50,045	202,091
– unsecured CDs and CP	6,400	6,777	7,601	6,429	6,513	1,179	1,073	925	36,897
– unsecured senior MTNs	8,190	1,160	4,365	3,627	3,267	12,903	54,984	41,007	129,503
– unsecured senior structured notes	2,307	1,491	1,617	2,513	1,978	2,924	2,793	5,910	21,533
– secured covered bonds	—	—	—	—	—	—	1,275	—	1,275
– secured asset-backed commercial paper	426	—	—	—	—	—	—	—	426
– secured ABS	22	44	62	58	55	188	861	539	1,829
– others	275	326	639	599	413	3,688	3,024	1,664	10,628
Subordinated liabilities	—	2,013	—	—	—	3,358	4,282	27,234	36,887
– subordinated debt securities	—	2,000	—	—	—	3,358	4,282	25,441	35,081
– preferred securities	—	13	—	—	—	—	—	1,793	1,806
At 31 Dec 2023	17,620	11,811	14,284	13,226	12,226	24,240	68,292	77,279	238,978

1 Excludes financial liabilities of disposal groups.

Structural foreign exchange risk in 2024

Structural foreign exchange exposures represent net assets or capital investments in subsidiaries, branches, joint arrangements or associates, together with any associated hedges, the functional currencies of which are currencies other than the US dollar. Exchange differences on structural exposures are usually recognised in 'other comprehensive income'.

Net structural foreign exchange exposures

	2024					
Currency of structural exposure	Net investment in foreign operations (excl non-controlling interest) $m	Net investment hedges $m	Structural foreign exchange exposures (pre-economic hedges) $m	Economic hedges – structural FX hedges[1] $m	Economic hedges – equity securities (AT1)[2] $m	Net structural foreign exchange exposures $m
Hong Kong dollars	**40,106**	**(5,841)**	**34,265**	**(9,861)**	**—**	**24,404**
Pounds sterling	**46,462**	**(15,024)**	**31,438**	**—**	**(1,254)**	**30,184**
Chinese renminbi	**35,032**	**(4,725)**	**30,307**	**(1,080)**	**—**	**29,227**
Euros	**17,391**	**(2,013)**	**15,378**	**—**	**(1,297)**	**14,081**
Canadian dollars	**43**	**—**	**43**	**—**	**—**	**43**
Indian rupees	**7,056**	**(1,973)**	**5,083**	**—**	**—**	**5,083**
Mexican pesos	**3,991**	**—**	**3,991**	**—**	**—**	**3,991**
Saudi riyals	**4,675**	**—**	**4,675**	**—**	**—**	**4,675**
UAE dirhams	**5,264**	**(893)**	**4,371**	**(2,543)**	**—**	**1,828**
Malaysian ringgit	**3,036**	**—**	**3,036**	**—**	**—**	**3,036**
Singapore dollars	**2,405**	**—**	**2,405**	**1,092**	**(1,089)**	**2,408**
Australian dollars	**2,126**	**—**	**2,126**	**—**	**—**	**2,126**
Taiwanese dollars	**2,199**	**(1,015)**	**1,184**	**—**	**—**	**1,184**
Indonesian rupiah	**1,541**	**(533)**	**1,008**	**—**	**—**	**1,008**
Swiss francs	**1,096**	**(541)**	**555**	**—**	**—**	**555**
Korean won	**1,204**	**(756)**	**448**	**—**	**—**	**448**
Thai baht	**976**	**(460)**	**516**	**—**	**—**	**516**
Egyptian pound	**891**	**—**	**891**	**—**	**—**	**891**
Qatari rial	**728**	**(97)**	**631**	**(299)**	**—**	**332**
Argentinian peso	**—**	**—**	**—**	**—**	**—**	**—**
Vietnamese dong	**769**	**—**	**769**	**—**	**—**	**769**
Others, each less than $700m	**4,327**	**(463)**	**3,864**	**—**	**—**	**3,864**
At 31 Dec	**181,318**	**(34,334)**	**146,984**	**(12,691)**	**(3,640)**	**130,653**
	2023					
Hong Kong dollars	39,014	(5,792)	33,222	(7,979)	—	25,243
Pounds sterling	46,661	(16,415)	30,246	—	(1,275)	28,971
Chinese renminbi	33,809	(3,299)	30,510	(1,066)	—	29,444
Euros	15,673	(515)	15,158	—	(1,384)	13,774
Canadian dollars	5,418	(1,076)	4,342	—	—	4,342
Indian rupees	6,286	(2,110)	4,176	—	—	4,176
Mexican pesos	4,883	—	4,883	—	—	4,883
Saudi riyals	4,312	—	4,312	—	—	4,312
UAE dirhams	4,995	(613)	4,382	(2,761)	—	1,621
Malaysian ringgit	2,754	—	2,754	—	—	2,754
Singapore dollars	2,345	(224)	2,121	—	—	2,121
Australian dollars	2,362	—	2,362	—	—	2,362
Taiwanese dollars	2,212	(1,127)	1,085	—	—	1,085
Indonesian rupiah	1,535	(512)	1,023	—	—	1,023
Swiss francs	1,191	(526)	665	—	—	665
Korean won	1,354	(864)	490	—	—	490
Thai baht	1,022	—	1,022	—	—	1,022
Egyptian pound	959	—	959	—	—	959
Qatari rial	834	(215)	619	(299)	—	320
Argentinian peso	794	—	794	—	—	794
Vietnamese dong	872	—	872	—	—	872
Others, each less than $700m	4,386	(487)	3,899	—	—	3,899
At 31 Dec	183,671	(33,775)	149,896	(12,105)	(2,659)	135,132

1 Represents hedges that do not qualify as net investment hedges for accounting purposes. The SGD position represents the hedge against our SGD AT1 issuance.
2 Represents foreign currency-denominated preference share and AT1 instruments. These are accounted for at historical cost under IFRS Accounting Standards and do not qualify as net investment hedges for accounting purposes. The gain or loss arising from changes in the US dollar value of these instruments is recognised on redemption in retained earnings.

For a definition of structural foreign exchange exposures, see page 202.

Interest rate risk in the banking book in 2024

Banking net interest income sensitivity

Banking NII Sensitivity analyses the sensitivity of our banking net interest income to interest rate shocks. This metric, which was introduced in our Annual Report and Accounts 2023, includes the sensitivity arising from the use of banking book liabilities to fund trading assets, as well as the currency impacts of vanilla foreign exchange swaps to optimise cash management across the Group. Banking NII Sensitivity is therefore a more comprehensive measure than NII Sensitivity which was disclosed previously and is aligned with the presentation of banking net interest income as an alternative performance measure intended to approximate the Group's banking revenue that is directly impacted by changes in interest rates. The following tables set out the assessed impact to a hypothetical base case projection of our banking NII under an immediate shock of 100bps to the current market-implied path of interest rates across all currencies on 31 December 2024 (effects in the first, second and third years). For example, Year 3 shows the impact of an immediate rate shock on the banking NII projected for the third year.

The sensitivities shown represent a hypothetical simulation of the base case banking NII, assuming a static balance sheet (specifically no assumed migration from current account to term deposits), and no management actions from Global Treasury. This also incorporates the effect of interest rate behaviouralisation, hypothetical managed rate product pricing assumptions, prepayment of mortgages and deposit stability. The sensitivity calculations exclude pensions, insurance exposures, and our interest in associates.

The sensitivity analysis performed in the case of a down-shock does not include floors to market rates, and it does not include floors on some wholesale assets and liabilities. However, floors have been maintained for deposits and loans to customers where this is contractual or where negative rates would not be applied.

As the market and policy rates move, the degree to which these changes are passed on to customers will vary based on a number of factors, including the absolute level of market rates, regulatory and contractual frameworks, and competitive dynamics. To aid comparability between markets, we have simplified the basis of preparation for our disclosure and have used a 50% pass-on assumption for major entities on certain interest-bearing deposits. Our asset pass-on assumptions are largely in line with our contractual agreements or established market practice, which typically results in a significant portion of interest rate changes being passed on.

An immediate interest rate rise of 100bps would increase projected banking NII by $2.1bn. An immediate interest rate fall of 100bps would decrease projected banking NII by $2.9bn.

The sensitivity of banking NII for 12 months as at 31 December 2024 decreased by $0.7bn in the plus 100bps parallel shock and by $0.5bn in the minus 100bps parallel shock, when compared with 31 December 2023. The decline in sensitivities is primarily due to an increase in stabilisation activities in line with our strategy.

For further details of measurement of interest rate risk in the banking book, see page 202.

Banking NII sensitivity to an instantaneous change in yield curves (12 months) – Year 1 sensitivity by currency

	Currency					
	$ $m	HK$ $m	£ $m	€ $m	Other $m	Total $m
Change in Jan 2025 to Dec 2025 (based on balance sheet at 31 Dec 2024)						
+100bps parallel	**572**	**220**	**219**	**301**	**821**	**2,133**
-100bps parallel	**(862)**	**(403)**	**(353)**	**(314)**	**(954)**	**(2,886)**
Change in Jan 2024 to Dec 2024 (based on balance sheet at 31 Dec 2023)						
+100bps parallel	343	411	496	285	1,297	2,832
-100bps parallel	(494)	(493)	(602)	(304)	(1,460)	(3,353)

Banking NII sensitivity to an instantaneous down 100bps parallel change in yield curves – Year 2 and Year 3 sensitivity by currency

	Currency					
	$ $m	HK$ $m	£ $m	€ $m	Other $m	Total $m
Change in banking NII (based on balance sheet at 31 Dec 2024)						
Year 2 (Jan 2026 to Dec 2026)	**(1,226)**	**(509)**	**(563)**	**(444)**	**(1,333)**	**(4,075)**
Year 3 (Jan 2027 to Dec 2027)	**(1,531)**	**(550)**	**(1,022)**	**(504)**	**(1,449)**	**(5,056)**
Change in banking NII (based on balance sheet at 31 Dec 2023)						
Year 2 (Jan 2025 to Dec 2025)	(1,015)	(693)	(938)	(333)	(1,798)	(4,777)
Year 3 (Jan 2026 to Dec 2026)	(1,289)	(761)	(1,439)	(405)	(1,926)	(5,820)

Non-trading portfolios

Value at risk of non-trading portfolios

Non-trading portfolios comprise of positions that primarily arise from the interest rate management of our retail and wholesale banking assets and liabilities, financial investments measured at fair value through other comprehensive income ('FVOCI') or at amortised cost, and certain exposures arising from our insurance operations.

Value at risk ('VaR') of non-trading portfolios is a technique for estimating potential losses on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The use of VaR is integrated into the market risk management of non-trading portfolios to have a complete picture of risk, complementing risk sensitivity analysis.

From 1Q24, we adopted a methodology change to measure non-trading VaR over a 10-day holding period as opposed to 1 day in order to better reflect longer average time horizons in the management of non-trading portfolios compared with trading portfolios.

Comparative data at 31 December 2023 has been restated on a 10-day basis accordingly, using a scalar approach that results in restated numbers being approximately three times higher than previously reported 1-day basis numbers.

Our models are predominantly based on historical simulation that incorporates the following features:

– historical market rates and prices, which are calculated with reference to interest rates, credit spreads and the associated volatilities;

– potential market movements that are calculated with reference to data from the past two years; and

– calculations to a 99% confidence level and using a 10-day holding period.

Although a valuable guide to risk, VaR is used for non-trading portfolios with awareness of its limitations. For example:

– The use of historical data as a proxy for estimating future market moves may not encompass all potential market events, particularly those that are extreme in nature. As the model is calibrated on the last 500 business days, it does not adjust instantaneously to a change in market regime.

– The use of a 10-day holding period for risk management purposes of non-trading books is only an indication of exposure and not indicative of the time period required to hedge or liquidate positions.

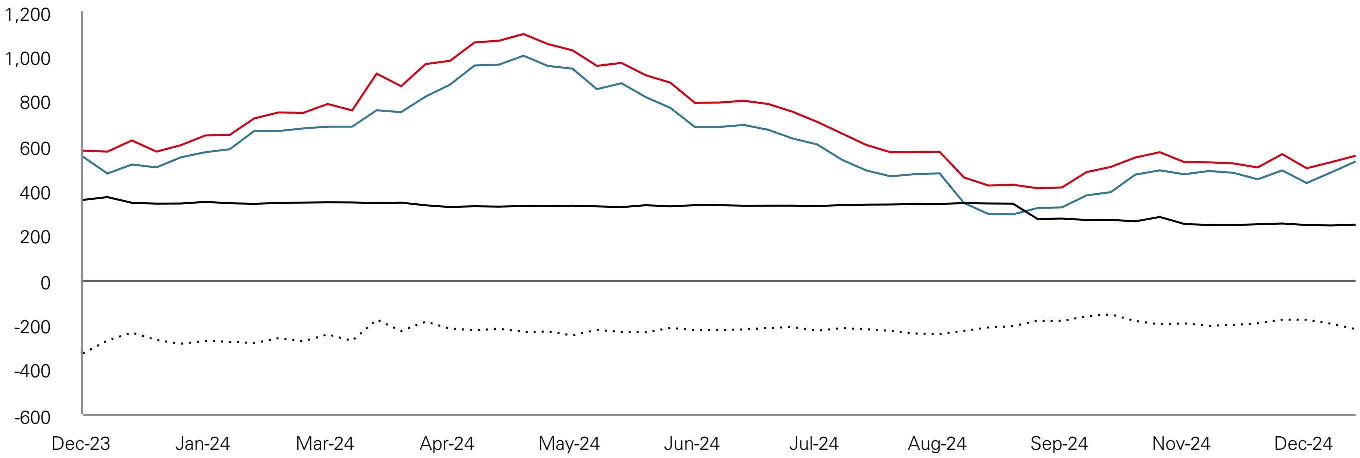
– The use of a 99% confidence level by definition does not take into account losses that might occur beyond this level of confidence.

Non-trading VaR includes non-trading financial instruments held in portfolios managed by Global Treasury. The management of interest rate risk in the banking book is described further in 'Banking net interest income sensitivity' on page 212.

The interest rate risk on the fixed-rate securities issued by HSBC Holdings is not included in the Group non-trading VaR. The management of this risk is described on page 215. Non-trading VaR also excludes the equity risk on securities held at fair value and non-trading book foreign exchange risk.

The daily levels of total non-trading VaR in 2024 are set out in the graph below.

Weekly VaR (non-trading portfolios), 99% 10 day ($m)



The Group non-trading VaR for 2024 is shown in the table below.

Non-trading VaR, 99% 10 day

(Audited)

	Interest rate	Credit spread	Portfolio diversification[1]	Total[2]
	$m	$m	$m	$m
Balance at 31 Dec 2024	**528.4**	**246.1**	**(220.7)**	**553.8**
Average	**603.7**	**315.1**	**(222.9)**	**695.8**
Maximum	**1,000.6**	**369.1**		**1,097.6**
Minimum	**292.1**	**242.4**		**408.7**
Balance at 31 Dec 2023	549.6	356.7	(329.5)	576.7
Average	494.0	266.1	(201.6)	558.6
Maximum	638.6	368.0	—	709.4
Minimum	344.0	174.5	—	401.5

1 Portfolio diversification is the market risk dispersion effect of holding a portfolio containing different risk types. It represents the reduction in unsystematic market risk that occurs when combining a number of different risk types – such as interest rate and credit spreads – together in one portfolio. It is measured as the difference between the sum of the VaR by individual risk type and the combined total VaR. A negative number represents the benefit of portfolio diversification. As the maximum and minimum occurs on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit for these measures.

2 The total VaR is non-additive across risk types due to diversification effects.

The VaR for non-trading activity decreased by $23m from $577m at 31 December 2023 to $554m at 31 December 2024 due to the 2022 inflation-driven stress period dropping out of our two-year historical scenario window, decreasing the volatility calibrated by the model during the second half of the year, largely offset by an increase in the duration risk of Global Treasury's portfolios. Prior to this change in calibration, non-trading VaR peaked at $1,097m during May 2024, driven by an increase in the duration of Global Treasury's portfolios, higher market yields and more volatile historical scenarios from March 2022. The average portfolio diversification effect between interest rate and credit spread exposure remained broadly stable. Non-trading VaR is managed and controlled through a limit approved by the Group Chief Risk and Compliance Officer for HSBC Holdings. The limit was rescaled higher to reflect the change in the basis of preparation detailed above.

Sensitivity of capital and reserves

Global Treasury maintains a portfolio of high-quality liquid assets for contingent liquidity and NII stabilisation purposes, which is in part accounted for under a hold-to-collect-and-sell business model. This hold-to-collect-and-sell portfolio, together with any associated derivatives in designated hedge accounting relationships, is accounted for at fair value through other comprehensive income and has an impact on CET1. The portfolio represents the vast majority of our hold-to-collect-and-sell capital risk and is risk managed with a variety of tools, including risk sensitivities and value at risk measures.

The table below measures the sensitivity of the value of this portfolio to an instantaneous 100 basis point increase in interest rates, based on the risk sensitivity of a shift in value for a 1 basis point ('bps') parallel movement in interest rates.

Sensitivity of hold-to-collect-and-sell reserves to interest rate movements

	$m
At 31 Dec 2024	
+100 basis point parallel move in all yield curves	**(3,433)**
As a percentage of total shareholders' equity	**(1.86)%**
At 31 Dec 2023	
+100 basis point parallel move in all yield curves	(2,264)
As a percentage of total shareholders' equity	(1.22)%

The increase in the sensitivity of the portfolio during 2024 was mainly driven by an increase in NII stabilisation hedging in line with our strategy. While this hedging has increased the capital sensitivity of the portfolio it has the effect of further dampening the volatility of our banking NII over time and through the cycle. The figures in the table above do not take into account the effects of interest rate convexity. The portfolio mostly comprises vanilla sovereign bonds in a variety of currencies and the primary risk is interest rate duration risk, although the portfolio also generates asset swap, credit spread and asset spread risks that are managed within appetite as part of our risk management framework. A minus 100bps shock would lead to an approximately symmetrical gain.

Alongside our monitoring of the hold-to-collect-and-sell reserve sensitivity, we also monitor the sensitivity of reported cash flow hedging reserves to interest rate movements on a yearly basis by assessing the expected reduction in valuation of cash flow hedges due to parallel movements of plus or minus 100bps in all yield curves.

The following table details the sensitivity of our cash flow hedging reserves to the stipulated movements in yield curves at the year end. The sensitivities are indicative and based on simplified scenarios. We apply flooring on negative rates in the minus 100bps scenario in this assessment. The effect of this flooring is immaterial at the end of 2024.

The sensitivity of the cash flow hedging reserve increased compared with 31 December 2023. The increase was mainly driven by our NII stabilisation activity. Our exposure to fixed rate pound sterling hedges continued to be the largest in size and in terms of year-on-year increase. Hong Kong dollar and euro hedges contributed the majority of the rest of the increase in exposure.

Sensitivity of cash flow hedging reported reserves to interest rate movements

	$m
At 31 Dec 2024	
+100 basis point parallel move in all yield curves	**(4,496)**
As a percentage of total shareholders' equity	**(2.43)%**
-100 basis point parallel move in all yield curves	**4,500**
As a percentage of total shareholders' equity	**2.43%**
At 31 Dec 2023	
+100 basis point parallel move in all yield curves	(3,436)
As a percentage of total shareholders' equity	(1.85)%
-100 basis point parallel move in all yield curves	3,474
As a percentage of total shareholders' equity	1.87%

Third-party assets in Markets Treasury

Third-party assets in Markets Treasury increased by 2% compared with 31 December 2023. The net increase of $19bn is partly reflective of higher commercial surpluses during the year, with the increase of $69bn in 'Financial Investments' and the decrease of $17bn in 'Cash and balances at central banks' largely driven by NII stabilisation activity. Additionally, a decrease of $22bn in 'Other' is attributed to the disposal of HSBC Bank Canada assets previously classified as held for sale.

Third-party assets in Markets Treasury

	2024	2023
	$m	$m
Cash and balances at central banks	**261,284**	278,289
Trading assets	**163**	238
Loans and advances:		
– to banks	**66,518**	78,667
– to customers	**743**	1,083
Reverse repurchase agreements	**47,812**	45,419
Financial investments	**465,123**	396,259
Other	**12,232**	34,651
At 31 Dec	**853,875**	834,606

Defined benefit pension plans

Market risk arises within our defined benefit pension plans to the extent that the obligations of the plans are not fully matched by assets with determinable cash flows.

For details of our defined benefit plans, including asset allocation, see Note 5 on the financial statements, and for pension risk management, see page 203.

Additional market risk measures applicable only to the parent company

HSBC Holdings monitors and manages foreign exchange risk and interest rate risk. In order to manage interest rate risk, HSBC Holdings uses the projected sensitivity of its NII to future changes in yield curves.

Foreign exchange risk

HSBC Holdings' foreign exchange exposures derive almost entirely from the execution of structural foreign exchange hedges on behalf of the Group. At 31 December 2024, HSBC Holdings had forward foreign exchange contracts of $33.9bn (2023: $33.8bn) to manage the Group's structural foreign exchange exposures.

For further details of our structural foreign exchange exposures, see page 211.

Sensitivity of banking net interest income

HSBC Holdings monitors banking NII sensitivity in the first, second and third years. Banking NII sensitivity includes the impact of AT1 instruments as well as vanilla foreign exchange swaps to optimise cash management. For 2024, we have changed the HSBC Holdings disclosure from NII sensitivity to banking NII sensitivity to reflect our internal management of interest rate sensitivity, aligned to the Group approach (see page 212). Comparative data for the financial year ended 31 December 2023 have been re-presented accordingly.

These sensitivities assume that any issuance where HSBC Holdings has an option to redeem at a future call date is called at that date.

The tables below set out the effect on HSBC Holdings' future banking NII of an immediate shock of +/-100bps to the current market-implied path of interest rates across all currencies on 31 December 2024.

The banking NII sensitivities shown are indicative and based on simplified scenarios. An immediate interest rate rise of 100bps would decrease projected banking NII for the 12 months to 31 December 2025 by $156m. Conversely, an immediate fall of 100bps would increase projected banking NII for the 12 months to 31 December 2025 by $156m.

Overall the banking NII sensitivity is mainly driven by interest rate sensitive liabilities funding equity (non-interest bearing) investments in subsidiaries.

Banking NII sensitivity to an instantaneous change in yield curves (12 months) – Year 1 sensitivity by currency

	$	HK$	£	€	Other	Total
	$m	$m	$m	$m	$m	$m
Change in Jan 2025 to Dec 2025 (based on balance sheet at 31 Dec 2024)						
+100bps parallel	**(194)**	**—**	**31**	**7**	**—**	**(156)**
-100bps parallel	**194**	**—**	**(31)**	**(7)**	**—**	**156**
Change in Jan 2024 to Dec 2024 (based on balance sheet at 31 Dec 2023)						
+100bps parallel	(228)	—	34	8	(1)	(187)
-100bps parallel	228	—	(34)	(8)	1	187

Banking NII sensitivity to an instantaneous down 100bps parallel change in yield curves – Year 2 and Year 3 sensitivity by currency

	$	HK$	£	€	Other	Total
	$m	$m	$m	$m	$m	$m
Change in banking NII (based on balance sheet at 31 Dec 2024)						
Year 2 (Jan 2026 to Dec 2026)	**182**	**—**	**(36)**	**(24)**	**—**	**122**
Year 3 (Jan 2027 to Dec 2027)	**192**	**—**	**(28)**	**(27)**	**—**	**137**
Change in banking NII (based on balance sheet at 31 Dec 2023)					—	
Year 2 (Jan 2025 to Dec 2025)	194	—	(47)	(8)	(1)	138
Year 3 (Jan 2026 to Dec 2026)	194	—	(44)	(29)	(3)	118

The figures represent hypothetical movements in banking NII based on projected yield curve scenarios, HSBC Holdings' current interest rate risk profile and assumed changes to that profile during the next three years.

The sensitivities represent our assessment of the change to a hypothetical base case based on a static balance sheet assumption, and do not take into account the effect of actions that could be taken to mitigate this interest rate risk.

Market risk

Contents

Overview

Market risk is the risk of an adverse financial impact on trading activities arising from changes in market parameters such as interest rates, foreign exchange rates, asset prices, volatilities, correlations and credit spreads. Market risk arises from both trading portfolios and non-trading portfolios.

Trading portfolios comprise positions held for client servicing and market-making, with the intention of short-term resale and/or to hedge risks resulting from such positions.

For further details of market risk in non-trading portfolios, see page 212 of the Annual Report and Accounts 2024.

Market risk management

Key developments in 2024

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

Governance and structure

The following diagram summarises the main business areas where trading market risks reside and the market risk measures used to monitor and limit exposures.

Risk types	**Trading risk** – Foreign exchange and commodities – Interest rates – Credit spreads – Equities
Global business	GBM
Risk measure	Value at risk | Sensitivity | Stress testing

The objective of our risk management policies and measurement techniques is to manage and control market risk exposures to optimise return on risk while maintaining a market profile consistent with our established risk appetite.

Market risk is managed and controlled through limits approved by the Group Chief Risk and Compliance Officer. These limits are allocated across business lines and to the Group's legal entities. Each major operating entity has an independent market risk management and control sub-function, which is responsible for measuring, monitoring and reporting market risk exposures against limits on a daily basis. Each operating entity is required to assess the market risks arising in its business and to transfer them either to its local Markets and Securities Services or Markets Treasury unit for management, or to separate books managed under the supervision of the local ALCO. The Traded Risk function enforces the controls around trading in permissible instruments approved for each site as well as changes that follow the approval of new products. Traded Risk also restricts trading in the more complex derivative products to only those offices with appropriate levels of product expertise and control systems.

Key risk management processes

Monitoring and limiting market risk exposures

Our objective is to manage and control market risk exposures while maintaining a market profile consistent with our risk appetite.

We use a range of tools to monitor and limit market risk exposures including sensitivity analysis, VaR and stress testing.

Sensitivity analysis

Sensitivity analysis measures the impact of movements in individual market factors on specific instruments or portfolios, including interest rates, foreign exchange rates and equity prices. We use sensitivity measures to monitor the market risk positions within each risk type. Granular sensitivity limits are set for trading desks with consideration of market liquidity, customer demand and capital constraints, among other factors.

Value at risk

(Audited)

VaR is a technique for estimating potential losses on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The use of VaR is integrated into market risk management and calculated for all trading positions regardless of how we capitalise them. Where we do not calculate VaR explicitly, we use alternative tools as summarised in the 'Stress testing' section below.

Our models are predominantly based on historical simulation that incorporates the following features:

- historical market rates and prices, which are calculated with reference to foreign exchange rates, commodity prices, interest rates, equity prices and the associated volatilities;
- potential market movements that are calculated with reference to data from the past two years; and
- calculations to a 99% confidence level and using a one-day holding period.

The models also incorporate the effect of option features on the underlying exposures. The nature of the VaR models means that an increase in observed market volatility will lead to an increase in VaR without any changes in the underlying positions.

VaR model limitations

Although a valuable guide to risk, VaR is used with awareness of its limitations. For example:

- The use of historical data as a proxy for estimating future market moves may not encompass all potential market events, particularly those that are extreme in nature. As the model is calibrated on the last 500 business days, it does not adjust instantaneously to a change in the market regime.
- The use of a one-day holding period for risk management purposes of trading books assumes that this short period is sufficient to hedge or liquidate all positions.
- The use of a 99% confidence level by definition does not take into account losses that might occur beyond this level of confidence.
- VaR is calculated on the basis of exposures outstanding at the close of business and therefore does not reflect intra-day exposures.

Risk not in VaR framework

The risks not in VaR ('RNIV') framework captures and capitalises material market risks that are not adequately covered in the VaR model.

Risk factors are reviewed on a regular basis and are either incorporated directly into the VaR models, where possible, or quantified through either the VaR-based RNIV approach or a stress test approach within the RNIV framework. While VaR-based RNIVs are calculated by using historical scenarios, stress-type RNIVs are estimated on the basis of stress scenarios whose severity is calibrated to be in line with the capital adequacy requirements. The outcome of the VaR-based RNIV approach is included in the overall VaR calculation but excluded from the VaR measure used for regulatory back-testing.

Stress-type RNIVs include a deal contingent derivatives capital charge to capture risk for these transactions and a de-peg risk measure to capture risk to pegged and heavily-managed currencies.

Stress testing

Stress testing is an important procedure that is integrated into our market risk management framework to evaluate the potential impact on portfolio values of more extreme, although plausible, events or movements in a set of financial variables. In such scenarios, losses can be much greater than those predicted by VaR modelling. Stress testing and reverse stress testing provide senior management with insights regarding the 'tail risk' beyond VaR.

Stress testing is implemented at legal entity, regional and overall Group levels. A set of scenarios is used consistently across all regions within the Group. Market risk stress testing incorporates both historical and hypothetical events. Market risk reverse stress tests are designed to identify vulnerabilities in our portfolios by looking for scenarios that lead to loss levels considered severe for the relevant portfolio. These scenarios may be local or idiosyncratic in nature and complement the systematic top-down stress testing.

The risk appetite around potential stress losses for the Group is set and monitored against limits.

Back-testing

We routinely validate the accuracy of our VaR models by back-testing the VaR metric against both actual and hypothetical profit and loss. Hypothetical profit and loss excludes non-modelled items such as fees, commissions and revenue related to intra-day transactions.

The hypothetical profit and loss reflects the profit and loss that would be realised if positions were held constant from the end of one trading day to the end of the next. This measure of profit and loss does not align with how risk is dynamically hedged, and is therefore not necessarily indicative of the actual performance of the business.

The number of hypothetical loss back-testing exceptions, together with a number of other indicators, is used to assess model performance and to consider whether enhanced internal monitoring of a VaR model is required. We back-test our VaR at set levels of our Group entity hierarchy.

During 2024, the Group experienced one back-testing exception on losses against actual and hypothetical profit and losses, mainly driven by volatility in certain equity markets.

Market risk in 2024

The past year had a busy political agenda, with the November US election being the main event. Geopolitics remained prominent amid ongoing tensions in the Middle East and the Russia-Ukraine war. Major central banks began their easing cycles in 2024, with the US Federal Reserve cutting its policy rate by 1% since September, while the ECB and some other European central banks implemented rate cuts starting in June. In contrast, the Bank of Japan raised its overnight rate in March, ending a prolonged period of negative interest rates and ceasing yield curve control.

Throughout the year, government bond yields generally trended upward, except during the third quarter, largely driven by volatile inflation figures and shifting central bank expectations. In Europe, the yield spread between France and Germany widened amid uncertainties surrounding French fiscal policy following local legislative elections. Global equities reached multiple record highs in the US and Europe, buoyed by strong corporate earnings and positive sentiment in the technology sector. Global markets rebounded from a short period of volatility in August, triggered by the unwinding of carry trades due to rising Japanese government bond yields, US recession concerns, and equity market valuations.

In foreign exchange markets, the trend of a strengthening US dollar continued against most developed and emerging market currencies. The euro approached parity with the US dollar, while the yen weakened to multi-decade lows. Credit markets performed positively throughout the year, with a more pronounced tightening of high-yield credit spreads compared with investment-grade spreads, despite a broad widening of spreads in August.

We continued to manage market risk prudently during 2024. Sensitivity exposures and VaR remained within appetite as the business pursued its core market-making activity in support of our customers. Market risk was managed using a complementary set of risk measures and limits, including stress testing and scenario analysis.

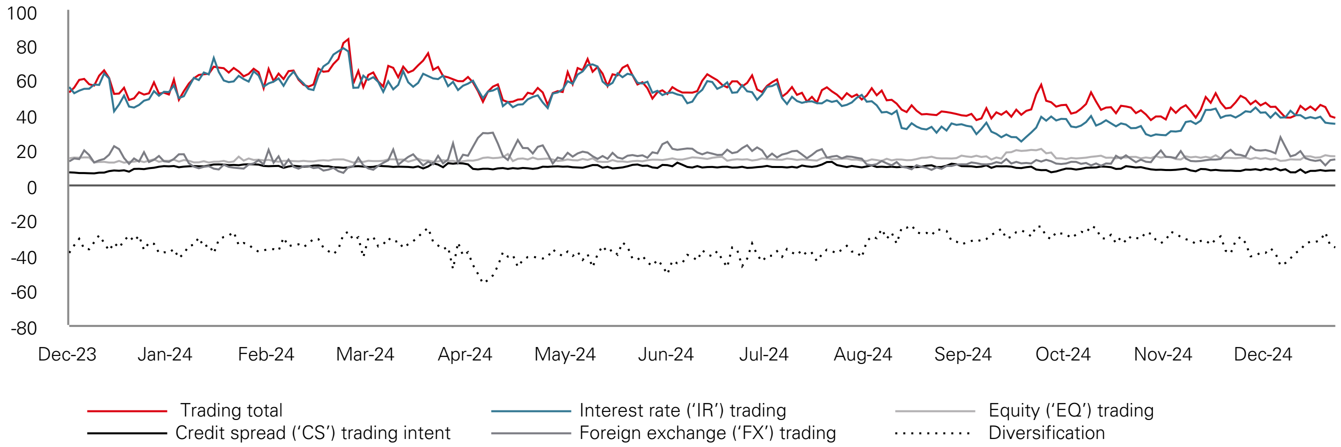
Trading portfolios

Value at risk of the trading portfolios

Trading VaR predominantly resides within the Markets and Securities Services business. As of 31 December 2024, Trading VaR stood at $38.3m, down from $52.8m as of 31 December 2023. At the end of December 2024, Trading VaR was mainly driven by exposures to interest rate risk factors from the Global Debt Markets and Global Foreign Exchange business lines to facilitate client-driven activity. Trading VaR peaked in March 2024 due to the sensitivity of the trading book to interest rates movements, coupled with relatively large interest rate shocks captured in the VaR scenario window. VaR reduced in the second half of 2024, mainly as a result of some volatile scenarios rolling off the VaR scenario window.

The daily levels of total trading VaR during 2024 are set out in the graph below.

Daily VaR (trading portfolios), 99% 1 day ($m)



The Group trading VaR for the year is shown in the table below.

Trading VaR, 99% 1 day[1]

(Audited)

	Foreign exchange and commodity	Interest rate	Equity	Credit spread	Portfolio diversification[2]	Total[3]
	$m	$m	$m	$m	$m	$m
Balance at 31 Dec 2024	**14.6**	**34.9**	**16.3**	**8.2**	**(35.7)**	**38.3**
Average	**15.2**	**48.3**	**14.8**	**9.9**	**(35.1)**	**53.1**
Maximum	**29.8**	**78.1**	**20.5**	**13.1**		**83.3**
Minimum	**6.9**	**24.8**	**12.7**	**6.6**		**37.0**
Balance at 31 Dec 2023	13.4	55.9	15.2	7.2	(38.9)	52.8
Average	16.2	53.9	19.0	11.6	(40.8)	59.8
Maximum	24.6	86.0	27.8	16.5		98.2
Minimum	9.3	25.5	13.4	6.6		34.4

1 Trading portfolios comprise positions arising from the market-making and warehousing of customer-derived positions.
2 Portfolio diversification is the market risk dispersion effect of holding a portfolio containing different risk types. It represents the reduction in unsystematic market risk that occurs when combining a number of different risk types – such as interest rate, equity and foreign exchange – together in one portfolio. It is measured as the difference between the sum of the VaR by individual risk type and the combined total VaR. A negative number represents the benefit of portfolio diversification. As the maximum and minimum occurs on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit for these measures.
3 The total VaR is non-additive across risk types due to diversification effects.

The table below shows trading VaR at a 99% confidence level compared with trading VaR at a 95% confidence level at 31 December 2024. This comparison facilitates the benchmarking of the trading VaR, which can be stated at different confidence levels, with financial institution peers. The 95% VaR is unaudited.

Comparison of trading VaR, 99% 1 day vs trading VaR, 95% 1 day

	Trading VaR, 99% 1 day	Trading VaR, 95% 1 day
	$m	$m
Balance at 31 Dec 2024	**38.3**	**23.4**
Average	**53.1**	**33.0**
Maximum	**83.3**	**48.9**
Minimum	**37.0**	**22.0**
Balance at 31 Dec 2023	52.8	35.3
Average	59.8	36.8
Maximum	98.2	53.3
Minimum	34.4	21.0

Market risk balance sheet linkages

The following balance sheet lines in the Group's consolidated position are subject to market risk:

Trading assets and liabilities

The Group's trading assets and liabilities are in almost all cases originated by GBM. Other than a limited number of exceptions, these assets and liabilities are treated as traded risk for the purposes of market risk management. The exceptions primarily arise in Global Banking where the short-term acquisition and disposal of assets are linked to other non-trading-related activities such as loan origination.

Derivative assets and liabilities

We undertake derivative activity for three primary purposes: to create risk management solutions for clients, to manage the portfolio risks arising from client business, and to manage and hedge our own risks. Most of our derivative exposures arise from sales and trading activities within GBM. The assets and liabilities included in trading VaR give rise to a large proportion of the income included in net income from financial instruments held for trading or managed on a fair value basis. Adjustments to trading income such as valuation adjustments are not measured by the trading VaR model.

For information on the accounting policies applied to financial instruments at fair value, see Note 1.2 on the financial statements.

Climate risk TCFD

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Overview

Our 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, we have also identified the following thematic issues 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 HSBC 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 our stakeholders.

Approach

We recognise that the physical impacts of climate change and the transition to a net zero economy can create significant financial risks for companies, investors and the financial system. HSBC may be affected by climate risks either directly or indirectly through our relationships with customers, which could result in both financial and non-financial impacts.

Our climate risk approach aims to effectively manage the material climate risks that could impact our operations, financial performance and stability, and reputation. It is informed by the evolving expectations of our regulators.

We continue to develop our approach and climate risk capabilities across our businesses, by prioritising sectors, portfolios and counterparties with the highest impacts, and recognise that this is a long-term iterative process. This includes increasing coverage and incorporating more mature data, climate analytics, frameworks and tools, and responding to emerging industry best practice and climate-related regulations.

This also necessitates reflecting on how climate risk continues to evolve in the real world, and improving how we embed climate risk factors into strategic planning, transactions and decision making across our businesses. For example, our mergers and acquisitions process considers potential climate and sustainability-related targets, net zero transition plans and climate strategy, and how this relates to HSBC.

Our climate risk approach is aligned to our Group-wide risk management framework and three lines of defence model, which sets out how we identify, assess and manage our risks. For further details of the three lines of defence framework, see page 129.

The tables below provide an overview of the climate risk drivers and thematic issues considered within HSBC's climate risk approach.

Climate risk – risk drivers

		Details	Potential impacts	Time horizons
Physical	**Acute**	Increased frequency and severity of weather events causing disruption to business operations.	– Decreased real estate values or stranded assets. – 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
	Chronic	Longer-term shifts in climate patterns (e.g. sustained higher temperatures, sea level rise, shifting monsoons or chronic heat waves).		
Transition	**Policy and legal**	Mandates on, and regulation of products and services and/or policy support for low-carbon alternatives. Litigation from parties who have suffered loss and damage from climate impacts.		
	Technology	Replacement of existing products with lower emissions options.		
	End-demand (market)	Changing consumer demand from individuals and corporates.		
	Reputational	Increased scrutiny following a change in stakeholder perceptions of climate-related action or inaction.		

Climate risk – thematic issues

Net zero alignment risk	**Net zero ambition risk**	Failing to set or adapt our 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 our net zero ambition due to taking insufficient or ineffective actions, or due to the actions of clients, suppliers and other stakeholders or due to other external factors.
	Net zero reporting risk	Failing to report emissions baselines and targets, and performance against these accurately due to data, methodology and model limitations.
Risk of greenwashing	**Firm**	Making inaccurate, unclear, misleading or unsubstantiated claims in relation to our sustainability commitments and targets, as well as the reporting of our 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 our relationships with clients or transactions we undertake with them, where their sustainability commitments or related performance are misrepresented or are not aligned to our own commitments.

Our annual climate risk materiality assessment helps us to understand how climate risk may impact HSBC's risk taxonomy. The assessment considers short-term (up to 2026), medium-term (2027-2035) and long-term (2036-2050) periods. The table below provides a summary of how climate risk may impact a subset of HSBC's principal risks.

In addition to this assessment, we also consider climate risk in our emerging risk reporting and scenario analysis (for further details, see 'Top and emerging risks' on page 39).

Climate risk drivers	Credit risk	Traded risk	Reputational risk[1]	Regulatory compliance risk[1]	Resilience risk	Other financial and non-financial risk types
Physical risk	◆	◆			◆	◆
Transition risk	◆	◆	◆	◆	◆	◆

1 Our climate risk approach identifies thematic issues such as net zero alignment risk and the risk of greenwashing, which are most likely to materialise in the form of reputational, regulatory compliance and litigation risks.

Climate risk management

Key developments in 2024

Our climate risk programme continues to support the development of our climate risk management capabilities. The following outlines key developments in 2024:

- We have started to enhance our approach to managing net zero alignment risk in our wholesale portfolio, through developing portfolio steering capabilities and revenue assessments.
- We enhanced our approach to assessing the impact of climate change on capital, focusing on credit, market and operational risk.
- We enhanced our internal climate scenario analysis, including through improvements to input data and models (e.g. for the power and utilities sector). For further details of scenario analysis, see page 223.
- We enhanced our approach to managing and mitigating the risk of greenwashing.
- We developed climate risk guidelines for relationship managers to further embed climate risk considerations into credit risk assessments.

While we have made progress, further work remains, including the need to develop additional metrics and tools to measure our exposure to climate-related risks.

Governance and structure

The Board takes overall supervisory responsibility for our ESG strategy, overseeing executive management in developing the approach, execution and associated reporting.

The Group Chief Risk and Compliance Officer is the senior manager responsible for the management of climate risk under the UK Senior Managers Regime, holding overall accountability for the Group's climate risk programme.

The Sustainability Working Group, established in 4Q24, oversees and provides guidance on the Group-wide medium and longer-term sustainability strategy.

The ESG Committee has oversight of ESG strategy, policy, material commitments and external disclosure. It is co-chaired by the Group CEO and the Group Chief Sustainability Officer.

The Group Reputational Risk Committee provides recommendations and advice on significant reputational risk matters with impacts across the Group.

The Environmental Risk Steering Meeting (formerly the Environmental Risk Oversight Forum) provides oversight of environmental risk and the risk of greenwashing. Equivalent forums have been established at a regional level.

The Group Risk Management Meeting and the Group Risk Committee receive regular updates on our climate risk profile and the progress of our climate risk programme.

For further details of the Group's ESG governance structure, see page 74.

Risk appetite

Our climate risk appetite forms part of the Group's risk appetite statement and supports the business in delivering our net zero ambition effectively and sustainably.

Our climate risk appetite statement is approved and overseen by the Board. Climate risk indicators are reported on a quarterly basis for oversight by the Group Risk Management Meeting and the Group Risk Committee.

Policies, processes and controls

We continue to integrate climate risk into policies, processes and controls across many areas of our organisation, and we will continue to update these as our climate risk management capabilities mature over time.

For further details of how we manage climate risk across our global businesses, see page 60.

Embedding our climate risk approach

The table below provides further details of how we have embedded the management of climate risk across key risk types. For further details of our internal scenario analysis, see 'Insights from climate scenario analysis' on page 223.

Risk type — **Our approach**

Wholesale credit risk

We have metrics in place to monitor the exposure of our wholesale corporate lending portfolio to six high transition risk sectors, as shown in the below table. As at 31 December 2024, the overall exposure to the six high transition risk sectors was 18% of total gross carrying amount of wholesale loans and advances. These disclosures cover the whole of the value chain of the sector. The sector classifications are based on internal HSBC definitions and can be judgemental in nature. We use publicly available data as well as internal data to determine the appropriate sector. The classification of our clients into sectors is performed with inputs from subject matter experts. The sector classifications are subject to the remediation of ongoing data quality challenges and continuous improvement of our ongoing processes. The data will continue to be enhanced and refined in future years.

Our relationship managers engage with our key wholesale customers, including those in higher transition risk sectors, through a transition engagement questionnaire ('TEQ'). In 2024, the TEQ was expanded to cover all geographies. The TEQ helps to gather information and assess our wholesale customers' business model alignment to a net zero transition and their exposure to physical and transition risks. We use the responses to the questionnaire to risk-assess our key wholesale customers.

Our credit policies require that relationship managers comment on climate risk factors in credit applications for new money requests and annual credit reviews. Our credit policies also require manual credit risk rating overrides if climate is deemed to have a material impact on credit risk under 12 months if not already captured under the original credit risk rating.

Key developments to our framework in 2024 included the expansion of the TEQ, as set out above, and additionally the development of climate risk guidelines for relationship managers to further embed climate risk considerations into credit risk assessments.

Key challenges for further embedding climate risk into credit risk management relate to the availability of adequate physical risk data to assess impacts on our wholesale customers.

Wholesale loan exposure to high transition risk sectors at 31 December 2024

	Units	Automotive	Chemicals	Construction, Contracting & Building Materials[5]	Metals and mining	Oil and gas	Power and utilities	Total 2024
Wholesale loan exposure as a proportion of total wholesale loans and advances[1,2,3,4]	%	4	2	3	2	3	4	18

1 Percentages shown in the table also include green and other sustainable finance loans, which support the transition to the net zero economy. The methodology for quantifying our exposure to high transition risk sectors and the transition risk metrics will evolve over time as more data becomes available and is incorporated in our risk management systems and processes. We are aiming to develop the appropriate systems, data and processes to provide enhanced disclosures in future years.

2 Counterparties are allocated to the high transition risk sectors via a two-step approach. Firstly, where the main business of a group of connected counterparties is in a high transition risk sector, all lending to the group is included in one high transition risk sector irrespective of the sector of each individual obligor within the group. Secondly, where the main business of a group of connected counterparties is not in a high transition risk sector, only lending to individual obligors in the high transition risk sectors is included. The main business of a group of connected counterparties is identified by the industry that generates the majority of revenue within a group. Customer revenue data utilised during this allocation process is the most recent readily available and will not always align to our own reporting period.

3 The six high transition risk sectors make up 18% of total gross carrying amount of wholesale loans and advances to banks and customers of $596bn. Amounts include assets held for sale.

4 The sectors used to monitor the wholesale corporate lending portfolio set out in the table are different to the scope of sectors we focus on for financed emissions targets and reporting. The latter focus on the most carbon-emissive sectors, and the parts of the value chain where we believe the majority of emissions are produced to help reduce double counting. These sectors are set out within 'Financed emissions' section on page 48.

5 Construction, Contracting & Building Materials has been renamed from Construction & Building Materials. The name has been revised to clarify that parties who build assets for end clients, investors and landowners, which should be included in this sector for their associated construction risks.

Retail credit risk

Climate risk may impact retail credit risk through an increase in credit losses on our global retail mortgage portfolio, primarily due to the impact of physical risk. Our current climate assessment, in line with last year's assessment, indicates that our retail mortgage portfolio remains resilient to climate risk, with impact severity muted at a portfolio level given that our book has diversified property locations, with insurance coverage being a key loan covenant. Our retail credit risk mortgage policy requires that every mortgage market conducts an annual review of their climate risk management framework, to ensure they remain fit for purpose. Within our mortgage portfolios, properties or areas with potentially heightened physical risk are identified and assessed locally with exposure monitored using risk indicators. A reduction in property value, higher insurance costs and insurance availability are potential future negative financial impacts for properties with higher physical risk.

UK retail mortgage book

The UK is our largest mortgage market, and as of November 2024, made up 46.7% of our global mortgage portfolio. Our ESG Data Pack includes our climate risk exposures for this portfolio across regions. The maturity profile of the UK mortgage book shows that the average remaining contractual term in the UK is 21.8 years. However, with some customers undertaking refinancing options during this term, the average term of the mortgage can be reduced to between five and eight years. This means our strategic approach to climate risk considers both present day risk and long-term forward-looking risk, given that customers may choose to remain with us over the lifespan of the loan. Please see the result of our climate scenario analysis on page 226.

Physical risk

For the UK mortgage book, flood data is sourced from a third-party data provider, and considers the UK only, covering present day risk from tidal, river and surface water/flash flooding baselined to 2021. A flood risk rating score of 0-100 is provided with 100 being highest risk. Flood risk scores are based on the average annual loss generated using flood hazard frequency, flood depths and based on the probability of flooding events occurring. For the UK mortgage book, flood data is available for 93.7% of the mortgage book of which 0.9% is at a very high risk of flooding, with 2.7% of the book at a high risk of flooding. Geographically, by lending balances, our highest risk exposures are the Greater London and South-East regions. During 2024 we changed our flood risk classification of very high risk to align to the provider's flood score bands. The postcode data used in the regional flood table has also been refined to incorporate a more granular approach. This has helped to aid the regional allocation and as a result the 2023 data has been restated to reflect this.

Risk type	Our approach

Retail credit risk (continued)

Transition risk

We monitor the energy performance certificate ('EPC') ratings of individual properties from A (highest efficiency) through to G (least efficient) as EPCs are commonly used as an indicator of transition risk in the UK mortgage book. All UK rental properties must have a minimum EPC rating of E. It is broadly expected that the rental market will need to transition all rented properties to an EPC rating of C by 2030. We track EPC ratings for both owner occupied ('OO') and buy to let ('BTL'), which are 96.6% of the portfolio and 3.4% of the portfolio by lending value, respectively. The EPC profile is broadly improving (to higher bands) but is evolving slowly, and the pace is dependent on regulation. Where we do not hold a current EPC, we have included expired EPCs for 2024. EPCs are a reliable proxy as energy efficiency ratings gradually improve over time.

UK residential mortgages tenor (remaining mortgage term by balance ($m)) as at 31 December 2024[1]

Tenor	Remaining mortgage balance ($m)
<1 year	**357**
1 to 5 years	**3,589**
>5 years	**159,452**
Weighted average of remaining mortgage term (years)	**21.8**

There has been an increase observed across the market in the number of people seeking new mortgages of up to 35 years or more due to rising house prices, higher interest rates and cost of living challenges although the average life of an HSBC mortgage loan is approximately between five and eight years due to refinancing. Despite this, our strategic approach to climate risk considers present day and long-term risk given customers may remain on our book for the whole loan term.

For further details of flood risk and the EPC breakdown of our UK retail mortgage portfolio, see our ESG Data Pack at www.hsbc.com/esg.

1 The table includes instances where individual properties have multiple associated accounts and mortgage balances. These are aggregated to a property level and the longest term remaining is taken as the tenor. UK mortgage balances presented here are not directly reconcilable to other tables in the document due to differences in the basis of preparation.

Treasury risk

Climate risk may impact Treasury risk through increased regulatory requirements and from changes to customer behaviours, which may result in increased deposit outflows.

As part of our ICAAP, we assess the impact of climate change on capital, focusing on credit risk, market risk and operational risk and perform sensitivity analysis on our Internal Capital Planning Buffer.

As part of our ILAAP, we assess how climate risk could impact the Group liquidity position. As part of our Internal Climate Scenario Analysis ('ICSA'), we have developed an exploratory scenario to understand the impact of a potential greenwashing event on our deposits. For further details, please see page 224.

In October 2024 we published our Green Financing Framework, in alignment with the International Capital Market Association Green Bond Principles. This framework promotes transparency, forming part of our sustainability strategy and helping to further our aim of supporting our clients in transitioning to a net zero future.

Pension risk

Climate risk could result in additional costs within our defined benefit pension plans, due to changes in the pension plans' investment performance or through having to meet evolving regulatory requirements.

Our global policies on the oversight of pension investments explicitly reflect climate considerations. Training has been provided to local management on how to consider ESG risks in pension investments. We also conduct an annual exercise to estimate the exposure of our largest pension plans to climate risk.

Insurance risk

Climate risk could result in losses on our insurance assets due to changes in macroeconomic parameters.
We develop an annual plan to support the management of climate risk. This plan includes enhancing our stress test modelling capabilities to assess the solvency resilience of our insurance entities under prescribed climate scenarios.

Traded risk

Climate risk may result in trading losses due to increases in market volatility and widening spreads from the macro and microeconomic impacts of transition and physical risk.
We have implemented climate risk limits in global and regional trading mandates to monitor exposure to climate-sensitive sectors and countries across different asset classes in the Markets and Securities Services ('MSS') business.
Our market risk policies include specific climate risk control requirements, which ensure that our climate risk limits and utilisations are monitored in the same way as market and traded credit risk exposures.
We conduct monthly stress testing to understand the vulnerabilities of our trading portfolio to various climate scenarios, which are refined on an annual basis, with the results reported to global and regional senior management.

Reputational risk

We manage the reputational impact of climate risk through our broader reputational risk framework, supported by our sustainability risk policies and metrics.

Our sustainability risk policies form part of our broader risk management framework and are important mechanisms for managing risks, including delivering our net zero ambition. Our thermal coal phase-out and energy policies aim to drive down greenhouse gas emissions while supporting a just transition.

Our global network of sustainability risk managers provides local policy guidance to relationship managers for the oversight of policy compliance, and in support of implementation across our wholesale banking activities. For further details of our sustainability risk policies, see page 61.

We have developed risk appetite metrics to monitor our performance against our financed emissions targets. For further details of our targets, see page 52.

Regulatory compliance risk

Regulatory Compliance is responsible for the oversight and management of climate-related risks that could cause breaches of our regulatory duties to customers and inappropriate market conduct. We have updated our policies to incorporate considerations for ESG and climate risks, particularly in relation to new and ongoing product management, sales outcomes, and product marketing.

To support our key policies, we have also enhanced the underlying control frameworks and processes. This includes the integration of greenwashing risk and controls considerations in the design of new products and changes to them, as well as in relation to marketing materials. From a product sales perspective, we have established key control principles, encompassing the sales journey design, training and competence, supervision, sales quality, and governance.

We operate an ESG and climate risk working group tasked with tracking and monitoring the integration of ESG and climate risk stewardship across our operations. This group also monitors regulatory and legislative developments related to the ESG and climate agenda.

Risk type	Our approach
Resilience risk	Resilience risks may potentially crystallise through physical climate risk impacts to our buildings supporting service provision, or through physical and/or transition disruption to our third-party supply chain relationships. We have developed metrics to assess how physical risk may impact our critical properties and to monitor progress against our own operations' net zero ambitions. Our resilience risk policies are subject to continuous improvement to remain relevant to evolving climate risks.
Model risk	Model risk in the ESG context refers to the uncertainties and complexities inherent in the modelling of the financial impact translation of climate-related changes and scenarios. Climate risk models are used for climate scenario analysis, risk management, and emissions reporting among other use cases. Climate risk modelling is at a nascent stage, with challenges – including limitations in data availability, consistency and quality – shared across the industry. We have developed model risk procedures that set out the minimum control requirements for identifying, measuring and managing model risk for climate-related models. All the identified climate-related models are subject to HSBC's model lifecycle controls and policy.
Financial reporting risk	Climate risk impacts financial reporting risk through increased reporting requirements. The scope of financial reporting risk includes oversight of the accuracy and completeness of ESG and climate reporting. Our risk appetite statement states that HSBC has no appetite for material errors in ESG disclosures in our key markets, balanced with the evolving requirements and data availability. In addition, our internal controls incorporate requirements for addressing the risk of misstatement in ESG and climate reporting. To support this, a framework is used to provide guidance on control implementation over ESG and climate reporting and disclosures, which includes areas such as process and data governance, and risk assessment.

Challenges

Key challenges include:

- the diverse range of internal and external data sources and data structures needed for climate-related reporting, which introduces data accuracy and reliability risks;
- data limitations on customer assets and supply chains, and methodology gaps, which hinder our ability to assess physical risks accurately;
- industry-wide data gaps on customer emissions and transition plan and methodology gaps, which limit our ability to assess transition risks accurately; and
- limitations in our management of net zero alignment risk due to known and unknown factors, including the limited accuracy and reliability of data, emerging methodologies, and the need to develop new tools to better inform decision making.

Insights from climate scenario analysis

Climate scenario analysis supports our strategy by assessing our potential exposures to risks and vulnerabilities under a range of climate scenarios. It is one of the key tools used to support the evaluation of portfolios in line with our net zero ambition.

The scenarios developed for climate scenario analysis are designed to examine HSBC's financial performance and capital resilience across a wide range of potential climate outcomes. They are sufficiently diverse to enable HSBC's key physical and transition risk vulnerabilities to be explored. For further details about these risks, see 'Overview under Climate risk' on page 219.

The analysis supports our approach to supporting our clients in the transition to net zero through assessing, where available, client level financial and credit risk metrics, and identifying where further analysis and climate risk focus is required.

From a risk management perspective, it enhances our understanding of the various transition and global warming pathways that may unfold and their plausibility, and informs how we manage implications to credit risk and revenues.

To meet our global regulatory needs, we produced several climate stress tests for regulators around the world, including the Hong Kong Monetary Authority ('HKMA'). We continue to enhance our climate scenario analysis exercises so that we can have a more comprehensive understanding of climate headwinds, risks and opportunities to support our strategic planning, actions and risk management.

Use of climate scenario outputs to support how we assess our climate resilience

As we navigate the transition to net zero, climate scenario analysis is used to support core banking processes such as client-facing activities, finance activities and risk management.

From a financial and capital planning perspective, we use climate scenario analysis to support the Group's internal capital adequacy assessment process ('ICAAP') to understand the amount of capital the Group should hold to meet identified climate risks, including integration of climate impacts into the Group's internal stress testing exercises. In addition, it informs strategic planning by providing insights on the size and timing of financial impacts, and IFRS 9 loss provisioning to ensure climate risks are adequately provisioned for in our balance sheet, such as expected credit losses ('ECL').

Climate scenario analysis also supports portfolio steering frameworks set up to help shape our Global Businesses strategy to meet net zero ambitions. Portfolio steering has been developed to enable the Group to manage sector portfolios in line with its net zero by 2050 ambition, while managing risks and capturing commercial opportunities. This enables HSBC to manage financed emissions within our appetite at portfolio level.

Climate scenario analysis supports the Group to assess the impact of our net zero ambitions on our revenue and profitability to help strengthen our understanding of business model risk, and supports building the organisation's awareness of climate change risk, informing our climate risk appetite.

Our climate scenarios

Our 2024 scenarios considered the key regions in which we operate and were designed to assess the impact on our balance sheet across three distinct periods: short term up to 2026; medium term from 2027 to 2035; and long term from 2036 to 2050.

Building on prior years, the 2024 climate scenario analysis exercise benefited from new scenarios, including: the introduction of a new Below 2 Degrees scenario that is aligned with the Paris Agreement goal of limiting global warming to below 2 degrees by the end of the century; and a bespoke near-term Severe Climate Stress scenario; and from updated climate scenario assumptions, which include increased sector and geographical granularity for all scenarios.

The 2024 climate scenarios range from a combination of highest physical risk to highest transition risk as follows:

- Downside Physical Risk scenario: with significant global warming and physical risk events, assumes climate action is limited to currently implemented governmental policies, new decarbonisation policies fail to get introduced and global warming continues.
- Severe Climate Stress scenario: a near term disorderly climate action, triggered by unprecedented global weather events that lead to a short, sharp economic recession. In this scenario, extreme physical events pivot the public view on climate and the transition to net zero accelerates. This extreme stress scenario is used to test HSBC's capital resilience to extreme and very unlikely events, combining downside climate and macroeconomic risks with a horizon ending in 2030.
- Current Commitments scenario: assumes a slower-than-required transition to a net zero economy, reflective of the current pace of transition, which assumes that climate action is limited to current governmental committed policies, including already implemented actions. This scenario helps us determine the actions we need to take to reach our net zero ambition while operating in a world that is not on a net zero by 2050 pathway.
- Below 2 Degrees scenario: a Paris Agreement-aligned scenario where net zero is achieved, but beyond the 2050 scenario horizon, as it assumes an orderly and gradual rise in the stringency of climate policies over time.
- Delayed Transition Risk scenario: in which action is delayed until 2030 but is then stringent and rapid enough to meet net zero by 2050, accentuating disorderly transition risks.

We have chosen these scenarios to provide a holistic view that supplements the Group's current and future strategic thinking. The 2024 climate scenarios are underpinned by well-established industry bodies such as the Network for Greening Finance Phase IV, the Intergovernmental Panel on Climate Change ('IPCC') and International Energy Agency ('IEA'), which are further enriched for additional granularity, ensuring consistency with industry-recognised work and reflecting the latest climate policy and economic outlook.

Characteristics of our scenarios

+Physical Risk ← → Transition Risk+

		Downside Physical Risk	Severe Climate Stress	Current Commitments	Below 2 Degrees	Delayed Transition Risk
Scenario outcomes	**Rise in global temperatures by 2100 (vs pre-industrial levels)**	4.2°C	N/A	2.4°c	1.7°c	1.6°c
Underlying assumptions based on global averages	**End of horizon**	2050	2030	2050	2050	2050
	Global climate actions	Implemented policies only	Rapid & disorderly transition	All currently pledged policies	Gradually rising stringency of policies	Rapid & disorderly transition
	Assumed pace of technology change and adoption	Slow change	Accelerated progress	Limited progress	Moderate change	Accelerates from 2030
	Assumed socioeconomic impact	Very high	Very high	Moderate	High	Very high
	Assumed carbon price ($/tCO$_2$) 2030	9	326	30	46	30
	Assumed carbon price ($/tCO$_2$) 2050	**8**		**78**	**136**	**558**
Scenario risk characteristics	**Climate risk – Physical**	▲ Higher	▲ Higher	▶ Moderate	▼ Lower	▼ Lower
	Climate risk – Transition	▼ Lower	▲ Higher	▶ Moderate	▲ Higher	▲ Higher

Group outputs and our methodology

Climate scenario analysis allows us to model how different potential climate pathways may impact the resilience of our customers and our portfolios.

Our models continue to incorporate a range of climate-specific metrics that could potentially impact our customers, including expected production volumes, revenue, costs and capital expenditure.

We assess how these metrics interplay with economic factors, such as carbon prices, which represent the cost effects of climate-related policies that aim to discourage carbon-emitting activities and encourage low-carbon solutions. The expected result of higher carbon prices is a reduction in emissions as high-emission activities become uneconomical.

We analyse how climate risks impact principal risk types within our organisation, including credit and traded risks, non-financial risks and pension risk. While the following sections focus primarily on credit risk, we also set out how we continue to enhance and embed impacts from traded risk, pension risk and non-financial risks.

For our wholesale lending portfolio, the scope of our 2024 analysis prioritised high-emitting sectors, and we focused on delving deeper into a selection of high transition risk sectors. We have enhanced our climate models for the power and utilities and automotive sectors, while regional deep dives focused on select high risk and material sectors. The financial metrics used in our models included credit rating and client cashflow impacts to derive ECLs and risk-weighted assets ('RWAs'), emissions and balance sheet impacts.

For our retail mortgage portfolio, our analysis focused on key regions and physical risk factors, including property locations, perils and insurance coverage.

The internal climate scenario analysis exercise showed that losses are influenced by their exposure to a variety of climate risks under different climate scenarios.

When assessing our long-term scenarios, climate-related losses are expected to remain minimal in the short term and likely to increase in the medium and longer time horizon, driven by the transition to a net zero economy and greater physical risk impacts.

Under the defined climate scenarios, transition risk impacts are predominantly driven by credit risk losses and are expected to create a drag on the Group's profitability across all scenarios. In the Below 2 Degrees scenario, we expect to see an increase in projected credit losses that materialise in the medium term if early action to transition to net zero is taken. Credit losses are projected to increase in the medium to long term if the transition to net zero is delayed, which was underlined within the Delayed Transition scenario, where climate action begins later and is therefore expected to be more rapid and disruptive for our customers who will have less time to restructure their business models and reduce their carbon emissions.

The risks and opportunities will need to be carefully balanced, and by building a more climate-resilient balance sheet, we can reduce impairment risks and improve longer-term stability.

Increased lending opportunities exist during an accelerated transition period such as those expected in the Below 2 Degrees, Delayed

Transition Risk and Severe Climate Stress scenarios, noting that these scenarios also experience the risk of heightened impairments in the latter stages of their time horizons.

Modelling limitations

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

Climate scenario analysis requires considerable amounts of data and we are continuing to enhance coverage of our exposures. Where data is only available for a subset of our counterparties, we extrapolate the results observed where available to the wider population or dataset. We do not capture the second order impacts of climate risk exposures within our modelling approach, such as impacts on our counterparties from their supply chains.

For a broad overview of the models that we use for our climate scenario analysis, as well as graphs that show how global carbon prices and carbon emissions will differ under our climate scenarios, see our ESG Data Pack at www.hsbc.com/esg.

How climate change is impacting our wholesale lending portfolio

The 2024 climate scenario analysis exercise was designed to examine the climate risks and vulnerabilities of corporate counterparties across high transition risk sectors under climate scenarios of varying severity. Specifically, we measured the modelled effect on our projected ECL change over the short-, medium- and long-term horizons under each scenario. This was compared to a counterfactual scenario that excludes climate change impacts to isolate the climate only changes in ECL.

Counterparty specific analysis was conducted for those corporates where transition risk is elevated either from an overall sectoral perspective or in response to specific jurisdictional policies, which require HSBC to respond to regulatory requirements. This analysis was conducted to generate more granular counterparty-specific insights relative to previous exercises.

The impact on our wholesale portfolios is demonstrated by the table below, which shows the size of exposures by sector in 2024 and the cumulative change in ECL compared with a counterfactual scenario (expressed as a multiple). The size of our exposure in each sector is represented by our exposure at default ('EAD') relative to one another.

Under the Current Commitments scenario, our modelled outputs predict that ECL will not be more than 25% higher than the counterfactual scenario for any of the assessed sectors. The highest impacts are seen in the chemicals, construction and building materials, power and utilities and agriculture and soft commodities sectors. Greater climate risks would crystallise in the Below 2 Degrees scenario with its gradually increasing transition to net zero, driven by pockets of customers in higher-emitting sectors that are continuously exposed to larger climate-related losses.

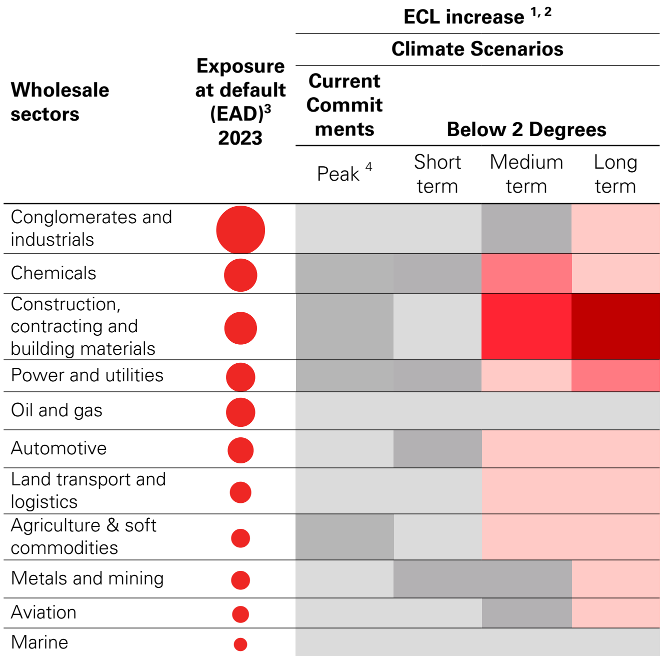
The analysis shows credit risk losses continue to be driven by counterparties in certain high transition risk sectors where the Group's largest exposures are concentrated, such as construction and building materials, chemicals, and power and utilities sectors. In these sectors we have counterparties, such as steel or cement manufacturers who have high emissions in their processes and in their downstream or upstream value chains, who may also experience cost pressures due to carbon-tax pass-through rates. Furthermore, harder to abate sectors contain a high proportion of customers without climate transition plans.

We have continued to incorporate information from our customers' transition plans to consider how our clients and their sectors will be impacted. For the oil and gas sector, we see counterparties having relatively lower projected climate-related losses on a consistent basis, which is highly dependent on the assumption of continued government support and commitment to the execution of their complex transition plans.

In the case of the Severe Climate Stress scenario, we observed that impacts would be more severe and focused than other climate scenarios in the short- to medium-term. These impacts were driven by the underlying severity of the scenario, particularly due to the sharp increase in stricter climate policies and therefore carbon prices that adversely affect the debt servicing capabilities of companies, and acute extreme weather events.

We have the opportunity to ease potential negative impacts as transition risks increase, by supporting our customers to diversify into more renewable and greener revenue streams and invest in emission-reducing technologies.

Impact on wholesale lending portfolios



1 Increase in cumulative ECL compared with counterfactual over short-, medium- and long-term time horizons, expressed as a multiple.
2 Values in the key represent the multiplier of increase in ECL, i.e. <1.1 equates to less than 10% increase over the counterfactual (or equivalent proxy which is most representative of baseline for the sector).
3 The size of the bubbles is a visual representation of the portfolios, in terms of EAD, relative to one another.
4 The peak multiplier reflects the maximum increase in ECL for the Current Commitments scenario over the forecasted scenario time horizon.

Lower Impact	<1.1x	<1.25x	<1.5x	<1.75x	<2.25x	<2.75x	**Higher Impact**

How climate change is impacting our retail mortgage portfolio

As part of our 2024 climate scenario analysis exercise, we completed a detailed climate risk assessment for the UK, US, Singapore and Malaysia. In our 2023 exercise we also assessed Hong Kong, Australia and mainland China. Our coverage represented 91% of the balances in our global retail mortgage portfolio, across the two exercises. For our Hong Kong portfolio, we completed a short- and long-term scenario analysis exercise during late 2023 and early 2024 at the request of the HKMA.

Our analysis shows that over the longer term, we expect minimal losses to materialise when considering the Current Commitments scenario. Although the severity of climate perils is expected to worsen over time, our overall losses remain low under a severe Downside Physical Risk scenario.

In 2024, we continued to develop our approach to assess impacts from severe acute physical risk events with an exploratory new near-term Severe Climate Stress scenario.

Within all scenarios, loss impacts are assessed by considering borrowers' ability and willingness to service their debts, including customers' affordability incorporating increased debt servicing costs and the impact on property valuation.

When quantifying impacts from climate events, insurance availability is a key mitigation of loss. Our scenario analysis methodology was enriched further in 2024 by enhancing insurance availability and assumptions related to insurance premium costs. This approach has been benchmarked with the insurance industry, based on a calculation of average annualised loss.

When assessing impacts from climate risk, we note that there are several limitations as mentioned previously. Specifically for our retail mortgage portfolio, these limitations include:

– Lack of historical experience and limited benchmark data, especially around loss quantification, there is strong reliance on external peril models and vulnerability assumptions.
– Accuracy of peril projection data relies upon the exact coordinates of a property. The geocoding process can lead to inaccurate results for some properties where address data is incomplete or in regions where geocoding services are less accurate.
– Additionally, a key assumption in quantifying the impacts from perils is the level of resilience a particular building archetype has, for example age of construction, material or relevant building standards. This information is often limited, and assumptions are made.

Projected peril risk

Perils are assessed that are material to each region and where we have the external peril data available.

Flooding has the potential to be the peril having the largest impact on our portfolio. When assessing the risk in the portfolio we assess both the inherent and residual risks. An inherent view considers property location, whereas the residual risk incorporates the resilience a particular building has to the peril impacts. The inherent flood risk is shown below, and outlines the percentage of properties and their corresponding flood depths predicted in a 1-in-100 year event.

In 2024, we provided further granularity in our flood risk table by reporting the proportion of properties that we would expect to be at no risk of flooding during a 1-in-100 year severity flood event. In the 2024 exercise under the Baseline flood risk 1-in-100 year event for the UK, 92.1% of properties have no forecasted flood risk (2023: 92.4%), as such c.8% of properties are situated in areas that could be exposed to varying severities of flooding, however there are often mitigating factors, such as the floor level of a building, that reduce risk.

The table below outlines the flood depths that the properties would be exposed to under different climate scenarios.

Exposure to flooding (%)[1]

		Climate Scenarios		
Markets	Flood depth (metres)	Baseline flood risk 1-in-100 year event[2, 3] 2024	Current Commitments 2050	Downside Physical Risk 2050
UK	0	**92.1**	**91.5**	**91.6**
	0-0.5	**7.8**	**8.3**	**5.2**
	0.5-1.5	**0.1**	**0.2**	**2.8**
	>1.5	**0**	**0**	**0.4**
Hong Kong[4]	0	**67.9**	**64.0**	**64.0**
	0-0.5	**16.9**	**17.0**	**15.5**
	0.5-1.5	**15.1**	**18.9**	**20.4**
	>1.5	**0.1**	**0.1**	**0.1**

1 Severe flood events include river and surface flooding and coastal inundation. The table compares 2050 snapshots under the Current Commitments and Downside Physical Risk scenarios with a baseline view in 2024. We do expect to see changes to our flood depth distributions as climate risk data is refreshed.
2 Baseline flood risk is the flood risk for a 1-in-100 year event, based on current peril data.
3 2024 relates to the year in which the assessment was conducted. The baseline data is based on the mortgage portfolio as at 31 December 2023 and 2022, for the UK and Hong Kong respectively.
4 In 2022, 94% of properties in Hong Kong (where HSBC provides mortgages) are apartments located on the second floor or above. For properties located in areas exposed to flooding, direct damages would be mitigated against, with only common ground floor areas potentially impacted.

Through our climate scenario analysis, we recognise acute impacts are more severe than long-term chronic impacts. We observed this when assessing the outputs under the Severe Climate Stress scenario, which focuses on prescribed physical risk events rather than recognising the probabilistic nature of these perils, which are considered very unlikely by 2030. Overall, our retail mortgage portfolio remains resilient to climate risk and impact severity is muted at portfolio levels as our book has diversified property locations with insurance coverage being a key loan covenant.

How climate change is impacting our commercial real estate portfolios

In our climate scenario analysis exercise, we assess our commercial real estate ('CRE') customers' vulnerability to various perils, including flooding and cyclonic wind exposures. Our CRE portfolio is globally diversified with larger concentrations in Hong Kong, the UK, France and the US. In our 2024 exercise we carried out a detailed assessment of our UK portfolio. In addition, we performed a bespoke assessment of our Hong Kong portfolio via the HKMA climate scenario analysis exercise.

Geographical location is a key determinant in our exposure to potential physical risk events, which can lead to higher ECLs due to the cost of repairing damage as well as the longer-term impacts on property valuations. These can lead to higher defaults and consequential losses in areas where physical risk events are gradually increasing in frequency and severity.

The table below shows the proportion of our CRE portfolio exposed to specific physical perils in our key markets.

Exposure to peril (%)[1]

Market	Exposure at default (EAD)[2] 2023	Coastal inundation	Cyclone wind[3]	Surface water flooding	Riverine flooding	Forest Fires
Hong Kong		1	100	12	10	2
UK		17	0	9	8	0

1 Proportion of our CRE portfolio exposed to specific physical perils in the Downside Physical Risk scenario as at 2050.
2 The size of the bubbles is a visual representation of the portfolios, in terms of EAD, relative to one another.
3 Assumes all properties are impacted by some damage due to extreme wind, but the intensity of impact is very insignificant and highly muted in some regions, represented by (~0%) exposure to this peril.

As assessed through our internal climate scenario analysis exercise, impacts on our UK portfolio are largely driven by chronic physical risk, related mainly to coastal and tidal river flooding due to a rise in sea level. The UK analysis explored acute weather events, such as extreme rainfall accompanied with storm winds that may lead to further property damage and business disruption.

We assessed the impacts on transition risk for the UK portfolio, mainly focused on the impact of retrofitting costs on property valuations due to meet minimum energy performance certificate ('EPC') requirements for properties having low energy efficiency.

Sensitivity analysis has been conducted on EPC upgrade costs that would be higher in a faster transition scenario due to the accelerated pace of upgrades. In the Below 2 Degrees scenario, we assume actions where non-domestic properties are required to achieve an EPC rating of B by 2040. To meet these minimum standards, counterparties in our portfolio would potentially need to retrofit their properties or risk having stranded assets with a material valuation haircut.

The table below demonstrates the impact on our CRE portfolio for specific markets, including the three biggest markets – Hong Kong, the UK and the US. This shows the increase in cumulative ECL over different time horizons, under each scenario, compared with a counterfactual scenario (expressed as a multiple).

Impact on our commercial real estate portfolio

	ECL increase [1,2]		
Climate Scenarios	Short-term	Medium-term	Long-term
Below 2 Degrees			
Downside Physical Risk			

Lower Impact	<1.1x	<1.25x	<1.5x	<1.75x	<2.25x	<2.75x	Higher Impact

1 Increase in cumulative ECL compared with counterfactual over short, medium and long-term time horizons, expressed as a multiple.
2 Values in the key represent the multiplier of increase in ECL, i.e. <1.1 equates to less than 10% increase over the counterfactual which excludes climate change impacts.

Geographically, our most significant exposure is in Hong Kong, which was assessed in a bespoke exercise. This region has material physical risk exposure to wind and flooding due to strong tropical cyclones. However, in the HKMA exercise, a large proportion of CRE exposures were not materially impacted, with less than 0.5% of properties suffering from damage greater than 3% of their asset values per year. The properties are protected from cyclonic winds and flooding due to high building standards, high elevation, and protection from coastal defences in this region, such as rainstorm impacts being muted due to the positive impact of new drainage tunnels and tanks in the city.

Overall, and in line with our assessment in prior years, our analysis shows our commercial real estate portfolio remains resilient to climate risk. Under our Below 2 Degrees scenario, impact severity is muted at the portfolio level as our counterparties have diversified property portfolios with insurance coverage being a key loan covenant. Under the Downside Physical Risk scenario, the impacts were observed to be heightened due to significant global weather events. We also observed impacts in the Severe Climate Stress scenario are more significant, which were driven by coastal inundation and flooding events.

Our CRE modelling is subject to similar limitations as our retail mortgage climate models in regard to lack of historical data, reliance on exact building co-ordinates and information on building resilience.

How we assess climate risk impacts on other risk types

We use climate scenario analysis to assess the impacts on other risks including traded risk, sovereign credit risk, pension risk and non-financial risks.

In 2024 for traded risk, we explored the potential fair value impacts of climate risks on our trading and banking portfolios across multiple scenarios, covering physical and transition risk climate drivers, and capturing short and long-term impacts. The analysis considered all relevant asset classes including interest rates, exchange rates, credit and equities, with market shocks capturing the impact of abrupt increases in carbon prices or physical risk perils resulting in structural economic impacts that affect the productivity of high-risk sectors at a country level.

For sovereign credit risk we continued to assess the impacts of climate risks on sovereign debt under the different climate scenarios.

For pension risk we modelled balance sheet and income statement projections for the main defined benefit pension plans. This year's exercise focused on assessing the impact of a severe physical risk shock using the Severe Climate Stress scenario.

For non-financial risk we assessed the potential impacts of a misstatement in our ESG and climate-related reporting and disclosures. For regulatory compliance risk, we assessed the potential impacts of greenwashing in the manufacturing and marketing of ESG funds and in the marketing of sustainability-linked bonds. For resilience risk, we assessed the potential impacts on our critical real estate from climate change, including temperature extremes, drought, water stress, wildfire, tropical cyclones and flooding.

Understanding the resilience of our properties

Climate change poses a physical risk to the buildings that we occupy, potentially impacting our operational resilience. This includes our offices, retail branches and data centres, both in terms of loss and damage, and business interruption.

We measure the impacts of climate and weather events on our buildings on an ongoing basis using historical, current and scenario-modelled forecast data. In 2024, there were 40 major storms that had a minor impact on three of our buildings.

We use stress testing to evaluate the potential impact on our owned or leased premises. Our 2024 scenario stress test analysed how nine climate change-related hazards – comprising coastal flooding, fluvial flooding, pluvial flooding, soil movement due to drought, temperature extremes, water stress, wildfires, landslides and tropical cyclones – could impact 2,719 of our properties.

The 2024 test modelled climate change with the Intergovernmental Panel on Climate Change ('IPCC') Taking the Highway scenario (SSP5-8.5), which projects that the rise in global temperatures will likely exceed 4°C by 2100. It also modelled a less severe IPCC Middle of the Road scenario (SSP2-4.5), which projects that global warming will likely be limited to 2°C.

Key findings from the Taking the Highway scenario included that by 2050, 15 of our 2,719 properties will have a high potential for impact due to climate change, with insurance-related losses estimated to be in excess of 10% of the insured value of the buildings.

A key finding from the Middle of the Road scenario showed that the total number of buildings at risk reduced from 15 to 9. The highlighted facilities are still at risk from the same perils of extreme temperature and water stress by 2050.

This forward-looking data along with historical data helps inform real estate planning. We will continue to enhance our understanding of how extreme weather events impact our buildings portfolio as climate risk assessment tools improve and evolve. We buy insurance for property damage and business interruption and consider insurance as a loss-mitigation strategy depending on its availability and price.

We regularly review and enhance our building selection process and global engineering standards and will continue to assess historical claims data to help ensure our building selection and design standards address the potential impacts of climate change.

Conclusion to insights from climate scenario analysis

Climate scenario analysis is an evolving process and there are data and modelling limitations due to the information and expertise available in the current market. Physical risk modelling is nascent and currently we are only able to model direct climate peril impacts on real estate. Limited considerations are made to the pricing implications of new green products and clients that are likely to emerge over the time horizon.

We will continue to enhance the use of climate scenario analysis in our business decision making, supporting our climate resilience. We have started to explore the impacts on our portfolio from a nature risk perspective and expect the model and capabilities to evolve over time.

Resilience risk

Overview

Resilience risk is the risk of sustained and significant business disruption from execution, delivery, physical security or safety events, causing the inability to provide critical services to our customers, affiliates and counterparties. Resilience risk arises from failures or inadequacies in processes, people, systems or external events.

Resilience risk management

Key developments in 2024

During the year, we conducted several initiatives to keep pace with geopolitical, regulatory and technology changes, and strengthened the management of resilience risk.

- We continued to recognise that our customers were impacted by service disruptions, responded to these urgently and aimed to recover with minimum delay. We continued to initiate post-incident review processes to prevent recurrence. Where we identify that investment is required to further enhance the Group's operational resilience capabilities, findings are fed into the Group's financial planning, helping to ensure we continue to meet the expectations of our customers and our regulators.
- We continued to monitor markets affected by the Russia-Ukraine war and the conflict in the Middle East, as well as other geopolitical events, for any potential impact they may have on our colleagues and operations.
- We provided analysis and easy-to-access risk and control information and metrics to enable management to focus on non-financial risks in their decision making and appetite setting.
- We further strengthened our non-financial risk governance and senior leadership.

We prioritise our efforts on material risks and areas undergoing strategic growth, aligning our location strategy to this need. We also remotely provide oversight and stewardship, including support of chief risk officers, in territories where we have no physical presence.

Governance and structure

The Enterprise Risk Management target operating model provides a globally consistent view across resilience risks, strengthening our risk management oversight while operating effectively as part of a simplified non-financial risk structure.

We view resilience risk across nine sub-risk types related to: technology and cybersecurity risk; third-party risk; transaction processing risk; business interruption and incident risk; data risk; change execution risk; building unavailability risk; protective security risk and workplace safety.

Risk appetite and key escalations for resilience risk are reported to the Non-Financial Risk Management Board, chaired by the Group Chief Risk and Compliance Officer, with an escalation path to the Group Risk Management Meeting and Group Risk Committee.

Key risk management processes

We operate processes to support our resilience according to our Risk Management Framework. Our operational resilience is our ability to anticipate, prevent, adapt, respond to, recover, and learn from internal or external disruption, continuing to provide Important Business Services to customers and clients, while minimising impact on the wider financial system when disruption occurs. This is achieved via day-to-day oversight and periodic and ongoing assurance, such as deep dive reviews and controls testing, which may result in challenges being raised to our businesses and group governance by our risk stewards. We have invested to improve response and recovery strategies for our important business services and Important Group business services to meet regulatory and customer expectations.

Business operations continuity

We continue to monitor the Russia-Ukraine war and the conflict in the Middle East, and remain ready to take measures to ensure business continuity in affected markets should the situations require. There have been no related significant disruptions to our services, although businesses and functions in nearby markets continually review their plans and responses to minimise any potential impacts.

Regulatory compliance risk

Overview

Regulatory Compliance risk is the risk associated with breaching our duty to clients and other counterparties, inappropriate market conduct (including unauthorised trading) and breaching related financial services regulatory standards. Regulatory Compliance risk arises from the failure to observe relevant laws, codes, rules and regulations and can manifest itself in poor market or customer outcomes and lead to fines, penalties and reputational damage to our business. We aim to keep abreast of developments in legal principles or conduct requirements (including in relation to the risk of such developments in one part of the financial industry being construed as applying to other parts of the financial industry, which could lead to legal or regulatory proceedings).

Regulatory compliance risk management

Key developments in 2024

Regulatory horizon scanning and mapping capabilities continue to evolve with a focus on enhanced connectivity to Risk management systems to support better traceability of regulatory obligations.

We have enhanced our processes, framework, and governance capabilities to improve the controls and oversight of Consumer Duty outcomes in the UK. Work is underway to transition from event-driven technology to incorporate Cloud and analytics capability to enhance our oversight abilities in areas such as surveillance.

Governance and structure

The Group Head of Regulatory Compliance reports to the Group Chief Risk and Compliance Officer. Regulatory Compliance and Financial Crime Compliance teams work together and with relevant stakeholders to achieve good conduct outcomes, and provide enterprise-wide support on the Compliance risk agenda in close collaboration with colleagues from the Group Risk and Compliance function.

Key risk management processes

The Global Regulatory Compliance capability is responsible for setting global policies, standards and risk appetite to guide the Group's management of Regulatory Compliance risk. It also devises the required frameworks, support processes and tooling to protect against Regulatory Compliance risks. The Group capability provides oversight, review and challenge to the global market, regional and local line of business teams to help them identify, assess and mitigate Regulatory Compliance risks, where required. The Group's Regulatory Compliance risk policies are regularly reviewed. Global policies and procedures require the identification and escalation of any actual or potential regulatory breaches.

Relevant events and issues are escalated to the Group's Non-Financial Risk Management Board, the Group Risk Management Meeting and the Group Risk Committee, as appropriate. The Group Head of Regulatory Compliance attends the Risk and Compliance Executive Committee, the Group Risk Management Meeting and the Group Risk Committee.

Financial crime risk

Overview

Financial crime risk is the risk that HSBC's products and services will be exploited for criminal activity. This includes fraud, bribery and corruption, tax evasion, sanctions and export control violations and evasion, money laundering, terrorist financing and proliferation financing. Financial crime risk arises from day-to-day banking operations involving customers, third parties and employees.

Financial crime risk management

Key developments in 2024

We regularly review the effectiveness of our financial crime risk management framework, which includes continued consideration of the complex and dynamic nature of sanctions compliance and export control risk. We continued to respond to the financial sanctions and trade restrictions that have been imposed on Russia, including methods used to limit sanctions evasion.

We continued to make progress with several key financial crime risk management initiatives, including:

- deployment of our intelligence-led, dynamic risk assessment capability for customer account monitoring in additional entities and global businesses;
- deployment of a next generation capability to increase our monitoring coverage on correspondent banking activity in additional markets;
- enhancing our fraud controls and continuing to invest in, and monitor, technological developments; and
- enhancements in response to the rapidly evolving and complex global payments landscape and refinement of our digital assets and currencies strategy.

Governance and structure

The structure of the Financial Crime function remained substantively unchanged in 2024. The Group Head of Financial Crime and Group Money Laundering Reporting Officer continues to report to the Group Chief Risk and Compliance Officer, while the Group Risk Committee retains oversight of matters relating to financial crime.

Key risk management processes

We will not tolerate knowingly conducting business with individuals or entities believed to be engaged in criminal activity. We require everybody in HSBC to play their role in maintaining effective systems and controls to prevent and detect financial crime. Where we believe we have identified suspected criminal activity or vulnerabilities in our control framework, we will take appropriate mitigating action.

We manage financial crime risk because it is the right thing to do to protect our customers, shareholders, staff, the communities in which we operate, as well as the integrity of the financial system on which we all rely. We operate in a highly regulated industry in which these same policy goals are codified in law and regulation.

We are committed to complying with the laws and regulations of all the markets in which we operate and apply a consistently high financial crime standard globally.

We continued to invest in enhancing our operational control capabilities and technology solutions to deter and detect criminal activity. We further strengthened our financial crime risk taxonomy and control libraries and our monitoring capabilities through technology deployments. We developed more targeted metrics, and continued to seek to enhance our governance and reporting.

We are committed to working in partnership with the wider industry and the public sector in managing financial crime risk. In 2024, our focus remained on measures to improve the overall effectiveness of the global financial crime framework and promote the risk-based approach.

Through our work with industry bodies, such as the Wolfsberg Group, we provided input into legislative and regulatory reform activities and supported the efforts of the global standard setter, the Financial Action Task Force. We did this by contributing to the development of responses to consultation papers focused on how financial crime risk management frameworks can deliver more effective outcomes in detecting and deterring criminal activity. In addition, we participated in a number of public events related to the promotion of risk-based supervision, payment transparency, fraud risk management and financial inclusion, as well as tackling forestry crimes, wildlife trafficking and human trafficking.

Model risk

Overview

Model risk is the risk of the potential for adverse consequences from model errors or the inappropriate use of modelled outputs to inform business decisions.

Model risk arises in both financial and non-financial contexts whenever business decision making includes reliance on models.

Key developments in 2024

In 2024, we continued to make improvements in our Model Risk Management ('MRM') processes amid regulatory changes in MRM requirements.

Initiatives during the year included:

- updating our MRM Framework to meet the requirements of the PRA's SS1/23 with a programme of work in progress to implement these changes across the model landscape;
- completing a review of model tiering across the organisation assessing the materiality and complexity of all models and assigning a new tier which will drive the level of oversight required at model level;
- introducing a new framework to govern and manage the risks associated with Deterministic Quantitative Methods, which are complex and material calculators that although not technically models still present similar risks;
- following feedback from the PRA and other regulators on a number of our model submissions for internal ratings-based ('IRB') models, we are delivering a programme of work to redevelop several IRB models for wholesale credit;
- enhancing our framework for the independent validation of models accounting for new generative AI techniques becoming more widely used; and
- working closely with businesses and functions in developing a governance framework to manage the range of risks these AI and Machine Learning ('ML') techniques can introduce.

Governance and structure

Model risk governance committees at the Group, business and functional levels provide oversight of model risk. The committees include senior leaders from the global businesses and the Group Risk and Compliance function, and focus on model-related concerns and are supported by key model risk metrics. We also have Model Risk Committees in our geographical regions focused on local delivery and requirements. The Group-level Model Risk Committee is chaired by the Group Chief Risk and Compliance Officer, and the heads of key businesses participate in these meetings.

Key risk management processes

We use a variety of modelling approaches, including regression, simulation, sampling, machine learning and judgemental scorecards for a range of business applications. These activities include customer selection, product pricing, financial crime transaction monitoring, creditworthiness evaluation and financial reporting. Global responsibility for managing model risk is delegated from the Board to the Group Chief Risk and Compliance Officer, who authorises the Group Model Risk Committee. This committee regularly reviews our model risk management policies and procedures, and requires the first line of defence to demonstrate comprehensive and effective controls based on a library of model risk controls provided by Model Risk Management. Model Risk Management also reports on model risk to senior management and the Group Risk Committee on a regular basis through the use of the risk map, risk appetite metrics and top and emerging risks.

We regularly review the effectiveness of these processes, including the model risk committee structure, to help ensure appropriate understanding and ownership of model risk is embedded in the businesses and functions.

Insurance manufacturing operations risk

Contents

Overview

The key risks for our insurance manufacturing operations are market risk, in particular interest rate and equity, credit risk and insurance underwriting risk. These have a direct impact on the financial results and capital positions of the insurance operations.

HSBC's insurance business

We sell insurance products through a range of channels including our branches, insurance sales forces, direct channels and third-party distributors. The majority of sales are through an integrated bancassurance model that provides insurance products principally for customers with whom we have a banking relationship, although the proportion of sales through other sources such as independent financial advisers, tied agents and digital platforms is increasing.

For the insurance products we manufacture, the majority of sales are savings, universal life and protection contracts.

We choose to manufacture these insurance products in HSBC subsidiaries based on an assessment of operational scale and risk appetite. Manufacturing insurance allows us to retain the risks and rewards associated with writing insurance contracts by keeping part of the underwriting profit and investment income within the Group.

Our life insurance manufacturing subsidiaries operate in eight markets, which are Hong Kong, Macau, Singapore, mainland China, France, UK, Malta and Mexico. This excludes Argentina where the sale of the insurance business was completed on 6 December 2024. In addition, we have: an interest in a life insurance manufacturing associate in India; a captive insurance entity in Bermuda that insures the non-financial risks of the wider Group; and a reinsurance entity in Bermuda.

Where we do not have the risk appetite or operational scale to be an effective insurance manufacturer, we engage with a small number of leading external insurance companies in order to provide insurance products to our customers. These arrangements are generally structured with our exclusive strategic partners and earn the Group a combination of commissions, fees and a share of profits. We distribute insurance products in all of our geographical regions.

This section focuses only on the risks relating to the insurance products we manufacture.

Insurance manufacturing operations risk management

Key developments in 2024

The insurance manufacturing subsidiaries follow the Group's risk management framework. In addition, there are specific policies and practices relating to the risk management of insurance contracts, which did not change materially over 2024. During the year, there was continued market volatility observed across interest rates, equity and credit markets and foreign exchange rates. This was predominantly driven by geopolitical factors and wider inflationary concerns. Other areas of focus were the ongoing integration of the insurance business that was acquired through AXA Singapore in 2022 into the Group's risk management framework, development of processes and systems within the reinsurance entity established in Bermuda, and controls supporting IFRS 17.

As mentioned, the insurance business in Argentina was sold during 2024, with the sale completing on 6 December 2024. Following HSBC's announcement on 20 December 2024 of the signing of a memorandum of understanding for the planned sale of its French insurance business, the balance sheet of the French business has been reported as held for sale at 31 December 2024. Further details are provided on page 411.

Governance and structure

(Audited)

Insurance manufacturing risks are managed to a defined risk appetite, which is aligned to the Group's risk appetite and risk management framework, including its three lines of defence model. For details of the Group's governance framework, see page 128. The Global Insurance Risk Management Meeting oversees the control framework globally and is accountable to the WPB Risk Management Meeting on risk matters relating to the insurance business.

The monitoring of the risks within our insurance operations is carried out by Insurance Risk teams. The Group's risk stewardship functions support the Insurance Risk teams in their respective areas of expertise.

Stress and scenario testing

(Audited)

Stress testing forms a key part of the risk management framework for the insurance business. We participate in local and Group-wide regulatory stress tests, as well as internally developed stress and scenario tests, including Group internal stress test exercises.

The results of these stress tests and the adequacy of management action plans to mitigate these risks are considered in the Group's ICAAP and the entities' regulatory Own Risk and Solvency Assessments, which are produced by all material entities.

Key risk management processes

Market risk

(Audited)

All our insurance manufacturing subsidiaries have market risk mandates and limits that specify the investment instruments in which they are permitted to invest and the maximum quantum of market risk that they may retain. They manage market risk by using some or all of the techniques listed below, among others, depending on the nature of the contracts written.

- We are able to adjust bonus rates to manage the liabilities to policyholders for products with participating features. The effect is that a significant proportion of the market risk is borne by the policyholder.
- We use asset and liability matching where asset portfolios are structured to support projected liability cash flows. The Group manages its assets using an approach that considers asset quality, diversification, cash flow matching, liquidity, volatility and target

investment return. We use models to assess the effect of a range of future scenarios on the values of financial assets and associated liabilities, and ALCOs employ the outcomes in determining how best to structure asset holdings to support liabilities.

- We use derivatives and other financial instruments to protect against adverse market movements.
- We design new products to mitigate market risk, such as changing the investment return sharing proportion between policyholders and the shareholder.

Credit risk

(Audited)

Our insurance manufacturing subsidiaries also have credit risk mandates and limits within which they are permitted to operate, which consider the credit risk exposure, quality and performance of their investment portfolios. Our assessment of the creditworthiness of issuers and counterparties is based primarily upon internationally recognised credit ratings and other publicly available information.

Stress testing is performed on investment credit exposures using credit spread sensitivities and default probabilities.

We use a number of tools to manage and monitor credit risk. These include a credit report containing a watch-list of investments with current credit concerns, primarily investments that may be at risk of future impairment or where high concentrations to counterparties are present in the investment portfolio. Sensitivities to credit spread risk are assessed and monitored regularly.

Capital and liquidity risk

(Audited)

Capital risk for our insurance manufacturing subsidiaries is assessed in the Group's ICAAP, based on their financial capacity to support the risks to which they are exposed. Capital adequacy is assessed on both the Group's economic capital basis, and the relevant local insurance regulatory basis.

Risk appetite buffers are set to ensure that the operations are able to remain solvent, allowing for business-as-usual volatility and extreme but plausible stress events.

Liquidity risk is less material for the insurance business. It is managed by cash flow matching and maintaining sufficient cash resources, investing in high credit-quality investments with deep and liquid markets, monitoring investment concentrations and restricting them where appropriate, and establishing committed contingency borrowing facilities.

Insurance manufacturing subsidiaries complete quarterly liquidity risk reports and an annual review of the liquidity risks to which they are exposed.

Insurance underwriting risk

(Audited)

Our insurance manufacturing subsidiaries primarily use the following frameworks and processes to manage and mitigate insurance underwriting risks:

- a formal approval process for launching new products or making changes to products;
- a product pricing and profitability framework, which requires initial and ongoing assessment of the adequacy of premiums charged on new insurance contracts to meet the risks associated with them;
- a framework for customer underwriting;
- reinsurance, which cedes risks to third-party reinsurers to keep risks within risk appetite, reduce volatility and improve capital efficiency; and
- oversight by financial reporting committees and actuarial review committees in each of our entities of the methodology and assumptions that underpin IFRS 17 reporting.

Insurance manufacturing operations risk in 2024

Measurement

The following tables show the composition of the fair value of underlying items of the Group's participating contracts at the reporting date.

Balance sheet of insurance manufacturing subsidiaries by type of contract

(Audited)

At 31 Dec 2024	Life direct participating and investment DPF contracts[1] $m	Life other contracts[2] $m	Other contracts[3] $m	Shareholder assets and liabilities $m	Total $m
Financial assets	98,676	4,452	6,227	5,967	115,322
– trading assets	—	—	—	—	—
– financial assets designated and otherwise mandatorily measured at fair value through profit or loss	94,327	4,233	4,839	690	104,089
– derivatives	207	7	1	—	215
– financial investments – at amortised cost	545	90	1,060	4,335	6,030
– financial assets at fair value through other comprehensive income	—	—	6	73	79
– other financial assets	3,597	122	321	869	4,909
Insurance contract assets	14	104	—	—	118
Reinsurance contract assets	—	5,013	—	—	5,013
Other assets and investment properties[4]	24,647	64	36	3,337	28,084
Total assets at 31 Dec 2024	123,337	9,633	6,263	9,304	148,537
Liabilities under investment contracts designated at fair value	—	—	5,931	—	5,931
Insurance contract liabilities	102,605	4,427	—	—	107,032
Reinsurance contract liabilities	—	701	—	—	701
Deferred tax	—	—	—	12	12
Other liabilities[4]	21,772	39	—	6,035	27,846
Total liabilities	124,377	5,167	5,931	6,047	141,522
Total equity	—	—	—	7,015	7,015
Total liabilities and equity at 31 Dec 2024	124,377	5,167	5,931	13,062	148,537

Balance sheet of insurance manufacturing subsidiaries by type of contract

(Audited)

At 31 Dec 2023	Life direct participating and investment DPF contracts[1] $m	Life other contracts[2] $m	Other contracts[3] $m	Shareholder assets and liabilities $m	Total $m
Financial assets	113,605	3,753	5,812	7,696	130,866
– trading assets	—	—	—	—	—
– financial assets designated and otherwise mandatorily measured at fair value through profit or loss	100,427	3,593	4,177	1,166	109,363
– derivatives	258	10	—	6	274
– financial investments – at amortised cost	1,351	67	1,157	4,772	7,347
– financial assets at fair value through other comprehensive income	8,859	—	5	693	9,557
– other financial assets	2,710	83	473	1,059	4,325
Insurance contract assets	13	213	—	—	226
Reinsurance contract assets	—	4,871	—	—	4,871
Other assets and investment properties	2,782	164	35	1,636	4,617
Total assets at 31 Dec 2023	116,400	9,001	5,847	9,332	140,580
Liabilities under investment contracts designated at fair value	—	—	5,103	—	5,103
Insurance contract liabilities	116,389	3,961	—	—	120,350
Reinsurance contract liabilities	—	819	—	—	819
Deferred tax	—	1	—	3	4
Other liabilities	—	—	—	6,573	6,573
Total liabilities	116,389	4,781	5,103	6,576	132,849
Total equity	—	—	—	7,731	7,731
Total liabilities and equity at 31 Dec 2023	116,389	4,781	5,103	14,307	140,580

1 'Life direct participating and investment DPF contracts' are life direct participating contracts and investment contracts with discretionary participating features. These are substantially measured under the variable fee approach measurement model.
2 'Life other contracts' are measured under the general measurement model and mainly include protection insurance contracts as well as reinsurance contracts. The reinsurance contracts primarily provide diversification benefits over the life direct participating and investment DPF contracts.
3 'Other contracts' includes investment contracts for which HSBC does not bear significant insurance risk.
4 'Other assets and investment properties' includes $24,222m and 'Other liabilities' includes $23,420m in respect of the classification of the French insurance business assets and liabilities as held for sale at 31 December 2024. Further details are provided on page 411.

Key risk types

Market risk

(Audited)

Description and exposure

Market risk is the risk of changes in market factors affecting HSBC's capital or profit. Market factors include interest rates, equity and growth assets, credit spreads and foreign exchange rates.

Our exposure varies depending on the type of contract issued. Our most significant life insurance products are contracts with participating features. These products typically include some form of capital guarantee or guaranteed return on the sums invested by the policyholders, to which bonuses are added if allowed by the overall performance of the funds. For contracts without participating features, some form of guarantee may still exist but HSBC's ability to share risks with policyholders will be reduced. Funds supporting these savings products are primarily invested in fixed income, with a proportion in some cases allocated to other asset classes to provide customers with the potential for enhanced returns.

These products expose HSBC to the risk of variation in asset returns, which will impact our participation in the investment performance.

In addition, in some scenarios the asset returns can become insufficient to cover the policyholders' financial guarantees, and some contracts are non-participating, in which case the shortfall has to be met by HSBC. Amounts are held against the cost of such positions, calculated by stochastic modelling in the larger entities.

The cost of such guarantees are generally not material and are absorbed by the insurance fulfilment cash flows.

For unit-linked contracts, market risk is substantially borne by the policyholder, but some market risk exposure typically remains, as fees earned are related to the market value of the linked assets.

Sensitivities

The following table provides the impacts on the CSM, profit after tax and equity of our insurance manufacturing subsidiaries from reasonably possible effects of changes in selected interest rate, credit spread, equity price, growth assets and foreign exchange rate scenarios for the year. These sensitivities are prepared in accordance with current IFRS Accounting Standards and are based on changing one assumption at a time with other variables being held constant, recognising that in practice such variables could be correlated.

Due in part to the impact of the cost of guarantees and hedging strategies which may be in place, the relationship between the CSM, profit after tax and total equity and the risk factors is non-linear. Therefore, the results disclosed should not be extrapolated to measure sensitivities to different levels of stress. For the same reason, the impact of the stress is not necessarily symmetrical on the upside and downside. The sensitivities are stated before allowance for management actions, which may mitigate the effect of changes in the market environment.

The method used for deriving sensitivity information and significant market risk factors remain unchanged except for updates made to the foreign exchange rate risk methodology, which now limits the impacts to within more recent historical ranges. 2023 comparative sensitivities have been updated to reflect this change.

The sensitivities provided below include the French insurance business, which was classified as held for sale at 31 December 2024. Further details are provided on page 411.

Sensitivity of HSBC's insurance manufacturing subsidiaries to market risk factors

(Audited)

	2024			2023		
	Effect on CSM	**Effect on profit after tax[1]**	**Effect on total equity**	Effect on CSM	Effect on profit after tax[1]	Effect on total equity
	$m	**$m**	**$m**	$m	$m	$m
+100 basis point parallel shift in yield curves	**(155)**	**83**	**52**	(92)	66	32
-100 basis point parallel shift in yield curves	**(249)**	**(217)**	**(186)**	(390)	(137)	(103)
+100 basis point shift in credit spreads	**(907)**	**(84)**	**(115)**	(884)	(11)	(45)
-100 basis point shift in credit spreads	**876**	**60**	**91**	806	104	138
10% increase in growth assets[2]	**467**	**73**	**73**	436	78	78
10% decrease in growth assets[2]	**(514)**	**(79)**	**(79)**	(507)	(85)	(85)
10% appreciation in US dollar exchange rate against local functional currency[3]	**71**	**17**	**17**	24	(1)	(1)
10% depreciation in US dollar exchange rate against local functional currency[3]	**(26)**	**(3)**	**(3)**	(35)	(3)	(3)

1 'Effect on profit after tax' in respect for the year.
2 'Growth assets' primarily comprise equity securities and investment properties. Variability in growth asset fair value constitutes a market risk to insurance manufacturing subsidiaries.
3 During the year 10% US dollar exchange rate methodology changed and the 10% sensitivity range applies to all currencies except for the Hong Kong dollar, where the extent of change is limited by the impact of the HKD to USD peg. The comparatives have been restated accordingly.

Credit risk

(Audited)

Description and exposure

Credit risk is the risk of financial loss if a customer or counterparty fails to meet their obligation under a contract. It arises in two main risks for our insurance manufacturers:

– the risk associated with credit spread volatility and default by debt security counterparties after investing premiums to generate a return for policyholders and shareholders; and

– the risk of default by reinsurance counterparties and non-reimbursement for claims made after ceding insurance risk.

The amounts outstanding at the balance sheet date in respect of these items are shown in the table on page 232.

The credit quality of the reinsurers' share of liabilities under insurance contracts is assessed as 'satisfactory' or higher (as defined on page 139), with none of the exposure being either past due or impaired (2023: none).

Credit risk on assets supporting unit-linked liabilities is predominantly borne by the policyholders. Therefore, our exposure is primarily related to liabilities under non-linked insurance and investment contracts and shareholders' funds. The credit quality of insurance financial assets is included in the table on page 166.

The risk associated with credit spread volatility is to a large extent mitigated by holding debt securities to maturity, and sharing a degree of credit spread experience with policyholders.

Liquidity risk

(Audited)

Description and exposure

Liquidity risk is the risk that an insurance operation, though solvent, either does not have sufficient financial resources available to meet its obligations when they fall due, or can secure them only at excessive cost. Liquidity risk may be able to be shared with policyholders for products with participating features.

The remaining maturity of insurance contract liabilities is included in Note 4 on page 373.

The amounts of insurance contract liabilities that are payable on demand are set out by the product grouping below; 2024 balances exclude the French insurance business that was classified as held for sale at 31 December 2024 (further details are provided on page 411).

Amounts payable on demand

(Audited)

	2024		2023	
	Amounts payable on demand	**Carrying amount for these contracts**	Amounts payable on demand	Carrying amount for these contracts
	$m	**$m**	$m	$m
Life direct participating and investment DPF contracts	**98,275**	**102,605**	107,287	116,389
Life other contracts	**2,960**	**4,427**	2,765	3,961
At 31 Dec	**101,235**	**107,032**	110,052	120,350

Insurance underwriting risk

Description and exposure

Insurance underwriting risk is the risk of loss through adverse experience, in either timing or amount, of insurance underwriting parameters (non-economic assumptions). These parameters include mortality, morbidity, longevity, lapse and expense rates.

The principal risk we face is that, over time, the cost of the contract, including claims and benefits, may exceed the total amount of premiums and investment income received.

The tables on page 232 analyse our life insurance underwriting risk exposures by composition of the fair value of the underlying items.

The insurance underwriting risk profile and related exposures remain largely consistent with those observed at 31 December 2023.

Sensitivities

(Audited)

The following table shows the sensitivity of the CSM, profit and total equity to reasonably foreseeable changes in non-economic assumptions across all our insurance manufacturing subsidiaries.

These sensitivities are prepared in accordance with current IFRS.

Sensitivity to lapse rates depends on the type of contracts being written. An increase in lapse rates typically has a negative effect on CSM (and therefore expected future profits) due to the loss of future income on the lapsed policies. However, some contract lapses have a positive effect on profit due to the existence of policy surrender charges.

Mortality and morbidity risk is typically associated with life insurance contracts. During the year we have revised the sensitivity to mortality and morbidity rates from 10% to 5% to align with reasonably foreseeable changes, and the comparatives have been restated accordingly. The effect on profit of an increase in mortality or morbidity depends on the type of business being written.

Expense rate risk is the exposure to a change in the allocated cost of administering insurance contracts. To the extent that increased expenses cannot be passed on to policyholders, an increase in expense rates will have a negative effect on our profits. This risk is generally greatest for our smaller entities.

The impact of changing insurance underwriting risk factors is primarily absorbed within the CSM, unless contracts are onerous in which case the impact is directly to profit. The impact of changes to the CSM is released to profits over the expected coverage periods of the related insurance contracts.

The sensitivities provided below include the French insurance business, which was classified as held for sale at 31 December 2024. Further details are provided on page 411.

Sensitivity of HSBC's insurance manufacturing subsidiaries to insurance underwriting risk factors[1]

(Audited)

	Effect on CSM	Effect on profit after tax[2]	Effect on total equity
At 31 Dec 2024	**$m**	**$m**	**$m**
10% increase in lapse rates	**(282)**	**(21)**	**(30)**
10% decrease in lapse rates	**297**	**23**	**36**
5% increase in mortality and/or morbidity rates	**(92)**	**(16)**	**(20)**
5% decrease in mortality and/or morbidity rates	**102**	**14**	**23**
10% increase in expense rates	**(66)**	**(11)**	**(15)**
10% decrease in expense rates	**68**	**12**	**15**
At 31 Dec 2023			
10% increase in lapse rates	(277)	(24)	(24)
10% decrease in lapse rates	290	29	29
5% increase in mortality and/or morbidity rates[3]	(87)	(11)	(11)
5% decrease in mortality and/or morbidity rates[3]	87	16	16
10% increase in expense rates	(68)	(6)	(6)
10% decrease in expense rates	67	11	11

1 The sensitivities impacts are provided after considering the impacts of reinsurance contracts held as risk mitigation.
2 'Effect on profit after tax' in respect for the year.
3 During the year the sensitivity to mortality and morbidity rates have been changed from 10% to 5% and the comparatives have been restated accordingly.

Corporate governance report

HSBC continues to enhance its corporate governance practices and procedures to support the Board's commitment to high standards of corporate governance.

The corporate governance report contains the Report of the Directors and gives details of our Board of Directors, senior management, and Board committees. It outlines key aspects of our approach to corporate governance, including internal control.

It also includes the Directors' remuneration report, which explains our policies on remuneration and their application.

We have a comprehensive range of policies and systems in place designed to help ensure that the Group is well managed, with effective oversight and control.

London, UK, 2019. HSBC Lion, 8 Canada Square.

The Board

The Board, which seeks to promote the Group's long-term success, deliver sustainable value to shareholders and promote a culture of openness and debate, comprises diverse, high-calibre members who have experience in our global markets.

Chairman and executive Directors

Sir Mark E Tucker (67)

Group Chairman
Appointed to the Board: September 2017
Group Chairman since: October 2017

Skills and experience: With over 40 years of experience in financial services in Asia, the US, the UK, and Africa, including 30 years based in Hong Kong, Mark has a deep understanding of the industry and the markets in which we operate.

Career: Mark is also non-executive Group Chairman of the Discovery Group of South Africa. Mark was previously Group Chief Executive and President of AIA Group Limited ('AIA'). Prior to that, he was Group Chief Executive of Prudential plc. Mark previously served on the Court of the Bank of England. He has also served on the Board of the Goldman Sachs Group.

External appointments:
- Non-executive Group Chairman of Discovery Group of South Africa
- Supporting Chair of Chapter Zero
- Member of the Asia Business Council
- Member of the Hong Kong Chief Executive's Council of Advisers
- Member of the Investment Council of the Supreme National Investment Committee of the Kingdom of Saudi Arabia
- Chairman of the Multinational Chairmen's Group
- Director, Peterson Institute for International Economics
- Director, Institute of International Finance
- Trustee, Asia Society Global Board of Trustees
- Member of the China National Financial Regulatory Administration International Advisory Council (NFRA IAC)
- International Adviser, Hong Kong Academy of Finance - International Council of Advisers
- Member of the Advisory Board of the Asia Global Institute
- International Business Leaders' Advisory Council to the Mayor of Beijing (IBLAC Beijing) – Advisor to the Mayor
- International Business Leaders' Advisory Council to the Mayor of Shanghai (IBLAC Shanghai) – Advisor to the Mayor

Georges Elhedery (50)
Group CEO
Appointed to the Board: January 2023

Skills and experience: Georges has over 25 years of experience in the banking industry across Europe, the Middle East and Asia, and has held a number of executive roles at a regional, global business and functional level.

Career: Georges was appointed Group CEO from 2 September 2024. He most recently served as Group CFO between January 2023 and September 2024. Georges joined HSBC in 2005 with extensive trading experience in London, Paris and Tokyo. He has since held a number of senior leadership roles, including Head of Global Banking and Markets, Middle East and North Africa; Chief Executive Officer for HSBC, Middle East, North Africa and Türkiye; Global Head of Markets; and co-Chief Executive Officer, Global Banking and Markets based in London.

External appointments:
- Member of the Monetary Authority of Singapore, International Advisory Panel
- Independent non-executive Director of Sustainable Markets Initiative Limited
- Member of the Financial Services Task Force of the Sustainable Markets Initiative
- Member of the Advisory Board of The China Children Development Fund
- Principal Member of The Glasgow Financial Alliance for Net Zero

Manveen Kaur (known as Pam Kaur) (61)
Group CFO
Appointed to the Board: January 2025

Skills and experience: Pam has extensive global banking experience, gained over an almost 40-year career with a number of global financial institutions. She has performed many senior roles in audit, business, compliance, finance and risk management.

Career: Pam was appointed Group CFO on 1 January 2025. Prior to this, she served as Group Chief Risk Officer from January 2020 and assumed responsibility for Compliance in June 2021. She served as Group Chief Risk and Compliance Officer until December 2024. Prior to joining HSBC in April 2013 as Group Head of Internal Audit, Pam held several senior positions including Global Head of Group Audit for Deutsche Bank; Chief Financial Officer and Chief Operating Officer of the Restructuring and Risk Division for Royal Bank of Scotland Group plc; Group Head of Compliance and Anti-Money Laundering for Lloyds TSB; and Chief Compliance Officer for Citigroup International.

External appointments:
- Non-executive Director of The Hongkong and Shanghai Banking Corporation Limited
- Independent non-executive Director of abrdn plc

Board committee membership key
- Committee Chair
- Group Audit Committee
- Group Risk Committee
- Group Remuneration Committee
- Nomination & Corporate Governance Committee
- Group Technology and Operations Committee

For full biographical details of our Board members, see www.hsbc.com/who-we-are/our-people/board-of-directors.

Independent non-executive Directors

Geraldine Buckingham (47)

A N

Independent non-executive Director

Appointed to the Board: May 2022

Skills and experience: Geraldine is an experienced executive within the global financial services industry, with significant leadership experience in Asia.

Career: Geraldine is the former Chair and Head of Asia-Pacific at BlackRock, where she was responsible for all business activities across Hong Kong, mainland China, Japan, Australia, Singapore, India and Korea. After stepping down from this role, she acted as senior adviser to the Chairman and Chief Executive Officer of BlackRock. She earlier served as BlackRock's Global Head of Corporate Strategy, and previously was a partner within McKinsey & Company's financial services practice.

External appointments:
- Independent non-executive Director of Brunswick Group Partnership Ltd
- Independent non-executive Director of H.R.L. Morrison & Co Limited
- Member of the Advisory Board of ClimateWorks Centre Australia
- Member of the Advisory Board of the McKinsey Health Institute

Rachel Duan (54)

A R N

Independent non-executive Director

Appointed to the Board: September 2021

Skills and experience: Rachel is an experienced business leader with exceptional international experience in the US, Japan, mainland China and Hong Kong.

Career: Rachel spent 24 years at General Electric ('GE'), where she held positions including Senior Vice President of GE, and President and Chief Executive Officer of GE's Global Markets where she was responsible for driving GE's growth in Asia-Pacific, the Middle East, Africa, Latin America, Russia and the Commonwealth of Independent States. She also previously served as President and Chief Executive Officer of GE Advanced Materials China and then of Asia-Pacific; President and CEO of GE Healthcare China; and President and CEO of GE China. She has previously served as a non-executive Director of AXA S.A.

External appointments:
- Independent non-executive Director of Sanofi S.A.
- Independent non-executive Director of the Adecco Group AG
- Independent non-executive Director of Kering S.A.

Dame Carolyn Fairbairn (64)

Ri R N

Independent non-executive Director

Appointed to the Board: September 2021

Skills and experience: Carolyn has significant experience across the media, government and finance sectors, and a deep understanding of the macroeconomic, regulatory and political environment.

Career: An economist by training, Carolyn has served as a partner at McKinsey & Company, a member of the UK prime minister John Major's Number 10 Policy Unit, and as Director-General of the Confederation of British Industry, and held senior executive positions at the BBC and ITV plc. She has extensive board experience, having previously served as non-executive Director of Lloyds Banking Group plc, The Vitec Group plc, Capita plc and BAE Systems plc. She has also served as a non-executive Director of the UK Competition and Markets Authority and the Financial Services Authority.

External appointments:
- Senior Independent non-executive Director of Tesco plc
- Chair of Royal Mencap Society

James Forese (61)

A Ri N

Independent non-executive Director
Appointed to the Board: May 2020

Skills and experience: Jamie has over 30 years of international business and management experience in the finance industry working in areas including global markets, investment and private banking.

Career: Jamie formerly served as President of Citigroup. He began his career in securities trading with Salomon Brothers, one of Citigroup's predecessor companies, in 1985. In addition to his most recent role as Citigroup's President, he was Chief Executive Officer of Citigroup's Institutional Clients Group. He has held the positions of Chief Executive of its Securities and Banking division and Head of its Global Markets business.

External appointments:
- Non-executive Chair of HSBC North America Holdings Inc
- Non-executive Chairman of Global Bamboo Technologies

Ann Godbehere (69)

R A N

Independent non-executive Director
Appointed to the Board: September 2023

Senior Independent non-executive Director: May 2024

Skills and experience: Ann brings deep financial acumen and extensive financial services experience over a 30-year career spanning insurance, retail and private banking, and wealth management. She also provides global perspectives, drawing upon experiences and insights gained from a long career in international business.

Career: After joining Swiss Re in 1996, Ann served as the company's Chief Financial Officer from 2003 to 2007. She was also Interim Chief Financial Officer of Northern Rock Bank from 2008 to 2009 in the period immediately after its nationalisation. Ann also has extensive board experience, including with FTSE 100 companies, having previously served as non-executive Director of Prudential plc, British American Tobacco plc, UBS AG, UBS Group AG and as Senior Independent non-executive Director of Rio Tinto plc and Rio Tinto Limited.

External appointments:
- Non-executive Director of HSBC Bank plc
- Non-executive Director and Chair of the Audit Committee of Stellantis N.V.
- Non-executive Director and Chair of the Audit and Risk Committee of Shell plc

Steven Guggenheimer (59)

Ri T N

Independent non-executive Director
Appointed to the Board: May 2020

Skills and experience: Steven brings extensive insight into technologies ranging from artificial intelligence to Cloud computing, through his experience advising businesses on digital transformation.

Career: Steven has more than 25 years of experience at Microsoft, including more than a decade as Corporate Vice President, where he led teams focused on original equipment manufacturers, developers and independent software vendors and artificial intelligence solutions.

External appointments:
- Independent non-executive Director of BT Group plc
- Independent non-executive Director of Leupold & Stevens, Inc
- Independent non-executive Director of Forrit Holdings Limited

Dr José Antonio Meade Kuribreña (55)

R N

Independent non-executive Director

Appointed to the Board: March 2019
Workforce engagement non-executive Director since: June 2022

Skills and experience: José has extensive experience in public administration, banking and financial policy.

Career: José has held Cabinet-level positions in the federal government of Mexico, including as Secretary of Finance and Public Credit, Secretary of Social Development, Secretary of Foreign Affairs and Secretary of Energy. Prior to his appointment to the Cabinet, he served as Undersecretary and as Chief of Staff in the Ministry of Finance and Public Credit. José is also a former Director General of Banking and Savings at the Ministry of Finance and Public Credit, and served as Chief Executive Officer of the National Bank for Rural Credit.

External appointments:

- Independent non-executive Director of Alfa S.A.B. de C.V.
- Independent non-executive Director of Grupo Comercial Chedraui, S.A.B. de C.V.
- Independent Member of the Technical Committee of Fibra Uno Administracion SA de CV
- Board member of the Global Center on Adaptation
- Member of the Advisory Board of the University of California, Centre for US-Mexican Studies
- Member of the UNICEF Mexico Advisory Board

Kalpana Morparia (75)

R T N

Independent non-executive Director

Appointed to the Board: March 2023

Skills and experience: Kalpana is a skilled business leader with significant experience gained through a 45-year career in banking across Asia, primarily in India.

Career: Kalpana's most recent executive role was as Chair of J.P. Morgan, South and Southeast Asia and a member of J.P. Morgan's Asia executive committee, held until her retirement in 2021. Before J.P. Morgan, she was the Joint Managing Director of ICICI Bank, India's second-largest bank, from 2001 to 2007. She previously served as a non-executive Director of Hindustan Unilever Limited and Dr.Reddy's Laboratories Ltd.

External appointments:

- Independent non-executive Director of The Great Eastern Shipping Company Limited
- Independent non-executive Director of Philip Morris International Inc
- Independent Director of Meesho Inc
- Member of the Mentor Council of the Institute for Sustainability, Employment and Growth (ISEG Foundation)

Eileen Murray (66)

T Ri R N

Independent non-executive Director

Appointed to the Board: July 2020

Skills and experience: Eileen has extensive knowledge in financial services, technology and corporate strategy from a career spanning more than 40 years.

Career: Eileen previously served as co-Chief Executive Officer of Bridgewater Associates, LP. Before this, she was Chief Executive Officer for Investment Risk Management LLC, and President and co-Chief Executive Officer of Duff Capital Advisors. Eileen started her professional career at Morgan Stanley, where she held positions including Controller, Treasurer, and Global Head of Technology and Operations, as well as Chief Operating Officer for its Institutional Securities Group. She was also Head of Global Technology, Operations and Product Control at Credit Suisse.

External appointments:

- Independent non-executive Director of Guardian Life Insurance Company of America
- Independent non-executive Director of Broadridge Financial Solutions, Inc
- Chair of Invisible Urban Charging
- Operating partner of Liberty City Ventures

Brendan Nelson (75)

A Ri T N

Independent non-executive Director
Appointed to the Board: September 2023

Skills and experience: Brendan brings UK and international financial and auditing expertise, and significant experience in auditing and as audit committee chair of UK-listed companies.

Career: Brendan spent over 25 years as a partner at KPMG LLP, served on the board from 2000 and as Vice Chairman from 2006, until his retirement in 2010. Internationally, he held various senior positions including Global Chairman of the financial services practice. Subsequently, Brendan joined the boards of bp plc and NatWest Group plc where he also served as Chairman of both companies' audit committees.

During his career, Brendan was President of the Institute of Chartered Accountants of Scotland, a member of the Financial Reporting Review Panel and a member of the Financial Services Authority's Practitioner Panel. As current Chairman of the Board of BP Pension Trustees Ltd, Brendan has received training in ESG considerations for investment decisions and helped set an ambition to be net zero in terms of greenhouse gas emissions from investments by 2050.

External appointments:
- Non-executive Director of HSBC UK Bank plc
- Chairman of BP Pension Trustees Ltd

Swee Lian Teo (65)

Ri T N

Independent non-executive Director
Appointed to the Board: October 2023

Skills and experience: Swee Lian brings extensive experience within the international financial services industry, having previously spent over 27 years with the Monetary Authority of Singapore ('MAS').

Career: During Swee Lian's time at the MAS, she worked in foreign reserves management, financial sector development, strategic planning and financial supervision, before she became the Deputy Managing Director for Financial Supervision. She retired from the MAS in 2015 after serving as Special Advisor, focused on MAS's role in the international regulatory framework, in the Managing Director's office. Swee Lian previously served as a non-executive Director on the boards of AIA Group Limited, Singapore Telecommunications Limited and the Dubai Financial Services Authority.

External appointments:
- Chair of CapitaLand Integrated Commercial Trust Management Limited
- Director of Clifford Capital Pte Ltd
- Director of Clifford Capital Holdings Pte Ltd

Aileen Taylor (52)
Group Chief People & Governance Officer
Appointed: October 2024

Skills and experience: Aileen is a solicitor with significant risk, governance and regulatory experience across the banking industry. She is a member of the European Corporate Governance Council and the GC100.

Career: Prior to joining HSBC, Aileen spent 19 years at the Royal Bank of Scotland Group, holding various legal, risk and compliance roles. She was appointed Group Secretary in 2010 and subsequently Chief Governance Officer and Board Counsel. Aileen started her HSBC career as Group Company Secretary and Chief Governance Officer in 2019 and has been leading connectivity between Board and Executive for over five years. Her role was expanded to Group Chief Human Resources and Governance Officer in October 2024 and then became Group Chief People & Governance Officer. Aileen has held various industry positions such as a member of the Financial Conduct Authority's Listing Authority Advisory Panel.

Former Directors who served during the year

David Nish
David Nish retired from the Board on 3 May 2024

Sir Noel Quinn
Sir Noel Quinn retired from the Board on 2 September 2024

For full biographical details of our Board members, see www.hsbc.com/who-we-are/our-people/board-of-directors.

Senior management

Senior management, which includes the Group Operating Committee, effective from 1 January 2025, supports the Group CEO in the day-to-day management of the business and the implementation of strategy.

Richard Blackburn (59)
Interim Group Chief Risk and Compliance Officer

Richard was appointed Interim Group Chief Risk and Compliance Officer in January 2025. He also retains his existing responsibilities as Global Head of Traded and Treasury Risk Management & Global Head of Risk Analytics. Richard has 35 years' experience in the financial services sector and has been with HSBC for over 20 years. In that time, he has held a number of senior roles including Regional Chief Risk Officer for Europe and MENAT, Chief Risk & Compliance Officer for Global Banking & Markets, Chief Risk & Compliance Officer for Global Commercial Banking, Chief Financial Officer for Global Markets and Head of Global Markets Asset & Liability Management.

Jonathan Calvert-Davies (56)
Group Head of Internal Audit

Jonathan is a standing attendee of the Group Operating Committee, having joined HSBC as Group Head of Internal Audit in October 2019. He has over 30 years of experience providing assurance, audit and advisory services to the banking and securities industries in the UK, the US and Europe. Jonathan's previous roles included leading KPMG UK's financial services internal audit services practice and PwC's UK internal audit services practice. He also previously served as interim Group Head of Internal Audit at the Royal Bank of Scotland Group.

Bob Hoyt (60)
Group Chief Legal Officer

Bob joined HSBC as Group Chief Legal Officer in January 2021. He was previously Group General Counsel at Barclays from 2013 to 2020. Prior to that, he was General Counsel and Chief Regulatory Affairs Officer for PNC Financial Services Group. Bob has served as General Counsel and Senior Policy Adviser to the US Department of the Treasury under Secretary Henry M. Paulson Jr, and as Special Assistant and Associate Counsel to the White House under President George W. Bush.

David Liao (52)
Co-Chief Executive, Asia and Middle East

David was appointed Co-Chief Executive of the Asia-Pacific region in 2021, which was expanded to cover the Middle East in January 2025. David, who joined HSBC in 1997, has held several senior roles during his HSBC career including: Head of Global Banking Coverage for Asia-Pacific; President and Chief Executive of HSBC China; Head of Global Banking and Markets, HSBC China; and Treasurer and Head of Global Markets, HSBC China. He also serves as the Chair of HSBC Bank (China) Company Limited, and as a Director of Bank of Communications Co., Limited and Hang Seng Bank Limited.

Barry O'Byrne (49)
Chief Executive Officer, International Wealth & Premier Banking

Barry was appointed Chief Executive Officer of Wealth and Premier Banking in October 2024. He joined HSBC in 2017 firstly as Chief Operating Officer for Global Commercial Banking and became Chief Executive Officer in 2019. Before joining HSBC, Barry worked at GE Capital for 19 years where he held a number of senior leadership roles, including Chief Executive Officer and Chief Operating Officer for GE Capital International.

Michael Roberts (64)
Chief Executive Officer, HSBC Bank plc, and Corporate and Institutional Banking

Michael was appointed Chief Executive Officer, Corporate and Institutional Banking and Western Markets in January 2025. In this role he also holds the role of CEO, HSBC Bank plc, the Group's non-ring-fenced bank. Michael previously served as Chief Executive Officer of HSBC US and Americas until December 2024. Prior to this he held the role of Chief Executive Officer of HSBC USA when he joined HSBC in 2019. Prior to joining HSBC, Michael spent over 30 years at Citigroup in a number of senior leadership roles, most recently as Global Head of Corporate Banking and Capital Management and Chief Lending Officer.

Surendra Rosha (56)
Co-Chief Executive, Asia and Middle East

Surendra was appointed Co-Chief Executive of the Asia-Pacific region in 2021, which was expanded to cover the Middle East in January 2025. He is a Director of The Hongkong and Shanghai Banking Corporation Limited, HSBC Global Asset Management Limited and HSBC Bank Malaysia Berhad. Surendra joined HSBC in 1991 and has held several senior positions within Global Banking and Markets, including Head of Global Markets in Indonesia and Head of Institutional Sales, Asia-Pacific. He previously held the position of Chief Executive for HSBC India and Head of Financial Institutions Group, Asia-Pacific.

John David Stuart (known as Ian Stuart) (61)
Chief Executive Officer, HSBC UK Bank plc

Ian has been Chief Executive Officer of HSBC UK Bank plc, the Group's UK ring-fenced bank, since 2017. He joined HSBC in 2014 and served as Head of Commercial Banking, UK and Europe, until taking up his current role. Ian has worked over 45 years in financial services, and previously worked at Bank of Scotland, NatWest, RBS and Barclays. Ian holds an Honorary Masters and Honorary Doctorate degree for his services to the banking sector. He is a member of the UK Finance Board, TheCityUK Board, the UK Investment Council and is a business ambassador for Meningitis Now.

Stuart Riley (50)
Group Chief Information Officer

Stuart was appointed Group Chief Information Officer in February 2024, initially overseeing the Technology function. In October 2024, he assumed responsibilities for data and analytics, and emerging technology, innovation, and ventures. Prior to joining HSBC, Stuart was Co-Chief Information Officer of Citi, and previously held senior technology roles at Deutsche Bank. He has also held the role of Partner at TAG Consulting, a technology consulting firm.

Suzy White (48)
Group Chief Operating Officer

Suzy was appointed Group Chief Operating Officer in October 2024. Suzy has been with HSBC for more than 25 years and has held a number of senior leadership roles, most recently Chief Operating Officer for Global Banking and Markets. Previous roles included Regional Chief Operating Officer for Global Markets in the Americas, and Chief Risk Officer for Global Banking and Markets and Commercial Banking in the US.

Additional members of the Group Operating Committee

Georges Elhedery
Pam Kaur
Aileen Taylor

Other Senior Management who served on the Group Executive Committee during the year:

- Greg Guyett, former Chief Executive Officer Global Banking and Markets stepped down as a Group Executive Committee member on 31 December 2024. He assumed the role of Chair, Strategic Clients Group on 1 January 2025.
- Elaine Arden, former Group Chief Human Resources Officer stepped down on 30 September 2024.
- John Hinshaw, former Group Chief Operating Officer stepped down on 30 September 2024.
- Nuno Matos, former Chief Executive Officer Wealth and Personal Banking stepped down on 30 September 2024.
- Colin Bell, former Chief Executive Officer HSBC Bank plc and HSBC Europe stepped down on 31 December 2024.
- Dr Celine Herweijer, former Group Chief Sustainability Officer stepped down on 31 December 2024.
- Steve John, former Group Chief Communications and Brand Officer stepped down on 31 December 2024.
- Stephen Moss, former Regional Chief Executive Officer – Middle East, North Africa and Türkiye stepped down on 31 December 2024.
- Jonathan Bingham, Global Financial Controller, served on the Group Executive Committee as interim Group Chief Financial Officer from 2 September 2024 to 31 December 2024.
- Jo Miyake attended meetings of the Group Executive Committee as interim CEO, Global Commercial Banking from 1 October 2024 to 31 December 2024.

Board and senior management diversity

We value difference

We believe that a diverse and inclusive Board, reflective of the communities we serve, is a critical component of effective decision-making and of developing a sustainable and successful business for HSBC.

This section outlines the key inclusion metrics for Board members and executive management as at 31 December 2024. The metrics as at 1 January 2025 have also been included to reflect changes to the Board and senior management that took effect from 1 January 2025.

Gender and ethnic representation

In accordance with the requirements of UK Listing Rule 6.6.6 (10) the tables below outline the current gender and ethnic representation of the HSBC Holdings Board and executive management reflecting data gathered through self-identification.

Gender Identity

	As at 31 December 2024					As at 1 January 2025				
	Board members			**Executive management[2]**		Board members			Executive management[3]	
	Number	**%**	**Number of senior positions[1]**	**Number**	**%**	Number	%	Number of senior positions[1]	Number	%
Male	**6**	**46**	**3**	**15**	**79**	6	43	2	10	77
Female	**7**	**54**	**1**	**4**	**21**	8	57	2	3	23
Other	**—**	**—**	**—**	**—**	**—**	—	—	—	—	—
Not specified/prefer not to say	**—**	**—**	**—**	**—**	**—**	—	—	—	—	—

Ethnic Background

	As at 31 December 2024					As at 1 January 2025				
	Board members			**Executive management[2]**		Board members			Executive management[3]	
	Number	**%**	**Number of senior positions[1]**	**Number**	**%**	Number	%	Number of senior positions[1]	Number	%
White British or other White (including minority-White groups)	**8**	**62**	**3**	**13**	**69**	8	57	2	9	69
Mixed/multiple ethnic groups	**—**	**—**	**—**	**—**	**—**	—	—	—	—	—
Asian/Asian British	**3**	**23**	**—**	**4**	**21**	4	29	1	3	23
Black/African/Caribbean/Black British	**—**	**—**	**—**	**—**	**—**	—	—	—	—	—
Other ethnic groups	**2**	**15**	**1**	**1**	**5**	2	14	1	1	8
Not specified/prefer not to say	**—**	**—**	**—**	**1**	**5**	—	—	—	—	—

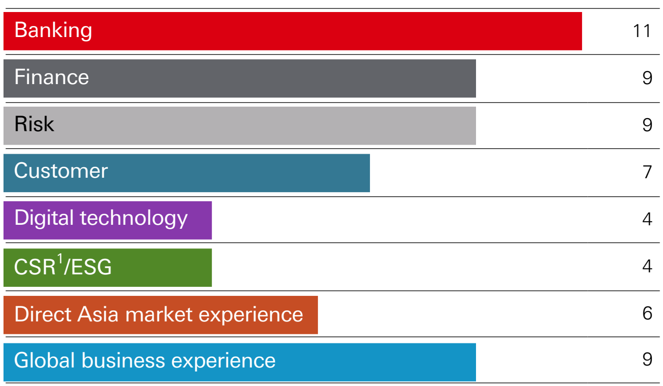
1 Senior positions on the Board comprise the Group Chairman, Group CEO, Group CFO and Senior Independent non-executive Director.
2 Executive management comprises the Group Executive Committee members and the Group Head of Internal Audit.
3 Executive management comprises the Group Operating Committee members and the Group Head of Internal Audit.

Skills and experience

As it is essential to the effective governance of the Group, and the Board's oversight and challenge of management, the Board ensures that collectively and individually, the Board possess the necessary skills, knowledge, expertise and experience.

The summary provides an overview of the skills and experiences held by the non-executive Directors on the Board. This is based on the current skills matrix, which is reviewed annually by the Nomination & Corporate Governance Committee to ensure that the Board has the skills and experience required to effectively discharge its duties and to support succession planning discussions. The skills and experiences of the newly appointed non-executive Directors are also included in the summary.

1 Corporate Social Responsibility ('CSR')



How we are governed

We are committed to high standards of corporate governance. The Group has in place a comprehensive range of policies and procedures, which are reviewed on a regular basis, designed to help ensure that the Group's end-to-end governance is well managed, with effective oversight and controls.

Governance highlights 2024

Appointment of new Group CEO Read more on pages 22 and 259 to 262	Appointment of new Group CFO Read more on pages 22, and 259 to 262
Governance simplification Read more on pages 22 and 249	Oversight of organisational changes Read more on pages 22 to 23
Establishment of new Board Sustainability Working Group Read more on pages 23, 74 and 249	Establishment of Group Technology and Operations Committee Read more on pages 249 and 276 to 278
Active stakeholder engagement Read more on pages 20 to 23	Revised Directors' Remuneration Policy Read more from page 279

Board and executive governance

The Board, led by the Group Chairman, is responsible for, among other matters:

- promoting the Group's long-term success and delivering sustainable value to shareholders;
- establishing and approving the Group's strategy and objectives, and monitoring the alignment of the Group's purpose, strategy and values with the desired culture and standards;
- setting the Group's risk appetite and monitoring the Group's risk profile;
- approving and monitoring capital and financial resource plans for achieving strategic objectives, including material transactions;
- considering and approving the Group's technology and environmental, social and governance strategies;
- reviewing the effectiveness of stakeholder engagement mechanisms, including engagement with the workforce;
- approving the appointment and remuneration of Directors, including Board roles;
- reviewing the Group's overall corporate governance arrangements; and
- providing entrepreneurial leadership of the Group within a framework of prudent and effective controls, which enable risks to be assessed and managed.

A schedule of matters reserved to the Board is set out within its terms of reference, which are available on our website at www.hsbc.com/who-we-are/our-people/board-of-directors/board-responsibilities. The Board's powers are subject to relevant laws, regulations and HSBC's articles of association.

The role of the independent non-executive Directors is to support the development of strategy, oversee risk, hold management to account and ensure the executive Directors are discharging their responsibilities properly, while creating the right culture to encourage constructive challenge. Further details on the independence of the Board can be found on page 321. Non-executive Directors also review the performance of management in meeting agreed goals and objectives. The Group Chairman meets with the non-executive Directors without the executive Directors in attendance after Board meetings and otherwise, as necessary.

The roles of Group Chairman and Group CEO are held by two different individuals. There is a clear division of responsibilities between the leadership of the Board by the Group Chairman, and the executive responsibility for day-to-day management of HSBC's business undertaken by the Group CEO.

The majority of Board members are independent non-executive Directors. As at 31 December 2024, the Board comprised the Group Chairman, 11 non-executive Directors, and one executive Director who is the Group CEO. From 1 January 2025, the newly appointed Group CFO will be an executive Director.

For further details of Board members' career backgrounds, skills, experience and external appointments, see their biographies on page 237, and for a breakdown of the diversity and skills of the Board and senior management, see page 244.

Operation of the Board

The Board is ordinarily scheduled to meet nine times a year. In 2024, the Board held 10 meetings. For further details on attendance at those meetings, see page 246. The Board agenda is agreed by the Group Chairman, working with both the Group CEO and the Group Company Secretary. For further information, see 'Board matters considered' on page 251.

The Group Chief People & Governance Officer (who is also the duly appointed Group Company Secretary), the Group Chief Risk and Compliance Officer and the Group Chief Legal Officer were regular attendees at Board meetings during 2024. The non-executive Chairman of The Hongkong and Shanghai Banking Corporation Limited was also a regular attendee at Board meetings. The chief executive officers of the three global businesses often attended Board strategy discussions, and other senior executives attended Board meetings for specific items as and when requested by the Board.

In addition, as agreed by the Board, the Board Oversight Sub-Group is called on an ad hoc basis where necessary. Such meetings are an informal mechanism for a smaller group of Board members and management to discuss emerging issues and upcoming Board matters.

Board roles, responsibilities and meeting attendance

The table below sets out the Board members' respective roles, responsibilities and attendance at Board meetings and the AGM in 2024. For a full description of key Board members' responsibilities, see www.hsbc.com/who-we-are/our-people.

Roles	Board attendance in 2024[1]	Responsibilities
Group Chairman Sir Mark E Tucker[2,4]	 11/11	– Provides effective leadership of the Board and promotes the highest standards of corporate governance practices. – Leads the Board in providing strong strategic oversight and setting the Board's agenda, culture and values. – Leads the Board in challenging management's thinking and proposals, and fosters open and constructive debate among Directors. – Maintains internal and external relationships with key stakeholders, and communicates investors' views to the Board. – Organises periodic monitoring and evaluation, including externally facilitated evaluation, of the performance of the Board, its committees and individual Directors. – Leads on succession planning for the Board and its committees, ensuring appointments reflect diverse cultures, skills and experiences.
Executive Director **Group CEO** Sir Noel Quinn[4,6] Georges Elhedery[4,6,7]	 7/7 4/4	– Leads and directs the fulfilment of the Group's purpose and strategy, in alignment with the desired culture and values as set by the Board. – Leads the senior executive committee with responsibility for the day-to-day leadership and management of the Group, in accordance with the authority delegated to him from the Board. – Maintains effective relationships with key internal and external stakeholders including the Group Chairman, the Board, customers, regulators, governments and investors. – Maintains accountability for the Group's compliance with applicable laws, codes, rules and regulations, good market practice and HSBC's own standards, value and policies.
Executive Director **Group CFO** Georges Elhedery[4,6,7] Jonathan Bingham[7]	 7/7 4/4	– Supports the Group CEO in developing and implementing the Group strategy, and recommends the annual budget and long-term strategic and financial resource plan. – Leads the Finance function and is responsible for effective financial and regulatory reporting, including the effectiveness of the processes and controls, to ensure the financial control framework is robust and fit for purpose. – Maintains relationships with key stakeholders including shareholders.
Non-executive Director **Senior Independent Director** David Nish[3,4,,5] Ann Godbehere[3,4,5]	 5/5 11/11	– Supports the Group Chairman, acting as intermediary for non-executive Directors when necessary. – Leads the non-executive Directors in the oversight of the Group Chairman, supporting the clear division of responsibility between the Group Chairman and the Group CEO. – Listens to shareholders' views if they have concerns that cannot be resolved through the normal channels.
Non-executive Directors Geraldine Buckingham[3,4] Rachel Duan[3,4,8] Dame Carolyn Fairbairn[3,4] James Forese[3,4] Steven Guggenheimer[3,4] Dr José Antonio Meade Kuribreña[3,4] Kalpana Morparia[3,4] Eileen Murray[3,4,8] Brendan Nelson[3,4] Swee Lian Teo[3,4]	 11/11 10/11 11/11 11/11 11/11 11/11 11/11 10/11 11/11 11/11	– Develop and approve the Group strategy. – Challenge and oversee the performance of management in achieving agreed corporate goals and objectives. – Approve the Group's risk appetite and review risk profile and performance. – Contribute to the assessment and monitoring of culture. – Maintain internal and external relationships with the Group's key stakeholders.
Group Chief People & Governance Officer (duly appointed Group Company Secretary) Aileen Taylor		– Maintains strong and consistent governance practices at Board level and throughout the Group. – Supports the Group Chairman in ensuring effective functioning of the Board and its committees, and transparent engagement between senior management and non-executive Directors. – Facilitates induction and professional development of non-executive Directors. – Advises and supports the Board and management in ensuring effective end-to-end governance and decision making across the Group.

1 The total number of meetings comprises nine scheduled meetings, one ad hoc meeting and the AGM.
2 The non-executive Group Chairman was considered to be independent on appointment.
3 Independent non-executive Director. All of the non-executive Directors are considered to be independent. There are no relationships or circumstances that are likely to affect any individual non-executive Director's objective judgement. All non-executive Directors have confirmed their independence during the year.
4 Attended the AGM on 3 May 2024. Kalpana Morparia attended virtually.
5 David Nish retired from the Board with effect from 3 May 2024 and was succeeded as the Board's senior independent non-executive Director on that date by Ann Godbehere.
6 Sir Noel Quinn retired from the Board with effect from 2 September 2024 and was succeeded as Group CEO on that date by Georges Elhedery.
7 Georges Elhedery stepped down from his role as Group CFO with effect from 2 September 2024 and Jonathan Bingham was appointed interim Group CFO on that date. Jonathan Bingham was not appointed as an executive Director. From 1 January 2025, Pam Kaur was appointed as an executive Director and assumed the role of Group CFO.
8 Due to prior commitments, Eileen Murray was unable to attend the Board meeting in September 2024 and Rachel Duan was unable to attend the ad hoc Board meeting held in October 2024.

Relationship between the Board and senior management

The Board delegates day-to-day management of the business and implementation of strategy to the Group CEO. During the year, the incumbent Group CEO was supported in his management of the Group by recommendations and advice from the Group Executive Committee ('GEC'), an executive forum comprising members of senior management that included chief executive officers of the global businesses and regions, as well as functional heads. With effect from 1 January 2025, the Group CEO is supported in his role by the Group Operating Committee ('Group OpCo') in place of the GEC. The Group CEO reports to the Board on Group OpCo meetings' outcomes and other executive matters of note relevant for the Board. For further details of the senior management team, see page 242.

All Directors are encouraged to have contact with management at all levels and have full access to management information as may be required. Visits to local business operations and meetings with local management are arranged for the non-executive Directors, alongside the executive Directors, when they attend Board meetings in different locations, and when travelling for other reasons. Senior management often attend Directors' engagements and receive updates from the workforce engagement non-executive Director, José Meade. For further details, see 'The Board's engagement with the workforce' on page 254.

Executive governance

Throughout 2024, the GEC promoted the culture, as led and overseen by the Board, across the organisation by demonstrating the right tone from the top. The GEC modelled our values through their everyday behaviours, fostering a culture that delivered against our purpose of opening up a world of opportunity. At its meetings, the GEC dedicated time to reflect on how they had demonstrated our purpose and values in the day-to-day course of business.

The GEC's operating rhythm helped to facilitate end-to-end governance between senior leadership and the Board. The operating rhythm had the following three pillars:

- regular check-in meetings to review and discuss current and emerging trends and issues;
- a monthly meeting to review the performance of each of the global businesses in principal geographies and legal entities, supported by strategic key performance indicators; and
- a strategy- and governance-focused meeting, held in advance of each Board meeting.

Separate committees have been established to provide specialist oversight for matters delegated to the Group CEO and senior management. For further details of these committees, see page 249.

To further support our senior management, we have dedicated company secretaries and corporate governance officers who support and advise legal entities, global businesses and global functions on our corporate governance practices. These roles serve to strengthen the consistency and effectiveness of our end-to-end governance arrangements, and support connectivity and information sharing.

From 1 January 2025 the GEC has been replaced by the Group Operating Committee ('Group OpCo'), whose key focus has been establishing clear lines of accountability and enabling the Group to execute our strategy at pace.

The Group OpCo serves as the leading executive decision-making committee and supports the Group CEO in discharging his responsibilities for the management and delivery of Group strategy.

In support of the ambition to simplify HSBC, the Nomination & Corporate Governance Committee endorsed a new Group Governance Framework and Operating Rhythm, which will be implemented throughout the organisation in 2025.

Subsidiary governance

We are committed to maintaining high standards of corporate governance throughout the Group. All subsidiary boards and their respective businesses are required to have in place effective governance arrangements with regard to the businesses' nature, size, location and the sectors in which they operate.

The subsidiary accountability framework

The subsidiary accountability framework aims to balance appropriate governance oversight by the Group with each subsidiary's local legal and regulatory requirements. The framework supports the Group in promoting effective governance arrangements across its subsidiaries by:

- setting out high-level principles to enhance communications and connectivity; and
- ensuring a shared and consistent understanding of the Group's strategic objectives, culture and values.

The subsidiary accountability framework also focuses on ensuring that each subsidiary is led by an effective board with an appropriate balance of skills, diversity, experience and knowledge, having regard to the nature of the subsidiary's business and local legal and regulatory requirements. Board composition of the Group's subsidiaries is kept under review as part of succession planning. The Nomination & Corporate Governance Committee reviews the succession plans of principal subsidiaries, and principal subsidiaries review the succession plans for their own subsidiaries, as appropriate.

The framework is subject to periodic review by the Board and/or the Nomination & Corporate Governance Committee and updated as required to ensure it is aligned to regulatory requirements and best practices. A comprehensive internal review of the framework was undertaken in 2024 with the outputs reported to the Nomination & Corporate Governance Committee. A number of improvements were made to the framework to provide greater clarity and additional guidance for subsidiaries.

The role of principal subsidiaries

Certain subsidiaries are designated formally by the Board as principal subsidiaries. In addition to their obligations under their respective local laws and regulations, principal subsidiaries – supported by regional company secretaries – perform a critical role in ensuring effective and high standards of governance across the Group and in overseeing the implementation of the subsidiary accountability framework in the regions for which they are responsible.

Representatives from principal subsidiaries attend the Board and its committee meetings for relevant topics, including when the Board holds meetings outside of the UK. Chairs of principal subsidiaries' risk and audit committees are invited to attend relevant Group Risk Committee and Group Audit Committee meetings. Attendance and participation at these meetings enhances subsidiary directors' understanding of the challenges facing the Group and helps to identify common challenges and facilitates the sharing of lessons learned. Such committee participation supplements the regular reports, certifications and escalations from principal subsidiaries' boards and their respective committees to the Board and relevant committee(s) of the Board.

The Group Chairman interacts regularly with the chairs of the principal subsidiaries, including through the Chairman's Forum. The Chairman's Forum comprises the chairs of each of the principal subsidiaries, the Group's senior independent non-executive Director, the chairs of the Group's audit, risk and remuneration committees, and where relevant, the Group CEO, other non-executive Directors and members of executive management, advisers and/or external experts.

In 2024, the Chairman's Forum covered topics such as strategic business considerations, geopolitical issues and economic outlook, shareholder engagements, Group-wide connectivity of non-executive Directors, key regulatory themes, employee engagement and financial performance.

The Group Remuneration Committee Chair hosted dedicated forums with the chairs of principal subsidiaries to share key priorities for 2024 and the future. These sessions provided an opportunity for review and input on proposed pay outcomes and allocation, before approval by the Group Remuneration Committee.

The principal subsidiaries are:

Principal subsidiary	Oversight responsibility
The Hongkong and Shanghai Banking Corporation Limited	Asia-Pacific
HSBC Bank plc	Europe and Bermuda (excluding UK ring-fenced activities)
HSBC UK Bank plc	UK ring-fenced bank and its subsidiaries
HSBC Middle East Holdings BV	Middle East, North Africa and Türkiye
HSBC North America Holdings Inc.	US
HSBC Latin America Holdings (UK) Limited	Mexico and Latin America

Subsidiary director development

The Group is dedicated to supporting the continuing professional development of its subsidiary directors. A global non-executive director update was held in September 2024, which was attended by subsidiary non-executive directors from across the Group. Updates were provided by the Group Chairman and Group CEO, along with presentations on net zero transition, digital acceleration, AI and geopolitics.

The Bank Director Programme (launched in 2022), is designed to prepare HSBC executives and senior managers to assume roles as internal non-executive directors on our subsidiary boards. The programme covers six modules: governance and the role of a bank director; finance, capital and liquidity management; risk and regulation; strategy, leadership and culture; ESG and managing stakeholders; and technology and operations. The programme was delivered for a second time in 2024 to a cohort of 26 participants selected from across the Group. Many of those colleagues who have completed the programme have already taken up positions as internal non-executive directors on Group subsidiary boards.

During 2024 we launched our inaugural Bank Chair Programme with a group of subsidiary board and committee chairs from across our regions. The programme represents a significant investment in subsidiary director development and is sponsored by the Group Chairman together with the Group Chief People & Governance Officer. It is a unique and forward-looking initiative, focused on developing our 'chairs of the future' and equipping them to lead 'best-in-class' subsidiary boards and committees at HSBC. Part one of the programme was delivered in November 2024 and comprised three modules covering: the challenges faced by board and committee chairs; the evolving role of the chair; and navigating regulatory priorities.

Board and Group executive committees and working groups

The Board delegates oversight of certain audit, risk, remuneration, nomination, technology and governance matters to its committees, which are each chaired by a non-executive Director. Only the Group Chairman and the independent non-executive Directors are members of Board committees. Members of the senior management team attend Board committee meetings, as appropriate. Details of the responsibilities and work carried out by each of the Board committees can be found in the respective committee reports starting on page 259.

The Chairman's Committee is an ad hoc committee, which provides the Board with the opportunity to consider time-critical matters between scheduled Board meetings. All Board members are invited to attend Chairman's Committee meetings.

In addition to the Board committees, bespoke working groups have been established as an informal mechanism for smaller groups of Board members and senior management to meet to discuss emerging issues and upcoming Board matters, as appropriate.

The GEC established a number of committees to support the senior management during 2024 in their running of the business and provide specialist oversight for matters delegated to them, including capital and liquidity, risk management, disclosure and financial reporting, restructuring and investment considerations, transformation oversight, ESG matters and talent and development. These committees also help fulfil their responsibilities under the Senior Managers and Certification Regime.

The structure below sets out the current committees and working groups at the Board and Group Executive level as at 31 December 2024. The key changes in the year include:

The Board Sustainability Working Group ('SWG') was established, with effect from October 2024, to enhance the Board's oversight of sustainability matters. For more information on the role and function of this working group please refer to 'Board decision-making and engagement with stakeholders' on page 23.

On 25 January 2024, the Board approved that the Technology Working Group be demised and, in its place, established the creation of the Group Technology Committee ('GTC'), effective from March 2024. The GTC was delegated responsibility to oversee the Group's technology strategy and its alignment with the wider global strategy of the Group. In December 2024, the remit of the GTC (renamed the Group Technology and Operations Committee ('GTOC')) was extended to cover oversight of global operations.

The Board also approved a proposal from the Group CEO to combine the Group's executive level ESG Committee and Sustainability Execution Committee, with effect from October 2024. For more information on this Committee please refer to 'Board matters considered on page 251'.

In addition, the Board approved that the GEC of 18 members be simplified and replaced by a new Group Operating Committee comprised of 12 members, with effect from 1 January 2025 (www.hsbc.com/who-we-are/our-people/senior-management).

Board Chair: Sir Mark Tucker

Chairman's Committee	Nomination & Corporate Governance Committee	Group Audit Committee	Group Risk Committee	Group Remuneration Committee	Group Technology and Operations Committee	Informal Governance
Chair: Sir Mark Tucker	Chair: Sir Mark Tucker See page 259	Chair: Brendan Nelson See page 263	Chair: James Forese See page 271	Chair: Dame Carolyn Fairbairn See page 279	Chair: Eileen Murray See page 279	**Board Oversight Sub-Group** Chair: Sir Mark Tucker **Sustainability Working Group** Chair: Geraldine Buckingham

Group Executive Committee Chair: Georges Elhedery[1]

Acquisitions and Disposals Committee	Group Disclosure and Controls Committee	Group People Committee	Group Risk Management Meeting	Holdings Asset and Liabilities Committee	Change Prioritisation and Oversight Committee	Environmental, Social and Governance Committee
Chair: Georges Elhedery	Chair: Jonathan Bingham[2]	Chair: Aileen Taylor	Chair: Pam Kaur[3]	Chair: Jonathan Bingham[2]	Chair: Jonathan Bingham[2]	Co-Chairs: Jonathan Bingham and Celine Herweijer[4]

1 With effect from 2 September 2024, the role of Chair changed from Sir Noel Quinn to Georges Elhedery and with effect from 1 January 2025 the GEC was replaced by the Group Operating Committee and committees reporting into it are under review.
2 Pam Kaur appointed as Chair with effect from 1 January 2025.
3 Richard Blackburn appointed as Chair with effect from 1 January 2025.
4 With effect from 2 September 2024, Jonathan Bingham succeeded Georges Elhedery as Co-Chair and Pam Kaur appointed as sole Chair with effect from 1 January 2025.

Board induction and training

The Board recognises the importance of induction and training for its Directors. The Group Chief People & Governance Officer works with the Group Chairman to ensure that, on appointment, new Directors are provided with tailored and comprehensive induction programmes appropriate to their individual experiences and needs, including the process for managing conflicts. To ensure Directors' contribution to the Board remains informed and relevant, all Board members receive appropriate training, both individually and collectively, throughout their time served on the Board.

The Group Chief People & Governance Officer also helps to arrange and deliver the induction programme for new Board members, through formal briefings and introductory sessions with other Board members, senior management, legal counsel, auditors, tax advisers and regulators, as appropriate. Topics covered in the induction programme include but are not limited to: purpose and values; culture and leadership; governance and stakeholder management; Directors' legal and regulatory duties; recovery and resolution planning; anti-money laundering and anti-bribery; technical and business briefings; and strategy.

The induction process is often initiated before appointment to allow each new Board member to contribute meaningfully from appointment. The structure of the induction supports good information flows within the Board and its committees, as well as between senior management and non-executive Directors, providing a clear understanding of our culture and way of operating.

Prior to his appointment as Group CEO becoming effective, Georges Elhedery received relevant training and legal advice from a firm of solicitors on 15 August 2024. Prior to her appointment as Group CFO, Pam Kaur received relevant training and legal advice from a firm of solicitors on 11 December 2024.

Following this training, both Georges Elhedery and Pam Kaur confirmed their understanding of their obligations as directors of a listed issuer pursuant to Rule 3.09D of the Hong Kong Listing Rules.

The approach to training is agreed annually, with key topics agreed for 2024 including cybersecurity, media interaction and the UK's Senior Manager and Certification Regime. Training sessions were facilitated by both internal subject matter experts and by external presenters.

Directors were also issued with training modules, which mirrored the mandatory training undertaken by employees. During 2024, this training covered topics including risk management, sustainability, health and safety, well-being, cyber-security, financial crime, and conduct.

Non-executive Directors also discussed individual development areas with the Group Chairman as part of their ongoing performance discussions regarding their contributions on the Board. The Group Chief People & Governance Officer makes appropriate arrangements for any additional training needs identified using internal resources, or otherwise, at HSBC's expense.

Members of Board committees receive relevant training as appropriate. Further details on any specific training commissioned by Board committees can be found in the respective committee reports from page 259 onward. Directors may take independent professional advice at HSBC's expense.

Board Directors who serve on principal subsidiary boards receive training that is pertinent to circumstances and context relevant to those boards. Opportunities exist for the principal subsidiaries' committee chairs to share their understanding of specific areas with the Directors as part of the Chairman's Forum. For further details, see 'The role of principal subsidiaries' on page 247.

Directors' induction and ongoing development in 2024

Director	Induction	Strategy and business briefings[2]	Risk and control[3]	Corporate governance, ESG and other reporting matters[4]	Board global mandatory training[5]
Geraldine Buckingham	◇	◆	◆	◆	◆
Rachel Duan	◇	◆	◆	◆	◆
Georges Elhedery[1]	◆	◆	◆	◆	◆
Dame Carolyn Fairbairn	◇	◆	◆	◆	◆
James Forese	◇	◆	◆	◆	◆
Ann Godbehere	◇	◆	◆	◆	◆
Steven Guggenheimer	◇	◆	◆	◆	◆
José Antonio Meade Kuribreña	◇	◆	◆	◆	◆
Kalpana Morparia	◇	◆	◆	◆	◆
Eileen Murray	◇	◆	◆	◆	◆
Brendan Nelson	◇	◆	◆	◆	◆
Swee Lian Teo	◇	◆	◆	◆	◆
Sir Mark Tucker	◇	◆	◆	◆	◆

◆ Matter considered ◇ Matter not considered

1 As part of the transition from Group CFO to Group CEO, Georges Elhedery completed an induction and development plan.
2 Directors participated in business strategy, market development and business briefings, which are global, regional and/or market-specific. Examples of specific sessions held in 2024 included: 'Technology and the future of artificial intelligence', 'WPB customer-centricity improvement plan', and 'Investor sentiments'.
3 Directors received risk and control training and briefings. Examples of specific sessions held in 2024 included: 'Cybersecurity' and 'The UK's Senior Manager Certification Regime'.
4 Directors received training on the UK's Senior Managers' and Certification Regime as well as development updates at Board meetings on: 'Board stakeholder engagement and management' and ESG matters including regulatory changes. Directors received additional training through their attendance at forums such as the Chairman's Forum, Remuneration Committee Chairs' Forum and the Global Non-Executive Director Update.
5 Training modules, issued to all Directors, mirrored training undertaken by employees. This included: risk management, sustainability, health and safety, well-being, cybersecurity, financial crime and conduct and values, personal conflicts of interest, data quality, privacy and security and AI and our changing world.

Board matters considered

During 2024, the Board remained focused on HSBC's strategic direction and delivery, and overseeing Group performance. It considered performance against financial and other strategic objectives, key business challenges, emerging risks, sustainability and governance, business development, investor relations and the Group's relationships with its stakeholders. The end-to-end governance framework facilitated discussion on strategy and performance by each of the global businesses and across the principal geographical areas, which enabled the Board to support executive management with its delivery of the Group's strategy. The Board considers the impacts of its decision making on the Group's stakeholders and examples of how the Board has taken principal strategic decisions.

Board matters considered in 2024

		Meetings at which topics were discussed[1]									
Main topic	**Sub-topic**	**Jan**	**Feb**	**Mar**	**May**	**Jun**	**Jul**	**Sep**	**Oct**	**Nov**	**Dec**
Strategy	Group strategy	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆
	Regional strategy/global business strategy	◆	◆	◆	◆	◆	◆	◆	◇	◆	◆
	Environmental, social and governance strategies	◆	◆	◇	◆	◆	◆	◆	◇	◆	◆
Business and financial performance	Region/global business	◆	◆	◇	◆	◆	◆	◆	◇	◇	◆
	Financial performance	◆	◆	◇	◇	◆	◆	◆	◇	◇	◆
Financial	Results and accounts[1]	◇	◆	◇	◇	◇	◆	◇	◇	◇	◆
	Dividends	◆	◆	◇	◇	◆	◆	◇	◇	◇	◇
	Group financial resource planning	◆	◇	◆	◆	◇	◇	◇	◇	◇	◇
Risk	Risk update	◇	◆	◆	◆	◆	◆	◆	◇	◆	◆
	Risk appetite	◆	◇	◇	◇	◇	◆	◇	◇	◇	◆
	Capital and liquidity adequacy	◇	◇	◆	◇	◇	◇	◇	◇	◇	◇
Regulatory	Regulatory and legal matters[2]	◆	◆	◇	◆	◆	◆	◆	◇	◇	◆
	Regulatory matters with regulators in attendance[3]	◇	◇	◇	◇	◆	◇	◇	◇	◇	◇
External	External insights[4]	◇	◇	◇	◇	◆	◇	◇	◇	◇	◆
Technology	Strategic and operational	◆	◆	◆	◆	◆	◆	◆	◇	◇	◆
People and culture	Purpose, values and engagement	◆	◆	◆	◆	◆	◆	◆	◇	◇	◆
Governance	Policies, terms of reference and delegations of authority	◆	◆	◇	◇	◆	◆	◆	◇	◇	◆
	Board/committee effectiveness	◇	◇	◇	◇	◇	◆	◇	◇	◇	◆
	Appointments and conflicts of interest	◆	◆	◆	◆	◆	◆	◆	◇	◇	◇
	Stakeholder/workforce engagement	◆	◆	◇	◆	◇	◆	◇	◇	◇	◆
	AGM and resolutions	◆	◆	◇	◆	◇	◇	◇	◇	◇	◇

◆ Matter considered ◇ Matter not considered

1 No Board meetings were held during April and August 2024. An ad hoc board meeting was held in October 2024.
2 Includes recovery and resolution planning, modern slavery and human trafficking, UK regulatory activities, and listing authority renewals.
3 Meetings attended by members of the Prudential Regulation Authority.
4 Includes presentations and/or talks from external parties, for example government officials or regulators.

Key areas of focus

The Board's key areas of focus in 2024 are set out by theme below.

Strategy and business performance

The Group remains focused on building a sustainable platform for growth by increasing returns for investors, enhancing customer service, and creating capacity for future investment. In 2024, the Board reviewed progress within the Group's global businesses and regions against its agreed strategy. At each Board meeting, the Board discussed the Group's strategic performance and opportunities to track strategic execution and delivery.

There was a continued focus in 2024 to build upon efforts to re-shape the Group to align with areas of strength in key markets. Disposals such as those completed in Canada and Argentina, and in progress in Germany, allow for a renewed focus on businesses that more closely align with the Group's strategic aims, and support resource allocation to provide the strongest competitive advantage to ultimately benefit the wider Group and its customers.

Upon his appointment, the new Group CEO has been driving a more dynamic organisational structure, to set the Group up to accelerate delivery of its strategic objectives and drive the next phase of its growth and development. Together, the executive team and the Board work to ensure that strategic decisions taken capitalise on opportunities that will work to drive profitability for shareholders and efficiencies with a more streamlined Group structure.

Environmental, social and governance

In October 2020, we announced our ambition to become a net zero bank by 2050. We believe supporting our customers' transition benefits their businesses and helps generate long-term financial returns for our shareholders.

The Board has overall responsibility for ESG strategy, overseeing executive management in developing the approach, execution, and associated reporting. To support senior leadership in the delivery of the ESG strategy, with effect from October 2024, the Board established a new sustainability working group, the SWG, comprised of five non-executive Directors. This working group engages with executive management on sustainability matters and provides oversight and guidance in relation to the Group's sustainability activities. The SWG was actively involved in the consideration of our approach to net zero transition, covered in more detail within our ESG overview on page 15.

During the year, the Board also oversaw the rationalisation of the ESG Committee and Sustainability Execution Committee into a single governance body (named the ESG Committee). These Board and executive level governance forums support senior management in the operationalisation of the Group's sustainability strategy, through the oversight of the sustainability execution programme. For further details see page 74. In 2024, the Board oversaw the implementation of ESG strategy through regular dashboard reports and detailed updates including: review and approval of the net zero transition plan; deep dives on the sustainability execution programme; and updates on human rights.

Financial decisions

The Board and its dedicated committees approved key financial decisions throughout the year, including the Annual Report and Accounts 2023, the Interim Report 2024 and the first quarter and the third quarter Earnings Releases. In January 2024, the Board approved the 2024 financial resource plan. The Board monitored the Group's performance against the approved plan, as well as the plans of each of the global businesses. The Board also approved the renewal of the various debt issuance programmes.

As previously communicated, we established and achieved a target dividend payout ratio of 50% of earnings per ordinary share ('EPS') for 2023 and 2024, excluding the special dividend. EPS for this purpose excludes material notable items and related impacts. Material notable items in 2023 and 2024 included the sale of our businesses in Canada and Argentina, the sale of our retail banking operations in France, the gain following the acquisition of SVB UK and the impairment of our investment in BoCom. We also exclude HSBC Bank Canada's financial results from the 30 June 2022 net asset reference date until completion on 29 March 2024, as the gain on sale was recognised through a combination of the consolidation of HSBC Bank Canada's results in the Group's results since this date, and the remaining gain on sale recognised at completion, inclusive of the recycling of related reserves and fair value gains on related hedges. The Board has adopted a dividend policy designed to provide sustainable cash dividends, while retaining the flexibility to invest and grow the business in the future, supplemented by additional shareholder distributions, if appropriate. The Board has established a target dividend payout ratio of 50% for 2025, subject to meeting capital requirements. In addition to dividend payments, HSBC announced a share buy-back of up to $2bn on 22 February 2024 and further share buy-backs of up to $3bn on 7 May 2024, 1 August 2024 and 30 October 2024, bringing the total announced during 2024 to $11bn.

On 21 February 2024, an interim dividend of $0.31 per share for the 2023 full-year was announced, followed by a special dividend of $0.21 per share on 30 April 2024 and interim dividends of $0.10 each announced on 30 April 2024, 31 July 2024 and 29 October 2024. For further details of dividend payments, see page 439.

Risk, regulatory and legal considerations

The Board, advised by the Group Risk Committee, promotes a strong risk governance culture that shapes the Group's risk appetite and supports the maintenance of a strong risk management framework, giving consideration to the measurement, evaluation, acceptance and management of risks, including emerging risks.

The Board considered the Group's approach to risk including its regulatory obligations. A number of key frameworks, control documents, core processes and legal responsibilities were also reviewed and approved as required by the Board and/or its relevant committees. These included:

– the Group's risk appetite framework and risk appetite statement;
– the individual liquidity adequacy assessment process;
– the individual capital adequacy assessment process;
– the Group's obligations under the Modern Slavery Act and approval of the Modern Slavery and Human Trafficking Statement;
– the Group Recovery Plan;
– the efficacy of Model Risk Management ('MRM') activities within the Bank;
– the Group's risk data aggregation and risk reporting framework aligned to the Basel Committee on Banking Supervision 239 Principles;
– the Group's PRA Operational Resilience self-assessment regulatory submission;
– the internal controls framework; and
– the revised matters reserved to the Board and terms of reference for the Board committees.

The Board also reviewed and monitored the implications of geopolitical and macroeconomic developments during the year, both directly and by way of updates from the Group Risk Committee, and received regular updates on the Group's risk profile, including in relation to financial crime risk.

Technology

Throughout the year, the Board received updates on technology and innovation from the Group Chief Operating Officer and Group Chief Information Officer. These included regular updates on the programme established to simplify the Group's technology infrastructure, enhance system resilience, and accelerate digital transformation across the bank, following recommendations from the third-party review of technology strategy conducted in 2023.

The Technology Governance Working Group was demised on 1 March 2024, and the Group Technology Committee ('GTC') became effective from the same date. Since its establishment, the GTC has supported the Board in overseeing execution of the technology strategy with a focus on areas where technology is fundamental to strategic delivery including technology architecture, innovation, data and cybersecurity. In December 2024, the remit of the GTC (renamed the Group Technology and Operations Committee ('GTOC')) was extended to cover oversight of global operations, reflecting changes to the Group's organisational structure and in recognition of the importance of operations to delivery of the Group's strategy. The Board received regular updates from the Chair of GTOC during the year. For further details of matters considered at GTOC, refer to the Group Technology and Operations Committee Report on page 276.

People and culture

The Board is responsible for setting and monitoring the desired culture of the Group and dedicates time to people and culture related matters at Board and Committee meetings and in its engagements with management and the wider workforce.

Each scheduled Board meeting begins with a 'culture moment', which helps to ensure that the right cultural tone is set from the top and establishes the right cultural context for Board discussion. To help raise its awareness of employee and other stakeholder perspectives, Board meetings and dedicated reports feature insights into behaviours within the Group, which demonstrate alignment to its purpose and values. Board papers highlight relevant stakeholder considerations, including in connection with its workforce. The Board also gains valuable cultural insights through its many personal interactions with the workforce and other stakeholders. For further details see 'Directors' engagements with key stakeholders in 2024' on page 20.

Additionally, the Board receives cultural insights from the all-employee Snapshot survey and broader reporting, which provides key data indicators, including on peoples' behaviours, sentiment and business outcomes. Following her appointment as Group Chief People & Governance Officer, Aileen Taylor has also introduced a new people and governance report that will be presented to the Board on a regular basis to help ensure that they have sight over such matters within the Group.

The governance structure supporting the Board further facilitates effective oversight of key people and culture matters. Through the work of the Group Audit Committee, the Board monitors the nature of risk and control culture across the Group and sees the impact of its policies and practices and how they are embedded, through reports on matters such as whistleblowing, code of conduct breaches and investigations (for further information see the Group Audit Committee report on page 263).

The Directors also learn about people and culture matters by way of presentations at the Chairman's Forum. The principal subsidiary chairs report on their respective approaches to workforce engagement as well as what they have learned from such engagements and other cultural insights.

Each of the non-executive Directors is aligned to one or more of our Group Employee Resource Groups ('ERGs'): Ability, Balance, Embrace, Generations, Nurture and Pride. Attending ERG events provides Directors with opportunities to hear directly from employees on matters of cultural importance to the Group. Board engagement with management and the wider workforce continued to remain a strong area of attention, particularly with the ongoing activities carried out by the dedicated workforce engagement non-executive Director and in respect of the changes to the Group's leadership. For further details of the work carried out by the workforce engagement non-executive Director, see page 254.

Governance

During the year, the Board continued to oversee the overall governance of the Group. There are processes in place to ensure that the Board and its Committees receive timely and relevant information pertaining to Group governance matters and that this information is duly considered at the appropriate level. The Board allocated time at its scheduled meetings for Group governance matters and, during the year, these included regular reports on the activities of its Committees, reviews of Directors' conflicts of interest, the review and approval of delegations of authority for specific Treasury matters and review of the broader Group Delegated Authority Framework, and oversight of the Board's annual effectiveness review.

The Board has due regard to its oversight of Group governance, including compliance with the UK Corporate Governance Code and the Hong Kong Corporate Governance Code and the duties of directors under the Companies Act 2006, when taking decisions. For examples of Board decision making, see 'Board decision making and engagement with stakeholders' on page 20.

The Board and senior management continued to support further improvements to various governance initiatives to encourage simplification and promote effective decision making in the business. Guidance and training for Board and committee paper templates remained a focus in 2024 for global businesses and functions. In particular, a training session sponsored by the Group Chairman and the Group CEO took place to ensure that standards remained consistent and accurate across the Group. Additionally, the Group-wide delegations of authority framework was reviewed and approved by the Board and its relevant subsidiaries in February 2024. This decision was key to driving efficiencies in the execution of contracts and documents by directors and senior management.

The Board, supported by the Nomination & Corporate Governance Committee, reviews the skills and experience of the Directors on an ongoing basis. This ensures that the composition of the Board and its Committees comprise the necessary skills, diversity, experience and competencies to discharge their responsibilities effectively. For further details of the review and changes to the Board, see the Nomination & Corporate Governance Committee report on page 259. For further details of diversity of the Board, see page 244.

The Board's engagement with the workforce

The Board is committed to engaging with the Group's workforce, which takes place in a variety of ways across many forums, including small-scale exchange sessions and larger town halls. These interactions allow the Board to have meaningful engagement with colleagues and gain insights from the workforce which inform Board discussion and decision-making. These engagements also provide colleagues with the opportunity to share ideas and feedback on topics that are important to them with the Board directly.

It is the responsibility of all Directors to engage with colleagues, and the Board's dedicated workforce engagement non-executive Director, José Meade, leads on the delivery of such engagements. The Board recognises that a dedicated non-executive director, that champions workforce engagement, presents an inclusive opportunity to help ensure that the employee voice is being considered and accounted for in Board decision-making. For further examples of how members of the Board have engaged with a variety of our stakeholders outside of the workforce engagement programme please see 'Board decision making and engagement with stakeholders' on page 20.

96

Virtual/physical sessions attended by non-executive Directors

7,000+

Number of employees engaged physically/virtually

9

Countries where in-person engagement took place and many more virtually

55

Virtual/physical sessions attended by workforce engagement non-executive Director

4,600+

Number of employees engaged virtually/physically by workforce engagement non-executive Director

The Board's workforce engagement programme

In early 2024, the Board agreed a workforce engagement programme designed to ensure that Directors were afforded various opportunities to interact with colleagues across the Group. A non-exhaustive extract of the 2024 programme can be seen below. In structuring the programme, two mechanisms were used through which the Board engaged with the workforce. First, targeted events for Board members during Board travel or as individual Director location allowed, and second, Board members joined pre-existing Group employee events scheduled throughout the year. This approach allowed the Board to meet a diverse group of colleagues and participate in a broad range of different engagements. Engagement events were held in three broad formats; in-person events, larger-scale events, including town halls; and virtual events.

Visits to Global Services Centres ('GSCs') took on a variety of formats, mixing exchange sessions with floor walks, networking lunches and town halls. Engagements across all formats were designed to promote open dialogue and two-way discussions between the attending Directors and colleagues.

When designing the programme at the start of 2024, it took into account the Group's key strategic areas of focus in place at the time and thereby worked to complement the Board's priorities and agenda for 2024. Structuring the programme in this way meant that when the Board travelled for Board meetings to different regions, in-person engagements were arranged as part of the Board timetabling, which were highly valued by colleagues and Board members alike. A key component of the 2024 programme was visits to GSCs in locations that were convenient to scheduled Board travel. Further engagement events, town halls and meetings with the workforce were scheduled throughout the year either in person, where individual Director location allowed, or virtually.

Board's Workforce Engagement: 2024 Extract

	January	February	March	May	June	September	October	December
	Colleague Engagement Lunch & Floor Walks	Representation & Inclusion exchange session	Black Leaders Action and Advisory Council ('BLAAC')	Strategy & Performance & Female Talent Engagement	GB&M Floor walk	Tour of Risk & Compliance floor and exchange with colleagues	Engagement with respective Employee Resource Groups ('ERG')	US key talent & Market Securities Services team exchange
Audience	ERG Members and talent across a range of grades and businesses	Leaders in the US market	BLAAC members	Senior and female UK-based talent	GB&M colleagues	MENAT colleagues	ERG Global Leads	US colleagues
Location	Shanghai	New York	Virtual	London	Singapore	Dubai	Virtual	New York

The outputs and key themes arising from all engagements formed the bases of José Meade's regular reports to the Board and facilitated Board discussions and decision-making. Further to José Meade's commitment to attend the Group Executive Committee ('GEC') and the Chairman's Forum, by so doing this year he continued to help facilitate discussions on key themes, issues, employee sentiment, and other outcomes from the 2024 workforce engagements. His participation helped to ensure that good dialogue with senior executives and other Group subsidiary chairs was maintained and helped management to respond appropriately and in a timely manner to colleagues and their feedback. In addition, this allowed for José Meade to capture feedback from executives on workforce engagement and take their suggestions into consideration going forward. In his role, José Meade will continue to engage in these and other relevant forums during 2025.

Workforce engagement non-executive Director activities during 2024

Key themes arose throughout the year such as, inclusion in the workplace, engagement with HSBC top talent, and Group Strategy. The themes guided conversations between colleagues and Board members and helped to shape the 2024 workforce engagement programme to ensure that it developed events that were reflective of these key topics.

Non-executive Director sponsorship of our Global Employee Resource Groups ('ERGs') continued during 2024. Each Director is aligned to a Global ERG and during the course of 2024 has met with their respective ERGs to discuss the ERGs' strategy for the year and upcoming priorities. Directors will also take part in other ERG events where possible, and every effort is made to facilitate local ERG members meeting their aligned Director during planned Board travel.

Set out below is a selection of workforce engagement events that were held in 2024 across multiple regions, attended by José Meade and other members of the Board where the occasion permitted.

China

- Directors completed a floor walk to meet with teams from across the Wealth and Private Banking business line, as well as the Pinnacle team.
- Directors learnt about the financial planning journey of an HSBC customer, the role colleagues play and the digital capabilities available.
- Connected with various ERG representatives and colleagues across functions to informally discuss and share experiences.

New York

- Attended the 'HSBC Latin-Americans in NYC Day' with key speakers including macro strategists and featuring external speakers on the Mexican economic outlook.
- Met with a small group of leaders in HSBC to discuss inclusion and culture in the US market and consider any more progress needed.

London

- An engagement session was held with colleagues where views were sought on how colleagues interpreted and understood Group strategy and its practical application.
- An event was held to promote female talent in the UK. Discussions held included the change of Group senior leadership, what it meant to individuals and teams, and the opportunities for female promotion.

Hong Kong

- Participated in several sessions that allowed for Directors to meet and network with Executive Leadership Programme colleagues.

Singapore

- Several sessions were held that were designed to promote ERG engagement. Directors participated in sessions including a Pride Panel as well as Ability, Sustainability and Balance Exchanges, to ensure HSBC is inclusive and supportive.

Dubai

- Participated in a varied schedule of workforce engagement events including a discussion with regional Embrace ERG members and networking with senior talent.

Representation & Inclusion Exchange session
New York, February

Pride Panel
Singapore, June

Spotlight on our Global Service Centres ('GSCs')

HSBC currently has GSCs in eight countries that operate in over 50 markets and in 20 languages. The GSCs play a pivotal role in helping to support the wider HSBC business and are key in driving the technological capabilities of the Group.

Continuing the focus on the Group's GSCs in 2023 when José Meade visited Mexico City and Hyderabad, during 2024 he visited the GSCs in Krakow, Guangzhou and Cairo. Details of each visit are set out below. In July 2024, José Meade attended the GEC meeting where he discussed insights from his various engagements to date, including with the GSCs. Discussions at the GEC focused on key themes arising from the GSC visits, and how these could be further considered and taken forward by the executive team.

"It is impossible to discuss strategy without considering the role of our GSCs. I have visited several of our GSCs over the past year, which have further highlighted to me their pivotal role in our operations and in developing our technological capabilities more broadly for the success of the Group through strategy execution."

José Meade, Dedicated Workforce Engagement NED

GSC: Krakow, Poland (May 2024)

4,570	29	13
FTE permanent employees	countries serviced	languages supported

- José Meade visited the Krakow GSC during planned Board travel to the UK. Sessions were held by the local team, including a 'Tech and Ops Roadshow' and Cybersecurity 'Show & Tell', where José Meade learnt how the Polish GSC looks to leverage technology in servicing their businesses and functions.
- HSBC Krakow employees have looked to build upon the 'energise for growth' strategic pillar. They have partnered with local universities to develop branded HSBC courses to recruit top talent locally and leverage relationships with fellow businesses to collaborate and problem-solve using technology-forward solutions.

GSC: Guangzhou, China (June 2024)

8,571	19	7
FTE permanent employees	countries serviced	languages supported

- Brendan Nelson and José Meade visited the Guangzhou GSC during planned Board travel to Hong Kong. They participated in several sessions during their visit, including those on risk capabilities delivered by the GSC and systems developed in collaboration with business and Technology to help enhance data accuracy. Directors had the opportunity to share and exchange their experiences with local GSC employees on topics such as talent, GSC intelligence, operations, and the future of HSBC.
- The local GSC in Guangzhou continues to act as a strategic centre specifically for markets across Hong Kong, Singapore and the UK. The visit underpinned how the GSC works to identify both issues and opportunities alike and deliver digital solutions in response, to the benefit of global business lines.

GSC: Cairo, Egypt (September 2024)

2,243	23	3
FTE permanent employees	countries serviced	languages supported

- Rachel Duan and José Meade visited the Cairo GSC during planned Board travel to the Middle East. A deep dive session with the local HR lead allowed for insights into how the Cairo GSC supports its employees and seeks to attract and retain top talent through development opportunities to help ensure that employees are engaged with their own growth within the organisation. Interactions with employees across Group operations, through local office floorwalks and networking lunches, allowed José Meade to understand how these policies work in practice and obtain first-hand feedback from employees on how the Group is working to promote their voice and ideas.
- Group strategy remained a key theme during the GSC visit to Cairo, and Directors learnt more about the legacy and history of HSBC Egypt, as well as how it looks to progress in the future.

Looking to the Future

"In 2024 we connected with our colleagues across the business and throughout the world. We focused discussions on our strategy, inclusion and our GSCs. This approach enabled us to highlight to the Board and senior management the strengths of our inclusive workforce. By engaging with our talented workforce directly, understanding and valuing their contributions, we continue to work together to open up a world of opportunity and achieve our strategic aims. In 2025, I look forward to working with my fellow Directors and senior leadership to build on this engagement and design a programme aligned to the refreshed strategic priorities, and help support the Group's ambitions, guided by our values, for the benefit of its many stakeholders." **José Meade**

Board and committee effectiveness, performance and accountability

Actions following the 2023 Performance Review

As disclosed in last year's report, the 2023 Board review concluded that the Board was performing well as an engaged, global governance body. The review highlighted, amongst other things, strong Board performance in areas including Stakeholder Accountability, Board Culture, Relationship with Senior Management, and Board Resources and Support, and identified some minor areas where further enhancement to the Board's operating practices may be beneficial.

During 2024, the Board successfully implemented the actions agreed to address the findings from the 2023 review. This included the establishment of the Group Technology Committee ('GTC') to provide oversight of technology-related matters across the Group. The GTC's remit was later expanded to include responsibility for Operations, and as a result was renamed as the Group Technology and Operations Committee ('GTOC'). Further details of the work of the GTC/GTOC can be found on pages 276 to 278.

In addition, the Board approved a revised set of Key Performance Indicators, ensuring that the Board can effectively oversee the performance of the business, and receive insights into execution, trends, and emerging areas of risk. These are kept under regular review.

Other actions have resulted in changes to the Board's operating practices, including through greater training on effective Board reporting and enhanced stakeholder engagement plans to ensure the Board has the opportunity for regular engagement with the full spectrum of key stakeholder groups.

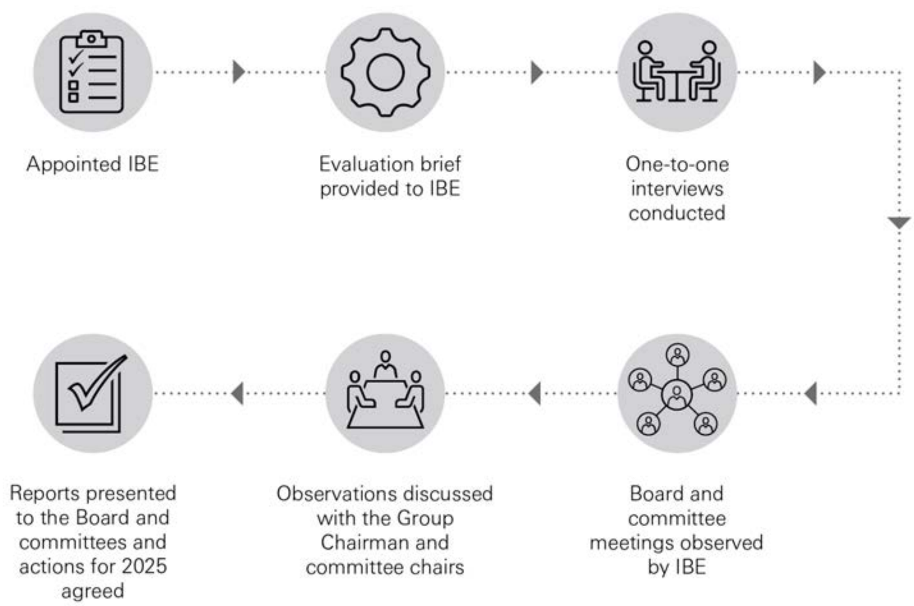
2024 Board and committee performance review process

Performance reviews are an important part of the effective governance and operation of the Board and its committees. In 2024, the Nomination & Corporate Governance Committee invited Independent Board Evaluation ('IBE') to conduct a follow-up review to the 2023 external performance review. IBE is an independent external service provider with no other connection with the Group or any individual Directors.

A comprehensive brief was provided to IBE to ensure focus on priority areas relevant to the Board and committees, IBE were also asked to provide an independent view as to whether the actions taken following the 2023 review had appropriately addressed the findings of that review.

The review took the form of detailed 1-2-1 interviews with members of the Board and select members of management and advisers. IBE also attended and observed the Board and committee meetings in December 2024, and were provided with relevant meeting materials for review in advance.

Initial observations were shared with the Board in December 2024, following which a report was compiled by IBE based on the views supplied by those interviewed as well as IBE's observations as part of the review process. The process and findings set out in this report were shared and agreed with the Group Chairman, committee chairs and IBE.



Findings and recommendations

Overall, the review concluded that the Board and its committees continued to operate effectively, with the 2023 report findings having been appropriately addressed and a few minor areas identified for further improvement. Positive feedback and practices were highlighted in relation to succession planning for the Board and senior management, with the pace and robustness of the Group CEO selection process considered to be particularly strong. Key strengths highlighted included the efficient, inclusive and transparent communication with the wider Board, and regulators through the duration of the process. The good practices would be leveraged for future senior succession practices, with the importance of a sufficient handover period being noted.

The report from IBE also confirmed that the culture of the Board continues to be regarded as a key strength. The major organisational and leadership changes that took place during 2024 further demonstrated the flexibility of the Board governance and operating rhythm, and its commitment in response to the needs of the Group and its stakeholders. It was acknowledged that the refresh of the senior leadership team and executive governance framework would require ongoing strong and open communication between the Board and the new Group Operating Committee. The new committee structure, in particular the establishment of the Group Technology and Operations Committee and the launch of the Sustainability Working Group, have enhanced Board oversight and support to management in these areas of critical strategic importance. Further, it was acknowledged that work continues to ensure the quality and insight of reporting to the Board, with concise reports that focus on the most material and emerging risks.

IBE presented its report to the December 2024 Board meeting, and was present for the Board's discussion, led by the Group Chairman, on the findings identified through IBE's review. Actions arising from the Board and committee review will be monitored by the Board over the coming months. Further details on the findings specific to each committee can be found within the respective committee reports later in this section.

Nomination & Corporate Governance Committee

"We have full confidence in Georges and the new senior leadership team. They have the skills, experience and track record necessary to deliver the next exciting phase of the Group's development and growth."

Sir Mark E Tucker
Chair
Nomination & Corporate Governance Committee

Membership

	Member since	Meeting attendance in 2024[1]
Sir Mark Tucker (Chair)	**Oct 2017**	**9/9**
Geraldine Buckingham	**May 2022**	**9/9**
Rachel Duan	**Sep 2021**	**9/9**
Dame Carolyn Fairbairn	**Sep 2021**	**8/9**
James Forese	**May 2020**	**9/9**
Ann Godbehere	**Sep 2023**	**9/9**
Steven Guggenheimer	**May 2020**	**9/9**
José Antonio Meade Kuribreña	**Apr 2019**	**9/9**
Kalpana Morparia	**Mar 2023**	**9/9**
Eileen Murray[2]	**Jul 2020**	**8/9**
Brendan Nelson	**Sep 2023**	**9/9**
David Nish[3]	**Apr 2018**	**3/3**
Swee Lian Teo	**Oct 2023**	**9/9**

1 In addition to the scheduled Committee meetings, various sub-groups of the Committee were established during the year to oversee the succession process for the Group CEO and other senior leadership changes.
2 Due to personal reasons, Eileen Murray was unable to attend the Committee meeting in September 2024.
3 David Nish retired from the Board on 3 May 2024.

Key responsibilities

The Committee's key responsibilities include:

- overseeing succession planning and leading the process for identifying and nominating candidates for appointment to the Board and its committees;
- overseeing succession planning and development of senior leadership;
- overseeing and monitoring the corporate governance framework of the Company and its subsidiaries; and
- ensuring that the corporate governance framework is consistent with relevant standards and best practices.

I am pleased to present the Nomination & Corporate Governance Committee report, which provides an overview of the Committee's activities during 2024.

Succession planning was central to the Committee's agenda during the year. The main area of focus was the Group CEO succession planning, which was triggered by Sir Noel Quinn's decision to retire as Group CEO. The Committee undertook a formal search process, which built upon the Committee's long-term work to develop potential internal and external succession options for the Group CEO role. Additional details on this process, which unanimously concluded that Georges Elhedery was an outstanding candidate and the right person for the role, are set out later in this report. The rigorous and detailed work undertaken by the Committee over the prior years on Group CEO succession enabled us to conduct a thorough, robust and market-leading process, at pace. The process received positive feedback from key stakeholders, including from Committee members, as part of the 2024 Board and Committee performance review.

The Committee also oversaw and supported the changes made to the Group's organisational structure and leadership team. This included endorsing the establishment of the new Group Operating Committee ('Group OpCo'), which serves as the leading decision-making executive committee of the Group. The Committee was fully supportive of Georges' recommendations for appointments to the Group OpCo. We have full confidence in Georges and the new senior leadership team. They have the skills, experience and track record necessary to deliver the next exciting phase of the Group's development and growth.

We were delighted to welcome Pam Kaur to the Board as an Executive Director, following her appointment as Group CFO. Pam is well known to the Board, having served as Group Chief Risk Officer since 2020, and in the expanded role of Group Chief Risk and Compliance Officer since 2021, and we look forward to working closely with her in this new capacity. Georges and Pam formed an effective partnership in their prior roles, and I am confident that the Group and its stakeholders will continue to benefit from this relationship in the years ahead. I would also like to thank Jonathan Bingham, for his excellent work and valuable contributions during his tenure as Interim Group CFO.

We have continued to review our governance structure in light of evolving business needs to ensure that it remains appropriate in supporting the delivery of Group strategy and aligned with stakeholder expectations. During 2024, this led to several changes to our Board and Committee operations, including the establishment of the Group Technology Committee and of the Sustainability Working Group. We subsequently agreed to expand the remit of the Group Technology Committee to include Operations. Going forward, the

Group Technology and Operations Committee will oversee the work of the new Group CIO and Group COO.

Both forums have strengthened our governance oversight in the key areas of technology and sustainability, which are two critical elements of our strategy and risk management activity. Additional details on these forums can be found on pages 23, and 276.

Separately, following the changes to the organisational structure announced in October 2024, the Committee considered what further enhancements to the Group's governance arrangements were necessary. This resulted in two principal changes. Firstly, in order to strengthen the connectivity between the Group and our most significant subsidiary boards, the Committee recommended that Ann Godbehere and Brendan Nelson be appointed as directors of HSBC Bank plc and HSBC UK Bank plc, respectively. Secondly, the Committee approved changes to the Group's executive governance framework and operating rhythm aimed at ensuring enhanced, clearer lines of accountability and decision-making.

The annual Board and Committee performance review is critically important for ensuring that our governance practices meet the highest standards and work effectively. Following the externally facilitated review in 2023, conducted by IBE, the Committee invited them again to conduct a follow-up review in 2024. The objective was to provide assurance that the recommendations made had been addressed and that the Board and its Committees were working effectively. The findings and agreed actions from the 2024 review can be found from page 257.

Finally, there were changes to the UK and Hong Kong Corporate Governance Codes, which take effect from this year. Whilst our existing governance practices are aligned with the requirements of these revised Codes, the Committee continues to assess possible enhancements, monitoring market practices to ensure that we not only remain compliant, but also meet our objective of having world class governance.

Sir Mark E Tucker
Group Chairman

Committee governance

The Group Chief People & Governance Officer, in her capacity as the Group Company Secretary, attended all Committee meetings during the year. She supported the Group Chairman in ensuring that the Committee fulfilled its governance responsibilities. The Group CEO selectively attended Committee meetings, joining when required.

Russell Reynolds Associates ('RRA') supported the Committee and the management team with Board succession planning and appointments. RRA also provided support to management on senior management succession, and on development and recruitment. Representatives from RRA regularly attend meetings during the year and have no other connection with the Group or members of the Board.

Board composition and succession

The Committee continued to keep the composition of the Board and of its Committees under review, with assessments focused on the skills, knowledge, and experience necessary to oversee, challenge and support management, in the achievement of the Group's strategic and business objectives.

The Committee has a long-standing policy under which non-executive Directors are expected to serve two three-year terms. Any appointments that extend beyond this are reviewed on an annual basis, with consideration given to the future needs of the Board, and the performance and contributions of the individual.

José ('Pepe') Meade, Workforce Engagement non-executive Director, will complete his second three-year term at the 2025 AGM. As a result, a review was conducted, which took into account the broader needs of the Board and the Group, to determine whether his term should be extended. Pepe has played an important and valuable role, significantly enhancing the Board's engagements with all colleagues and its understanding of their views. In order to allow him to build on this work, as the business embarks on a period of change under new leadership, the Committee agreed that his appointment should be extended by a year, leading up to the 2026 AGM, subject to his re-election by shareholders. It is the Board's strong belief that this extension of Pepe's appointment, given his performance and contributions to the Board in 2024, is in the best interests of the Group and all of its stakeholders.

The Committee will continue to monitor the market throughout 2025 for potential candidates for appointment to the Board in both the short and medium-term. This will ensure that the Board has a pipeline of credible successors with the relevant skills, knowledge, and experience.

Committee composition

As communicated in the 2023 Annual Report and Accounts, the Board-level Group Technology Committee ('GTC'), chaired by Eileen Murray, was established on 1 March 2024. In December 2024, reflecting the changes to the Group COO role and its inclusion in the newly formed Group OpCo, the Committee approved changes to the remit of the GTC, adding responsibility for Operations, in addition to Technology. As a result, the GTC was renamed as the Group Technology and Operations Committee. Additional information on the work undertaken by the Group Technology and Operations Committee since its formation, along with its priorities for the year ahead, can be found from page 276.

As part of the decision to establish the Sustainability Working Group ('SWG'), it was agreed that Geraldine Buckingham would be appointed as its Chair. Additional details on the work undertaken by the SWG can be found on page 23.

The Committee also reviewed the composition of the Board Committees, to ensure that it remains appropriate, with consideration given to the Board diversity and inclusion policy, and to ensure effective use of the skills and expertise of the Directors. Several changes to the Committees' composition were agreed during the year. The Committee will continue to review the Committees' composition to ensure that it remains appropriate.

Board diversity

The Board recognises the importance of gender, social and ethnic diversity, and the benefits that diverse identities and backgrounds bring to Board effectiveness. Representation is a consideration in succession plans and appointments at both Board and senior management level, as well as more broadly across the Group. The Committee also considers representation on Board Committees when reviewing their composition.

At the end of 2024, the Board had 54% female representation, with seven female Board members out of a total of 13, which is above the year-end 2025 target set by the FTSE Women Leaders Review. Following Pam Kaur's appointment as an Executive Director on 1 January 2025, female representation increased to 57%. The Board now also has two female leaders holding one of the four senior positions. These four senior roles, as defined by the FTSE Women Leaders Review, are Chair, Chief Executive Officer, Senior Independent Director and Chief Financial Officer.

Beyond gender, the Committee remains focused on enhancing the ethnic heritage diversity of the Board, reflecting the international nature of our business and HSBC's Asia heritage.

The Board's diversity and inclusion policy highlights our commitment to diversity, while providing specifics on the approach taken to achieving our relevant ambitions. Additional details on activities aimed at improving representation across senior management and the wider workforce, together with supporting statistics, can be found on page 64. The Board's diversity and inclusion policy is available at www.hsbc.com/who-we-are/our-people/board-of-directors/board-responsibilities

Group CEO succession

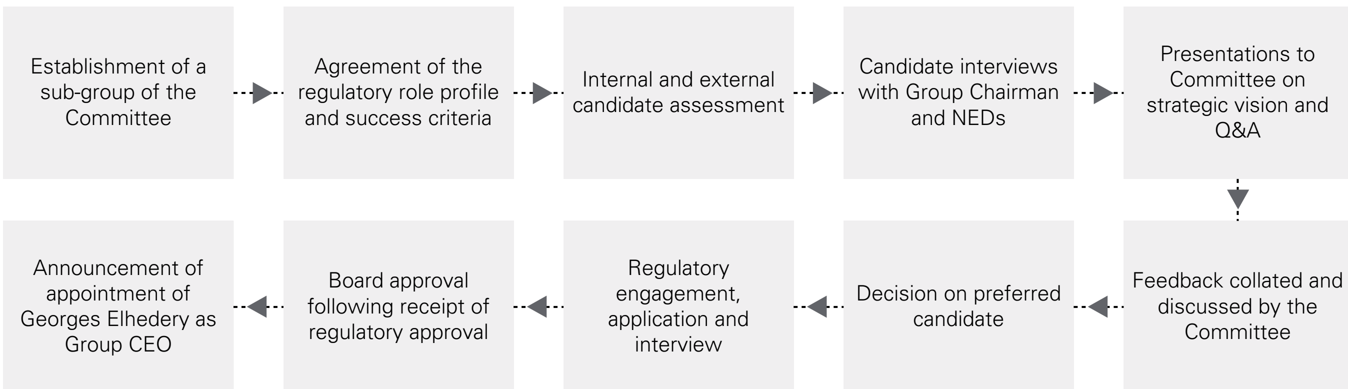
Following the announcement on 30 April 2024 that Sir Noel Quinn would retire as Group CEO, the Committee oversaw a rigorous formal search, selection and appointment process to identify the next leader of the Group. A high-level overview of the process is shown in the graphic below.

The Committee's focus on Group CEO succession planning since Sir Noel Quinn's appointment in 2020, supported its objective to complete the search at pace and provide clarity on future leadership to the organisation and our stakeholders.

The process to select Sir Noel Quinn's successor was led by the Group Chairman and the Committee, who were supported by a leading external search partner.

Key steps in the process included:

- The establishment of a committee sub-group, comprising the Group Chairman, Senior Independent non-executive and Committee Chairs, to oversee the process. Regular updates were provided to the broader Committee through weekly update notes from the Group Chairman, who also engaged with the Group's principal regulators throughout the process.
- Agreement on the regulatory role profile and key selection criteria, which included key technical, experiential and leadership competencies that were determined to be essential for the successful candidate.
- The assessment of all internal and external candidates against this role profile and selection criteria, with the support of a leading external search firm. Candidates also provided a written articulation of their strategic vision for the Group, which was followed by the shortlisting of the final candidates.
- Thorough referencing and background checks, which were conducted on the final candidates, to provide the Committee with a deeper understanding of their character and motivations.
- The final candidates were interviewed with all non-executive Directors. They also presented their strategic vision for the Group to the Committee and participated in Q&A.
- Interview feedback, which included non-executive Directors scoring each candidate against the successful selection profile, as well as qualitative feedback based on candidate interviews, presentation and Q&A, which was collated and discussed by the Committee.



Based on the information gathered on the candidates over the past four years, as well as the succession process, the Committee selected Georges Elhedery as the preferred candidate.

Georges then participated in the required regulatory interviews with the PRA and FCA, after which the Committee received confirmation of regulatory approval, and announced Georges' appointment on Wednesday 17 July 2024.

The Committee also agreed on a comprehensive induction and development plan to best support Georges' transition to Group CEO. The Committee continues to oversee this plan and receives regular updates on progress.

Senior executive succession and development

Jonathan Bingham, Global Financial Controller, was appointed as Interim Group CFO with effect from 2 September 2024. This interim appointment allowed Georges to focus on his new responsibilities as Group CEO, whilst the process to identify a permanent successor was conducted. The process to select the permanent Group CFO was led by the Group CEO, with the support of the Group Chief People & Governance Officer and a leading external search firm. Consistent with the approach taken for the selection of Georges Elhedery as Group CEO, internal and external candidates were considered and assessed against the agreed role profile and selection criteria. Following the completion of interviews with members of the Board, Pam Kaur was selected to join the Board as an Executive Director and Group CFO.

Following Pam's selection for the role of Group CFO, Richard Blackburn, Global Head of Traded and Treasury Risk Management & Global Head of Risk Analytics, was appointed as Interim Group Chief Risk and Compliance Officer with effect from 1 January 2025. An update on permanent succession for this position will be provided in due course.

In conjunction with the announcement on the new, simpler organisational structure, designed to unleash the full potential of HSBC, the Committee also approved several changes to the senior leadership team, based on the recommendations of the new Group CEO. These included the approval of the new Group OpCo terms of reference, together with its membership. Members of the Committee were closely involved in the assessment and selection process for roles on the new Group OpCo, including the roles of CEO of Corporate and Institutional Banking and Western Markets, and the split of the previous Group COO's responsibilities into two new Group OpCo roles – those of Group CIO and Group COO.

Committee performance review

The 2024 annual review of the effectiveness of the Board and Board Committees, including the Nomination & Corporate Governance Committee, was conducted externally by IBE.

It determined that the Committee continued to perform effectively. There were no specific actions identified for the Committee. The review acknowledged the Committee's role in the Group CEO succession process, which was very well managed, and identified several good practices that would be applied to future succession processes for key roles across the Group. Additional details on the annual review of the Board and Committees' effectiveness can be found from page 257.

Subsidiary governance

In line with the subsidiary accountability framework, the Committee continued to oversee the corporate governance and succession arrangements across the principal subsidiary portfolio. Additional details on the subsidiary accountability framework are set out on page 247.

Given the improvement in quality of the succession planning updates over the previous years, the Committee agreed that, for 2024, the material subsidiary plans no longer required direct oversight. Principal Subsidiaries continued to oversee plans for their respective subsidiaries, with the Committee retaining the ability to review material subsidiary succession plans, where necessary.

The Committee continued to support and seek opportunities to enhance subsidiary connectivity. That included leveraging the Chairman's Forum and Remuneration Committee Chairs' Forum, which regularly brought together the chairs of the principal subsidiaries to discuss issues of common interest.

In order to further strengthen connectivity between the Board and the most significant subsidiary boards, the Committee took relevant steps with two of the principal UK regulated entities. It recommended that Ann Godbehere be appointed to the HSBC Bank plc board and Brendan Nelson be appointed to the HSBC UK Bank plc board. Given that the Board has benefitted from James Forese's leadership of the HSBC North America Holdings Inc. Board, the Committee is confident that these appointments will enhance governance arrangements and connectivity.

The committee continues to provide support and look for opportunities to enhance subsidiary connectivity through non-executive Director events and other engagement forums. The Group's flagship events held in 2024 included the Bank Director Programme and the Bank Chair Programme. The Group Chairman also hosted an annual Global NED Update, which was attended by over 200 subsidiary non-executive Directors.

	Jan	Feb	Apr	May	Jun	Jul	Sep	Sep	Dec
Board composition and succession									
Board composition, including succession planning and skills matrices	◆	◆	◇	◆	◇	◇	◇	◆	◆
Executive talent and development									
Senior executive succession and appointments	◇	◆	◆	◆	◆	◆	◆	◆	◆
Governance									
Board and corporate governance developments	◆	◆	◇	◇	◆	◇	◇	◆	◇
Board and committee performance review	◆	◇	◇	◇	◇	◆	◇	◆	◆
Subsidiary governance	◇	◇	◇	◆	◇	◇	◇	◆	◇
Subsidiary appointments	◆	◆	◇	◆	◇	◇	◆	◇	◆

◆ Matter considered ◇ Matter not considered

Group Audit Committee

"Given changes in the external operating environment and as a result of the reorganisation of the Group, the Group Audit Committee will play an important role in monitoring the impact on the control environment during this period of change."

Brendan Nelson
Chair
Group Audit Committee

Membership

	Member since	Meeting attendance in 2024[1]
Brendan Nelson (Chair)	**Sept 2023**	**10/10**
Geraldine Buckingham[2]	**Oct 2024**	**2/2**
Rachel Duan[3]	**Apr 2022**	**9/10**
James Forese[3]	**May 2020**	**9/10**
Ann Godbehere[4]	**Feb 2024**	**7/7**
Eileen Murray[5, 6]	**June 2022**	**6/8**
David Nish[7]	**May 2016**	**4/4**

Notes:

1 These included one ad hoc meeting held on 31 January 2024 and a joint meeting with the Group Risk Committee ('GRC'), which took place on 18 June 2024.
2 Geraldine Buckingham was appointed as a member of the GAC on 1 October 2024.
3 Rachel Duan and James Forese were unable to join one ad hoc GAC meeting, due to prior commitments.
4 Ann Godbehere joined the GAC on 21 February 2024.
5 Eileen Murray stepped down from the GAC on 1 October 2024.
6 Eileen Murray was unable to attend the meeting held on 25 September 2024 due to personal reasons.
7 David Nish stepped down from the GAC on 3 May 2024 upon his retirement from the Board.

Key responsibilities

The Committee's key responsibilities include:

- monitoring and assessing the integrity of the financial statements, formal announcements and regulatory information in relation to the Group's financial performance, as well as significant accounting judgements;
- reviewing the effectiveness of internal controls;
- reviewing management's arrangements for compliance with prudential regulatory financial reporting;
- reviewing the annual financial resource plan, including annual budget, capital expenditure and business plans;
- reviewing and monitoring the relationship with the external auditor and overseeing its appointment, remuneration and independence;
- overseeing the Group's policies, procedures and arrangements for capturing and responding to whistleblower concerns and ensuring they are operating effectively; and
- overseeing the work of Global Internal Audit and monitoring and assessing the effectiveness, performance, resourcing, independence and standing of the function.

I am pleased to introduce the Group Audit Committee ('GAC') report, my first as GAC Chair. In this report, I have provided an overview of the key matters and issues considered by the GAC in 2024. I assumed the role of GAC Chair following the publication of the FY23 results and Annual Report in February 2024, succeeding David Nish. I would like to acknowledge and thank David for his leadership of the GAC during his time as Chair.

Internal controls have been a key focus during 2024, and the GAC assumed responsibility for the oversight of all internal controls - which was previously limited to those related to financial reporting. We have overseen management's proposed enhancement of controls, including the creation of a new Group Chief Controls Oversight Office function. This will enhance effective operation and monitoring of the Group's control environment. This will include the work to support preparations for the Board's declaration on the effectiveness of material controls, which will be required from 2026 under the 2024 UK Corporate Governance Code.

Given changes in the external operating environment and as a result of the reorganisation of the Group, the GAC will have an important role in monitoring the impact on the control environment during this period of change. A key element of this continues to be our progress in enhancing the control environment regarding the Group's regulatory reporting obligations. Remediation of errors in regulatory reporting and achieving a sustainable controls environment over these returns, remains a priority for the Committee, management and our regulators globally. Further details on progress under this programme can be found later in this report.

The GAC received regular updates from the Group Chief Financial Officer and Global Financial Controller on key financial reporting issues and the related management judgements. These included spending significant time on the appropriateness and clarity of the Group's market guidance, including in relation to returns, costs and expected credit losses ('ECL'). Given the uncertain global macroeconomic environment, the GAC carefully considered its disclosures on ECLs, in particular those relating to the Group's exposure to the mainland China and Hong Kong corporate real estate sectors.

I have spent time with several of the subsidiary audit committee chairs, building on the important connectivity between the Group and subsidiaries established over the past few years. Regular engagement with our subsidiary audit chairs will continue to be an important part of the GAC's governance practices through 2025 and beyond.

The GAC also oversaw the External Quality Review of the Global Internal Audit function during the year, which was conducted by Deloitte in accordance with the Internal Audit Code. I am pleased to report that the function is highly valued across the HSBC Group, and received a 'Generally Confirms' rating, which is the highest attainable under the internal audit International Professional Practices framework.

Finally, I was pleased that the review of the GAC's performance concluded that the GAC continued to operate effectively. Further details on the review, which also considered the performance of the Board and the other Board committees, can be found as part of the 'How we are governed' section on page 257.

Brendan Nelson
Chair of the Group Audit Committee

Committee governance

The Committee operates under delegated authority from the Board, and advises the Board on matters concerning the Group's financial reporting requirements. The Committee Chair reports on the key matters and discussions at the subsequent Board meeting, and the Board also receives copies of the Committee agendas and minutes. This supports the Board's oversight of the work carried out by management, Global Internal Audit and PricewaterhouseCoopers LLP ('PwC'), as the Group's statutory auditor.

The Nomination & Corporate Governance Committee has confirmed that each member of the Committee is independent according to the criteria of the US Securities and Exchange Commission, and the Committee and individual members continue to possess competence relevant to the banking and broader financial services sector in which the Group operates. The Board has determined that Brendan Nelson and Ann Godbehere are the audit committee 'financial experts' for the purposes of section 407 of the Sarbanes-Oxley Act and have recent and relevant financial experience for the purposes of the UK and Hong Kong Corporate Governance Codes.

The Committee Chair continued to engage with various key stakeholders, including the UK PRA, to understand their views, key themes and areas of focus within the broader financial services sector on matters relevant to the work of the Committee. This included trilateral meetings involving the Group's external auditor, PwC, and the UK PRA.

Members of senior management routinely attended meetings of the GAC. The external auditor attended all meetings.

The Chair holds regular meetings with management, Global Internal Audit and PwC, as the external auditor, to discuss relevant items as they arose during the year outside the formal Committee process. The Committee also regularly meets with the internal and external auditors, without management present. Private discussions are also held with relevant members of senior management, including the Group Chief Financial Officer and Group Chief Risk and Compliance Officer.

Matters considered during 2024

	Jan	Feb	Apr	Jun	Jul	Sep	Oct	Dec
Reporting								
Financial reporting matters including: – review of financial statements, ensuring that disclosures are fair, balanced and understandable – significant accounting judgements – going concern assumptions and viability statement – supplementary regulatory information	◆	◆	◆	◆	◆	◆	◆	◆
Review of the Group's annual financial resource plan	◇	◇	◇	◇	◇	◆	◆	◆
ESG and climate reporting	◆	◆	◆	◆	◇	◆	◇	◆
Regulatory reporting-related matters including: – oversight of the Group's engagement with PRA-requested skilled person reviews – reports from the principal subsidiaries on progress and learnings in relation to their local remediation efforts – adequacy of resources across Finance and other SME teams to deliver the Group-wide remediation programme	◆	◆	◆	◆	◆	◆	◆	◆
Certificates from principal subsidiary audit committees	◇	◆	◇	◇	◆	◇	◇	◇
Control environment								
Control enhancement programmes	◆	◆	◆	◆	◆	◆	◆	◆
Group transformation	◇	◇	◆	◇	◆	◇	◇	◇
Review of deficiencies and effectiveness of internal financial controls	◆	◇	◆	◇	◆	◇	◆	◇
Internal audit								
Reports from Global Internal Audit	◇	◆	◆	◇	◆	◇	◆	◆
Audit plan updates, independence and effectiveness	◇	◆	◆	◇	◆	◇	◆	◆
External audit								
Reports from external audit, including external audit plan	◆	◆	◆	◆	◆	◆	◆	◆
Appointment, remuneration, non-audit services and effectiveness	◆	◆	◆	◆	◆	◆	◆	◆
Compliance								
Accounting standards and critical accounting policies	◇	◆	◇	◇	◆	◇	◇	◇
Corporate governance codes and listing rules	◇	◆	◇	◇	◇	◇	◇	◇
Whistleblowing								
Whistleblowing arrangements and effectiveness	◇	◆	◇	◇	◇	◇	◇	◆

◆ Matter considered ◇ Matter not considered

How the Committee discharged its responsibilities

Financial, sustainability and climate reporting

The GAC is responsible for reviewing the Group's financial reporting during the year, including the Annual Report and Accounts, Interim Report, quarterly earnings releases, analyst presentations and Pillar 3 disclosures.

Furthermore, as an area of expanded assurance, the GAC, supported by the executive-level ESG Committee, provided close oversight of the disclosure risks in relation to sustainability and climate reporting, amid rising stakeholder expectations. The work will continue throughout 2025 in partnership with the Sustainability Working Group.

As part of its review, the GAC:

- challenged and evaluated management's application of critical accounting policies and material areas in which significant accounting judgements were applied;
- reviewed and challenged management's judgements and disclosures in relation to impairment reviews of HSBC's investment in Bank of Communications Co., Limited, performed using a value-in-use methodology;
- gave particular regard to the analysis and measurement of IFRS 9 ECL, including the key judgements and management adjustments made in relation to the forward economic guidance, underlying economic scenarios and reasonableness of the weightings, as well as modelling and adjustments;
- focused on preparation for disclosures to ensure these were consistent, appropriate and could be validated under the relevant financial and governance reporting requirements;
- tracked and monitored delivery against the external audit plan; and
- provided advice to the Board on the form and basis underlying the long-term viability statement.

We also received independent third-party limited standalone assurance on the Group's climate reporting. Further details can be found in 'Assurance relating to ESG data' on page 44.

In conjunction with the GRC, the GAC considered the current position of the Group, along with the emerging and principal risks, and carried out a robust assessment of the Group's prospects. This assessment informed the GAC's recommendation to the Board on the Group's long-term viability. The GAC also undertook a detailed review before recommending to the Board that the Group continues to adopt the going concern basis in preparing the annual and interim financial statements. Further details can be found on page 40.

Following the October 2024 announcement in relation to the Group's organisation structure, the GAC oversaw management proposals regarding the external disclosure requirements following the reorganisation of the Group around four core business. The GAC reviewed the financial resource plan, prior to approval by the Board, which helped to support the revised guidance, including in relation to the expected benefits from the reorganisation and simplification of the Group, which were communicated to the market as part of the FY24 results. In relation to the expected benefits specifically, the GAC considered the independent validation report provided by a third party, and which provided additional comfort on the appropriateness of management's proposed guidance.

The GAC will complete a thorough review of the pro-forma historical financial performance for 2023 and 2024, based on the new organisational structure, prior to their communication to the market next month.

Financial planning

The GAC reviewed and debated the robustness of the financial plan for the financial years 2025 to 2029. The GAC considered the risks and challenges, and ensured that the process to develop the financial resource plan was robust and that the assumptions driving the financial performance of the Group were appropriate and subject to appropriate challenge.

Fair, balanced and understandable

Following review and challenge of the disclosures, the Committee recommended to the Board that the Annual Report and Accounts, taken as a whole, were fair, balanced and understandable. These provided the shareholders with the necessary information to assess the Group's position and performance, business model, strategy and risks facing the business.

The Committee reviewed the draft Annual Report and Accounts 2024 and results announcements to provide feedback and challenge to management. It was supported by the work of the Group Disclosure and Controls Committee, which also reviewed and assessed the Annual Report and Accounts 2024 and investor communications.

This work enabled the GAC to discharge its responsibilities and support the Board in making the statement required under the UK and Hong Kong Corporate Governance Codes.

Internal controls

During the year, the Board approved changes to the scope of the GAC's responsibilities in relation to internal controls. These changes saw the GAC assume responsibility for oversight of the effectiveness of all internal controls. This reflected the GAC's experience in overseeing internal controls over financial reporting, and the responsibility that will apply from the 2026 financial year to make a declaration on the effectiveness of material controls under the 2024 UK Corporate Governance Code.

Regular updates and confirmations are provided to the GAC on the action management takes to remediate any failings or weaknesses identified through the operation of the Group's framework of internal financial controls. This is supplemented by reviews of these controls by the second line of defence and internal audit, and the external auditors, who provided additional comfort to the Committee on the effectiveness of these controls. These reviews confirmed that there were no material weaknesses as at the year-end.

These updates included the Group's work on compliance with section 404 of the US Sarbanes-Oxley Act. Based on this work, the GAC recommended that the Board support its assessment of the internal controls over financial reporting.

The GAC continued to focus on controls over the Group's Insurance business following the implementation of the IFRS 17 'Insurance Contracts' accounting standards. The GAC welcomed management's progress in improving the control environment during 2024. However, there remains further work to ensure that the Insurance business embeds the control standards expected on a consistent basis across all markets.

For further details of how the Board reviewed the effectiveness of key aspects of internal control, see page 323.

Regulatory reporting

Regulatory reporting has been a key priority for the Committee over recent years and will continue to be a priority for 2025. The Committee is focused on monitoring the programme of work to address the quality and reliability of regulatory reporting to meet regulatory expectations.

Management provided updates on the status of ongoing HSBC-specific external reviews, and discussed the issues and themes identified from the increased assurance work and focus on regulatory reporting. The GAC also discussed root cause themes, remediation of known issues and new issues identified through the increased assurance work. The Committee challenged management on remediation plans, to assess whether there was a sustainable reduction in issues and that dependencies with other key programmes were well understood.

Further details can be found in the 'Principal activities and significant issues considered during 2024' table on page 268.

Adequacy of resources

The Committee is responsible, under the Hong Kong Listing Rules, to annually assess the adequacy of resources of the accounting, internal audit, financial reporting and ESG performance and reporting functions. It also monitored the legal and regulatory environment relevant to its responsibilities.

The Committee determined that each of the functions provided thorough information with regards to people capacity and capability and endorsed the annual update to the Board.

In recognition that the enhancement of the Group's regulatory reporting processes and controls was a priority for both the Committee and the Group's regulators, the GAC also considered the adequacy of regulatory reporting resources as part of the year-end activities.

Connectivity with principal subsidiary audit committees

The Committee recognises the importance of strong connectivity and alignment with principal subsidiary audit committees. The mechanisms to support this are well established and continued to operate effectively during the year.

This included information sharing and targeted collaboration between audit committee chairs and management to ensure there was appropriate focus on the local implementation of programmes. During 2024 this included a particular focus on regulatory reporting, with the subsidiary audit committee chairs, chief executive officers and chief financial officers of the Europe, Asia-Pacific, Middle East and Americas regions attending Committee meetings to update on progress, share local challenges, and areas of focus with the Committee.

In addition to the Chair's regular meetings with the audit chairs of the Group's UK, European, US, Middle Eastern and Asian principal subsidiaries, and their attendance at GAC meetings for relevant items, they provided quarterly reports on their local audit committee activity. This included updates on internal control, and financial and regulatory reporting matters that are significant from a local or enterprise-wide perspective. In addition, the Committee received escalations from subsidiary boards for information and action, as appropriate. The connectivity between the Group and subsidiary audit committees is supplemented by attendance at committee meetings by the Group and subsidiary audit committee chairs.

On a half-year basis, principal subsidiary audit committees provided certifications to the Committee that regarded the preparation of their financial statements, adherence to Group policies and escalation of any issues that required the attention of the Committee. These certifications also included information regarding the governance, review and assurance activities undertaken by principal subsidiary audit committees in relation to prudential regulatory reporting.

External auditor

The GAC has the primary responsibility for overseeing the relationship with the Group's external auditor, PwC.

PwC completed its tenth audit, providing robust challenge to management and sound independent advice to the Committee on specific financial reporting judgements, sustainability reporting and the overall control environment. The senior audit partner is Matthew Falconer, who assumed the role as part of the regular rotation of audit partners in support of the independence of PwC for the 2024 financial year. The Committee reviewed the external auditor's approach and strategy for the annual audit and received regular updates on the audit, including observations on the control environment.

Key audit matters discussed with PwC are set out in its report on page 331. The Committee reviewed, and concluded that, all requirements of the Financial Reporting Council's ('FRC') Audit Committee and the External Audit: Minimum Standard ('the Standard'), where relevant, were met during 2024.

The GAC reviewed the PwC external audit approach, including the materiality, risk assessment and scope of the audit. PwC highlighted the changes being made to its approach to enhance the quality and effectiveness of the audit. PwC's plan supports its, and the GAC's, focus on audit quality through standardisation, centralisation and the use of technology.

Following commitments made as part of the audit tender process conducted in 2022, specifically in relation to plans for greater utilisation of digital solutions on the HSBC audit, the Committee received a demonstration of how PwC were leveraging digital audit tooling as part of the audit of the Group's accounts. PwC continue to look for opportunities to further leverage technology to enhance the efficiency, robustness and quality of the Group statutory audit.

Effectiveness of external audit process

The GAC assessed the effectiveness of PwC as the Group's external auditor, using a questionnaire that focused on the overall audit process, its effectiveness and the quality of output.

In addition, the GAC Chair, certain principal subsidiary audit chairs and members of the Group Executive Committee met with the Senior Audit Partner to discuss findings from the questionnaire and provide in-depth feedback on the interaction with the PwC audit team.

Key strengths identified through the review included strong independent challenge, the knowledge of the audit team and the good understanding of the Group's businesses and associated risks that were demonstrated through the course of the audit. The review also identified some areas for improvement, including with regards to communication and coordination with management, and planning.

The GAC receives regular updates from PwC and management on performance across the audit quality indicators, which provides wider visibility of ongoing and emerging issues.

There were no breaches of the policy on hiring employees or former employees of the external auditor during the year. The lead audit partner attends all Committee meetings and the GAC Chair maintains regular contact with the senior audit partner and his team throughout the year.

During the year, the Committee considered the impact of the fine and six-month suspension on PwC's China Firm upon PwC UK's ability to act as auditor for the Group. The GAC received assurance from PwC's Global Leadership Team that the issues leading to the sanctions did not impact the Group, and that PwC were taking appropriate steps to prevent reoccurrence. The GAC will continue to monitor until the completion of the suspension, which is due to expire during March 2025.

Independence and objectivity

The Committee assessed any potential threats to independence that were self-identified or reported by PwC. Based on the reporting received, PwC are deemed to be independent and PwC, in accordance with professional ethical standards and applicable rules and regulations, provided the GAC with written confirmation of its independence for the duration of 2024.

The Committee confirms it has complied with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 for the financial statements.

Following the Committee's recommendation to reappoint PwC as the auditor, shareholders passed the associated resolution at the 2024 AGM. At the same time, shareholders authorised the Committee to determine PwC's audit fee for the financial year ended 31 December 2024, which was approved by the Committee at its July 2024 meeting.

Non-audit services

The Committee is responsible for setting, reviewing and monitoring the appropriateness of the provision of non-audit services by the external auditor. It also applies the Group's policy on the award of non-audit services to the external auditor. The non-audit services are carried out in accordance with the external auditor independence policy to ensure that services do not create a conflict of interest. All non-audit services are either approved by the GAC Chair, or by Group Finance when acting within delegated limits and criteria set by the GAC.

The non-audit services carried out by PwC included 16 engagements approved during the year where the fees were over $100,000 but less than $1m. Group Finance, to whom the GAC has delegated authority for non-audit services below $1m, considered that it was in the best interests of the Group to use PwC for these services because they were:

– audit-related assurance services, with the work closely related to work performed in the audit and in some instances required by local regulators to be performed by the external auditor; or

– other assurance services that involve obtaining appropriate audit evidence to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the subject matter information, including attestation reports on internal controls of a service organisation primarily prepared for and used by third-party end users.

There were no engagements during the year where the fees exceeded $1m, above which GAC approval would be required.

Auditors' remuneration	2024 $m	2023 $m
Total fees payable	**146.6**	155.9
of which fees for non-audit services	**43.8**	46.1
Ratio of non-audit fees to audit fees[1]	**43.0%**	42.0%

1 The calculation is on a simple ratio and is not based on FRC guidance on non-audit fees ratio thresholds.

Whistleblowing and speak-up culture

An important part of HSBC's values is speaking up when something does not feel right. HSBC remains committed to ensuring colleagues have confidence to speak up and acting when they do. A wide variety of channels are provided for colleagues to raise concerns, including the Group's whistleblowing channel, HSBC Confidential (see page 80 for further information).

The Board has delegated responsibility to the GAC to oversee the effectiveness of HSBC's whistleblowing procedures. The Chair of the GAC is a Group Senior Manager ('SMF7'), and has a prescribed responsibility as the Whistleblowers' Champion to ensure integrity of HSBC's policy and procedure on whistleblowing and protecting those who report concerns. As part of his responsibility, the GAC Chair reports to the Board on the GAC's oversight of whistleblowing as part of his regular reporting updates.

The Group Head of Regulatory Compliance regularly updates the GAC on whistleblowing effectiveness, including controls assessments and internal audit findings. In 2024, the GAC has been briefed on actions to improve the timeliness of HSBC Confidential investigations against internal standards. The Committee is also briefed on culture and conduct risks from whistleblowing cases and actions taken. In 2024, the GAC Chair also met with the Group Head of Regulatory Compliance for briefings on significant whistleblowing matters.

Global Internal Audit

The primary role of the Global Internal Audit function is to help the Board and Management to strengthen the organisation's ability to create, protect and sustain value. Global Internal Audit does this by providing independent, risk based and objective assurance on the design and operating effectiveness of the Group's governance, risk management and control framework and processes, prioritising the greatest areas of risk. The independence of Global Internal Audit from day-to-day line management responsibility is fundamental to its ability to deliver objective audit coverage of all parts of the Group. Global Internal Audit is free from interference by any element in the organisation, including on matters of audit selection, scope, procedures, frequency, timing, or internal audit report content. The Group Head of Internal Audit reports to, and meets frequently with, the Chair of the GAC.

In addition, in 2024, there was continued heightened interaction between Global Internal Audit Senior Management and the members of the GAC, aimed at increasing knowledge and awareness of the audit universe and existing and emerging risks identified by Global Internal Audit. Global Internal Audit adheres to The Institute of Internal Auditors' mandatory guidance.

Consistent with previous years, the 2025 audit planning process includes assessing the inherent risks and strength of the control environment across the audit entities representing the Group. Results of this assessment are combined with a top-down analysis of risk themes by risk category to ensure that themes identified are addressed in the annual plan. Audit coverage is achieved using a combination of business and functional audits of processes and controls, risk management frameworks and major change initiatives, as well as regulatory audits, investigations and special reviews. In addition to the ongoing importance of regulatory-focused work, key risk theme categories for 2025 audit coverage remain as: strategy, governance and culture; financial crime, conduct and compliance; financial resilience; and operational resilience. A quarterly continuous monitoring assessment of key risk themes will form the basis of thematic reporting and plan updates and will ultimately drive the 2026 planning process.

Global Internal Audit has made updates to the audit universe and risk assessment to reflect the Group reorganisation. As a result, audits have been added to the 2025 Annual Audit Plan, and audits have been refocused, to reflect the risks arising from the Group reorganisation.

In addition to the Group reorganisation, Global Internal Audit's new or heightened areas of coverage for 2025 are: Group strategy; significant change initiatives including regulatory change; material regulatory obligations; compliance; anti-money laundering and sanctions; conduct, internal and external fraud; credit risk management; financial forecasting; regulatory reporting; enterprise wide risk management, operational resilience; Financial Reporting Council Corporate Governance reporting on material controls; model risk management; data management; technology resilience and cybersecurity; and incident and escalation management. In addition, Global Internal Audit will continue its programme of culture audits to assess the extent that behaviours reflect HSBC's purpose, ambition, strategy and values. The annual audit plan and material plan updates made in response to changes in the Group's structure and risk profile are approved by the GAC.

The results of audit work, together with an assessment of the Group's overall governance, risk management and control framework and processes are reported to the GAC, GRC and local audit and risk committees, as appropriate. This reporting highlights key themes identified through audit activity, and the output from continuous monitoring. This includes business and regulatory developments and an independent view of emerging and horizon risk, together with details of audit coverage and any required changes to the annual audit plan. Based on regular internal audit reporting to the GAC, private sessions with the Group Head of Internal Audit, the Global Professional Practices annual assessment and quarterly quality assurance updates, the GAC is satisfied with the effectiveness of the Global Internal Audit function and the appropriateness of its resources. In December 2024, Global Internal Audit's External Quality Assessment Review was reported to the GAC, which concluded that Global Internal Audit is a well-respected, independent provider of assurance which is highly valued across the Group and that Global Internal Audit generally conforms with the 2017 International Professional Practices framework ('IPPF'), which includes the IIA Standards and Code of Ethics. 'Generally Conforms' is the highest rating attainable and means the function is compliant with the requirements of the Standards in all material aspects. Global Internal Audit also generally meets the CIIA's IA Financial Services Code of Practice requirements.

Executive management is accountable for addressing the matters raised by Global Internal Audit, which must be addressed within an appropriate and agreed timetable. Confirmation to this effect must be provided to Global Internal Audit, which validates closure on a risk basis.

Global Internal Audit maintains a close working relationship with HSBC's external auditor, PwC. The external auditor is kept informed of Global Internal Audit's activities and results, and is afforded free access to all internal audit reports and supporting records.

Principal activities and significant issues considered during 2024

Areas of focus	Key issues	Conclusions and actions
Significant accounting judgements	**Expected credit losses** The measurement of expected credit losses involves significant judgements, particularly under current economic conditions. There remains uncertainty over ECL estimation due to sustained high inflation, interest rate volatility, economic policy changes following election outcomes globally and weaker economic growth in the Group's key operating markets.	– The Committee reviewed economic scenarios for the key countries and territories in which the Group operates and challenged management's judgements on the weightings assigned to the scenarios. The Committee also challenged management's judgemental adjustments to account for uncertainty in specific sectors and geographies, including the controls underpinning the adjustments process and conditions under which the adjustments would be reduced or removed. – The Committee continued to monitor management's updates on areas of particular focus, including downside risk in mainland China and Hong Kong commercial real estate sectors.
	Valuation of defined benefit pension obligations The valuation of defined benefit pension obligations involves highly judgemental inputs and actuarial assumptions which include interest rate, inflation rate, mortality rates and other demographic assumptions. Management considered these assumptions in consultation with actuarial experts to determine the valuation of the defined benefit obligations.	– The GAC has considered the effect of changes in key assumptions on the HSBC UK Bank plc section of the HSBC Bank (UK) Pensions Scheme, which is the principal plan of HSBC Group. Details of key assumptions can be found on pages 378 to 379 of the 'Notes on the financial statements'.
	Valuation of financial instruments During 2024, management continuously refined its methodology and approach to valuing the Group's portfolio in relation to investments, trading assets and liabilities and derivatives.	– The Committee received periodic updates on the key valuation metrics and judgements involved in the determination of the fair value of financial instruments, and agreed with the judgements applied by management, which were validated through appropriate governance and control forums.
	Investment in subsidiaries Management has reviewed investments in subsidiaries for indicators of impairment and conducted impairment reviews where relevant. These involve exercising significant judgement to assess the recoverable amounts of subsidiaries, by reference to projected future cash flows, discount rates and regulatory capital assumptions.	– The Committee reviewed the judgements in relation to the impairment review of HSBC Overseas Holdings (UK) Limited and the key inputs such as projected profits, underpinning the recoverable amounts of its subsidiaries.

Principal activities and significant issues considered during 2024 (continued)

Areas of focus	Key issues	Conclusions and actions
Significant accounting judgements	**Investment in an associate – Bank of Communications Co., Limited** During the year, management performed impairment reviews of HSBC's investment in Bank of Communications Co., Ltd ('BoCom'). This included assessment as to whether there is indication of further impairment, or that previously recognised impairment may no longer exist or may have decreased. The impairment reviews are complex and require significant judgements, such as the appropriateness of projected future cash flows, discount rate, and regulatory capital assumptions.	– The GAC reviewed and challenged management's judgements and disclosures in relation to impairment reviews of HSBC's investment in BoCom, performed using a value-in-use methodology. – The Committee reviewed the appropriateness of key assumptions such as projected future cash flows, with particular focus on the potential impacts of the publicly announced policies aimed at promoting growth and economic development in China during the fourth quarter of 2024. – The GAC considered the consistency of judgements with prior period impairment reviews, reflecting available details as at 31 December 2024 as to how these policies may be enacted.
	Interest rate management During 2024, management proposed a framework for the disposal of selected hold-to-collect-and-sell securities to improve risk management of hold-to-collect-and-sell positions and to stabilise and protect net interest income over the medium term.	– The GAC received regular management updates on hedging strategy, including the repositioning of structural interest rate hedges. – The Committee reviewed controls on, and financial outcomes of, disposals of hold-to-collect-and-sell securities.
	Impairment of goodwill and non-financial assets During the year, management tested for impairment goodwill and non-financial assets including additional consideration for the future impacts resulting from the announced organisational restructure. Key judgements in this area relate to long-term growth rates, discount rates and projected future cash flows to include for each cash-generating unit tested, both in terms of compliance with the accounting standards and reasonableness of the forecasts.	– The Committee reviewed and challenged management's approach and methodology used for the impairment testing of goodwill and non-financial assets, with a key focus on the projected cash flows included in the forecasts and discount rates used. – The GAC also challenged management's key judgements and considered the reasonableness of the outcomes against business forecasts and strategic objectives of HSBC.
	Legal proceedings and regulatory matters Management has used judgement in relation to the recognition and measurement of provisions, as well as the existence of contingent liabilities for legal and regulatory matters.	– The Committee reviewed reports from management on legal proceedings and regulatory matters, and challenged related accounting judgements and disclosures.
	Tax-related judgements HSBC has recognised deferred tax assets to the extent that they are recoverable through expected future taxable profits. Significant judgement continues to be exercised in assessing the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and expected outcomes relating to uncertain tax treatments.	– The Committee considered the recoverability of deferred tax assets. The Committee also considered management's judgements relating to tax positions in respect of which the appropriate tax treatment is uncertain, open to interpretation or has been challenged by the tax authority.
	Long-term viability and going concern statement The GAC has considered a wide range of information relating to present and future projections of profitability, cash flows, capital requirements and capital resources. These considerations include stressed scenarios and the implications of: – geopolitical tensions including the ongoing Russia-Ukraine and Middle East conflicts, US-China tensions and the consequential impacts on the supply chains globally; – macroeconomic risks including inflationary risks, mainland China and Hong Kong real estate sector risks and economic policy uncertainty following election outcomes globally; and – climate risk, operational resilience, and other top and emerging risks, and the related impact on profitability, capital and liquidity.	– In accordance with the UK and Hong Kong Corporate Governance Codes, the Directors carried out a robust assessment of the principal and emerging risks of the Group and parent company. The GAC considered the statement to be made by the Directors and concluded that the Group and parent company will be able to continue in operation and meet liabilities as they fall due, and that it is appropriate that the long-term viability statement covers a period of three years.
	Impact of acquisitions and disposals HSBC engaged in a number of business acquisitions and disposals, notably in Canada, Germany, South Africa, Argentina, Armenia and Russia. Judgement was involved in determining the timing of recognition of assets held-for-sale, gains or losses, and the measurement of assets and liabilities on acquisition or disposal.	– The Committee reviewed management's judgements related to the completion of the sale of the Group's banking business in Canada and of HSBC Argentina, as well as the planned sales of the German private bank business and the business in South Africa, such as the timing of classification as held-for-sale and the remeasurement of assets.
Financial and regulatory reporting	**Environmental, social and governance ('ESG') reporting** The Committee considered management's efforts to enhance ESG disclosures and associated verification and assurance activities, with a specific focus on the net zero transition plan and climate-related disclosures made in the Annual Report and Accounts 2024.	– The Committee considered ESG disclosures for the Annual Report and Accounts 2024 in detail, to ensure these were fair and balanced, and were also transparent on the challenges faced and aligned with the Group's progress in the embedding of sustainable and climate-related policies across the business. In addition, the committee reviewed the narrative relating to our net zero ambitions and targets and the planned annual net zero transition plan review.

Principal activities and significant issues considered during 2024 (continued)

Areas of focus	Key issues	Conclusions and actions
	Regulatory reporting The GAC monitored progress by management in delivering a sustainable control environment for regulatory reporting across the Group.	– The Committee reflected on the continued focus on the quality and reliability of regulatory reporting by the PRA and other regulators globally. – The Committee oversaw management's execution against the agreed remediation plans, and challenged management on the approach and timeframes to deliver accurate reporting submissions to the Group's global regulators. Discussions included a focus on shared dependencies across various Group-wide programmes, for example and in particular, data.
Control environment	**Sustainable control environment** The GAC oversaw the effectiveness of the internal control environment of the Group, including with regards to the requirements of US Sarbanes-Oxley Act. During the year, the remit of the GAC with regards to internal control was extended beyond financial reporting controls to include oversight of all internal controls.	– The Committee received regular updates on the control environment, and broader change framework, to review the impact on financial reporting and tax risk within the Group, with regular updates provided on IFRS 17 and Basel 3.1. – In these updates the Committee monitored the assessment of the financial reporting risk, tax risk and progress made on remediation of US Sarbanes-Oxley Act significant deficiencies. This oversight helped the Committee to understand the progress being made by management to set out strategic actions to remediate identified issues and uplift the control environment to enable a sustainable reduction in risk. – Management's updates were supplemented by further focus and assurance work from Global Internal Audit, including audits of significant programmes of activity during 2024. – The Committee oversaw the work to support the Group's oversight of internal controls, including the establishment and scope of responsibilities of the new Group Controls Oversight Office.
Regulatory change	**Basel 3.1 Reform** The GAC considered the implementation of the Basel 3.1 Reform and the impact on the capital requirements and RWA assurance. This was considered in the context of the strategy and structure of the balance sheet.	– The Committee received updates on the progress and impact of the Basel 3.1 programme on the Group, including following the publication by the PRA on 12 September 2024 of the second near-final policy statement and rules covering their implementation. – Management discussed the delayed implementation dates, ongoing uncertainty over the final definition of the rules by regulators, and the work undertaken to mitigate delivery risks given the concentration of delivery during 2024 & 1H25. The discussion highlighted the dependencies of the Basel 3.1 programme with data, models and subject matter resources. – The Committee reviewed the ongoing management of risks, issues and dependencies and challenged management to prioritise deliverables across each jurisdiction in line with regulatory timelines. The Committee discussions focused on ensuring, in each case, that the Group complied with the applicable minimum standards under the regulation.

Committee performance review

In 2024, the annual review of the performance of the Board committees, including the GAC, was conducted externally by IBE. On the basis of the review, directors concluded that the GAC continued to operate effectively.

Positive feedback was noted on the refreshed Committee composition, in particular the change of Committee leadership and the new practices and focus introduced, including on the control environment. The Committee will consider scheduling an extra meeting in 2025 to provide additional, dedicated time for discussion, given the range and complexity of topics under the Committee's remit. The review highlighted the continued importance of strong interaction between the GAC, GRC, and GTOC agendas, via the Committee Chairs, and this will continue to be an area of focus in 2025.

Further details of the annual review of the Board and Committee effectiveness can be found on page 257.

Group Risk Committee

"Managing the impacts of political change and policy volatility has been a key trend this year, with changes in governments globally, having economic and commercial implications for both the Group and the industry."

James Forese
Chair
Group Risk Committee

Membership

	Member since	Meeting attendance in 2024[1]
James Forese (Chair)	**Jun 2022**	**10/10**
Geraldine Buckingham[2]	**Jun 2022**	**8/8**
Dame Carolyn Fairbairn	**Sep 2021**	**10/10**
Steven Guggenheimer	**May 2020**	**10/10**
Kalpana Morparia[3]	**Jul 2020**	**8/8**
Eileen Murray[4]	**Oct 2024**	**2/2**
Brendan Nelson	**Sep 2023**	**10/10**
David Nish[5]	**Feb 2020**	**3/4**
Swee Lian Teo	**Oct 2023**	**10/10**

1 These included six scheduled meetings, two ad hoc meetings and two joint meetings, one with the Group Remuneration Committee and one with the Group Audit Committee.
2 Geraldine Buckingham stepped down from the GRC on 1 October 2024.
3 Kalpana Morparia stepped down from the GRC on 1 October 2024.
4 Eileen Murray was appointed to the GRC on 1 October 2024.
5 David Nish stepped down from the GRC on 3 May 2024. He was unable to attend one meeting due to a prior commitment.

Key responsibilities

The Group Risk Committee ('GRC') has overall non-executive responsibility for the oversight of risk-related matters and the risks impacting the Group. The GRC's key responsibilities include:

– overseeing and advising the Board on all risk-related matters, including financial and non-financial risks;
– advising the Board on risk appetite-related matters, and key regulatory submissions;
– reviewing the effectiveness of the Group's risk management framework and how effectively management is embedding and maintaining an effective risk management control system;
– reviewing and challenging the Group's stress testing exercises; and
– overseeing the Group's approach to conduct, fairness and the prevention of financial crime.

I am pleased to present the GRC report.

The GRC membership has been refreshed this year to ensure that the mix of skills and experience remains appropriate for the business of the Committee and due to the retirement of David Nish, who stepped down from the Committee in May after completing eight years of service with the Group. I would like to thank David for his contribution to the GRC as a valued member. Geraldine Buckingham and Kalpana Morparia stepped down from the GRC in order to join other Board Committees. Eileen Murray joined the GRC to complement her chair responsibilities for the Group Technology and Operations Committee.

From a macroeconomic perspective, the year has been characterised by a fluctuating interest rate outlook. There have been persistent concerns over potential 'hard landings' in major economies, and 'higher for longer' policy rate predictions gradually shifting to market expectations for more and rapid rate cuts, though with significant ongoing volatility and uncertainty. Managing the impacts of political change and policy volatility has been a key trend this year, with changes in governments having economic and commercial implications for both the Group and the industry. While performance in Hong Kong has improved, mainland China continues to experience a slow economic recovery. The Group's wholesale credit risk and retail credit risk portfolios remain resilient despite these challenges and the GRC has regularly reviewed portfolio performance throughout the year.

Financial risks have been well managed this year, and the GRC has continued to focus on treasury, capital and liquidity risk management activities, including dedicating time to its assessment of the internal capital adequacy assessment process ('ICAAP') and internal liquidity adequacy assessment process ('ILAAP'), which the GRC considers to be one of its primary responsibilities. This is alongside prudential sensitivity analysis and its recovery and resolution responsibilities. The Group made its Resolvability Assessment Framework public disclosure in August, receiving positive feedback from the Bank of England, which recognised the progress made and our success in remediating previously identified shortcomings. The Group Recovery Plan was submitted in June and we await feedback from the PRA.

Non-financial risk has necessitated considerable GRC attention this year. The fast-paced regulatory landscape has resulted in dynamic, and in many cases, increasing expectations from regulators around the world. With the ongoing conflict between Russia and Ukraine, navigating sanctions obligations has been an ongoing challenge, and the Israel-Hamas conflict poses a significant risk to security in the region, with associated potential customer, staff and operational impacts. With the publication of Supervisory statement 1/23 – 'Model risk management principles for banks' last year, the GRC has undertaken to better understand its responsibilities under the new regime, by challenging the revised Group policy and framework, and holding an education session to increase knowledge. The GRC supported management through an exercise to enhance the HSBC Risk Management Framework, which has resulted in several areas of improvement and brings us into line with industry best practice. The Committee has also considered updates to the Global Risk Appetite Framework and Group Risk Appetite Statement to promote more transparency and consistency across the Group. The Group continues to prepare for the PRA's regulatory requirements relating to Operational Resilience by improving its capabilities, identifying its vulnerabilities and undertaking an extensive programme of testing. Risk culture and its importance has also featured extensively throughout committee discussions, including the development and implementation of the Risk Culture Framework. Other areas of focus and challenge include the Group's data strategy and remediation programme, conduct and financial crime, technology and cyber risk, ESG and ongoing Risk Transformation programmes. As explained in the Report of the GAC on page 265, responsibility for oversight of all internal controls transitioned to the GAC during 2024.

Further details on these and other areas of GRC oversight during the year are set out below.

I am proud to have led the GRC this year and am pleased at the effective execution of its duties. I am confident the Committee remains well placed to discharge its responsibilities and provide valuable advice to the Board in 2025 and the future.

Committee governance

The Group Chief Risk and Compliance Officer, Group CFO, Group Chief Operating Officer, Group Chief Information Officer, Group Chief People & Governance Officer, Group Chief Legal Officer and Group Head of Internal Audit are standing attendees at GRC meetings. The Chair and members of the GRC also hold private meetings with the Group Chief Risk and Compliance Officer, the Group Head of Strategy and Corporate Development, the Group Head of Internal Audit and the external auditor, PwC, following scheduled GRC meetings.

The participation of our senior business leaders, including the Group CEO who attended five scheduled GRC meetings in 2024, and the chief executive officers of the three global businesses reaffirmed the ownership of, and accountability for, risks in the first line of defence.

Outside of formal meetings, the Chair meets regularly with the Group Chief Risk and Compliance Officer, and, where appropriate, members of senior management, to discuss priorities and track progress on key actions. The Chair also meets regularly with the GRC Secretary to ensure the GRC addresses its governance responsibilities. A summary of coverage is set out in the 'Matters considered during 2024' table.

Matters considered during 2024

	Jan[2]	Feb	Mar[2]	May	Jun	Jul	Sep	Dec
Holistic enterprise risk monitoring including Group risk profile[1]	◆	◆	◇	◆	◆	◆	◆	◆
Risk framework and policies	◆	◇	◇	◇	◇	◆	◇	◇
Treasury and traded risk	◆	◆	◆	◆	◆	◆	◆	◆
Wholesale/retail credit risk	◇	◆	◇	◆	◆	◆	◇	◆
Financial reporting risk	◇	◆	◇	◇	◇	◆	◇	◇
Resilience risk (including IT and operational risk)	◇	◆	◇	◆	◆	◆	◆	◆
Financial crime risk	◆	◆	◇	◆	◇	◆	◆	◆
People and conduct risk	◇	◇	◇	◆	◇	◆	◇	◆
Regulatory compliance risk	◇	◆	◆	◇	◇	◆	◆	◆
Legal risk	◇	◆	◇	◇	◆	◇	◆	◆
Model risk	◇	◇	◆	◆	◇	◆	◇	◆
Climate risk	◇	◆	◇	◇	◇	◆	◆	◆
Strategic risk	◇	◆	◇	◆	◇	◆	◆	◆

◆ Matter considered ◇ Matter not considered

1 The GRC receives updates on all risk types through the Group risk profile, which is presented to all regular meetings.
2 The January and March meetings are ad hoc meetings with a reduced agenda.

How the Committee discharged its responsibilities

Activities outside formal meetings

The GRC held a number of meetings outside its regular schedule to facilitate deeper and more effective oversight of the risks impacting the Group. Areas covered included ICAAP and ILAAP preparations, interest rate risk in the banking book, operational resilience and model risk management, as well as briefings on the Resolvability Assessment Framework and the Group Risk Appetite Framework. Further details of these sessions are included in the 'Principal activities and significant issues considered during 2024' table starting on page 273.

Connectivity with principal subsidiary risk committees

During 2024, the GRC continued to actively engage with principal subsidiary risk committees through the scheduled participation of principal subsidiary risk committee chairs at relevant GRC meetings, and through regular connectivity meetings with the principal subsidiary risk committee chairs. These meetings are also attended by the Group Chief Risk and Compliance Officer. This participation and connectivity promoted the sharing of information and best practices between the GRC and principal subsidiary risk committees, as well as encouraging director relationships. Principal subsidiary risk committee chairs were invited to attend a joint meeting between the GRC and the GAC in order that a consistent message on changes to committee responsibilities with regards to internal controls was received.

The GRC has also received certifications from the principal subsidiary risk committees, confirming that management had been challenged on the quality of the information provided, the committees had reviewed the actions proposed by management to address any emerging issues and that risk management and internal control systems had been operating effectively.

These interactions furthered the GRC's understanding of the risk profile of the principal subsidiaries, leading to more comprehensive review and challenge by the GRC.

Collaborative oversight by the GRC, GAC, Group Technology and Operations Committee ('GTOC') and Group Remuneration Committee ('RemCo')

The GRC worked closely with the GAC and the GTOC to address any areas of significant overlap, and to oversee risk and controls more comprehensively through inter-committee communications and joint meetings.

The GRC and the GAC convened on one occasion to consider a range of issues, including changes being made to how each committee manages and oversees internal controls.

The GRC and GTOC worked closely to ensure appropriate alignment in the review, discussion, challenge and conclusions on topics including risk and control issues relating to digital assets and currencies, the Group's data strategy, artificial intelligence and cybersecurity. This ensured that the committees benefited from each other's expertise and challenge.

Coordination between the GRC, GAC and the GTOC is supported by cross-membership. The GRC Chair attends the GAC, the GTOC Chair attends the GRC, and the GAC Chair attends both the GTOC and GRC, strengthening connectivity and the flow of information between the committees.

The GRC and Group RemCo work collaboratively to consider risk adjustment to the variable pay pool as part of the Group reward process, given the integral nature of risk management to the Group's performance culture. This year, the committee has also considered improvements to the Risk and Reward framework.

Principal activities and significant issues considered during 2024

Risk areas	Key issues	Conclusions and actions
Holistic enterprise risk monitoring, including Group risk profile	Macroeconomic, geopolitical and other emerging risks have the potential to present significant challenges to revenue growth, operational resilience and our commitment to serve customers and local markets.	– The GRC closely monitored geopolitical and macroeconomic risks that could impact the Group's strategy, business performance or operations. These risks were exacerbated by ongoing conflict between Russia-Ukraine, the Israel-Hamas conflict and rising political tensions between the US and China. The resulting sanctions risk from these events has required significant focus and oversight by the Committee. While market sentiment and economic growth had been more positive than forecast, the real estate sector continued to experience pressure, particularly in mainland China and Hong Kong. – The GRC continued to track top and emerging risks, our risk appetite and other management information metrics, as well as other early warning measures to understand sensitivities and the likelihood of the potential impact to our operations, customers and stakeholders. The GRC provided oversight and challenge of a robust book of strategic management actions to respond to potential downside scenarios. – The GRC requested reports on the risk profile of key business areas in local geographies and invited principal subsidiary chairs and relevant management to attend and participate in discussions.
Risk framework and policies	Effective risk management policies, frameworks, appetites and thresholds, and oversight of these, are essential for HSBC to safely, consistently and sustainably support customers, manage risk and deliver strategic aims.	– The Group has a risk appetite statement to define risk appetite and tolerance thresholds, which forms the basis of the risk management procedures for the first and second lines of defence, the Group's capacity and capabilities to support customers, and the achievement of strategic goals. The GRC maintained oversight of the Group's risk appetite framework, reviewing changes to the Group's risk appetite statements and recommending these to the Board for approval. This year's update to the risk appetite statement was focused on providing essential coverage of the key risks facing the Group and setting thresholds that reflected its desired risk profile for these risks. A review of the Group risk appetite framework was also undertaken to assess the dimensions of the framework and consider principles and approaches to support effective and consistent appetite setting for the Group's broader business strategy. Areas of proposed improvement included: expanding assessments against appetite to an evaluation-based risk appetite that considers the entire risk profile; and enhancing Board-level overall statements to explicitly define the Group's targeted appetite and the risks outside of appetite or tolerance, as well as qualitative context. – The GRC met with the Group Chief Risk and Compliance Officer and the Global Head of Enterprise Risk Management individually to ensure clarity and understanding of the changes being proposed, and how the improved design would support better outcomes for the Group. The framework has been validated by Oliver Wyman and brings the risk appetite framework into line with industry peers. – The GRC also reviewed and approved proposed annual updates to HSBC's Risk Management Framework, providing a standardised, Group-wide approach to the identification, treatment and reporting of risk.
Treasury risk	It is essential that capital and liquidity risk is monitored effectively, and the Group takes active steps to maintain its capital and liquidity positions. Regular stress testing is undertaken to ascertain the Group's operation when under stress. Developing action plans and guardrails to cover scenarios of recovery or resolution at a subsidiary or Group level is an essential part of HSBC's prudential management.	– The Group proactively tracks and maintains safeguarding of its capital and liquidity positions. It performs internal and regulatory stress tests to measure resilience and performance against a range of stress scenarios, and to challenge the strategic management actions that could be applied against anticipated stress events and headwinds. – The GRC conducted its annual review and challenge of the Group's ICAAP and ILAAP, and provided its recommendation to the Board for approval. The GRC continued to monitor Interest Rate Risk in the Banking Book ('IRRBB') sensitivity, structural hedging strategy and the ongoing activities to develop the Group's capabilities for internal reporting and enhanced external disclosures. An education session on IRRBB was held in April to provide the Committee with the Group's latest position, context around the regulatory feedback and an overview of the different components of IRRBB. – The GRC reviewed the Group's ongoing activities to identify, manage and mitigate treasury, capital and liquidity risks, including early warning indicators, sensitivity analysis, capital and liquidity reporting and adequacy. – In relation to stress testing exercises, the GRC reviewed the Group Recovery Plan stress scenarios in March and September. The GRC also considered the Group-wide internal stress test, scenarios and outputs, which contribute to the Group's commitment to regularly test the resilience of the balance sheet and profit and loss under multiple scenarios of varying severity. An internal climate scenario analysis was undertaken, with results presented in February 2024. – As part of its regulatory obligations, the Group is required to show how its recovery and resolution strategies could be executed effectively and identify any risks to successful implementation. The GRC continued its oversight of the Group's progress in maintaining and developing its capabilities under the Bank of England's requirements for resolvability. The GRC has been regularly updated on the Group's implementation of the PRA's Trading Activity Wind Down requirements in preparation for the March 2025 deadline, which will require the Group to have implemented a set of capabilities that will allow the execution of a full or partial wind down of its trading activities in an orderly fashion. In March 2024, the GRC reviewed the Resolvability Assessment Framework public disclosure and made a recommendation to the Board for approval. In June 2024, management presented the 2024 Group Recovery Plan ahead of its submission to the PRA in June. The plan was also recommended to the Board for approval. The Chairs of the GRC and the GAC both received comprehensive briefings prior to the presentation of both submissions.

Principal activities and significant issues considered during 2024 (continued)

Risk areas	Key issues	Conclusions and actions
Model risk	HSBC can face risks from inappropriate or incorrect business decisions arising from the use of models that have been inadequately designed, implemented or used, or do not perform in line with expectations and predictions.	– The GRC has had significant engagement on model risk management due to the release of Supervisory Statement (SS) 1/23 – 'Model risk management principles for banks' in 2023, and the required remediation in order to be in compliance with the PRA's new expectations. The GRC has overseen revisions to the model risk policy and framework, plus the self-assessment exercise required by the statement. In addition, a separate education session was held in July, providing an in-depth overview of model risk, how models are used within the business, and with a specific focus on Wholesale IRB Models and the data challenges.
Resilience / Operational risk	A failure in resilience could lead to a situation where HSBC customers might suffer significant disruption to services or loss of data. Technology risks (including cybersecurity) could cause unmanaged disruption to any IT system within HSBC, as a result of malicious acts, accidental actions, poor IT practice, or IT system failure.	– The GRC continued its oversight of the Group's implementation of operational resilience capabilities in line with PRA and FCA policies. The GRC reviewed and challenged the operational resilience self-assessment against regulatory expectations and was briefed on the methodology used to identify vulnerabilities from the mapping and testing of Important Group Business Services and Entity Important Business Services in line with regulatory policy. An additional briefing session on operational resilience was held in June to prepare the Committee for the self-assessment in June. – The GRC regularly reviewed reports on the Group's technology risk profile, as well as receiving updates on cybersecurity risk. Reports have focused on the risk and control environment, as well as the current threat landscape and emerging risks. The GRC will continue to work with the Group Technology and Operations Committee to consider the risks and opportunities in the use of AI (generative and advanced) and digital assets and currencies in 2025. – The GRC continued with its strong focus on understanding the Group's data risk landscape, its data strategy and data management programme. This has included the tracking of progress made against the Group's data execution programme and timelines are being monitored closely. – Third-party risk management received additional focus this year in light of a number of external incidents that had largely occurred due to the failure of third-party vendors. The GRC will continue this focus into 2025, working closely with the GTOC.
Wholesale/ retail credit risk	HSBC faces risk from the possibility of losses resulting from the failure of a counterparty to meet its agreed obligations to pay the Group. The commercial real estate sector has presented unique challenges for the wholesale credit risk portfolio, particularly for office properties.	– The GRC received briefings on the macroeconomic and policy landscape impacting credit risk, both retail and commercial, and reviewed updates on the strategy and approach to managing credit risk and credit risk capabilities. The GRC received regular updates on the Group's expected credit losses and provisions, and the credit risk arising from the wholesale portfolio and mortgage books. Throughout the year, the GRC focused on building even stronger credit capabilities for specialty sectors, including the continued implementation of the Country and Industry components of the Credit Risk Appetite Framework. – The GRC challenged on changes made to the Commercial Real Estate cap to ensure adequate control of the business, given commercial real estate is the largest corporate sector concentration in the wholesale portfolio. – The GRC had oversight of the development of stronger portfolio management capabilities and further improving the Group's credit risk culture. A key focus area continued to be maintaining appropriate tools and treatments available to our customers to support anyone experiencing financial difficulty, having the right people available to give the right advice and ensuring that conduct and good customer outcomes are first priorities.
Financial reporting risk	HSBC is exposed to risks where controls supporting the reporting of its financial statements are not effective, resulting in material error or misstatement	– While the GAC has primary responsibility in relation to internal control systems (including financial controls), with further detail on page 265, the GRC receives reports on entity level control assessments to enable the oversight of the effectiveness of such controls in support of the Group's financial reporting.
Financial crime risk	There is a risk that HSBC's products and services could be exploited for criminal activity, including fraud, bribery and corruption, tax evasion, sanctions and export control violations, money laundering, terrorist financing and proliferation financing. Insider threat also presents the risk that an individual with access to bank data, systems, infrastructure or finances could use that access to intentionally cause harm to the bank and its customers.	– The GRC was updated regularly on the operation and effectiveness of the systems and controls pertaining to financial crime risk across geographies and businesses. This included reviewing updates to the Group's financial crime policy, enhancing the approach to insider risk, and monitoring the fraud landscape and strategies for managing fraud risk. – Specific updates on Russia sanctions have been necessary with the ongoing conflict between Russia and Ukraine, in particular due to the increasing severity of US sanctions and the Group's unique global position in many of the affected markets. The GRC has been appraised of all management engagement with local governments and regulators in impacted regions. – The GRC increased their focus on Insider Threat, as HSBC's inherent risk has increased due to factors including cost-of-living challenges and inflation affecting markets, the potential impact of restructures on staff morale, and the inherent risks associated with growth.

Principal activities and significant issues considered during 2024 (continued)

Risk areas	Key issues	Conclusions and actions
People and conduct risk	People are central to everything HSBC does and it is essential to manage the risk of not having the right people with the right skills, and to ensure staff always have the customer's interest at the forefront. Monitoring of conduct outcomes is integral to ensuring the needs of our customers are adequately met.	– The GRC considered people risk issues with a focus on capacity, capability, culture and conduct. It also considered remuneration risks, and strategies to retain talent and acquire new capabilities in key areas, with a particular focus on approaches to maintain low attrition rates. – The GRC now considers an Annual Conduct Update, further to the implementation of the Purpose Led Conduct Framework in 2023. – The GRC and Group RemCo met in September to consider improvements to the Risk and Reward framework. The proposed changes support better understanding of the risk factors used to drive performance assessments and how judgements made align to the application of the Risk Modifier. – The GRC met in November to review the Group's risk and reward alignment framework to promote sound and effective risk management in meeting PRA and FCA remuneration rules and expectations.
Regulatory compliance risk	As a result of operating in multiple jurisdictions globally, HSBC is exposed to risks associated with inappropriate market conduct or breaching related financial services regulatory standards or expectations.	– The GRC and its members actively engage with regulators and act on feedback. The Committee closely monitors the progress of regulatory remediation activities, with support from the Group Chief Risk and Compliance Officer as well as principal subsidiary risk committee chairs. Throughout the year, the GRC had oversight over reports providing feedback from regulators, including a summary of regulatory deliverables to ensure HSBC remains in line with regulatory standards and expectations. – The GRC also considered the 'Statement of Compliance' exercise, which is an assessment of Significant Regulatory Matters undertaken for principal subsidiary CEOs, providing an opinion as to how well managed these are and where gaps may exist. Further to a pilot undertaken in Mexico, this approach is now being rolled out across all principal subsidiaries.
Legal risk	HSBC is exposed to the risk of financial loss, legal or regulatory action resulting from contractual risk, dispute management risk, breach of competition law or intellectual property risk.	– The GRC oversees and receives regular updates on key legal developments and material legal issues from the Group Chief Legal Officer. The updates also cover material litigation and regulatory enforcement matters and an overview of the legal risk profile of HSBC.
Climate risk	Environmental, social and governance risks present significant risks to organisations both in terms of their own operations and how they engage with stakeholders and communities.	– The GRC remained focused on climate risk and greenwashing risk. The GRC received reports on climate risk management and sustainability risk policies, while maintaining oversight of delivery plans and risk appetite breaches to help ensure that the Group continues to develop and maintains robust climate risk management capabilities. Reputation risk considerations have also formed part of these discussions. – The GRC approved the 2024 internal climate scenario analysis in February 2024. The outcomes will be used to respond to multiple regional regulatory climate exercises as well as meeting regulatory expectations on incorporating climate change within the Group's strategic plans and ICAAP.

Committee performance review 2024/2025

In 2024 the annual review of the performance of the Board Committees, including the GRC, was conducted externally by IBE. On the basis of the review, Directors concluded that the GRC continued to operate effectively.

Areas for enhancement were identified, including the need for: continued focus on paper quality and content to increase focus on the most significant enterprise and emerging risks; ongoing refinement of the GRC agenda to streamline and enable greater attention to strategic risk areas; continued additional educational and 'deep dive' sessions outside of the formal schedule of meetings to allow for greater debate, insights and learnings, coupled with other mechanisms to guide the scheduled Committee discussions; ongoing work with Management to ensure effective and timely follow up to Committee challenge. The collaboration across the GRC, GAC and GTOC agendas, via the Committee Chairs, will continue in 2025.

The outcomes of the performance review have been reported to the Board, and the GRC will track the progress in implementing recommendations during 2025.

Further details of the annual review of the Board and Committee effectiveness can be found on page 257.

Focus of future activities

The GRC's focus for 2025 will include the following activities:

- to continue to monitor the effective delivery of risk transformation programmes and to seek assurance that the enhanced capabilities have been fully embedded into the business;
- to support the continued enhancement of the Group's risk appetite and risk management frameworks further to the improvements made in 2024, particularly in light of continued geopolitical and macroeconomic headwinds;
- to continue to assess the Group's operational resilience capability and to track the completion of the programme of work required by the PRA rules coming into effect in March 2025;
- to continue to support and challenge the remediation activities identified to enhance Model Risk Management capabilities in line with SS 1/23;
- to continue to oversee treasury risk to strengthen our capital and liquidity management capabilities;
- to continue the oversight of recovery and resolution planning activities to assess our capabilities if such a situation arises, with particular focus on our Trading Activity Wind Down obligations;
- to monitor delivery against our climate ambitions and the development of appropriate data and model management tools and capabilities; and
- to continue to oversee financial crime risk and the strengthening of the financial crime control framework, including proactive management by the business.

Group Technology and Operations Committee

"The Committee oversees all aspects of the Group's technology and operations strategies, which enable the efficient provision of resilient, sustainable, and innovative products and services to our customers."

Eileen Murray
Chair
Group Technology and Operations Committee

Membership

	Member since	Meeting attendance in 2024[1]
Eileen Murray (Chair)	**Mar 2024**	**7/7**
Steven Guggenheimer	**Mar 2024**	**7/7**
Kalpana Morparia[2]	**Mar 2024**	**6/7**
Brendan Nelson	**Mar 2024**	**7/7**
Swee Lian Teo	**Mar 2024**	**7/7**

1 These included seven scheduled meetings.
2 Kalpana Morparia was unable to attend the November meeting due to a prior commitment.

Key responsibilities

The GTOC has overall responsibility for the oversight of HSBC's technology and operations strategies and alignment with the overall HSBC Group strategy, including global business and global function priorities. The GTOC's key responsibilities include:

– reviewing, challenging, and making recommendations to the Board on technology strategy and related matters;
– overseeing HSBC's data strategy and framework;
– overseeing HSBC's cybersecurity strategy and framework; and
– overseeing HSBC's global operations, including payments, procurement, corporate real estate and operational resilience.

I am pleased to present the first report of the Group Technology and Operations Committee ('GTOC'), which was established in March 2024 as the Group Technology Committee with the responsibility for oversight of execution against the Group's Technology strategy. In December 2024, the remit of the Committee was extended to also cover global operations, including payments, procurement, corporate real estate, and operational resilience, reflecting changes to the Group organisational structure and the importance of operations to delivery of the Group's strategy. I would like to thank Steve Guggenheimer, Kalpana Morparia, Brendan Nelson and Swee Lian Teo, all of whom joined the Committee alongside me in March. Each director has brought their unique skills, experience and perspectives to the matters we have spent time on.

Since our first meeting in March 2024, a key area of oversight and focus has been oversight of the enterprise-wide programme established to simplify the Group's technology infrastructure, enhance system resilience, and accelerate digital transformation across the bank. The GTOC has challenged management on its plans and prioritisation and has overseen progress in execution of what is a multi-year deliverable, seeking assurance from Risk and Global Internal Audit on the robustness of the approach.

The GTOC has worked closely with management since its inception to reinforce and enhance the guardrails supporting technology investments and transformation, the tracking of benefits and outcomes, and to enhance accountability for delivery. It has received updates on key projects and programmes, and has considered the technology deliverables within our payments, core banking, and global private banking and wealth strategies.

The GTOC has also received regular updates on management's programme to meet regulatory deliverables and address technology-related risk and control matters and we have again challenged the approach to prioritisation and delivery timelines.

Other areas of focus for the GTOC during the year have included the Group's data and cybersecurity programmes. We provided input and challenge to management's remediation plans and efforts to enhance technology, cybersecurity, and data metrics and key performance indicators. We also considered the innovation agenda, including opportunities in respect of artificial intelligence and digital assets.

To support engagement and connectivity across the Group on key technology matters, I invited observers from each of the four largest principal subsidiaries to join the GTOC meetings. We held two subsidiary-focused meetings during 2024, with a focus on operational resilience, including data and third-party risks. We discussed regulatory regimes across the different markets, progress against agreed timelines, challenges to meet expectations, and dependencies on Group-level programmes and deliverables.

In October 2024, the GTOC hosted a training session to which all Board members were invited, to hear external insights and perspectives on third-party suppliers, including key risks and trends.

Further details on these and other areas of GTOC oversight during the year are set out below.

Committee governance

The GTOC operates under delegated authority from the Board and advises the Board on matters concerning the Group's technology and operations strategies and related matters. The GTOC Chair reports on the key matters and discussions at the subsequent Board meeting, and the Board also has access to the GTOC papers and receives copies of meeting agendas and minutes.

The Group Chief Information Officer, Group Chief Operating Officer, Group Chief Risk and Compliance Officer, Global Head of Enterprise Risk Management, Group CFO, Group Head of Internal Audit, and the external auditor are standing attendees at GTOC meetings. The Chair and members of the GTOC also hold private meetings with the Group Chief Information Officer, Group Chief Operating Officer, Group Chief Risk and Compliance Officer, and Group Head of Internal Audit, as required.

The GTOC Chair meets regularly with the Group Chief Information Officer and Group Chief Operating Officer and other members of senior management, to discuss priorities and track progress on key actions. The Chair also meets regularly with the GTOC Secretary to ensure the GTOC addresses its governance responsibilities. A summary of coverage is set out in the 'Matters considered during 2024' table.

Matters considered during 2024

	Mar	May	Jun	Jul	Sep	Nov	Dec
Technology	◆	◆	◆	◆	◆	◆	◆
Investment and transformation	◆	◆	◆	◆	◆	◆	◆
Resilience	◆	◆	◆	◆	◆	◆	◆
Innovation	◇	◇	◆	◇	◆	◇	◆
Cybersecurity	◇	◆	◆	◆	◆	◆	◆
Data	◇	◆	◇	◆	◆	◇	◆
Resource and capability	◇	◇	◇	◆	◇	◇	◇

◆ Matter considered ◇ Matter not considered

How the Committee discharged its responsibilities

Engagement outside formal meetings

The GTOC Chair held several meetings outside its regular schedule to facilitate deeper and more effective oversight of all key topics under its remit. The Chair regularly met with key stakeholders, including executives, programme sponsors, second and third line of defence, and independent third parties.

On 16 October 2024, KPMG held an education session on Third Party Management for the HSBC Holdings Board covering industry insights, trends, and the regulatory landscape. Further details of this and similar sessions are included in the 'Principal activities and significant issues considered during 2024' table starting on page 277.

Connectivity with principal subsidiaries

Board members representing the four principal subsidiaries (UK, Asia, Europe and the US) are invited to attend the GTOC. As described above, two additional 'GTOC - Principal Subsidiaries' meetings were held covering Operational Resilience (resiliency challenges, regulatory requirements and action plans to address resilience issues).

Collaborative oversight by the GTOC, GRC and GAC

The GTOC worked closely with the GRC and the GAC to address any areas of significant overlap, and to oversee technology more comprehensively through inter-committee communications.

The committees worked closely to ensure appropriate alignment in the review, discussion, challenge, and conclusions on topics including technology, cybersecurity, data and innovation. This ensured that the committees benefited from each other's expertise and challenge.

On 16 September 2024, members of the Group Technology, Group Risk and Group Remuneration Committees met to consider proposed changes to HSBC's risk and reward alignment framework and to promote accountability for technology deliverables.

Coordination between the GTOC, GRC and the GAC is supported by cross-membership. The GTOC Chair attends the GRC, the GRC Chair attends the GAC, and the GAC Chair attends both the GTOC and GRC, strengthening connectivity and the flow of information between the committees.

Principal activities and significant issues considered during 2024

Area of focus	Key issues	Conclusions and actions
Technology strategy	There is Group-wide focus to implement the technology strategy. This requires clarity and alignment of priorities and collaboration across businesses, functions, and markets to deliver the most critical initiatives.	– The GTOC regularly reviewed and challenged updates in relation to the technology strategy and the programmes in place to deliver. The committee oversaw and requested more granularity on timelines, the prioritisation approach, key risks, dependencies and challenges. – Additionally, the GTOC challenged that focus, funding and resource was being applied to enable the execution timelines to be met and requested assurances from Risk and Global Internal Audit on the robustness of the approach and progress being made.
Technology strategy: management information and KPIs	The Board and Board Committees rely on quality management information, KPIs and metrics to effectively oversee the areas under their remit.	– The GTOC provided detailed feedback and insights on work to refine Board level metrics to ensure strong governance and accountability across technology, cybersecurity and data. Discussions included the calibration of quantifiable triggers and tolerance levels.
Investment and transformation	A number of significant programmes with material technology components have been subject to replanning and/or did not deliver the benefits expected.	– The GTOC challenged management on the quality of business cases and provided inputs to the enhanced investment case framework, which has been refined to require: – articulation of risks and dependencies to ensure that these are well understood by management, and appropriately considered; – detailed insights on the opportunity and peer insights; and – accurate and informed cost estimations.
Investment and transformation: Global Payments Solutions	Payments is a significant proposition for HSBC and is subject to an ongoing investment programme.	– The GTOC provided oversight of the Global Payments Solutions strategy, including the risk profile, effectiveness of the control environment, investment and expected benefits, and alignment of the current technology stack to the desired target state architecture.

Principal activities and significant issues considered during 2024 (continued)

Area of focus	Key issues	Conclusions and actions
Investment and transformation: Global Private Banking and Wealth	GPB and Wealth is a significant proposition for HSBC and is subject to an ongoing investment programme.	– The GTOC provided oversight of the Global Private Banking and Wealth strategy, including the risk profile, effectiveness of the control environment, investment and expected benefits, and alignment of the current technology stack to the desired target state architecture.
Resilience	Operational resilience is a key priority for HSBC	– The GTOC regularly discussed actions being taken to improve resiliency, including work to simplify the technology estate and to enhance controls to reduce service interruptions impacting customers. – In view of our reliance on services provided by third parties, the GTOC also reviewed the third-party risk management framework that is in place to monitor associated risks and identify and implement mitigating actions, and provided oversight of third-party related topics in relation to: regulatory feedback/trends; technology and cybersecurity resilience; third-party security risk; spend and usage – In addition, committee members met with principal subsidiaries to discuss resiliency challenges, regulatory requirements, and action plans to address resilience issues.
Innovation strategy	While AI, and particularly generative AI, is likely to provide much opportunity for the bank, the risks need to be understood and managed appropriately.	– The GTOC has reviewed strategies to leverage the opportunities presented by innovation and new technologies, including in relation to digital assets and generative AI. These discussions set clear expectations with regard to risk, control and governance frameworks, enhancements (where required) and associated funding needs.
Cybersecurity	Cybersecurity remains one of the most significant risks faced by the financial services industry.	– The GTOC provided oversight of cybersecurity; receiving regular updates from the Group Chief Information Officer and Group Chief Information Security Officer relating to: key controls; service and resilience; the external threat environment; enhancements to metrics; and progress updates on key programmes. The Committee also discussed the impacts of cyber issues experienced by suppliers and challenged management on what additional actions could be taken to mitigate those risks. – The GTOC reviewed and challenged regular updates on the cybersecurity programme, including specific focus on the results of an industry-wide peer review and the timelines for ongoing enhancements to the cyber risk and control framework.
Data	Significant work is ongoing to develop the Group's data strategy and deliver the data remediation programme.	– The GTOC requested several specific updates on the Group's data remediation programme, including on progress made, and challenges encountered, to meet regulatory commitments. Additionally, the Committee challenged to understand the assessment of the control landscape, residual risk and plans to mitigate, both short and long term. The GTOC challenged management to articulate a clear data strategy, and this will remain an area of material focus in 2025. – The Committee demonstrated oversight of the key priorities to implement improvements to the integrity of regulatory reporting; enhance data quality measures across priority processes; and meet regulatory commitments.
Resource and capability	Having the right skills and resources is critical to achieving our strategic ambitions.	– The GTOC reviewed management's technology people and capability plans. Key resources, dependencies on subject matter experts, and future skills needs were also considered in respect of programme updates.

Committee performance review

In 2024 the annual review of the effectiveness of the Board committees, including the GTOC, was conducted externally by IBE. On the basis of the review, directors concluded that the GTOC was operating effectively.

Positive feedback was noted on the leadership of the GTOC Chair, the quality of information received, and the responsiveness of management in relation to the topics of focus during 2024. The review highlighted the importance of continued connectivity between the Board Committees, in particular the GTOC and GRC given the overlap of issues within their respective remits.

Further details of the annual review of the Board and Committee performance can be found on pages 257 to 258.

Focus of future activities

The GTOC's focus for 2025 will include the following activities:

- Oversight and review of the Group's global operations strategy, including payments, procurement, corporate real estate and operational resilience;
- continued oversight and review of the Group's technology strategy, cybersecurity strategy and related matters;
- continued oversight of key transformation programmes, with a particular focus on accountability;
- continued focus on data remediation activities and management's articulation of its data strategy, and the monitoring of progress to execute;
- continued focus on the resilience of services; and
- continued consideration of technology innovation initiatives and how these might be leveraged in support of the Group strategy.

Directors' remuneration report

"Our new remuneration policy will support the delivery of our strategy and materially strengthen the alignment between performance, pay and shareholder interests."

Dame Carolyn Fairbairn
Chair
Group Remuneration Committee

Membership[1]

	Member since	Meeting attendance in 2024
Dame Carolyn Fairbairn (Chair)	**Sep 2021**	**9/9**
Geraldine Buckingham	**Jun 2022**	**9/9**
Rachel Duan	**Sep 2021**	**9/9**
Ann Godbehere	**Sep 2023**	**9/9**
José Antonio Meade Kuribreña	**May 2021**	**9/9**
Kalpana Jaisingh Morparia[2]	**Oct 2024**	**2/2**
Eileen Murray	**May 2023**	**9/9**

1 All members of the Committee are independent non-executive Directors of HSBC Holdings plc.
2 Kalpana Jaisingh Morparia joined the Committee on 1 October 2024.

Key responsibilities

The Committee's key responsibilities include:

– making recommendations to the Board, for approval by shareholders, on the Group's remuneration policy;
– setting the overarching principles, parameters and governance framework of the Group's remuneration policy;
– approving the remuneration of executive Directors and other senior Group employees; and
– regularly reviewing the effectiveness of the remuneration policy of the Group and its subsidiaries in the context of strategy, culture, conduct and effective risk management.

All disclosures in the Directors' remuneration report are unaudited unless otherwise stated. Disclosures marked as audited should be considered audited in the context of financial statements taken as a whole.

Dear shareholders,

I am delighted to present our 2024 Directors' remuneration report on behalf of the members of the Group Remuneration Committee (the 'Committee'). I would like to thank Geraldine Buckingham for her valued contribution and to welcome Kalpana Morparia.

I also thank you, our shareholders, for your support of our remuneration resolutions at the 2024 Annual General Meeting ('AGM'). Our implementation of the current Directors' remuneration policy and our resolution to provide the Committee with discretion to set an appropriate variable to fixed pay ratio received respectively over 97% and 99% of votes cast in favour.

The most significant item on the Committee's agenda this year was the review of the Directors' remuneration policy. The changes and supporting rationale are set out over the following pages. We present the formal policy for shareholder approval before describing the key remuneration decisions for our executive Directors for 2024, our approach to wider workforce reward and Committee governance. Further information and disclosure is provided at the end of the report to meet our reporting obligations in the UK and Hong Kong.

2025 executive Director remuneration policy

Commencing in 2023, the Committee undertook a detailed review of the executive Directors' remuneration policy to ensure it remains appropriate given the size and complexity of the Group, the talent market in which we compete and regulatory and best practice developments.

We extensively engaged with major shareholders, representing 65% of those who voted at the 2024 AGM, and proxy advisory bodies. Shareholders were supportive of the proposals and understood the rationale for change. We received valuable feedback on our disclosure, which we have covered within this report. Our discussions focused on the need for stretching performance targets, and some individual shareholders had feedback on specific performance measures. The Committee carefully considered all feedback received, which has directly influenced final proposals.

Context for the review and overall remuneration structure

In 2014, as a result of European legislation (CRD IV), the Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA') introduced a 2:1 cap on the ratio between variable and fixed pay for material risk takers ('MRTs'). In response to this change, in line with other global banks operating in Europe, we introduced Fixed Pay Allowances ('FPAs') so that HSBC could balance being competitive on a total compensation basis and complying with the remuneration rules.

For our executive Directors, we converted part of their variable pay opportunity (annual incentive of 300% of salary and long-term incentive of 600% of salary) into new FPAs at an effective discount of 50% to reflect the greater certainty of fixed pay. The change materially weakened the link between performance and pay and reduced the maximum total remuneration opportunity from £13,125,000 to £10,725,000 for the Group CEO and from £7,350,000 to £6,000,000 for the Group CFO. The total opportunity has remained largely unchanged over the last decade, despite subsequent changes to the Directors' remuneration policy and changes in incumbents and scope of the Group CFO role.

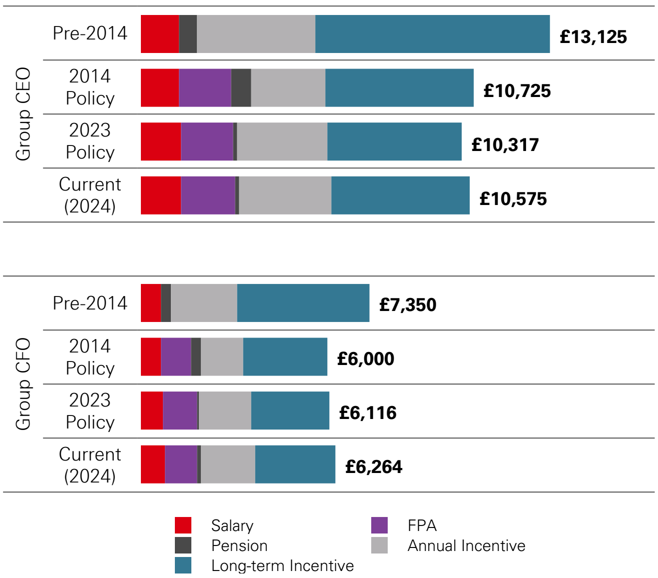
Over several years, the Committee has expressed concerns that the 2:1 cap was having a material impact on the competitiveness of the executive Director remuneration opportunity at HSBC versus international peers.

Now that the 2:1 variable to fixed pay ratio has been removed by UK regulators, the Committee feels it is the right time to return to a remuneration structure with a higher proportion of variable pay linked to performance that is more closely aligned to the experience of our shareholders. This will also help address compression between the total compensation of our executive Directors and some of our Group Operating Committee roles.

We have received strong support from shareholders for our existing policy over many years, which we discussed in our recent engagement. In determining the new policy, the Committee considered several different incentive structures, recognising the diversity in approach among our global peers. This included more complex models such as hybrid structures, the use of restricted stock and retaining part of the FPA. These were ultimately rejected in the interests of simplicity and transparency, and a fundamental desire for pay to be linked to performance and shareholder value creation.

The Committee concluded that the current framework of an annual incentive and single performance-based long-term incentive is most appropriate. It is a simple and well understood structure and supports the delivery of our strategy and alignment with performance through the cycle.

Evolution of our maximum opportunity over time (£000)



We propose to reverse the changes made in 2014 to increase the proportion of pay linked to long-term performance. This means removing FPAs in their entirety and resetting the maximum variable pay opportunity to 900% of salary, split between 300% in annual incentive and 600% in long-term incentive (‘LTI’).

At this level, the LTI enables the Committee to target an appropriate maximum opportunity relative to peers with significantly less reliance on fixed pay. Specifically, the proposed structure reduces fixed pay by 49% for the Group CEO and 51% for the Group CFO.

The Committee considered a lower maximum LTI opportunity for the Group CFO but decided against this, reflecting on the relative complexity of the Group CFO role at HSBC compared to other listed peers in the FTSE 30, practice at international banks, and internal pay compression. We tested this with shareholders during our engagement who were largely supportive of the approach.

In line with current market practice and in direct response to investor feedback, we propose to increase the shareholding guideline to equal the LTI opportunity of 600% of salary for both the Group CEO and Group CFO.

The Committee also intends to implement a post-employment shareholding guideline in line with Investment Association guidelines, which will apply for two-years post cessation of employment.

Overall, the structure ensures that a significant portion of pay is tied to the creation of long-term, sustainable shareholder value.

Shareholders we spoke to were supportive of the principle and simplicity of returning to our 2014 structure, reducing reliance on fixed pay and increasing the proportion of variable pay.

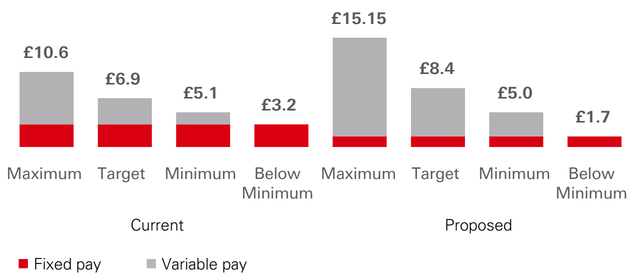
2025 total remuneration opportunity

The Committee reflected on the appropriate maximum opportunity for the Group CEO and Group CFO considering (i) the maximum opportunity in 2014; (ii) market data for our international banking peers and the largest FTSE 30 companies; and (iii) internal pay compression challenges with members of the Group Operating Committee.

After considering these factors, which are described further below, the Committee determined the appropriate maximum opportunity for 2025 should be £15,150,000 for the Group CEO role and £8,837,500 for the Group CFO.

Returning to the pre-2014 structure increases the proportion of pay subject to performance to 89%, compared to 69% under the current policy. This provides less certainty in pay outcomes with higher pay at maximum performance offset by lower pay for weaker performance. The Committee felt that a higher maximum opportunity was required to reflect the additional volatility given the lower fixed pay and reverse the reduction in total compensation when FPAs were introduced.

Group CEO payout under different performance scenarios (£m)

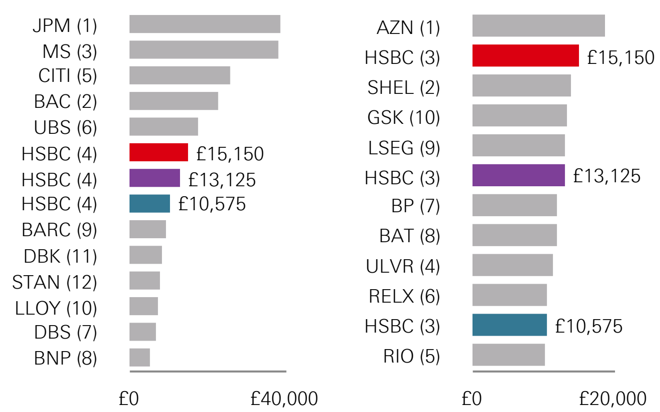


‘Target’, ‘Minimum’ and ‘Below Minimum’ scenarios assume performance outcomes of 50%, 25% and 0% respectively for both the annual incentive and LTI.

Group CEO maximum total compensation opportunity (£000)

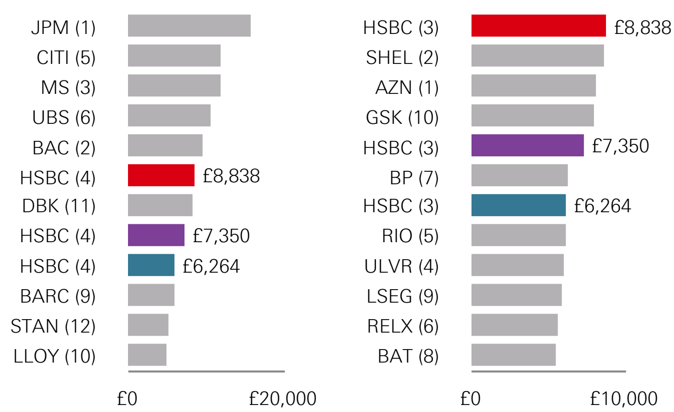
International banking peer group | Top 10 by market cap in FTSE 30

(Stock ticker and ranking by market capitalisation)



Group CFO maximum total compensation opportunity (£000)

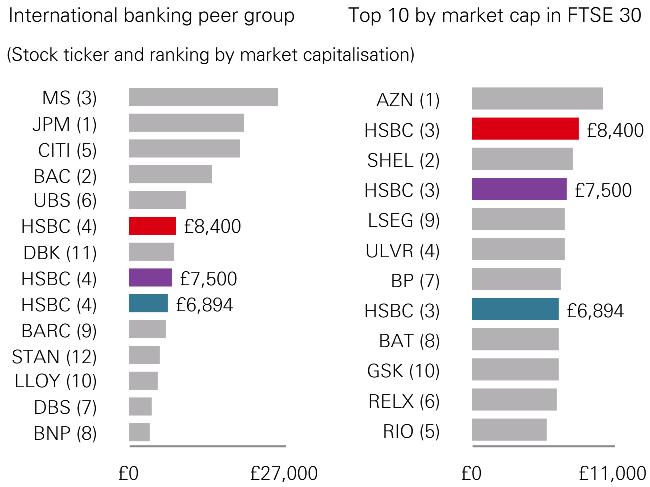
International banking peer group | Top 10 by market cap in FTSE 30



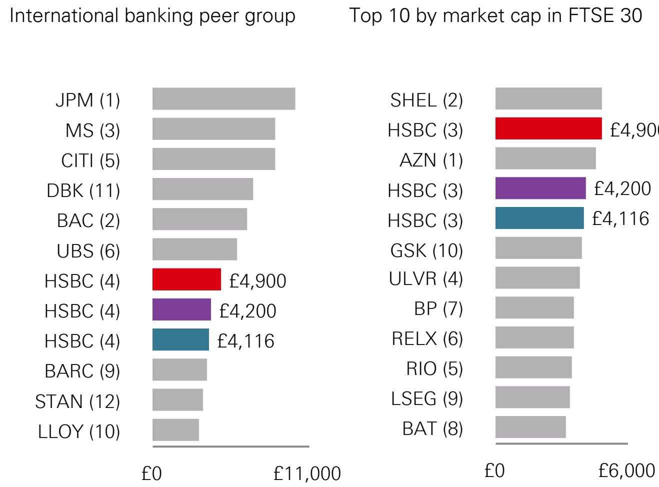
HSBC proposed | HSBC current | HSBC pre-2014

Data source: Deloitte. 2024 total compensation is based on 2023 year-end disclosures. The market capitalisation ranking shown in brackets is based on a 3-month average as at 31 December 2024.

Group CEO target total compensation (£000)



Group CFO target total compensation (£000)



■ HSBC proposed ■ HSBC current ■ HSBC pre-2014

Data source: Deloitte. 2024 total compensation based on 2023 year-end disclosures. 'Target' value of total compensation based on 50% of the maximum value for the annual incentive, or target value if disclosed; 50% of the maximum value for performance-based LTI; the maximum value of restricted shares; and one third of face value for share options. Market capitalisation ranking shown in brackets based on 3-month average as at 31 December 2024.

Over several years, the Committee has seen increases to pay opportunities and changes to pay structures, which have further widened the gap between HSBC and some of our US and European banking peers. In determining the new policy, we have not targeted the quantum or structure of pay in US banks given the differences in market and business models compared to HSBC. However, we believe it is appropriate to narrow the gap to these roles as we recruit from this talent base across various levels of the organisation and this will help alleviate some of the challenges of pay compression.

HSBC is the third-largest company in the FTSE by market capitalisation, a proxy for the scale and complexity of the Group. Operating within 58 countries and territories and employing over 211,000 full-time equivalent employees means that HSBC is also one of the most geographically diverse companies and one of the largest employers in the FTSE 30. The Committee believes that the maximum pay opportunities towards the upper end of the FTSE 30 are reflective of the size and scope of HSBC. These also remain below the pay levels had the growth in median executive Director salaries observed amongst FTSE 30 companies over the last 10 years been applied to our 2014 maximum opportunities.

Compared to our international banking peers, the maximum pay opportunities place HSBC second amongst our European peers, and behind all comparable US roles. The Committee believe this is appropriate given HSBC is one of the largest banking and financial services organisations in the world, which is listed in the UK, whilst recognising the different pay environment in the US.

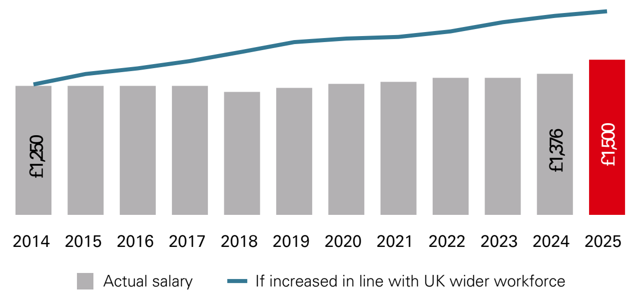
The Committee also reflected on the challenges of pay compression between the executive Directors and members of the Group Operating Committee in the context of succession planning, and considering pay outcomes and market benchmarks for each role. From 2021 to 2023, the expected total compensation of nearly a third of Group Executive Committee members was higher by on average 30% than the Group CFO. The proposed maximum opportunity for the Group CFO helps to restore the pay differential expected by the market versus other senior roles, albeit a gap still remains.

2025 fixed pay

To achieve the increased maximum pay opportunity, base salary for Georges Elhedery will increase to £1,500,000, up 9%. Whilst this is higher than the average 2025 fixed pay increase of 2.9% for UK employees, overall fixed pay for Georges will reduce by 49% following removal of his FPA.

Georges' proposed salary remains behind the level we would expect had average UK wider workforce salary increases of 4% been applied since 2014, when the 2:1 cap was introduced. The average annual HSBC Group CEO salary increase over the same period was 1%.

Evolution of Group CEO salary over time (£000)



We considered higher base salaries given the significant reduction in fixed pay but elected to keep the base salary increase lower, recognising wider cost of living challenges faced by colleagues and customers. This was a view shared by shareholders and reflects our disciplined approach to executive pay.

For Pam Kaur, base salary will increase to £875,000, up 9%. This enables a maximum pay opportunity reflecting the scale and complexity of the Group CFO role at HSBC and limits pay compression with comparable roles on our Group Operating Committee. Similar to Georges, though Pam's salary increase is above the average fixed pay increase for UK employees, her overall fixed pay will reduce by 51% following removal of the FPA.

Subject to shareholder approval of the remuneration policy, salary increases for both Georges and Pam will be effective from 1 March 2025, in line with the UK workforce.

Performance measures and targets

Our proposal represents a material change in structure and quantum, but this will only be realised if stretching performance targets are met and value is delivered for shareholders.

The Committee has undertaken a comprehensive review of the performance measures used for our incentive arrangements to ensure alignment to the Group's priorities and balance delivery of financial and strategic performance. Performance targets and ranges have been set with stretch to reflect the increased pay opportunities. This topic has been a strong focus of policy discussions with shareholders and their views are reflected in our decisions.

For the 2025 annual incentive scorecard, we will:

– Retain our core measures of PBT, Group RoTE and costs, each assessed excluding notable items, and introduce a measure on fee income growth relative to balance sheet growth to incentivise growth with less reliance on capital.

- Reduce the weighting for PBT to 10% and remove Asia RoTE to reduce overlap with Group RoTE and simplify the scorecard. This change retains financial measures at 60% of the scorecard, which the Committee believes appropriately balances investor views with regulatory expectations for a balanced scorecard.
- Maintain customer Net Promoter Score as a strategic measure to reflect our ambition to be a top-three bank for customer satisfaction and/or improve customer satisfaction rank.
- Include people and culture measures that support us in strengthening our inclusive culture of high-performance.

For the 2025–2027 LTI, we will:

- Retain Group RoTE, relative total shareholder return ('TSR') and environment measures.
- Increase the weighting of RoTE to 40%, reflecting that the delivery of a strong stable return on tangible equity is a core measure of the sustainable returns expected by our investors.
- Increase the weighting of relative TSR to 40% as it is a key measure of shareholder returns, a material relative measure used by our peers and in line with investor expectations.
- Reduce the weighting of the environment measure from 25% to 20% following feedback from our shareholders on the metrics and targets used given the higher LTI opportunity, recognising that financed emissions targets remain difficult to include at this time. This ensures a greater proportion of the scorecard is aligned to value creation while supporting our ESG ambitions.

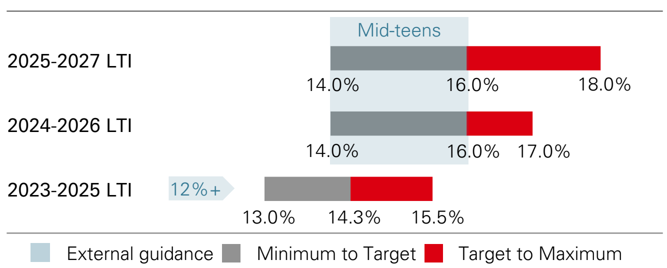
We will not use financed emission targets for the 2025-2027 LTI awards given current challenges in methodology and the timeliness and frequency of reporting, which was generally accepted by the investors we spoke to. The Committee will keep this under review for future performance cycles.

Group RoTE is the only measure used in both our annual incentive and LTI scorecards, reflecting our focus on delivering sustainable returns and a strong preference for the measure by most shareholders. This ensures we incentivise capital productivity for the current year whilst supporting our external commitment to deliver sustainable returns and mid-teens RoTE over the medium-term.

We will continue to utilise a risk modifier and operate a judgement-based approach to adjustments for all risk and compliance matters, aligned to shareholder feedback and the expectations of our regulators. The Committee considers the application of the risk modifier each year and has applied it in three instances for our executive Directors since its introduction in 2021.

When setting performance targets, we consider our internal financial planning and strategy process, our strategic guidance and analyst consensus where available such that minimum, target, and maximum performance levels are set with stretch. This was a key focus of investors in our consultation, who recognised that our recent LTI targets have been set to deliver maximum payouts only for outperformance. The Committee remains committed to ensuring there is sufficient stretch in our targets in future years, which is demonstrated in the maximum RoTE target for the 2025-2027 LTI and illustrated below.

LTI Group RoTE performance range versus external guidance



Changes in non-executive Director fees

The Board, excluding non-executive Directors, has reviewed the fees payable to non-executive Directors in the context of changes to the organisational structure. Following this review, it was considered that the fees payable for chairing or being a member of a Board Committee (excluding the Nomination & Corporate Governance Committee) should be increased to recognise the responsibilities and material additional time commitment associated with such a role.

Giving due consideration to the highly regulated and complex industry in which HSBC operates, it was agreed to align the additional fee for chairing a Board Committee at £150,000 per annum (i.e., in line with the current fee for chairing the Group Risk Committee). The increase in the fee for chairing a Board Committee will be phased over two years, with an increase to £125,000 per annum for 2025, and a further increase to £150,000 per annum with effect from 1 January 2026.

The Board also agreed increases to the additional fee for being a member of a Board Committee, and for the role of designated non-executive Director for workforce engagement to £50,000 per annum. These increases reflect the additional activity being undertaken during this period of organisational and cultural change. No other changes are proposed to non-executive Director fees for 2025.

Performance in 2024

Financial performance

Our financial performance in 2024 demonstrates that our strategy is working and is delivering strong returns for our shareholders.

We delivered a reported profit before tax of $32.3bn, up $2.0bn compared with 2023. This increase included a $1.0bn net favourable impact from notable items, which in 2024 included gains and losses relating to our disposals in Canada and Argentina. Constant currency profit before tax excluding notable items increased by $1.4bn to $34.1bn.

Reported revenue of $65.9bn was stable compared to 2023, despite a net adverse movement in gains and losses on our strategic transactions. This reflected higher customer activity in our Wealth products in WPB and in Equities and Securities Financing in GBM.

2024 costs on a target basis grew by around 5% in line with our targeted growth.

Our RoTE for 2024 was 14.6%, compared with 14.6% in 2023. Excluding notable items, RoTE was 16.0%.

The Board approved a fourth quarterly dividend of $0.36 per share, bringing the total dividend announced for 2024 to $0.87 per share. This includes the special dividend of $0.21 per share that was paid in June following the completion of the sale of HSBC Bank Canada. Furthermore, in respect of 2024 we announced three share buy-backs worth a total of $9bn, and today we have announced a further share buy-back of up to $2bn.

Strategic performance

We continue to make good progress in reshaping the Group. In 2024, we completed the sales of our retail banking operations in France, our banking business in Canada, and our businesses in Argentina, Russia and Armenia. We acquired SilkRoad Property Partners Group in Singapore and Citi's retail wealth management portfolio in mainland China. We announced divestments in our private banking business in Germany and our business in South Africa, as well as the planned sale of our life insurance business in France. In October 2024, we announced a simplified organisational structure to accelerate delivery against our strategic priorities.

We continue to strengthen our scale positions in Hong Kong and the UK and drive strong profit generation in these businesses. We remain focused on our goal to become a digital-first bank and have continued to see growth in customer adoption of our digital services across all our businesses, which is reflected in our Net Promoter Scores.

Over 88% of colleagues participated in our 2024 Snapshot survey where our employee engagement index rose a further three percentage points to reach an all-time high of 80%, six percentage points above the global financial services benchmark.

Key remuneration decisions for executive Directors

Executive Director changes

Sir Noel Quinn stepped down as Group CEO and as an executive Director of the Board on 2 September 2024 and was succeeded by Georges Elhedery. Pam Kaur was appointed Group CFO from 1 January 2025. All remuneration decisions in respect of this change were made in accordance with our shareholder-approved policy.

Given his retirement from the Group on 30 April 2025, Sir Noel Quinn will be treated as a good leaver for the purpose of unvested incentive awards. He remained eligible for a 2024 annual incentive but will not receive an LTI award for the 2025–2027 performance period, nor will he be eligible for a 2025 annual incentive.

Annual incentive for 2024 performance

Scorecards were set at the start of the year to align with our reported financial performance, excluding the impact of strategic transactions and one-offs on the Group's financial performance in 2024.

Georges Elhedery's formulaic scorecard outcome of 78.79% (2023: 76.75%) results in an annual incentive outcome of £1,677,000 (2023: £1,287,000). This was calculated by applying respective formulaic scorecard outcomes to the pro-rated maximum opportunities for the Group CEO and Group CFO roles, based on the period spent in each role during 2024.

The formulaic scorecard outcome for Sir Noel Quinn was 77.81% (2023: 75.93% pre risk adjustment, 70.24% post risk adjustment), which results in an annual incentive outcome of £1,540,000 (2023: £2,018,000), after pro-rating for his time as Group CEO during 2024.

Taking into account the Group's performance against risk metrics, and inputs from the Group Risk Committee, the Committee used its judgement and applied no adjustment in respect of risk matters to executive Director annual incentive outcomes for 2024.

2022–2024 LTI vesting

Georges Elhedery and Sir Noel Quinn participated in the 2022–2024 LTI that will vest in March 2025.

The maximum RoTE and relative TSR targets were exceeded, reflecting the strong absolute and relative performance of the Group over the performance period. The capital reallocation to Asia measure was not met and performance against the environment measures exceeded the maximum target. 75% of the original award will vest on a pro-rata basis over the next five years.

2025–2027 LTI awards

The Committee intends to grant both Georges Elhedery and Pam Kaur the maximum 2025-2027 LTI award of 600% of base salary (Georges Elhedery: £9,000,000, Pam Kaur: £5,250,000), subject to shareholder approval of the LTI opportunity under the new policy.

The value realised from the award is subject to performance over the next three years and the award will vest over a further five years with a one-year retention period on vesting shares.

For further details, see 'Long-term incentive ('LTI') awards' on page 298.

Rewarding our colleagues

We are taking actions that improve our ability to attract, retain and energise colleagues to deliver high performance and growth.

In 2024, we changed our performance approach by simplifying ratings and focusing on better performance routines. In our Snapshot survey, 87% of colleagues reported a clear understanding of what is expected of them and 77% confirmed at least two performance check-in conversations with their manager. We also introduced a new target variable pay plan, which covers over 150,000 colleagues in 46 markets to increase transparency and differentiation of variable pay.

The Committee is encouraged by increasing pay sentiment year-on-year in most areas because of actions taken through 2023, which is expected to improve further following changes introduced in 2024.

For further details, see 'Our approach to workforce reward' on page ##.

Fixed pay

We are pleased to be accredited as a global living wage employer in 2025 and meet or exceed living wage benchmarks in all our markets. This gives confidence that we provide core financial security to colleagues through fixed pay, which is the largest part of most colleagues' reward.

Fixed pay is primarily reviewed through our annual pay cycle. Effective in 2025, we have awarded an overall fixed pay increase of 3.6%. The level of increases vary by market, depending on the economic situation and individual roles. The highest increases were made to lower paid colleagues relative to relevant market benchmarks.

Variable pay

The Committee determined total variable pay of $3,800m, broadly flat compared with the $3,774m awarded in 2023. This was determined based on a review of our performance against financial and non-financial metrics. We considered the strength of our financial performance in 2024 and the ratio between variable pay and pre-variable pay profit before tax, the Group's performance against key risk and compliance metrics, and our total compensation position compared with market and the broader economic outlook.

Total compensation across all our businesses increased relative to 2023, rewarding our colleagues for their contribution to our performance. Distribution of variable pay by business considered relative performance against RoTE, reported profit before tax and cost targets, and performance against risk and compliance metrics. Strong differentiation has meant our highest performers received the largest increases in variable pay compared with the previous year.

Ex-post risk adjustments were made to the variable pay of relevant individuals for material risk events over 2024. This included adjustments for some individuals following the conclusion of the investigation into the PRA's 29 January 2024 Notice for historic depositor protection failings arising in HSBC Bank plc and HSBC UK Bank plc and the Committee now considers this matter closed.

Other remuneration matters

HSBC's variable to fixed pay ratio

Following shareholder approval at the 2024 AGM, the Committee reviewed several options to set new pay ratios and concluded that a single overall ratio of 10:1 was most appropriate, supported by internal guidance to manage expectations on its application. The ratio will apply across the Group, where permitted by regulation.

The ratio will support us to materially strengthen alignment of pay and performance in our executive Directors' remuneration policy. The ratio has limited impact on the wider workforce and is higher than we intend on using in practice. However, the new cap gives us flexibility to reward extraordinary individual performance delivered by a small number of employees in frontline roles.

We will continue to keep our pay principles and approach under review, monitoring market developments and competitiveness, to increase the proportion of pay for performance over time.

PRA/FCA consultation on UK remuneration rules

The Committee welcomes the recent consultation announced by the PRA and FCA to review the UK remuneration rules to improve overall competitiveness of UK capital markets.

We have introduced a degree of flexibility into our policy to ensure it remains competitive against peers once the final rules are known. Any changes made would always be in line with the key principles used by the Committee when setting the policy. We would engage with major shareholders ahead of making any material changes, and provide clear and comprehensive disclosure in our Annual Report and Accounts.

We remain supportive of the use of deferral mechanisms and will continue to deliver a substantial portion of variable pay in shares to ensure alignment between shareholder interests, good risk management and individual reward. Our policy commits to a weighted average time horizon of at least five years for the deferral period of LTI awards, in line with UK Corporate Governance requirements.

Plan limits under Share Plan 2011

The rules of the HSBC Share Plan 2011 currently include an annual individual limit on awards of 600% of salary, based on the market value of shares.

LTI awards are not eligible to receive dividend equivalents to comply with regulatory requirements. Consistent with our disclosed practice since 2017 when the regulatory change came into force, the number of shares awarded is calculated using a share price discounted for the expected dividend yield over the vesting period. The market value of the proposed LTI award would therefore exceed 600% of base salary.

Amending this limit to reflect the fair value of shares (defined in accordance with relevant accounting standards) will enable the Committee to grant up to the maximum award under the new policy. Shareholder support for this change will be sought at the 2025 AGM.

Conclusion

On behalf of the Committee, I would like to thank our shareholders for the time taken to engage with us and their valuable feedback as we developed our new policy. We are committed to regular engagement and I look forward to further dialogue in the year ahead.

As Chair of the Committee, I hope you will support the 2024 Directors' remuneration report, our new Directors' remuneration policy and the amendment to plan limits under Share Plan 2011 at this year's AGM.

Dame Carolyn Fairbairn
Chair
Group Remuneration Committee
19 February 2025

2024 executive remuneration at a glance

This section sets out an overview of our performance and 2024 remuneration outcomes for executive Directors.

Our performance

Reported profit before tax
$32.3bn
(2023: $30.3bn)

Operating expenses
$33.0bn
(2023: $32.1bn)
Target basis operating expenses up 5% to $32.6bn

Return on average tangible equity
14.6%
(2023: 14.6%)
Return on average tangible equity excluding notable items of 16.0% (2023: 16.2%)

HK customer net promoter score in WPB and CMB relative to peers
1st
(2023: WPB: 3rd; CMB: 1st)

Employee engagement index
80%
(2023: 77%)

Inclusion index
78%
(2023: 78%)

Percentage of women in senior leadership roles
34.6%
(2023: 34.1%)

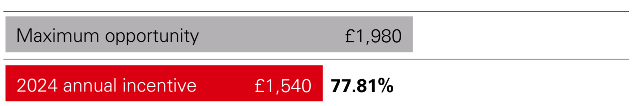
Percentage of colleagues of Asian heritage in senior leadership roles
39.3%
(2023: 37.8%)

Remuneration outcomes for executive Directors

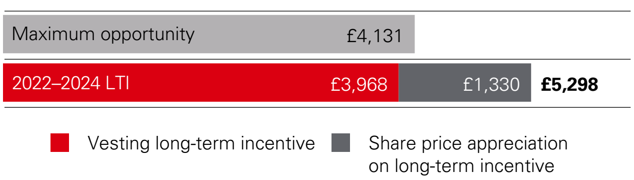
Summary remuneration outcomes for 2024 are set out below. Further details are set out in our annual report on Directors' remuneration on pages 296 to 298.

Sir Noel Quinn

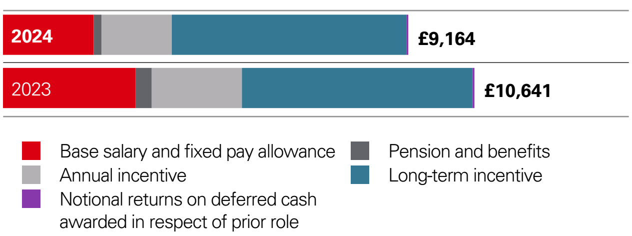
Annual incentive outcome (£000)



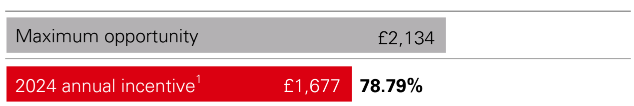
Long-term incentive (LTI) outcome (£000)



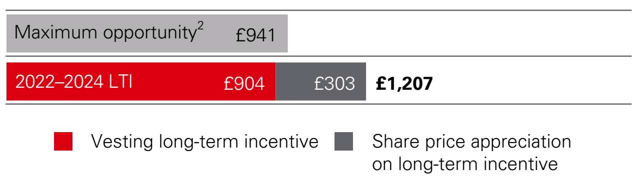
Single total figure of remuneration (£000)



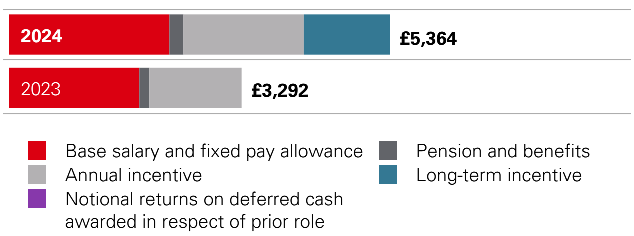
Georges Elhedery



1 Calculated based on Group CFO and Group CEO scorecard outcomes applied to the respective salary for each role.



2 Received in prior role as Co-CEO, GBM.



Directors' remuneration policy

This section sets outs the Directors' remuneration policy proposed for shareholders' approval at the AGM on 2 May 2025.

The Committee is responsible for reviewing and recommending to the Board the Directors' remuneration policy for shareholder approval.

The policy is intended to apply for three years to the end of the AGM in 2028, although we may seek shareholders' approval for a new policy during the period depending on regulatory developments, changes to our strategy or competitive pressures.

Remuneration policy – key principles

The Committee determined the policy using the following key principles:

- The rationale and operation of the policy should be easy to understand and transparent.
- There should be a strong alignment between reward and the interests of our stakeholders, including shareholders, customers and employees.
- The policy should maintain a focus on long-term performance.
- Total remuneration should be competitive to ensure we can retain and attract talent to deliver our strategic priorities.
- The structure should meet the expectations of investors and our regulators.

Setting the policy

The Committee reviewed the Director's remuneration policy in the context of significant regulatory change following removal of the 2:1 variable to fixed pay ratio. Input was received from the Group Chairman and management while ensuring that conflicts of interest were suitably mitigated. Input was provided by the Committee's appointed independent advisers throughout the process.

Key changes to the policy as a result of this review include:

- removal of Fixed Pay Allowances.
- an increase in the maximum opportunity of the annual and long-term incentives.
- an increase in shareholding guidelines and the introduction of a post-cessation shareholding guideline.

We extensively engaged with major shareholders, representing 65% of those who voted at the 2024 AGM, and proxy advisory bodies. The Committee carefully considered all feedback received, which has directly influenced the final proposal.

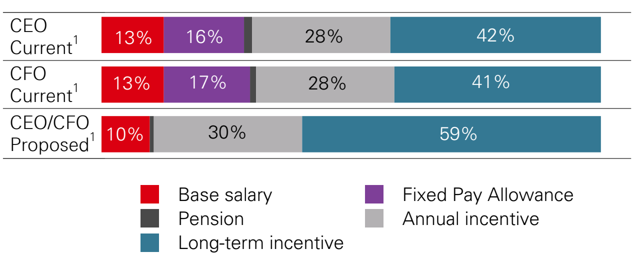
Full detail on the context for the review, the Committee's key considerations, including how the Committee has responded to shareholder feedback, is provided in the Chair's letter on pages 279 to 284.

Remuneration policy at a glance

This section sets out the key changes in our Directors' remuneration policy and our proposed implementation for 2025.

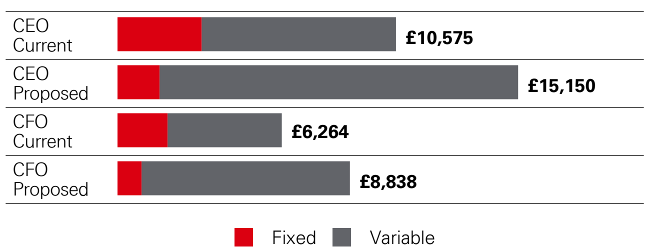
Policy structure

Total remuneration mix



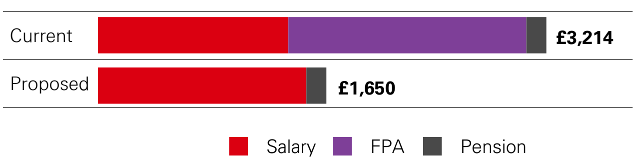
1 Pension accounts for 1% of the total remuneration mix.

Maximum total remuneration opportunity (£000)

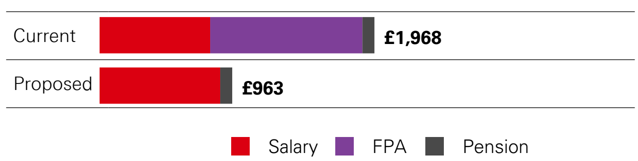


Fixed pay - 2025 implementation (£000)

Georges Elhedery

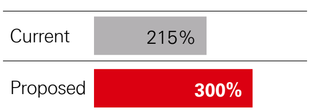


Pam Kaur

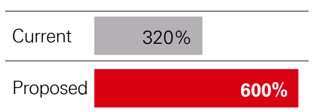


Variable pay

Annual incentive opportunity

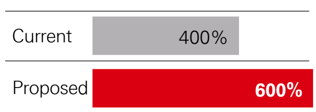


Long-term incentive opportunity

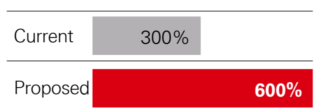


Shareholding requirement

Group CEO



Group CFO



Remuneration policy – executive Directors

Fixed pay

Elements	Details
Base salary	To attract, retain and develop key talent by being market competitive and rewarding ongoing contribution to role.
Operation	– The base salary for an executive Director is designed to reflect the individual's role, experience and responsibility. – Base salaries are normally reviewed on an annual basis against relevant comparator groups and may be reviewed more frequently at the discretion of the Committee.
Maximum opportunity	– No maximum opportunity. – Increases may be made at the Committee's discretion, taking into consideration factors such as increases to scope and responsibilities of the role, development of the individual within the role, salary increases for the wider workforce and competitiveness against market.
Cash in lieu of pension	To help executive Directors build retirement savings.
Operation	– Directors receive a cash allowance in lieu of a pension entitlement.
Maximum opportunity	– The maximum opportunity will be aligned with the maximum contribution rate that HSBC could make for the majority of employees in the relevant jurisdiction. This is currently set at 10% of base salary in line with the maximum contribution rate, as a percentage of salary, that HSBC could make for a majority of employees who are defined contribution members of the HSBC Bank (UK) pension scheme in the UK.

Benefits and all employee share plans

Elements	Details
Benefits	To provide support for physical, mental and financial health in accordance with local market practice.
Operation	Benefits take account of local market practice and include, but are not restricted to: – taxable benefits (gross value before payment of tax) including provision of medical insurance, accommodation, car, club membership, independent legal advice in relation to a matter arising out of the performance of employment duties for HSBC, tax return assistance or preparation, and travel assistance (including any associated tax due, where applicable); and – non-taxable benefits including the provision of a health assessment, life assurance and other insurance coverage. Additional benefits may also be provided when an executive is relocated or spends a substantial proportion of their time in more than one jurisdiction for business needs, or in such other circumstances as the Committee may determine in its discretion. Such benefits could include, but are not restricted to, airfare, accommodation, shipment, storage, utilities, and any tax and social security that may be due in respect of such benefits.
Maximum opportunity	– No maximum opportunity. – The maximum value is determined by the nature of the benefit provided. The benefit amount will be disclosed in the single total figure of remuneration table for the relevant year.
All employee share plans	To promote share ownership by all employees.
Operation	– Executive Directors are entitled to participate in all employee share plans, such as HSBC Sharesave, on the same basis as all other employees in the relevant jurisdiction. – Under Sharesave, executive Directors can make monthly savings over a period of three or five years towards the grant of an option over HSBC shares. The option price can be at a discount, currently up to 20%, on the share price at the time the option is granted.
Maximum opportunity	– The maximum number of options is determined by the maximum savings limit set by HM Revenue and Customs. This is currently £500 per month. – Executive Directors may also receive additional share options at no extra cost via the Sharesave bonus mechanism, with applicable rates set by HM Revenue and Customs.

Variable pay

Adhering to HSBC's values-aligned behaviours and conduct standards is a prerequisite to be considered for variable pay. Executive Directors receive an overall performance assessment that considers performance against goals and role expectations, and demonstration of our values-aligned behaviours. This is considered by the Committee when applying discretion to the formulaic scorecard outcomes.

Elements	Details
Annual incentive	To drive and reward performance against annual financial and non-financial objectives that are consistent with the strategy and align to shareholder interests.
Operation	Annual incentive awards are discretionary and can be delivered in any combination of cash and shares under the HSBC Share Plan 2011 ('HSBC Share Plan'). Shares will not normally represent less than 50% of any award and are normally immediately vested. On vesting, shares equivalent to the net number of shares that vested (after those sold to cover any income tax and social security payable) must be held for a retention period up to one year, or such other period as may be expected by regulators. The awards will be subject to clawback (i.e. repayment or recoupment of paid/vested awards) on or after vesting for a period of seven years from the date of award, or such other period as required by regulators. This may be extended to 10 years, or such other period as required by regulators in the event of an ongoing internal/regulatory investigation at the end of the seven-year period. Details of the clawback provision are set out in the bottom section of this table. Any deferred shares may be entitled to dividend equivalents during the vesting period, which will be paid on vesting. Where awards do not receive dividend equivalents during the vesting period (to meet regulatory requirements), the number of shares to be awarded will be determined using a fair value share price (defined in accordance with relevant accounting standards) discounted for the expected dividend yield. Any deferred cash award may be entitled to notional returns during the deferral period, or any appropriate adjustment to reflect such notional returns, as determined by the Committee. The Committee retains discretion to: – apply a longer retention period; – increase the proportion of the award to be delivered in shares; or – defer the vesting of a portion of the awards, subject to such conditions that the Committee may determine at its discretion (which may include continued employment). The deferred awards will be subject to malus (i.e. reduction and/or cancellation of unvested awards) provisions during any applicable deferral period. The Committee also retains discretion to amend the structure and terms of awards to reflect changes in regulatory requirements whilst ensuring that any changes will align with the key principles of the Directors' remuneration policy. The Committee may adjust and amend awards in accordance with the relevant plan rules.
Maximum opportunity	The maximum opportunity for the annual incentive award in respect of a financial year is up to 300% of base salary.
Performance measures	Performance is normally measured against an annual scorecard, based on targets set for financial and non-financial measures, determined at the beginning of the financial year. The scorecards may vary by individual. Measures with financial targets will generally have a weighting of 60% for both the Group CEO and the Group CFO. The Committee will review the scorecard annually and may vary the measures, weighting and targets each year. The overall payout of the annual incentive could be between 0% (for below minimum performance) and 100% of the maximum opportunity. Minimum and maximum performance levels for each measure are defined in the scorecard. 25% of the award opportunity will pay out for achieving minimum performance and 100% of the award will pay out for achieving maximum performance. Details on payout between these levels will be disclosed in the respective Directors' Remuneration Report. The Committee exercises its judgement to determine performance achieved and awards at the end of the performance period, which in normal circumstances will be one financial year, to ensure that the outcome is fair in the context of overall Group and individual performance. The Committee can adjust the payout based on the outcome of the performance measures, if it considers that the payout determined does not appropriately reflect the overall position and performance of the Group for the relevant performance period. The scorecard outcome may also be subject to a risk and compliance modifier and/or a capital underpin under which the Committee will have the discretion to adjust down the overall scorecard outcome, taking into account performance against those factors. The Committee has the discretion to: – change the overall weighting of the financial and non-financial measures, whilst ensuring the overall balance remains appropriate; – vary the measures and their respective weightings within each category. The specific performance measures will be disclosed in the 'annual report on remuneration' for the relevant year; and – make adjustments to performance targets, measures, weightings and/or outcomes in exceptional circumstances. This may be to reflect significant one-off items that occur during the measurement period and/or where the Committee determines that original measures, targets or conditions are no longer appropriate or that amendment is required so that the measures, targets or conditions achieve their original purpose. Full and clear disclosure of any such adjustments will be made in the 'annual report on remuneration' for the relevant year, subject to commercial confidentiality.
Malus and clawback (applicable to both annual incentive and LTI)	The Committee has the discretion to operate malus and clawback provisions. Malus can be applied to unvested awards in circumstances including: – detrimental conduct, including conduct that brings the business into disrepute; – past performance being materially worse than originally reported; – restatement, correction or amendment of any financial statements; and – improper or inadequate risk management. Clawback may be applied in circumstances including: – participation in, or responsibility for, conduct that results in significant losses; – failing to meet appropriate standards and propriety; – reasonable evidence of misconduct or material error that would justify, or would have justified, summary termination of a contract of employment; – a material failure of risk management suffered by HSBC or a business unit in the context of Group risk management standards, policies and procedures; and – any other circumstances required by local regulatory obligations to which any member of the HSBC Group or its subsidiary is subject.

Elements	Details
Long-term incentives (‘LTI’)	To incentivise sustainable long-term performance and alignment with shareholder interests.
Operation	LTI awards are discretionary and are granted if the Committee considers that there has been satisfactory performance over the prior year. The awards are granted as rights to receive shares under the HSBC Share Plan, normally subject to a forward-looking three-year performance period from the start of the financial year in which the awards are granted. At the end of the performance period, the performance outcome will be used to assess the percentage of the awards that will vest. These shares will then normally vest in five equal instalments, with the first vesting on or around the third anniversary of the grant date and the last instalment vesting on or around the seventh anniversary of the grant date, in accordance with current UK remuneration rules. On each vesting, shares equivalent to the net number of shares that vested (after those sold to cover any income tax and social security payable) must be held for a retention period up to one year (or such other period as may be permitted by regulators). Awards are subject to malus provisions prior to vesting. The awards will also be subject to clawback on or after vesting for a period of seven years from the date of award, or such other period as required by regulators. This may be extended to 10 years, or such other period as required by regulators, in the event of an ongoing internal/regulatory investigation at the end of the seven-year period. Details of the malus and clawback provisions are set out in the previous section on annual incentive awards. Awards may be entitled to dividend equivalents during the vesting period, which will be paid on vesting. Where awards do not receive dividend equivalents during the vesting period (to meet regulatory requirements), the number of shares to be awarded will be determined using a fair value share price discounted for the expected dividend yield. The Committee also retains discretion to amend the structure and terms of awards to reflect changes in regulatory requirements whilst ensuring that any changes will align with the key principles of the Directors' remuneration policy. In any event, we expect the weighted average time horizon of the deferral period to be at least five years. The Committee may adjust or amend awards in accordance with the rules of the HSBC Share Plan.
Maximum opportunity	The maximum opportunity for the LTI award in respect of a financial year is up to 600% of base salary.
Performance measures	The Committee will take into consideration prior performance when assessing the value of the LTI grant. Forward-looking performance is measured against a long-term scorecard, determined at the start of the financial year in which awards are granted. Financial measures will generally have a weighting of 60% or more. For each measure, the Committee will determine the extent of achievement based on actual performance against the target set and other relevant factors that the Committee considers appropriate to take account of in order to better reflect the Group's underlying performance. The overall payout level could be between 0% (for below minimum performance) and 100% of the maximum. Minimum, target and maximum performance levels for each measure are defined in the scorecard. 25% of the award opportunity will vest for achieving minimum performance, 50% of the award will vest for achieving target performance and 100% of the award will vest for achieving maximum performance. Where performance achieved is between the minimum, target and maximum level of performance set in the scorecard, the number of awards that will vest will be determined on a straight-line basis. The Committee can adjust the LTI payout based on the outcome of the performance measures, if it considers that the payout determined does not appropriately reflect the overall position and performance of the Group during the performance period. The scorecard outcome may also be subject to a risk and compliance modifier and/or a capital underpin under which the Committee will have the discretion to adjust down the overall scorecard outcome, taking into account performance against those factors. Performance targets will normally be set annually for each three-year cycle. The Committee has the discretion to: – change the overall weighting of the financial and non-financial measures, whilst ensuring the overall balance remains appropriate; – vary the measures and their respective weightings within each category. The specific performance measures will be disclosed in the ‘annual report on remuneration’ for the relevant year; – vary the risk and compliance and/or any underpin measures; and – make adjustments to performance targets, measures, weightings and/or outcomes in exceptional circumstances. This may be to reflect significant one-off items that occur during the measurement period and/or where the Committee determines that original measures, targets or conditions are no longer appropriate or that an amendment is required so that the measures, targets or conditions achieve their original purpose. Revised targets/measures will be, in the opinion of the Committee, no less difficult to satisfy had they been set at the same time as the original targets. Full and clear disclosure of any such adjustments will be made within the 'annual report on remuneration' for the relevant year, subject to commercial confidentiality.

Other

Elements	Details
Shareholding guidelines	To ensure appropriate alignment with the interest of our shareholders.
Operation	Executive Directors are expected to satisfy the following shareholding requirement as a percentage of base salary within five years from the date of their appointment: – Group CEO: 600% – Group CFO: 600% On cessation of employment, executive Directors will normally be required to maintain the minimum shareholding requirement for two years (or, if their actual shareholding is lower at the time of cessation, the actual shareholding upon departure). For this purpose, unvested shares which are not subject to forward-looking performance conditions (on a net of tax basis) will count towards the shareholding requirement. HSBC operates an anti-hedging policy under which individuals are not permitted to enter into any personal hedging strategies in relation to HSBC shares subject to a vesting and/or retention period.
Maximum opportunity	Not applicable.

Committee discretion

The Committee welcomes the recent consultation announced by the PRA and FCA to review the UK remuneration rules to improve the overall competitiveness of UK capital markets. The proposals cover a wide range of areas, including the application of deferral and retention periods, which are directly applicable to our policy design.

Aligned to the key principles used by the Committee to set the policy, the Committee feel it is important that it retains discretion to amend the structure and terms of awards in the event of regulatory change to ensure the policy continues to meet the expectations of our regulators and it remains competitive versus peers.

Where discretion is exercised by the Committee, changes will always be made in line with the key principles used to determine the policy. We will engage with major shareholders ahead of making any material change, and clearly disclose any changes and their rationale in our Annual Report and Accounts.

One area discussed with shareholders as part of our engagement was how the Committee would exercise their discretion on the length and amount of deferral in the event of regulatory change.

The Committee believe that deferral mechanisms and the requirements to deliver a substantial portion of variable remuneration in shares are critical policy design elements to ensure ongoing alignment between reward and the interests of our shareholders.

We have therefore included in the policy a commitment to ensure that the weighted average time horizon of the deferral period for LTI awards is at least five years, in line with UK Corporate Governance requirements.

In addition to the specific areas of discretion expressly set out in the policy table, the incentive plans include a number of operational areas of discretion available to the Committee, including:

- the right to grant awards in the form of conditional share awards or options (including nil-cost options);
- the right to amend a performance condition in accordance with its terms, or if anything happens that causes the Committee to consider it appropriate to do so;
- the right to settle the award in cash, based on the relevant share price, or shares as appropriate; and
- the right to adjust the award on a variation of share capital or other corporate event that affects the current or future value of the award, or alternatively, the right to vest the award early in such circumstances.

The Committee reserves the right to make any remuneration payments and payments for loss of office, notwithstanding that they are not in line with the policy set out above, where the terms of the payment were agreed:

- before the policy above or any previous policy came into effect;
- at a time where a previous policy, approved by shareholders, was in place provided the payment is in line with the terms of that policy; or
- at a time when the relevant individual was not a Director of the Group and the payment was not in consideration for the individual becoming a Director of the Group.

For these purposes, payments include the Committee satisfying awards of variable remuneration. This means making payments in line with the terms that were agreed at the time the award was granted.

Choice of performance measures and targets

The performance measures selected for the annual incentive and LTI awards will be set on an annual basis by the Committee, taking into account the Group's strategic priorities and any feedback received from our shareholders. The following table sets out the performance measures we currently consider for inclusion in our scorecards. The Committee retains the discretion to choose other measures that are appropriate for achieving our strategic priorities and meeting any regulatory expectations, taking into account the views of our shareholders.

Our objective when setting targets is to balance stretch and achievability so they act as an effective incentive whilst recognising outperformance.

Financial targets are set on a reported basis excluding notable items. This means items occurring outside the normal course of business and which are generally not expected to repeat, are excluded, and assessed performance is not impacted by one-offs. Performance targets are set taking into account a number of factors, including the targets set in our financial resource plan, our strategic priorities, shareholder expectations, the economic environment and risk appetite. Non-financial targets are set based on progress versus prior year actuals, external commitments and market benchmarks.

Minimum targets are set considering prior year(s) performance and downside risks to the financial resource plan. Maximum targets include a stretch above plan, considering upside opportunities.

The overall range is reviewed, taking into account external commitments and analyst consensus, where available. As a result, the final target ranges are not formulaically driven or always symmetrically spread around the plan.

Performance measures

Measures and modifier/underpin	Example measures for annual incentive scorecard	Example measures for LTI scorecard	Rationale
Financial measures	– Profit before tax – RoTE – Revenue growth – Volume growth – Costs	– RoTE – Total shareholder return – Underpin to maintain a minimum CET1 ratio	Measures are selected to incentivise the achievement of our financial targets as set out in our strategic priorities and financial resource plan.
Strategic measures	– Customer satisfaction – Employee engagement – Succession planning and inclusion – Carbon reduction and sustainable finance	– Reduce carbon emissions – Sustainable finance	Measures are selected to support the delivery of our strategic priorities.
Risk and compliance measures, modifier and/or underpin	– Sustained delivery of global conduct outcomes – Effective financial crime risk management – Effective management of material operational risks – Risk metrics to identify when business activities are outside of tolerance level for a significant period of time – Failures in risk management that have resulted in significant customer detriment, reputational damage and/or regulatory censure – CET1 level	– Modifier linked to risk and compliance performance	Measures are chosen to ensure a high level of accountability of risk and conduct, to promote an effective risk management environment and to embed a robust governance system.

Approach to recruitment remuneration – executive Directors

On the recruitment or appointment of a new executive Director, the Committee would adhere to the following principles:

- Remuneration packages should be in line with the approved policy for executive Directors.
- Remuneration packages must meet any applicable local regulatory requirements.
- Where necessary, compensation may be provided in respect of forfeiture of remuneration awards from an existing employer (for example, buy-out awards).

Outlined in the following table are all components that would be considered for inclusion in the remuneration package of a new executive Director appointment and, for each, the approach that would be adopted.

In the case of an internal appointment, any existing commitments will be honoured and any variable element awarded in respect of the prior role will be allowed to be paid out according to its existing terms.

Components of remuneration package of a new executive Director

Component of remuneration	Approach taken
Fixed pay	The base salary will reflect the individual’s role, experience and responsibility, and will be set in the context of market practice. The maximum cash in lieu of pension allowance will be no more than the maximum contribution, as a percentage of salary, that can be made for the majority of employees in the relevant jurisdiction.
Benefits	Benefits to be provided will be dependent on circumstances while in line with Group policy and the remuneration policy table, including the global mobility policy (where applicable) and local regulations.
Variable pay awards	New appointments will be eligible to be considered for variable pay awards consisting of an annual incentive and/or LTI award (or any other element which the Committee considers appropriate given the particular circumstances but not exceeding the maximum level of variable remuneration set out below). For the year in which the individual commences providing services as an executive Director, the Committee retains the discretion to determine the proportion of variable pay to be deferred, the deferral and retention period, whether any performance and/or continued employment conditions should be applied, and the period over which such performance should be assessed. In exercising this discretion, the Committee will take into account the circumstances in which the individual is appointed (for example, if it is promotion of an internal candidate or an external appointment), expectations of shareholders and any regulatory requirements. Total variable pay awarded for the year in which the individual is newly appointed as an executive Director will be limited to 900% of base salary. This limit excludes buy-out awards and is in line with the aggregate maximum variable pay opportunity set out in the remuneration policy table. Guaranteed bonuses are only permitted by exception and in very rare and limited circumstances (for example, where the individual loses a variable pay opportunity with the previous employer as a result of joining HSBC and such an award is considered essential to attract and hire the candidate). If such an award is provided, then in line with the PRA remuneration rules, it will be limited to the first year of service, subject to the Group deferral policy and performance requirements.
Buy-out awards	The Committee may make an award to buy out remuneration terms forfeited on resignation from the previous employer. The Group buy-out policy is in line with the PRA remuneration rules, which state that both the terms and amount of any replacement awards will not be more generous than the award forfeited on departure from the former employer. In considering buy-out levels and conditions, the Committee will take into account the type of award, performance measures and likelihood of performance conditions being met in setting the quantum of the buy-out. Buy-out awards will match the terms of forfeited awards with the previous employer as closely as possible, subject to proof of forfeiture and other relevant documentation. Where the vesting time is fewer than 90 days, cash or deferred cash may be awarded for administrative purposes. Where appropriate, the Committee retains the discretion to utilise the provisions provided in the UK Financial Conduct Authority's Listing Rules for the purpose of making buy-out awards.

Policy on payments for loss of office – executive Directors

The following table sets out the basis on which payments for loss of office may be made. Other than as set out in the table, there are no further obligations that could give rise to remuneration payments or payments for loss of office:

Payments for loss of office

Component of remuneration	Approach taken
Fixed pay and benefits	Executive Directors may be entitled to payments in lieu of: – notice, which may consist of base salary, cash in lieu of pension allowance, and other contractual benefits, or an amount in lieu of; and/or – accrued but untaken holiday entitlement. Payments may be made in instalments or a lump sum, and may be subject to mitigation, and subject to applicable tax and social security deductions.
Annual incentive and LTI	In exceptional circumstances, as determined by the Committee, an executive Director may be eligible for the grant of annual incentives and/or LTIs under the HSBC Share Plan, taking into account the time worked in the performance year and based on the individual's contribution.
Unvested awards	All unvested awards will be forfeited when an executive Director ceases employment voluntarily and is not deemed a good leaver. An executive Director may be considered a good leaver, under the HSBC Share Plan, if their employment ceases in specified circumstances, which include: – ill health, injury or disability, as established to the satisfaction of the Committee; – retirement with the agreement and approval of the Committee; – the employee's employer ceasing to be a member of the Group; – redundancy with the agreement and approval of the Committee; or – any other reason at the discretion of the Committee. If an executive Director is considered a good leaver, unvested awards will normally continue to vest in line with the applicable vesting dates, subject to performance conditions, the HSBC share plan rules, and malus and clawback provisions. Unless the Committee determined otherwise, awards made subject to forward-looking performance conditions, including LTI awards, will normally be subject to pro-rating for time in employment during the performance period. In the event of death, unvested awards will vest and be released to the executive Director's estate as soon as practicable. In respect of outstanding unvested awards, the Committee may determine that good leaver status is contingent upon the Committee being satisfied that the executive Director has no current or future intention at the date of leaving HSBC of being employed by any competitor financial services firm. The Committee determines the list of competitor firms from time to time, and the length of time for which this restriction applies. If the Committee becomes aware of any evidence to the contrary before vesting, the award will lapse.
Post-departure benefits	Executive Directors can be provided certain benefits for up to a maximum of seven years from date of departure for those who depart under good leaver provisions under the HSBC Share Plan, in accordance with the terms of the policy. Benefits may include, but are not limited to, medical coverage, tax return preparation assistance and legal expenses.
Other	Where an executive Director has been relocated as part of their employment, the Committee retains the discretion to pay the repatriation costs. This may include, but is not restricted to, airfare, accommodation, shipment, storage, utilities, and any tax and social security that may be due in respect of such benefits. Except in the case of gross misconduct or resignation, an executive Director may also receive retirement gifts.
Legal claims	The Committee retains the discretion to make payments (including professional and outplacement fees) in connection with an executive Director's cessation of office or employment. This may include payments that are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of that executive Director's office or employment.
Change of control	In the event of a change of control, outstanding awards will be treated in line with the provisions set out in the respective plan rules.

Other directorships

Executive Directors may accept appointments as non-executive Directors of companies that are not part of HSBC if so authorised by either the Board or the Nomination & Corporate Governance Committee.

When considering a request to accept a non-executive Director appointment, the Board or the Nomination & Corporate Governance Committee will take into account, among other things, the expected time commitment associated with the proposed appointment.

The time commitment for external appointments is also routinely reviewed to ensure that it will not compromise the executive Director's commitment to HSBC.

Service contracts

The service contracts of executive Directors do not have a fixed term. The notice periods of executive Directors are set at the discretion of the Committee, taking into account market practice and governance considerations.

Service agreements for each executive Director are available for inspection at HSBC Holdings' registered office. Consistent with the best interests of the Group, the Committee will seek to minimise termination payments. Executive Directors may be eligible for a payment in relation to statutory rights.

	Contract date (rolling)	Notice period (Director and HSBC)
Georges Elhedery	01 January 2023	12 months
Pam Kaur	01 January 2025	12 months

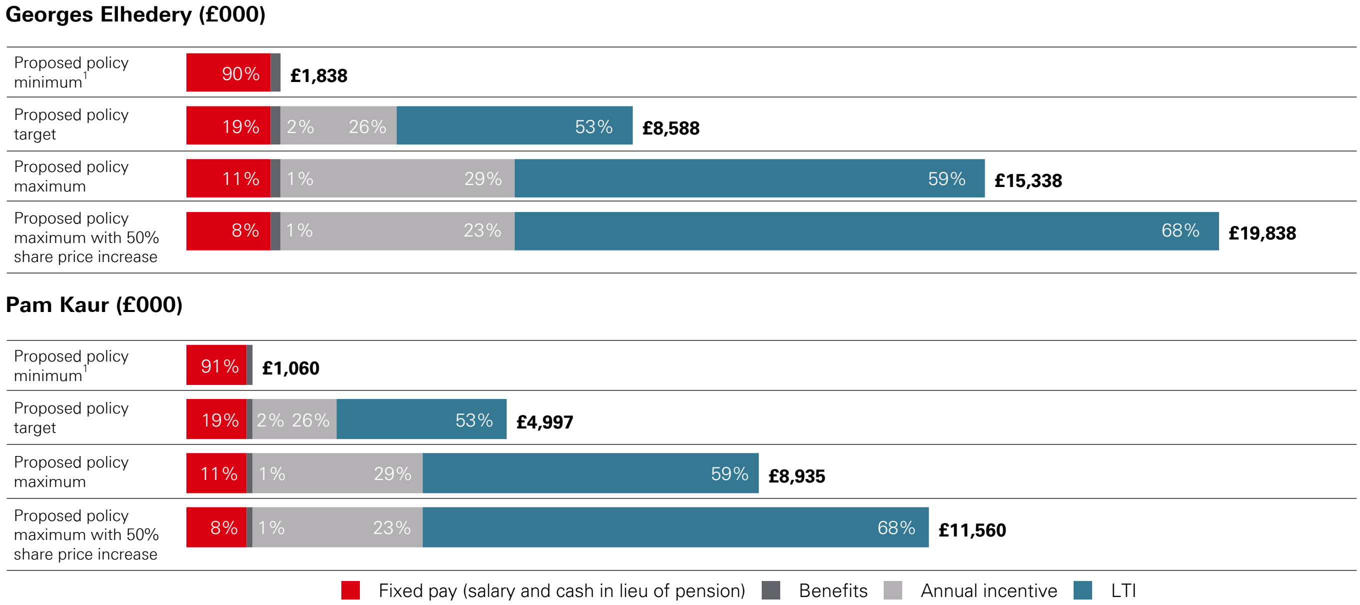
Remuneration scenarios

The following charts show how the total value of remuneration and its composition would vary under different performance scenarios for executive Directors under the proposed policy, which is effective from the date of the 2025 AGM, subject to shareholders' approval.

The charts have been prepared using 2025 salaries and, therefore, the cash in lieu of pension, annual incentive and LTI opportunities have been computed as percentages of 2025 salaries. Benefits is represented by the value of regular benefits in the 2024 single figure of total remuneration. For Georges Elhedery, this is the annualised value of benefits for Sir Noel Quinn, and for Pam Kaur this is the value of benefits for Georges Elhedery.

The charts set out:

- the minimum level of remuneration receivable under the policy for each performance year;
- the remuneration level for achieving target level of performance (which assumes 50% of maximum variable pay opportunity is realised);
- the maximum level of remuneration (which assumes 100% of the variable pay opportunity is realised); and
- the maximum level of remuneration assuming a 50% increase in share price for LTI awards.



1 Under the proposed policy minimum, benefits account for 10% of the total remuneration receivable for Georges Elhedery, and 9% of the total remuneration receivable for Pam Kaur.

Remuneration policy – non-executive Directors

The Nomination & Corporate Governance Committee has considered the time commitments required for all non-executive Directors as the Board supports HSBC through its ambitious agenda of governance reform, growth and organisational development in an environment of increasing regulatory, political and organisational complexity. Further information on the time commitment non-executive Directors are expected to fulfil is set out on page 322.

The following table sets out the framework that will be used to determine the fees for non-executive Directors during the term of this policy.

Elements and link to strategy	Operation	Maximum opportunity
Fees To reflect the time commitment and responsibilities of a non-executive Director of HSBC Holdings.	The policy for non-executive Directors is to pay: – base fees; and – further fees for additional Board duties, including but not limited to chairing a committee, membership of a committee, or acting as the Senior Independent Director and/or Deputy Chairperson. Fees are paid in cash. The Board retains the discretion to pay in shares rather than cash where appropriate. The non-executive Group Chairperson will be paid a fixed annual fee for all Board responsibilities based on their experience and the time commitments expected for the role, together with such other benefits as the Committee may in its absolute discretion determine. A newly appointed non-executive Director would be paid in line with the policy on a time-apportioned basis in the first year as necessary. No sign-on payments are offered to non-executive Directors. The Board (excluding the non-executive Directors) has discretion to approve changes to the fees. The Board may also introduce any new component of fees for non-executive Directors, subject to the principles, parameters and other requirements set out in this remuneration policy. Certain non-executive Directors may be entitled to receive fees for their services as directors of subsidiary companies of HSBC Holdings. Such additional remuneration is determined by the Board of Directors of each relevant subsidiary within a framework set by the Committee.	– The Board will normally review the amount of each component of fees periodically to assess whether, individually and in aggregate, they remain competitive and appropriate in light of changes in roles, responsibilities and/or time commitment of the non-executive Directors, and to ensure that individuals of the appropriate calibre are retained or appointed. – There is no prescribed maximum annual increase. The Committee is guided by the general increase for the employee population but on occasions may need to recognise other factors including, but not limited to, change in responsibility and/or variance to market levels of remuneration. – Travel allowances are set at an appropriate level, taking into account the time requirement for non-executive Directors to travel to overseas meetings.
Expenses/benefits	Any taxable or other expenses incurred in performing their role are reimbursed, as well as any related tax cost on such reimbursement. Non-executive Directors may on occasion receive reimbursement for costs incurred in relation to the provision of professional advice. These payments, if made, are taxable benefits to the non-executive Directors and the tax arising is paid by the Group on the Directors' behalf.	Not applicable
Shareholding guidelines To ensure appropriate alignment with the interests of our shareholders.	Non-executive Directors, individually or with their connected persons, are expected to satisfy a shareholding guideline of 15,000 shares within five years from their appointment. The Committee reviews compliance with the guidelines annually. The Committee has full discretion in determining any consequences in cases of non-compliance.	Not applicable

Service contracts

Non-executive Directors are appointed for fixed terms not exceeding three years, which may be renewed subject to their re-election by shareholders at AGMs. Non-executive Directors do not have service contracts, but are bound by letters of appointment issued for and on behalf of HSBC Holdings, which are available for inspection at HSBC Holdings' registered office.

Policy on payments for loss of office – non-executive Directors

There are no obligations in the non-executive Directors' letters of appointment that could give rise to remuneration payments or payments for loss of office.

Non-executive Directors are entitled to notice under their letter of appointment. Non-executive Directors' current terms of appointment will expire as follows:

2025 AGM	2026 AGM	2027 AGM
José Antonio Meade Kuribreña	Kalpana Morparia	James Forese
Rachel Duan	Geraldine Buckingham	Steven Guggenheimer
Dame Carolyn Fairbairn		Eileen Murray
		Ann Godbehere
		Brendan Nelson
		Swee Lian Teo

Policy alignment with UK Corporate Governance Code

The table below details how the Group Remuneration Committee addresses the principles set out in the UK Corporate Governance Code with respect to the Directors' remuneration policy. This covers both the 2018 UK Corporate Governance Code applicable in 2024, and the revised 2024 UK Corporate Governance Code applicable from 2025 onwards. Information related to malus and clawback can be found on page 287.

Provision	Approach
Clarity Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	– The Committee regularly engages and consults with major shareholders to take into account shareholder feedback and to ensure there is transparency on our policy and its implementation. – Details of our remuneration practices and our remuneration policy for Directors are published and available to all our employees.
Simplicity Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	– Our Directors' remuneration policy has been designed so that it is easy to understand and transparent, while complying with the provisions set out in the UK Corporate Governance Code and the remuneration rules of the UK's PRA and FCA, as well as meeting the expectations of our shareholders. The objective of each remuneration element is explained and the amount paid in respect of each element is clearly set out.
Risk Remuneration structures should identify and mitigate against reputational and other risks from excessive rewards, as well as behavioural risks that can arise from target-based incentive plans.	– In line with regulatory requirements, our remuneration practices promote sound and effective risk management while supporting our business objectives. – The Group Chief Risk and Compliance Officer attends Committee meetings and updates the Committee on the overall risk profile of the Group. The Committee also seeks inputs from the Group Risk Committee when making remuneration decisions. – Risk and conduct considerations are taken into account in setting the variable pay pool, from which any executive Director variable pay is funded. – Executive Directors' annual incentive and LTI scorecards include a mix of financial and non-financial measures. Financial measures are subject to a CET1 underpin to ensure CET1 remains within risk tolerance levels while achieving financial targets. In addition, the overall scorecard outcome is subject to a risk and compliance modifier. – The deferred portion of any awards granted to executive Directors is subject to a seven-year deferral period during which our malus policy can be applied. All variable pay awards that have vested are subject to our clawback policy for a period of up to seven years from the award date (extending to 10 years where an investigation is ongoing).
Predictability The range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the policy.	– The charts set out on page 292 show how the total value of remuneration and its composition vary under different performance scenarios for executive Directors.
Proportionality The link between individual awards, the delivery of strategy and the long-term performance of the Group should be clear and outcomes should not reward poor performance.	– The annual incentive and LTI scorecards reward achievement of our financial resource plan targets, as well as long-term financial and shareholder value creation targets. – The Committee retains the discretion to adjust the annual incentive and LTI payout based on the outcome of the relevant scorecards, if it considers that the payout determined does not appropriately reflect the overall position and performance of the Group during the performance period.
Alignment with culture Incentive schemes should drive behaviours consistent with the Group's purpose, values and strategy.	– In order for any annual incentive award to be made, each executive Director must achieve a minimum standard of conduct, which is assessed by reference to HSBC values. – Annual incentive and LTI scorecards contain non-financial measures linked to our wider social strategy. These include measures related to reducing the environmental impact of our operations, improving customer satisfaction and inclusion. – Our Leadership 360 provides one of several ways for senior employees to ask for feedback about how they lead to help inform their ongoing development.

Remuneration arrangements for colleagues

Our reward principles and commitments guide our approach to workforce reward and support our focus on being a great place to work. The Committee reviews these principles and commitments to support HSBC's overall ability to attract, retain, develop and energise the best people, and who are aligned to HSBC's values. Full details of our remuneration framework for colleagues is provided on page 295. Our executive Directors' remuneration policy aligns with the framework for colleagues as follows:

– Externally sourced market data is used to help guide pay decisions for colleagues, including executive Directors.

– The base salary increases for executive Directors take into consideration the base salary increases of colleagues across the Group, and relevant market conditions.

– The cash in lieu of pension allowance for executive Directors will not exceed the maximum contribution (as a percentage of salary) that can be made for the majority of colleagues in the relevant jurisdiction.

– All colleagues are eligible to be considered for an annual incentive award based on their overall performance assessment, which considers performance against goals and role expectations, and demonstration of our values-aligned behaviours. The variable pay for all colleagues, including executive Directors, is funded from a Group variable pay pool that is determined with reference to Group performance. Colleagues who receive a variable pay award above a certain level have a portion of their award deferred over a period of three to seven years, or other period as required by regulators.

– LTI awards are considered for senior management, given their ability to directly influence the Group's long-term performance.

The Board gathers views from our colleagues through a number of engagement channels. Our management engages with colleagues, either on a Group-wide basis or in the context of smaller focus groups, to solicit feedback generally on a wide range of matters, including pay. Our annual survey on pay seeks the views of all colleagues on their performance and pay outcomes. The Committee reviews the outcomes of the survey and determines the key remuneration priorities for the forthcoming year. Whilst we have not explicitly sought the views of colleagues on the new policy, many of our colleagues are also shareholders and therefore have the opportunity to vote on the policy at the 2025 AGM.

As part of our annual calendar, the Committee Chair also hosts a forum attended by the chairs of our principal subsidiary boards and remuneration committees. This allows the Committee to understand local market factors and feedback gathered from colleagues, within the regions where we operate, on pay and performance matters. This also helps both management and the Committee to determine the prioritisation of pay budgets, and allows the Committee to ensure that funding is directed to the areas of need in support of the Group's strategic ambitions.

Remuneration structure for colleagues

We set out below the key features of our remuneration framework, which applies on a Group-wide basis, subject to compliance with local laws:

Remuneration components and objectives	Application for Group employees	Approach for executive Directors
Fixed pay Attract and retain colleagues with market competitive pay for the role, skills and experience required.	– Fixed pay may include base salary, fixed pay allowances, cash in lieu of pension and other cash allowances in accordance with local market practice. – It is based on predetermined criteria, non-discretionary, transparent and not reduced based on performance. – It represents a higher proportion of total compensation for more junior colleagues. – Fixed pay may change to reflect an individual's position, role or grade, cost of living in the country, individual skills, capabilities and experience. – Fixed pay is generally delivered in cash on a monthly basis.	– Consistent with approach for Group colleagues except that under our proposed new policy, executive Directors will not receive a fixed pay allowance.
Benefits Support the physical, mental and financial health of a diverse workforce in accordance with local market practice.	– Benefits may include, but are not limited to, the provision of a pension, medical insurance, life insurance and health assessment.	– Provision of medical insurance, life insurance, car and tax return assistance.
Variable pay Incentivise and reward performance based on annual financial and non-financial measures consistent with the medium- to long-term strategy, stakeholder interests and values-aligned behaviours.	– All colleagues are eligible to be considered for a discretionary variable pay award. Individual awards are determined against performance goals set at the start of the year. – Variable pay represents a higher proportion of total compensation for more senior colleagues to strengthen alignment between total compensation and business performance. – Variable pay for employees is limited to 10 times fixed pay, except where local regulations require otherwise. – Awards are generally paid in cash and shares. For MRTs, at least 50% of the awards are in shares and/or where required by regulations, in units linked to asset management funds.	– Annual incentive is determined based on the outcomes of an annual scorecard of financial and non-financial measures. – Executive Directors and members of the Group Operating Committee are also eligible to be considered for a long-term incentive award, which is subject to three-year forward-looking performance measures.
Buy-out awards Support recruitment of key individuals.	– Buy-out awards may be offered if an individual holds any outstanding unvested awards that are forfeited on resignation from the previous employer. – The terms of the buy-out awards will not be more generous than the terms attached to the awards forfeited on cessation of employment with the previous employer.	– For new hires, the approach is consistent with the approach taken for employees and the policy approved by shareholders.
New hire indicative variable pay Support recruitment of key individuals.	– New hire indicative variable pay is awarded in exceptional circumstances, typically involving a critical senior new hire, and is limited to an individual's first year of employment only. The award is subject to a number of factors (such as the respective performance of the Group, business unit and individual), and the final value paid remains at the full discretion of HSBC.	– For new hires, the approach is consistent with the approach taken for employees and the policy approved by shareholders.
Deferral Align employee interests with the medium- to long-term strategy, stakeholder interests and values-aligned behaviours.	– A Group-wide deferral approach is applicable to all employees. A portion of annual incentive awards above a specified threshold is deferred in shares vesting annually over a three-year period (33% vesting on the first and second anniversaries of grant and 34% on the third). – Awards for MRTs are paid in line with the PRA and FCA remuneration rules, and in compliance with local regulations. – This means that awards are generally subject to a minimum 40% deferral (60% for awards of £500,000 or more) over a minimum period of four years up to a maximum of seven years. – Group standard deferral generally applies to MRTs identified as 'de minimis'. Individuals based outside the UK and identified as MRTs under local regulations, would be subject to local requirements where necessary. – All deferred awards are subject to malus provisions, subject to compliance with local laws. Awards granted to MRTs on or after 1 January 2015 and awards granted to non-MRTs on or after 1 January 2022 are subject to clawback. – HSBC operates an anti-hedging policy for all employees, which prohibits employees from entering into any personal hedging strategies in respect of HSBC securities. – For all Group MRTs and the majority of local MRTs, excluding executive Directors, a minimum 50% of the deferred awards is in HSBC shares with the remaining portion in deferred cash. Local regulatory requirements would also apply where necessary. – For some employees in our asset management business, where required by the relevant regulations, at least 50% of the deferred award is linked to fund units reflective of funds managed by those entities, with the remaining portion in deferred cash awards. – Variable pay awards made in HSBC shares or linked to relevant fund units granted to MRTs are generally subject to a one-year retention period post-vesting. – MRTs who are subject to a five-year deferral period, except senior management or individuals in PRA- and FCA-designated senior management functions, have a six-month retention period applied to their awards. – Where an employee is subject to more than one regulation, the requirement specific to the sector and/or country in which the individual is working is applied.	– All of the LTI award, or at least 60% of the total variable award (including LTI), is deferred. The deferred awards will vest in five equal annual instalments, with the first vesting on or around the third anniversary of the grant date and the last instalment vesting on or around the seventh anniversary of the grant date. – All deferred awards are in HSBC shares and subject to a post-vesting retention period of one year.
Severance payments Adhere to contractual agreements with involuntary leavers.	– Where an individual's employment is terminated involuntarily for gross misconduct then, subject to compliance with local laws, the Group's policy is not to make any severance payment and all outstanding unvested awards are forfeited. – For other cases of involuntary termination of employment, the determination of any severance will take into consideration the performance of the individual, contractual notice period, applicable local laws and circumstances of the case. – Generally, for good leavers, all outstanding unvested awards will normally continue to vest in line with the applicable vesting dates. Where relevant, any performance conditions attached to the awards, and malus and clawback provisions, will remain applicable to those awards. – Severance amounts awarded to MRTs are not considered as variable pay for the purpose of application of the deferral and variable pay cap rules under the PRA and FCA remuneration rules where such amounts include: (i) payments of fixed remuneration that would have been payable during the notice and/or consultation period; (ii) statutory severance payments; (iii) payments determined in accordance with any approach applicable in the relevant jurisdictions; and (iv) payments made to settle a potential or actual dispute.	– Any payments will be in line with the policy on loss of office.

Annual report on Directors' remuneration

This section sets out how our approved Directors' remuneration policy was implemented during 2024.

Single total figure of remuneration

(Audited)

The following table shows the single total figure of remuneration of each executive Director for 2024, together with comparative figures. Sir Noel Quinn retired as Group CEO and as an executive Director of the Board on 2 September 2024 and was succeeded by Georges Elhedery. The figures below reflect the remuneration paid in respect of time spent as executive Director during 2024.

Single total figure of remuneration

	Sir Noel Quinn		Georges Elhedery	
(£000)	**2024**	2023	**2024**	2023
Base salary	**914**	1,336	**989**	780
Fixed pay allowance ('FPA')	**1,138**	1,700	**1,288**	1,085
Cash in lieu of pension	**91**	134	**99**	78
Taxable benefits[1]	**66**	127	**39**	4
Non-taxable benefits	**60**	89	**58**	52
Total fixed	**2,270**	3,386	**2,473**	1,999
Annual incentive[2,3]	**1,540**	2,018	**1,677**	1,287
Notional returns[4]	**56**	43	**8**	6
Replacement award	**—**	—	**—**	—
Long-term incentive[5,6]	**5,298**	4,949	**1,207**	—
Total variable	**6,894**	7,010	**2,891**	1,293
Total fixed and variable	**9,164**	10,396	**5,364**	3,292

1 Taxable benefits include the provision of medical insurance, car benefit, accommodation and tax return assistance (including any associated tax due, where applicable). Non-taxable benefits include the provision of life assurance and other insurance cover.
2 Sir Noel Quinn was not eligible to be considered for a 2025-2027 LTI award. To satisfy regulatory requirements, 40% of the annual incentive award for Sir Noel Quinn is delivered immediately and 60% is deferred. Both immediate and deferred portions of the award are split evenly between cash and shares. The shares portion of the award is subject to a retention period of one year and both the shares and the deferred cash portions of the award are subject to clawback provisions.
3 The annual incentive award for Georges Elhedery is awarded 50% in cash and 50% in shares. The shares portion of the award vests immediately at grant and is subject to a retention period of one year and clawback provisions.
4 Deferred cash awards granted in prior years include a right to receive notional returns for the period between the grant and vesting date. This is determined by reference to a rate of return specified at the time of grant and paid annually, with the amount disclosed on a paid basis.
5 LTI awards were made in February 2022 (in respect of 2021) at a share price of £5.380 for which the performance period ended on 31 December 2024. The value of the awards has been computed based on a share price of £7.184, the average share price during the three-month period to 31 December 2024. The value attributable to share price appreciation for Sir Noel Quinn is £1,330,238 and for Georges Elhedery is £303,006. The vesting LTI granted to Georges Elhedery was in respect of 2021 performance in his role as Co-CEO, GBM. See the following section for details of the performance assessment, which resulted in 75.00% vesting.
6 The value of the 2021-2023 LTI for Sir Noel Quinn has been restated based on a share price of £5.899 to reflect the value of the award on 12 March 2024, when the first tranche of the award vested. In 2023, the value was based on the average share price during the three-month period to 31 December 2023 of £6.192.

Benefits

The values of the significant benefits in the single total figure table are set out in the following table. The accommodation benefits in Hong Kong and the car benefits for Georges Elhedery are not included in the table below as they were not deemed significant.

	Sir Noel Quinn		Georges Elhedery	
(£000)	**2024**	2023	**2024**	2023
Group income protection (non-taxable)	**57**	84	**49**	49
Accommodation in Hong Kong (taxable)	**18**	67	**—**	—
Car and driver in UK and Hong Kong (taxable)	**15**	47	**—**	—

Determining executive Directors' incentive outcomes

(Audited)

Both executive Directors met the minimum standard of conduct and behaviour for an annual incentive award to be made.

The award is determined by applying the outcome of their annual scorecard to the maximum opportunity, set at 215% of base salary.

Sir Noel Quinn has been assessed on full-year performance against the Group CEO annual scorecard with his pay outcome pro-rated for time in role up to and including 1 September 2024. Georges Elhedery has been assessed on full-year performance against both the Group CEO and Group CFO scorecards with his pay outcome pro-rated based on the time spent and salary received in each role.

The financial measures, weightings and targets were set at the start of the year to align with our reported financial performance, excluding notable items, to ensure that out-turns were not impacted by one-offs. In setting the targets, the Committee considered the 2024 financial plan, 2023 performance, external commitments, scenario testing of upside and downside risks in the plan, and analyst consensus where available.

Diversity representation target ranges were set based on a trajectory to meet our external commitments. Other strategic measures were set based on maintaining or improving when compared with 2023 performance and/or market benchmarks.

In assessing performance, the Committee considered, and made no adjustment for, the impact of interest rates, re-confirming that variations in the macroeconomic environment and their impact on business outcomes remain for our executives to manage.

The Committee considered carefully the wider context in which performance was delivered in 2024 and judged that the overall scorecard outcome for both Sir Noel Quinn and Georges Elhedery was appropriate against the targets set at the start of the year for financial, strategic and personal measures.

Taking into account inputs from the Group Risk Committee, the Committee concluded that the risk and compliance modifier should not be applied for 2024 based on the Group's performance against key risk metrics for either Sir Noel Quinn or Georges Elhedery.

Annual incentive scorecard assessment

(Audited)

Summary assessment

	Minimum (25% payout)	Maximum (100% payout)	Performance	Weighting (%)	Assessment (%)	Sir Noel Quinn Outcome (%)	Georges Elhedery Outcome (%)
Profit before tax ($bn)[1]	**27.1**	**33.5**	**34.1**	**15.0**	**100.00**	**15.00**	**15.00**
Target basis operating expenses ($bn)[1]	**32.9**	**32.3**	**32.6**	**15.0**	**60.09**	**9.01**	**9.01**
Group RoTE[1,2]	**13.5%**	**16.5%**	**16.0%**	**25.0**	**87.50**	**21.88**	**21.88**
Asia RoTE[1,2]	**15.1%**	**18.1%**	**18.2%**	**5.0**	**100.00**	**5.00**	**5.00**
Customer satisfaction	**See following tables for commentary**			**15.0**	**75.00**	**11.25**	**11.25**
Employee experience				**10.0**	**70.00**	**7.00**	**7.00**
Wider society				**5.0**	**50.00**	**2.50**	**2.50**
Personal measures				**10.0**		**6.17**	**7.15**
Total				**100.0**		**77.81**	**78.79**
Scorecard outcome (000)						**£1,540**	**£1,677**
Risk adjustment (000)						**£—**	**£—**
Annual incentive (000)						**£1,540**	**£1,677**

1 Excluding notable items.
2 The CET1 capital ratio of 14.9% exceeded the tolerance level in the risk appetite statement as required by the underpin.

Strategic measures for both executive Directors

	Measures	Weighting	Performance achievement	Assessment	Outcome
Customer satisfaction	Maintain and improve NPS in the UK and Hong Kong, and in key growth markets	**15.0%**	– The Committee assessed performance against a scorecard of quantitative targets set at the start of the year, and using NPS data from external providers. – In Hong Kong we met our NPS targets, and are ranked in first place in both CMB and WPB. – In HSBC UK, WPB saw a modest improvement in rank by two positions to joint 11th. In CMB, as measured by the Savanta MarketVue Business Banking Survey, our Mid-Market Enterprise ('MME') segment has improved its rank to 2nd position at FY24 (FY23: 3rd). Our Large Corporate sector was ranked 3rd for NPS in the 2024 Coalition Greenwich UK Commercial Study. – For other key growth markets, in WPB we improved rank in Singapore, but saw a decline in India and rank remained stable in Mexico and China. In CMB, Singapore and India rankings are in the Top 3. – GBM has seen an improvement globally rising from 3rd to 2nd place. – Overall, the Committee assessed that the NPS targets were met.	**75.00%**	**11.25%**
Employee experience	Improve diversity and inclusion	**10.0%**	– Senior leadership representation for women increased by 0.5 percentage points year-on-year to 34.6%, exceeding the target set. – Senior leadership colleagues with Asian heritage increased by 1.5 percentage points year-on-year to 39.3%, exceeding target. – The percentage of Black heritage colleagues in senior leadership roles remained flat at 3.0%, which was above the minimum set, but behind target. – The Inclusion index in our employee Snapshot survey remained flat at 78%, above minimum, but behind target.	**70.00%**	**7.00%**
Wider society	Execution of sustainability commitments	**5.0%**	– Whilst the Sustainability Execution Programme ('SEP') is on track with mitigating actions in place for known risks, the Committee assessment considered that the pace of progress could have been accelerated with greater management focus. – The absolute financed emissions for oil & gas and thermal coal mining exceeded the 2024 goal on the trajectory towards our 2030 reduction target.	**50.00%**	**2.50%**

Personal measures for the Group CEO and the Group CFO

Personal measures were set at the start of the year and measured by the Committee against agreed targets and key performance indicators.

Group CEO	Weighting	Assessment	Performance achievement
Technology transformation	**4.67%**	**75.00%**	– Progress was made on our technology strategy through mobilisation of 83% value streams with clear accountability across technology and business leads. – Future State Architecture ('FSA'), which defines the technology roadmap, was agreed for four areas (Wholesale Credit & Lending, GPB & Wealth, Global FX and Wholesale Client Services Onboarding and Know Your Customer) with 97% of FSAs approved providing a better end-state view of our strategic application estate.
Driving data quality remediation	**2.33%**	**50.00%**	– The Committee's assessment balanced strong progress against the targets set at the start of the year, while noting that data risk is one of the three principal risk areas to have a material impact on the Group in 2024, and taking into consideration regulatory feedback.
Simplification of processes and organisation	**3.0%**	**50.00%**	– In 2024, we completed the sales of our retail banking operations in France, and businesses in Canada, Argentina, Russia and Armenia. We announced divestments in our private banking business in Germany and our business in South Africa, and announced the planned sale of our France life insurance business. We acquired SilkRoad Property Partners Group in Singapore and Citi's retail wealth management portfolio in mainland China. In October 2024, we announced a simplified organisational structure.
Total	**6.17% out of 10.00%**		

Personal measures for the Group CEO and the Group CFO (continued)

Group CFO	Weighting	Assessment	Performance achievement
Deliver activities relating to regulatory priorities	5.0%	75.00%	– The Committee's assessment considered improved regulatory feedback on recovery and resolution planning activity, and measurement and management of IRRBB risk. – The Integrity of Regulatory Reporting programme continues to remediate against known gaps to deliver improvements in the quality of regulatory returns, partially meeting the targets set at the start of the year. – The regulatory excellence programme achieved efficiencies and outcomes broadly in line with the targets and milestones set, and the Finance on The Cloud programme successfully closed in April 2024.
Enhanced disclosures and controls	2.5%	67.86%	– Implemented enhanced disclosures covering banking NII, structural hedge and multi-jurisdictional revenue. – Progress against external disclosure commitments for scope 3 emissions of Pillar 3 sections and coal exposures and delivery of other ESG regulatory deliverables including climate risk stress testing and regulatory reporting.
Drive liquidity and capital management across the Group	2.5%	87.50%	– Strong capital and liquidity positions with no breaches in risk appetite, meeting the targets set.
Total	**7.63% out of 10.00%**		

Long-term incentive ('LTI') awards

LTI awards over 2022 to 2024 performance period

(Audited)

Sir Noel Quinn, Georges Elhedery and Ewen Stevenson were each granted a 2022–2024 LTI award in February 2022. In line with the terms of his departure, Ewen Stevenson is a good leaver and his award has been pro-rated for time in employment.

The scorecard delivered an outcome of 75.00%, reflecting strong shareholder returns across the performance period.

Based on the performance outcome, 737,504 shares will vest for Sir Noel Quinn, 167,991 shares will vest for Georges Elhedery and 191,224 shares will vest for Ewen Stevenson. The awards will vest in five equal annual instalments commencing in March 2025.

The Committee determined that there were no windfall gains to consider for this award given the share price at grant (£5.38) was above the share price at the previous LTI grant (£4.26).

The 2022–2024 LTI award is subject to a risk and compliance modifier. The Committee received input from the GRC who assessed that the performance targets were delivered with appropriate risk management. On this basis, the Committee considered that no adjustment for risk should be made.

Assessment of the 2022–2024 LTI awards

Measures (weighting)[1]		Minimum (25% payout)	Target (50% payout)	Maximum (100% payout)	Actual	Assessment	Outcome
RoTE with CET1 capital ratio underpin[2] (25%)		8.0%	9.5%	11.0%	14.6%	100.0%	**25.00%**
Capital reallocation to Asia with CET1 capital ratio underpin[3] (25%)		46.0%	48.0%	50.0%	43.7%	0.0%	**0.00%**
Transition to net zero[4] (25%)	Carbon reduction (own emissions)	52.0%	56.0%	60.0%	66.1%	100.0%	**12.50%**
	Sustainable finance and investment	$285bn	$340bn	$370bn	$394bn	100.0%	**12.50%**
Relative TSR[5] (25%)		At median of the peer group	Straight-line vesting between minimum and maximum	At upper quartile of the peer group	Above upper quartile	100.0%	**25.00%**
Total							**75.00%**

1 Awards vest on a straight-line basis for performance between the minimum, target and maximum levels of performance set out in this table.
2 Assessed based on RoTE in the 2024 financial year. The CET1 capital ratio of 14.9% exceeded the level required by the underpin.
3 Assessed based on share of Group tangible equity (on a constant currency basis and excluding associates) allocated to Asia by 31 December 2024.
4 Carbon reduction assessed on percentage reduction in total energy and travel emissions achieved by 31 December 2024 using 2019 as the baseline. Sustainable finance and investment assessed on cumulative financing provided over the performance period.
5 The peer group was: Bank of America, Barclays, BNP Paribas, Citigroup, DBS Group Holdings, Deutsche Bank, J.P. Morgan Chase & Co., Lloyds Banking Group, Morgan Stanley, Standard Chartered and UBS Group. Credit Suisse Group was removed following its acquisition by UBS Group in June 2023.

LTI awards over 2025 to 2027 performance period

After taking into account performance for 2024, and subject to shareholder approval of the new policy, the Committee intends to grant Georges Elhedery an LTI award of £9,000,000 and Pam Kaur an LTI award of £5,250,000 (both 600% of base salary). The awards will have a three-year performance period starting on 1 January 2025.

Alongside reviewing the policy, the Committee has undertaken a comprehensive review of the performance measures used for our incentive arrangements to ensure alignment to the Group's priorities and balance delivery of financial and strategic performance.

For the 2025-2027 LTI, we will retain Group RoTE, relative TSR and environment measures, reflecting our strategic commitments, and to assess relative performance compared with peers.

We will increase the weighting of RoTE to 40%, reflecting that the delivery of a strong stable return on tangible equity is a core measure of the sustainable returns expected by our investors. Group RoTE will be assessed excluding notable items in the last year of assessment to mirror our outlook on RoTE which targets a mid-teens return in each of the three years from 2025 to 2027 excluding notable items.

The RoTE measure is subject to a CET1 capital ratio underpin. If the CET1 capital ratio at the end of the performance period is below the CET1 risk tolerance level set in the risk appetite statement, then the assessment for this measure will be reduced to nil.

We will increase the weighting of relative TSR to 40% as it is a key measure of shareholder returns, a material relative measure used by our peers and in line with investor expectations. No changes have been made to our relative TSR peer group, which continues to include more Asian peers to better reflect our growth and investment focus following a review in 2023.

Following feedback from our shareholders on the metrics used and recognising the increase in LTI opportunity, we have reduced the overall weighting of the environment measure from 25% to 20% to ensure a greater proportion of the LTI is aligned to value creation while supporting our ESG ambitions.

The Committee completed a comprehensive review of the environment metrics in the LTI and discussed with major shareholders. At this stage, financed emission targets remain difficult to include given challenges in the methodology, timeliness and frequency of reporting. This was recognised by the investors we spoke to as part of our policy engagement. We therefore decided to retain metrics on carbon reduction in our own emissions and sustainable finance and investment, given we cannot currently use financed emissions, which is a material metric in supporting our ESG ambitions.

The Committee will continue to keep the environment measures and weighting under review for future performance cycles.

Performance targets have been set to balance stretch and achievability so that awards act as an effective incentive for management, and incentivise outperformance against our external strategic commitments. The proposed change in remuneration structure will be supported by target ranges calibrated to reflect the increase to the remuneration opportunity.

It was recognised by investors in our engagement that our recent LTI targets have been set to deliver maximum payouts only for outperformance compared to consensus and our external strategic commitments.

For 2025-2027 awards:

- The maximum target for RoTE reflects stretch above plan and performance forecasts, taking into account the macroeconomic environment. The minimum target for RoTE is aligned to our external commitment of mid-teens RoTE over the medium term.
- The minimum target for relative TSR is set 'at the median of our peer group', which ensures no payout for below median performance aligned to investor expectations. The maximum is set 'at the upper quartile of our peer group'.
- Our emissions reduction targets have been set based on meeting our forecasts relating to emissions reduction and purchase of renewable energy.
- For the sustainable finance and investment measure, we have set performance targets to support our ambition announced in 2020 to provide $750bn to $1tn of financing and investment by 2030. We reflected on sustainable financing forecasts, market demand, and regulation, as well as higher LTI opportunity in setting the stretch in the target range.

The LTI is subject to a risk and compliance modifier, which gives the Committee the discretion to ensure performance targets are delivered with appropriate risk management.

Consistent with our approach since 2017, the number of shares to be awarded will be adjusted to reflect the expected dividend yield of the shares over the vesting period, as awards are not entitled to dividend equivalents in accordance with regulatory requirements.

To the extent performance conditions are satisfied at the end of the three-year performance period, the awards will vest in five equal annual instalments commencing from around the third anniversary of the grant date. On vesting, shares equivalent to the net number of shares that have vested (after those sold to cover any income tax and social security payable) will be held for a retention period of up to one year, or such period as required by regulators.

Performance conditions for the 2025–2027 LTI awards

Measures (weighting)[1]		**Minimum (25% payout)**	**Target (50% payout)**	**Maximum (100% payout)**
RoTE (excluding notable items) with CET1 capital ratio underpin[2] (40%)		14.0%	16.0%	18.0%
Relative TSR[3] (40%)		At the median of the peer group	Straight-line vesting between minimum and maximum	At the upper quartile of the peer group
Environment[4] (20%)	Carbon reduction (own emissions)	71.0%	73.0%	78.0%
	Sustainable finance and investment	$648.0bn	$720.0bn	$792.0bn
Subject to risk and compliance modifier				
The Group Remuneration Committee retains the discretion to revise down the formulaic outcome taking into account performance against risk and compliance factors during the performance period.				

1 Awards will vest on a straight-line basis for performance between the minimum, target and maximum levels of performance set in this table.
2 To be assessed based on RoTE excluding notable items at the end of the performance period, subject to the CET1 capital ratio underpin.
3 The peer group for the 2024 award is: Bank of China (Hong Kong), Barclays, BNP Paribas, China Merchants Bank, Citigroup, DBS Group Holdings, J.P. Morgan Chase & Co., Lloyds Banking Group, OCBC Bank, Standard Chartered and UBS Group.
4 Carbon reduction will be measured based on percentage reduction in total energy and travel emissions achieved by 31 December 2027 using 2019 as the baseline. The sustainable finance and investment measure will assess the cumulative amount provided and facilitated over the performance period starting from 1 January 2020 and ending 31 December 2027.

Annual incentive measures for 2025

The 2025 annual incentive scorecard measures for our executive Directors have been set to incentivise the delivery of our strategy and its execution at pace.

Following the Committee’s comprehensive review of the policy and its implementation, core measures of PBT, Group RoTE and costs have been retained, with each assessed excluding notable items so that the outcome reflects performance in the control of management.

We have introduced a measure on fee income growth relative to balance sheet growth to incentivise growth with less reliance on capital. To simplify and retain financial measures at 60% of the scorecard (in order to meet regulatory expectations), we have reduced the weighting for PBT to 10% and removed the Asia RoTE measure to reduce overlap with Group RoTE.

The Committee felt it appropriate to have financials weighted at 60% to balance alignment with shareholder performance and regulatory expectations, and in line with UK peers.

Customer Net Promoter Score (‘NPS’) has been retained to reflect our ambition to be a top-three bank for customer satisfaction and/or improve customer satisfaction rank.

We have added a measure focused on delivery of benefits from the organisational change.

Our people and culture measures support our strategy to have an inclusive culture of high performance. The Committee intends to assess this by considering our established inclusion index, the retention of high performers and other relevant indicators.

We have removed the sustainability measure introduced in 2024 to reduce duplication with the environment measure in the LTI, which better reflects the time horizon of our sustainability commitments.

Personal measures have been set to ensure meaningful weighting for the most critical goals for each executive Director.

The Committee will continue to retain discretion to adjust the formulaic outcomes of scorecards, taking into account factors such as Group profits, wider business performance and stakeholder experience, to ensure executive reward is aligned with underlying Group performance and the broader stakeholder experience.

The weightings and performance measures for the 2025 annual incentive scorecard for executive Directors are opposite.

Performance targets have been set to reflect the Group’s 2025 plan, external commitments, scenario testing of upside and downside risks in the plan while considering macroeconomic uncertainty, including the interest rate environment and analyst consensus where available. The performance targets are commercially sensitive, and it would be detrimental to the Group’s interests to disclose them at the start of the financial year. However, as with the 2025-2027 LTI scorecard, the Committee is mindful that targets must remain suitably stretching to support the increased remuneration opportunity of the new policy.

Subject to commercial sensitivity, we will disclose the targets in the 2025 Directors’ remuneration report.

2025 annual incentive performance measures	Weighting
Financial measures (all measures subject to CET1 capital ratio underpin)	**60.0%**
Group RoTE (excluding notable items)	25.0%
Profit before tax (excluding notable items)	10.0%
Fee income growth relative to balance sheet growth	10.0%
Target basis operating expenses (excluding notable items)	15.0%
Strategic measures	**30.0%**
Customer satisfaction: Improvement in NPS scores/rank	15.0%
Deliver benefits of announced organisational changes	8.0%
People and culture: Inclusion and retention of high performers	7.0%
Personal measures – Group CEO: Deliver enterprise-wide foundational priorities including regulatory excellence, wealth acceleration and strategic investments, and the Group's technology strategy. – Group CFO: Deliver activities relating to regulatory excellence priorities, Group Sustainability priorities, and robust liquidity and capital management.	**10.0%**
Subject to risk and compliance modifier The Group Remuneration Committee retains the discretion to revise down the formulaic outcome taking into account performance against risk and compliance factors during the performance period.	

Our approach to workforce reward

Our goal is to deliver a unique and exceptional experience to energise colleagues to perform at their best. This is critical to strengthening our ability to attract, retain and motivate the people we need in competitive markets where employee expectations continue to evolve.

Our workforce reward principles and commitments guide our approach and support our focus on being a great place to work.

- We will reward our colleagues responsibly through fixed pay security and protection through core benefits, a competitive total compensation opportunity, pay equity, and a more inclusive and sustainable benefits proposition over time.
- We will recognise colleagues' success through our performance routines, including feedback and recognition, pay for performance, and all employee share ownership opportunities.
- We will support our colleagues to grow through our proposition beyond pay, with a focus on future skills and development, support for well-being, and flexibility.

In 2024, we made several changes to improve colleague experience and unlock our performance edge:

- We introduced new performance routines to over 200,000 colleagues in 58 markets, so colleagues know what is expected of them, how they are doing and how they can improve. This is achieved by discussing performance more frequently through the year, regularly exchanging feedback and simplifying year-end performance assessment to focus less on ratings and more on a dialogue between managers and colleagues.
- We introduced 'Target Variable Pay' to over 150,000 colleagues in 46 markets, helping improve clarity and transparency on how we make pay decisions and the impact of Group, business and individual performance on variable pay.
- We continued to improve our wellbeing offering by enhancing country Employee Assistance Programmes, increasing the number of mental health champions to expand the network's global reach, developing new financial wellbeing support and running global activity challenges to improve employees' physical wellbeing.

The Committee tracks various metrics to assess how we are doing and prioritise action plans. Our approach overall is working and has positively contributed to employee engagement, which has risen to a record high of 80% in our employee Snapshot survey. Additional metrics highlighting some of our areas of focus in 2024 are outlined below.

Our approach to workforce reward forms part of our broader employee value proposition and helps us retain and engage the leaders and people we need to execute our strategy. We will continue to track and measure progress against key metrics at a Group, global business and market level and use these insights to inform what improvements we can make. In 2025, we will continue to embed our performance and pay changes, protect well-being and flexibility, and reinvest in colleagues' skills development.

We will reward you responsibly

Living wage

Global living wage employer

Following our accreditation as a global living wage employer in 2024, we have continued to work with the Fair Wage Network which provides an independent source of wage levels. HSBC has achieved accreditation as a global living wage employer in 2025 and will continue to review all wages against local living wage benchmarks.

Fixed pay

3.6% (2023: 4.4%)

increase to fixed pay for 2025, targeted at colleagues that need it most, such as those in high inflation markets.

Pay fairness

5 percentage points ▲

increase in the number of colleagues who say they are paid fairly for what they do, compared with the 2021 year-end pay review.

We will recognise your success

Feedback

81% (2023: 81%)

of colleagues say they receive feedback to help them improve performance.

42% ▲

average monthly increase in colleagues receiving feedback compared to 2023.

Recognition

1.5m (2023: 1.4m) ▲

recognitions by employees of their peers for demonstrating role model behaviours that are linked to our values, up 7% on 2023.

We will support you to grow

Mental health

#1 (2023: #1)

in the Global CCLA Corporate Mental Health Benchmark for the third year running.

Financial wellbeing

65% (2023: 60%) ▲

of colleagues say they know where to find financial wellbeing support, an increase of five percentage points compared to 2023.

Career

71% (2023: 71%)

Our Career Index is six percentage points higher than the financial services benchmark.

Committee governance

The Group Chairman, Chair of the Group Risk Committee, Group CEO, Group Chief Risk and Compliance Officer, Group Chief People and Governance Officer, Group Chief Legal Officer, Global Head of Remuneration Governance and Regulatory Accountabilities (Committee Secretary), and Group Head of Performance and Reward routinely and selectively attend Committee meetings.

No Director is present at Committee meetings when their own remuneration is discussed.

The Chair regularly engaged with the Committee's key stakeholders, including senior management, independent advisors, investors, proxy advisors and regulators to listen to numerous perspectives to help inform the broader decision-making of the Committee.

A copy of the Committee's terms of reference can be found on our website at www.hsbc.com/who-we-are/our-people/board-of-directors/board-committees and further information on stakeholder engagement for setting the remuneration policy is set out from page 285.

The Committee Secretary regularly met with the Chair to ensure the Committee fulfilled its governance responsibilities, to consider input from stakeholders when finalising meeting agendas and track progress on actions and priorities. A summary of coverage is set out in the 'Matters considered during 2024' table below.

Matters considered during 2024

	Feb[1]	Feb[1]	Jun[2]	Jun	Jul	Sep[2]	Sep	Oct[2]	Dec
Remuneration framework and governance									
Group variable pay, workforce performance and pay matters and insights	◆	◆	◇	◆	◆	◇	◆	◆	◆
Directors' remuneration policy design	◆	◇	◇	◆	◆	◇	◆	◇	◆
Executive Director remuneration policy implementation, scorecards and pay proposals	◆	◆	◆	◇	◆	◇	◆	◇	◆
Remuneration for other senior executives of the Group	◆	◆	◇	◇	◇	◇	◆	◇	◆
Directors' remuneration report	◇	◆	◇	◇	◇	◇	◇	◇	◆
Regulatory, risk and governance									
Material risk and audit events, and performance and remuneration impacts for individuals involved	◆	◆	◇	◇	◆	◆	◆	◇	◆
Regulatory updates, including identification of Material Risk Takers	◆	◆	◇	◇	◆	◇	◆	◇	◆
Governance matters	◆	◆	◇	◆	◆	◇	◆	◇	◆
Matters from principal subsidiary committees	◆	◆	◇	◇	◆	◇	◆	◇	◆

◆ Matter considered ◇ Matter not considered

1 There were two meetings held during February.
2 The June, September and October meetings were ad hoc with reduced agenda.

How the Committee discharged its responsibilities

Activities outside formal meetings

In addition to its regular schedule, the Committee convened three ad hoc meetings to facilitate oversight of key topics under its remit in support of strategic priorities and initiatives during 2024.

The Committee keeps abreast of regulatory and investor developments and periodically undertakes training to explore key topics in more detail. A comprehensive induction session was held with Kalpana Morparia in October 2024 to introduce her to the work of the Committee.

Connectivity with principal subsidiary remuneration committees

The Chair hosted the biannual Remuneration Committee Chairs Forum in October and November 2024, bringing together Committee members and Chairs of the principal subsidiary remuneration committees. The forum provided the opportunity for members to discuss key priorities and challenges in relation to people, performance and pay matters across the Group. The focus in October was progress on Committee priorities for the year including the development of a new executive Director policy, progress on delivering the employee value proposition commitments and to receive regional feedback on key considerations for the 2024 pay review. In November, the forum focused on the preliminary Group variable pay for 2024, and allocation by business, function and region and the 2025 fixed pay budgets.

The Committee received certifications from the principal subsidiary remuneration committees, confirming that the relevant committee had discharged its obligations overseeing the implementation and operation of HSBC's Group Remuneration Framework and escalated all relevant concerns to the Committee. A regular report is presented to the Committee highlighting significant remuneration matters from the Group's subsidiaries.

Collaborative oversight by the GRC, GAC and GTOC

The Committee worked closely with, and received feedback and input from, the GRC and GAC on the alignment of remuneration with risk appetite, conduct and compliance-related matters, including risk adjustment considerations for Group variable pay and the application of the risk modifier in respect of senior employees.

The Chair met with the Chair of the GRC, GAC and GTOC to consider the Group's risk and reward alignment framework, which is designed to promote sound and effective risk management in meeting PRA and FCA remuneration rules and expectations. During the year, the Chair of the Committee hosted a joint session with the GRC and GTOC to consider improvements to the risk and reward framework, more details of which can be found on page 304.

Advisers

The Committee received input and advice from different advisers on specific topics during 2024. Deloitte was retained as independent advisor to the Committee in 2024 having been reappointed in 2022 following a formal tender process. Deloitte also provided tax compliance and other advisory services to the Group in 2024. Deloitte is a founding member of the Remuneration Consultants Group and voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK.

The Committee also received advice from Willis Towers Watson on market data and remuneration trends. Willis Towers Watson also provides actuarial support to Global Finance, benchmarking data for the wider workforce and services related to benefits administration for our Group employees. The Committee was satisfied the advice provided by Deloitte and Willis Towers Watson was objective and independent in 2024.

For 2024, total fees of £275,150 and £68,971 were incurred in relation to remuneration advice provided by Deloitte and Willis Towers Watson, respectively. This was based on pre-agreed fees and a time-and-materials basis.

Committee performance review

In 2024, the annual review of the performance of the Board committees, including the Committee, was conducted externally by IBE. On the basis of the review, the directors concluded that the Committee continued to operate effectively.

Positive feedback was noted on the leadership of the Committee Chair and membership of the Committee, which was considered to have practical overlap of members with other Board committees, and an appropriate flow of information between Committee Chairs.

The review highlighted the importance of both continuing to consider performance and pay for the wider workforce, and taking the opportunity to take a fresh look at the performance and pay approach in the context of changes to the employee value proposition.

The outcomes of the evaluation have been reported to the Board, and the Committee will track the progress in implementing recommendations during 2025.

Further details of the annual review of the Board and Committee effectiveness can be found on page 257.

Additional remuneration disclosures

This section provides further information in relation to executive Director and wider workforce remuneration as required by the UK, Hong Kong, and Pillar 3 remuneration disclosure requirements. For the purpose of the Pillar 3 remuneration disclosures, executive Directors and non-executive Directors are considered to be members of the management body. Members of the Group Executive Committee other than the executive Directors are considered as senior management.

Link between risk, performance and reward

Our remuneration practices promote sound and effective risk management to support our business objectives and the delivery of our strategy. We set out below the key features of our framework, which enable us to align between risk, performance and reward, subject to compliance with local laws and regulations:

Framework elements	Application

Variable pay	– Group variable pay is expected to reflect Group performance, based on a range of financial and non-financial factors. We use a structured payout ratio range, that varies the payout ratio with profits before tax, and 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 variable pay, 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:
	  – Group and business unit financial performance, considering contextual factors driving performance, and capital requirements;
	  – current and future risks, taking into consideration performance against the risk appetite, financial 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.
	– In the event that the Group was unable to distribute dividends to shareholders for reasons such as capital adequacy, then the Group may determine that as a year of weak performance. In such a year, the Group may withhold some, or all, variable pay for employees including unvested share awards, using the metrics outlined above as a basis for that determination.

Individual performance	– Assessment of individual performance is made with reference to clear and relevant financial and non-financial goals. Goals for senior management take into account appropriate measures linked to sustainability risks, such as: reduction in carbon footprint; facilitating financing to help clients with their transition to net zero; employee inclusion; and risk and compliance measures, subject to local legal requirements. – A mandatory global risk and compliance goal is included for all other employees. Subject to any legal/regulatory requirements, all employees receive an overall performance assessment supported by an assessment against the minimum values-aligned behaviours and conduct standards expected of all colleagues and performance on their goals. This ensures that performance is assessed not only on what is achieved but also on how it is achieved.
Control function staff	– Group policy is for control functions staff to report into their respective function. Remuneration decisions for senior functional roles are made by the global function head. – The performance and reward of individuals in control functions, including risk and compliance colleagues, are assessed according to a balanced scorecard of goals specific to the functional role they undertake. – Their remuneration is determined independent of the performance of the business areas they oversee. – Remuneration is carefully benchmarked with the market and internally to ensure it is set at an appropriate level. – The Committee is responsible for approving remuneration for the Group Chief Risk and Compliance Officer and Group Head of Internal Audit.

Variable pay adjustments and conduct recognition	– Variable pay awards may be adjusted upwards or downwards to reflect positive or negative conduct in adherence with the Code of Conduct. Downward adjustments can be made in circumstances including:
	  – detrimental conduct, including conduct that brings HSBC into disrepute;
	  – involvement in events resulting in significant operational losses, or events that have caused or have the potential to cause significant harm to HSBC; and
	  – non-compliance with the values-aligned behaviours and other mandatory requirements or policies.
	– Rewarding positive conduct can be through use of our global recognition platform, At Our Best, or positive adjustments to variable pay awards.

Malus	– Malus can be applied to unvested deferred awards (up to 100% of awards) granted in prior years in circumstances including:
	  – detrimental conduct, including conduct that brings the business into disrepute;
	  – past performance being materially worse than originally reported;
	  – restatement, correction or amendment of any financial statements; and
	  – improper or inadequate risk management.

Clawback	– Clawback can be applied to vested or paid awards granted to MRTs on or after 1 January 2015 (and awards granted to non-MRTs on or after 1 January 2022) for a period of seven years, extended to 10 years for employees in PRA and FCA designated senior management functions in the event of ongoing internal/regulatory investigation at the end of the seven-year period. Clawback may be applied in circumstances including:
	  – participation in, or responsibility for, conduct that results in significant losses;
	  – failing to meet appropriate standards and propriety;
	  – reasonable evidence of misconduct or material error that would justify, or would have justified, summary termination of a contract of employment; and
	  – a material failure of risk management suffered by HSBC or a business unit in the context of Group risk-management standards, policies and procedures.
	– Clawback can also be applied to vested or paid awards granted to designated Executive Officers as defined by the US Securities and Exchange Commission ('SEC') for a period of three years in the event of an accounting restatement due to material non-compliance with any financial reporting requirement under the US securities laws.

Sales incentives	– We generally do not operate commission-based sales plans, unless aligned with local market practice and with appropriate safeguards to avoid incentivising inappropriate sales behaviours.

Identification of MRTs	– We identify individuals as MRTs based on qualitative and quantitative criteria set out in the PRA's and FCA's remuneration rules. Our identification process is underpinned by the following key principles:
	  – MRTs are identified at Group, HSBC Bank (consolidated) and HSBC UK Bank level.
	  – MRTs are also identified at other solo regulated entity level as required by the regulations.
	  – When identifying an MRT, HSBC considers a colleague's role within its matrix management structure. The global business and function that an individual works within takes precedence, followed by the geographical location in which they work.
	– We also identify additional MRTs based on our own internal criteria, which include compensation thresholds and individuals in certain roles and grades who otherwise would not be identified as MRTs under the remuneration rules.

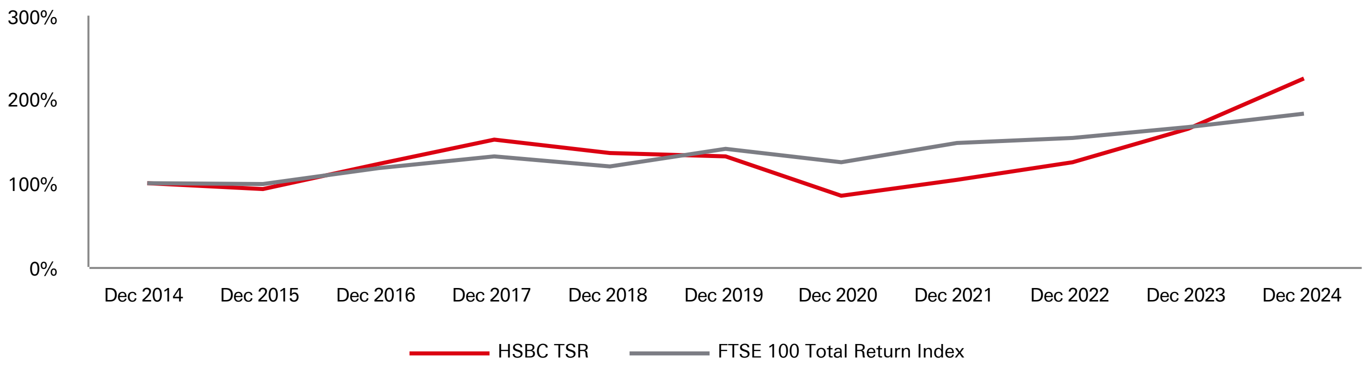
Summary of shareholder return and Group CEO remuneration

The graph shows HSBC TSR performance (based on the daily spot Return Index in sterling) against the FTSE 100 Total Return Index for the 10-year period ended 31 December 2024.

The FTSE 100 Total Return Index has been chosen as a recognised broad equity market index of which HSBC Holdings is a member.

The single total figure remuneration for the Group CEO over the past 10 years, together with the outcomes of the respective annual incentive and LTI awards, are presented in the following table.

HSBC TSR and FTSE 100 Total Return Index



	2015	2016	2017	2018		2019		2020	2021	2022	2023	2024	
Group CEO	Stuart Gulliver	Stuart Gulliver	Stuart Gulliver	Stuart Gulliver	John Flint	John Flint	Sir Noel Quinn	Sir Noel Quinn	Sir Noel Quinn	Sir Noel Quinn	Sir Noel Quinn	**Sir Noel Quinn[1,2]**	**Georges Elhedery[2,3]**
Single total figure £000[4]	7,340	5,675	6,086	2,387	4,582	2,922	1,977	4,154	4,895	5,562	10,396	**9,164**	**1,867**
Annual incentive[5] (% of maximum)	45%	64%	80%	76%	76%	61%	66%	32%	57%	75%	70%	**78%**	**78%**
Long-term incentive[5,6,7] (% of maximum)	41%	–%	–%	100%	–%	–%	–%	–%	–%	–%	75%	**75%**	**—%**

1 Sir Noel Quinn's 2024 single total figure reflects his single total figure of remuneration and includes his total fixed pay, benefits and annual incentive up to and including 1 September 2024 when he stepped down as Group CEO, plus his vesting 2022-2024 LTI.
2 The 2024 annual incentive figures for Sir Noel Quinn and Georges Elhedery reflect their assessment against the Group CEO scorecard for their periods as Group CEO.
3 Georges Elhedery's total single figure reflects his total fixed pay, annual incentive and benefits in respect of his period as Group CEO (for the period 2 September 2024 to 31 December 2024). Georges Elhedery's vesting 2022-2024 LTI was granted before his appointment as Group CEO and has been excluded.
4 Sir Noel Quinn's 2023 single total figure has been restated to reflect the value of the 2021-2023 LTI on 12 March 2024, when the first tranche of the award vested.
5 The 2012 annual incentive figure for Stuart Gulliver included 60% of the annual incentive disclosed in the 2012 Directors' remuneration report, which was deferred for five years and subject to service conditions and satisfactory completion of the five-year deferred prosecution agreement with the US Department of Justice, entered into in December 2012 ('AML DPA') as determined by the Committee. The AML DPA performance condition was met and the award vested in 2018. The value of the award at vesting was in the 2018 single total figure of remuneration and included as long-term incentive for 2018.
6 Long-term incentive awards are included in the single total figure of remuneration for the year in which the performance period is deemed to be substantially completed. For Group Performance Share Plan ('GPSP') awards, this is the end of the financial year preceding the date of grant. The GPSP award shown in 2015 therefore relates to the award granted in 2016.
7 The GPSP was replaced by the LTI in 2016 and the value for GPSP is nil for 2016 as no GPSP award was made. LTI awards have a three-year performance period and the first LTI award was made in February 2017. The value of the LTI awards expected to vest will be included in the total single total figure of remuneration of the year in which the performance period ends.

Voting results from Annual General Meeting

2024 Annual General Meeting voting results

	For	Against	Withheld
Remuneration report (votes cast)	**97.36%**	**2.64%**	**—**
	9,581,517,143	**259,382,421**	**7,973,872**
Remuneration Committee discretion to set appropriate variable to fixed pay ratio(s) for Material Risk Takers (votes cast)	**99.31%**	**0.69%**	
	9,760,585,369	**67,898,883**	**20,437,945**
Remuneration policy (votes cast from 2022 Annual General Meeting)	**95.73%**	**4.27%**	**—**
	7,666,488,029	**342,320,697**	**7,773,468**

Corporate governance

Pay ratio

The following table shows the ratio between the total pay of the Group CEO and the lower quartile, median and upper quartile pay of our UK employees.

Total pay and benefits for the Group CEO reflects the total fixed pay, annual incentive and benefits for Sir Noel Quinn up to and including 1 September 2024 and for Georges Elhedery from 2 September 2024, plus the value of Sir Noel Quinn's vesting 2022-2024 long-term incentive ('LTI'), which was awarded in respect of his performance as Group CEO in 2021. The median ratio is stable year on year, reflecting that a LTI has vested in each of the last two years with a similar scorecard outcome.

Total pay ratio

	Method	Lower quartile	Median	Upper quartile
2024	A	283:1	165:1	87:1
2023[1]	A	285:1	165:1	86:1
2022	A	167:1	95:1	49:1
2021	A	154:1	90:1	46:1
2020	A	139:1	85:1	43:1
2019	A	169:1	105:1	52:1

Total pay and benefits amounts used to calculate the ratio

		Lower quartile		Median		Upper quartile	
(£)	Method	Total pay and benefits	Total salary	Total pay and benefits	Total salary	Total pay and benefits	Total salary
2024	A	38,995	31,962	66,772	53,945	127,050	91,664
2023	A	36,528	27,680	63,000	45,536	121,223	89,506
2022	A	33,284	24,615	58,257	41,000	113,778	95,000
2021	A	31,727	27,666	54,678	41,500	106,951	84,000
2020	A	29,833	23,264	48,703	36,972	96,386	75,000
2019	A	28,920	24,235	46,593	41,905	93,365	72,840

1 The 2023 pay ratios have been restated to reflect the revised 2023 single total figure of remuneration for Sir Noel Quinn.

The total pay and benefits for the median employee for 2024 was £66,772, a 6.0% increase compared with 2023.

Our UK workforce comprises a diverse mix of colleagues across different businesses and levels of seniority, from junior cashiers in our retail branches to senior executives managing our global business units. We aim to deliver market-competitive pay for each role, taking into consideration the skills and experience required for the business.

Pay structure varies across roles in order to deliver an appropriate mix of fixed and variable pay. Junior colleagues have a greater portion of their pay delivered in a fixed component, which does not vary with performance and allows them to predictably meet their day-to-day needs. Our senior management, including executive Directors, generally have a higher portion of their total remuneration opportunity structured as variable pay and linked to the performance of the Group, given their role and ability to influence the strategy and performance of the Group. Executive Directors also have a higher proportion of their variable pay delivered in shares, which vest over a period of seven years with a post-vesting retention period of one year. During this deferral and retention period, the awards are linked to the share price so the value of award realised by them after the vesting and retention period will be aligned to the performance of the Group.

We are satisfied that the median pay ratio is consistent with the pay and progression policies for our UK workforce, taking into account the diverse mix of our UK employees, the pay mix applicable to each role and our objective of delivering market competitive pay for each role subject to Group, business and individual performance.

Our ratios have been calculated using the option 'A' methodology prescribed under the UK Companies (Miscellaneous Reporting) Regulations 2018. Under this option, the ratios are calculated using full-time equivalent pay and benefits of all employees providing services in the UK at 31 December 2024. We believe this approach provides accurate information and representation of the ratios. The ratio has been computed taking into account the pay and benefits of over 34,000 UK employees, other than the Group CEOs. We calculated our pay quartiles and benefits information for our UK employees using:

- full-time equivalent annualised fixed pay, which includes base salary and allowances, at 31 December 2024;
- variable pay awards for 2024;
- return on deferred cash awards granted in prior years. The deferred cash portion of the annual incentive granted in prior years includes a right to receive notional returns for the period between the grant date and vesting date, which is determined by reference to a rate of return specified at the time of grant. A payment of notional return is made annually and the amount is disclosed on a paid basis in the year in which the payment is made;
- gains realised from exercising awards from taxable employee share plans; and
- full-time equivalent value of taxable benefits and pension contributions.

Full-time equivalent fixed pay and benefits for each employee have been calculated by using each employee's data as at 31 December 2024. Where an employee works part-time, fixed pay and benefits are grossed up, where appropriate, to full-time equivalent. One-off benefits have not been included in calculating the ratios as these are not permanent in nature and in some cases, depending on individual circumstances, may not truly reflect a benefit to the employee.

The reported ratios may not be comparable to our international and listed peers on the FTSE 100, given differences in business mix and size, employment and compensation practices, methodologies for computing pay ratios and assumptions used by companies.

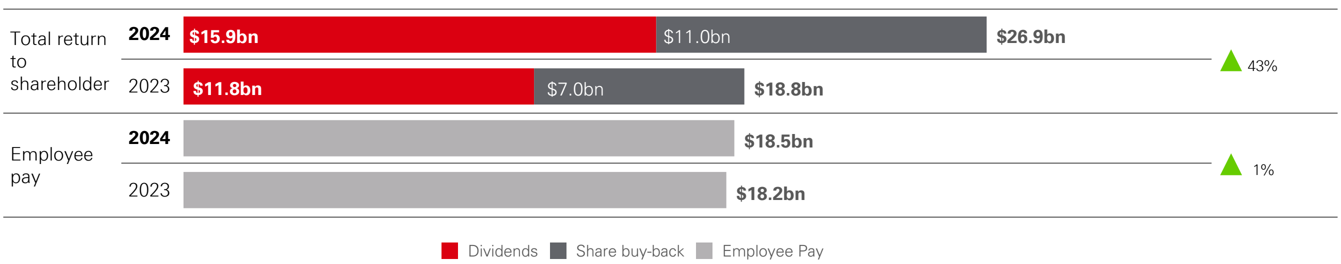
Relative importance of spend on pay

The following chart shows the change in:

- total employee pay between 2023 and 2024; and
- dividends and share buy-backs in respect of 2023 and 2024.

In 2024, total spend on pay was stable compared with 2023. The total return to shareholders increased by 43% compared with 2023. This included the special dividend of $0.21 per share that was paid in June following the completion of the sale of our banking business in Canada, as well as $11bn of capital return to shareholders through share buy-backs, which included the up to $2bn buy-back announced at our 2023 annual results in February 2024. In addition, the Group has announced the intention to initiate a further buy-back of up to $2bn. Dividends include an approximation of the amount payable in April 2025 in relation to the fourth interim dividend of $0.36 per ordinary share.

Relative importance of spend on pay



Comparison of Directors' and employees' pay

The following table compares the changes in each Director's base salary, taxable benefits and annual incentive between 2020 and 2024 with the percentage change in each of those elements of pay for UK-based employees of HSBC Group Management Services Limited, the employing entity of the executive Directors.

The non-executive Director fees were increased in 2024. The year-on-year percentage change in fees noted in the table below is primarily driven by any pro-rated fees received by the non-executive Director based on time served by them on the Board and the relevant Board committees and any additional responsibilities taken on by the non-executive Director during each year. The value of benefits received by the non-executive Directors reflect the taxable expense reimbursements claimed, and the associated gross-up tax, in relation to attending the Board meetings in each year. Page 313 provides the underlying single total figure of remuneration for non-executive Directors used to calculate these figures.

Annual percentage change in remuneration

	Base salary/fees					Benefits					Annual incentive				
Director/employees	**2024**	2023	2022	2021	2020	**2024**	2023	2022	2021	2020	**2024**	2023	2022	2021	2020
Executive Directors															
Sir Noel Quinn[1,2,3]	**(31.6)**	0.5	3.2	1.7	151.7	**(47.8)**	6.7	25.3	(48.9)	353.7	**(23.7)**	(6.7)	36.1	99.0	20.2
Georges Elhedery[4]	**26.7**	—	—	—	—	**866.0**	—	—	—	—	**30.3**	—	—	—	—
Non-executive Directors															
Geraldine Buckingham[5]	**10.7**	57.4	—	—	—	**(40.0)**	—	—	—	—	**—**	—	—	—	—
Rachel Duan[6,7]	**4.5**	8.4	235.8	—	—	**—**	(100.0)	—	—	—	**—**	—	—	—	—
Dame Carolyn Fairbairn[7,8]	**4.7**	5.3	231.1	—	—	**—**	(100.0)	—	—	—	**—**	—	—	—	—
James Forese[9]	**5.5**	10.2	20.5	257.5	—	**300.0**	—	—	—	—	**—**	—	—	—	—
Ann Godbehere[10]	**472.1**	—	—	—	—	**—**	—	—	—	—	**—**	—	—	—	—
Steven Guggenheimer[11]	**(1.9)**	0.8	4.8	86.6	—	**300.0**	(90.0)	—	—	—	**—**	—	—	—	—
José Antonio Meade Kuribreña[12]	**3.7**	0.8	8.5	10.4	28.7	**75.0**	(71.4)	—	(100.0)	100.0	**—**	—	—	—	—
Kalpana Morparia[13]	**45.9**	—	—	—	—	**—**	—	—	—	—	**—**	—	—	—	—
Eileen Murray[14,15]	**14.1**	10.7	(1.5)	121.7	—	**(100.0)**	—	—	—	—	**—**	—	—	—	—
Brendan Nelson[16]	**306.2**	—	—	—	—	**216.7**	—	—	—	—	**—**	—	—	—	—
David Nish[17]	**(66.8)**	0.4	(1.0)	0.4	108.7	**57.9**	(13.6)	120.0	25.0	(50.0)	**—**	—	—	—	—
Swee Lian Teo[18]	**402.0**	—	—	—	—	**—**	—	—	—	—	**—**	—	—	—	—
Sir Mark Tucker	**—**	—	—	—	—	**184.3**	(54.9)	242.4	(36.5)	(77.5)	**—**	—	—	—	—
Employee group[19]	**3.3**	5.0	3.1	1.0	2.0	**4.1**	5.7	7.0	1.3	2.3	**2.4**	11.7	3.7	25.2	(20.0)

1 Sir Noel Quinn succeeded John Flint as interim Group CEO with effect from 5 August 2019 and was appointed permanently into the role on 17 March 2020. The annual percentage change in 2020 for Sir Noel Quinn is based on remuneration reported in his 2019 single total figure of remuneration (for the period 5 August 2019 to 31 December 2019) and his 2020 single total figure of remuneration (for the period 1 January 2020 to 31 December 2020). Based on his annualised 2019 compensation as an executive Director, his percentage change in salary, benefits and annual incentive was 2.1%, 85.2% and -50.9%, respectively for 2020.
2 Sir Noel Quinn voluntarily waived the cash portion of his 2020 annual incentive. The year-on-year percentage change between 2020 and 2021 would be -1% without this cash waiver.
3 Sir Noel Quinn stepped down as Group CEO and as an executive Director of the Board with effect from 2 September 2024. The annual percentage change in 2024 for Sir Noel Quinn is based on remuneration reported in his 2024 single total figure of remuneration (for the period 1 January 2024 to 1 September 2024). Based on his annualised 2024 compensation as an executive Director, his percentage change in salary, benefits and annual incentive was 3.0%, -22.4% and 14.1% respectively for 2024.
4 Georges Elhedery succeeded Ewen Stevenson as Group CFO with effect from 1 January 2023, and succeeded Sir Noel Quinn as Group CEO with effect from 2 September 2024. The annual percentage change in 2024 for Georges Elhedery is based on remuneration reported in his 2024 single total figure of remuneration, which reflects compensation as both Group CFO and Group CEO during 2024.
5 Geraldine Buckingham stepped down as a member of the Group Risk Committee on 1 October 2024 and was appointed as a member of the Group Audit Committee and Chair of the Sustainability Working Group on 1 October 2024.
6 Rachel Duan was appointed as a member of the Group Audit Committee on 1 June 2022.
7 Rachel Duan and Dame Carolyn Fairbairn did not receive taxable benefits in 2023, resulting in a 100% reduction in benefits from the prior year.
8 Dame Carolyn Fairbairn was appointed as Chair of the Group Remuneration Committee effective 29 April 2022.
9 James Forese was appointed as non-executive Chair of HSBC North America Holdings, Inc in 2021. He was appointed as a member of the Sustainability Working Group on 1 October 2024.
10 Ann Godbehere was appointed as a member of the Group Audit Committee on 21 February 2024 and as a member of the Sustainability Working Group on 1 October 2024. She was also appointed as Senior Independent Director on 3 May 2024.
11 Steven Guggenheimer joined the Board on 1 May 2020. He stepped down as a Co-Chair of the Technology Governance Working Group on 1 March 2024 and was appointed as a member of the Group Technology Committee on 1 March 2024.
12 José Antonio Meade Kuribreña did not receive taxable benefits in 2021, resulting in a 100% reduction in benefits from the prior year.
13 Kalpana Morparia joined the Board on 1 March 2023. She was appointed as a member of the Group Technology Committee on 1 March 2024 and Group Remuneration Committee on 1 October 2024. Kalpana Morparia stepped down as a member of Group Risk Committee on 1 October 2024.
14 Eileen Murray was appointed as a member of the Group Audit Committee on 1 June 2022. She stepped down as the Co-Chair of the Technology Governance Working Group Committee and was appointed as the Chair of the Group Technology Committee on 1 March 2024. Eileen Murray stepped down as a member of the Group Audit Committee and was appointed as a member of the Group Risk Committee on 1 October 2024.
15 Eileen Murray did not receive taxable benefits in 2024, resulting in a 100% reduction in benefits from the prior year.
16 Brendan Nelson was appointed as Chair of the Group Audit Committee on 21 February 2024. He was appointed as a member of the Group Technology Committee on 1 March 2024 and the Sustainability Working Group on 1 October 2024.
17 David Nish retired from the Board effective 3 May 2024.
18 Swee Lian Teo was appointed as a member of the Group Technology Committee on 1 March 2024 and the Sustainability Working Group on 1 October 2024.
19 Employee group consists of individuals employed by HSBC Group Management Services Ltd, the employing entity of the executive Directors, as no individuals are employed directly by HSBC Holdings.

Scheme interests awarded during 2024

(Audited)

The table below sets out the scheme interests granted to executive Directors during 2024 in respect of the 2023 performance year, as disclosed in the 2023 Directors' remuneration report. No non-executive Directors received scheme interests during the financial year. The below table includes details of immediate shares and fixed pay allowances in compliance with Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Scheme awards in 2024

(Audited)

	Type of interest awarded	Basis on which award made	Date of award	Face value awarded £000	Percentage receivable for minimum performance	Number of shares awarded	End of performance period
Sir Noel Quinn	LTI deferred shares[1]	% of base salary	**26 February 2024**	**5,822**	**25**	**974,853**	**31 December 2026**
	Immediate shares[2]	% of base salary	**26 February 2024**	**1,009**	**N/A**	**168,955**	**31 December 2023**
	Fixed pay allowance[3]	N/A	**8 May 2024**	**300**	**N/A**	**42,146**	**N/A**
			15 August 2024	**300**	**N/A**	**46,219**	**N/A**
			5 November 2024	**300**	**N/A**	**41,846**	**N/A**
Georges Elhedery	LTI deferred shares[1]	% of base salary	**26 February 2024**	**3,399**	**25**	**569,177**	**31 December 2026**
	Immediate shares[2]	% of base salary	**26 February 2024**	**643**	**N/A**	**107,752**	**31 December 2023**
	Fixed pay allowance[3]	N/A	**8 May 2024**	**192**	**N/A**	**26,899**	**N/A**
			15 August 2024	**192**	**N/A**	**29,498**	**N/A**
			5 November 2024	**299**	**N/A**	**41,720**	**N/A**

1 In accordance with the remuneration policy approved by shareholders at the 2022 AGM, the LTI award was determined at 320% of base salary for Sir Noel Quinn and 320% of base salary for Georges Elhedery. The number of shares to be granted was determined by taking HSBC's closing share price of £5.972 taken on 23 February 2024, and applying a discount based on HSBC's expected dividend yield of 6.25% per annum for the vesting period (£4.385). The fair value of the awards was £2.028 based on IFRS 2 accounting standards. LTI awards are conditional share awards subject to a three-year forward-looking performance period and vest in five equal annual instalments, between the third and seventh anniversary of the award date, subject to performance achieved. Awards are subject to clawback for a maximum period of 10 years from the date of the award and are not eligible for dividend equivalents.

2 Immediate share awards are granted based on the previous years' performance as part of the annual incentive and are not subject to forward-looking performance conditions. On vesting, awards will be subject to a one-year retention period. The face values of the immediate share awards have been computed using HSBC's closing share price of £5.972 taken on 23 February 2024. The fair value of the awards was £5.957 based on IFRS 2 accounting standards. Awards are subject to clawback for a maximum period of 10 years from the date of the award.

3 Fixed pay allowance awards are granted in instalments in accordance with the remuneration policy approved by shareholders at the 2022 AGM, and are not subject to forward-looking performance conditions. Individual tax liabilities were satisfied in cash, therefore the face value awarded represents the net of tax value of the shares and the number of shares awarded reflects the net of tax number of shares. The fixed pay allowance awards have been computed using HSBC's closing share price of £7.126 taken on 7 May 2024, £6.498 taken on 14 August 2024 and £7.177 taken on 4 November 2024. The fair values of these awards are based on IFRS 2 accounting standards and are £7.208, £6.558 and £7.224 respectively. These awards vest immediately and are subject to a retention period and released annually on pro-rata basis over five years, starting in March 2025.

Performance conditions for the 2024–2026 LTI awards

(Audited)

Measures (weighting)[1]		Minimum (25% payout)	Target (50% payout)	Maximum (100% payout)
RoTE with CET1 capital ratio underpin[2] (37.5%)		**14.0%**	**16.0%**	**17.0%**
Environment and sustainability[3] (25%)	Carbon reduction (own emissions)	**66.0%**	**70.0%**	**74.0%**
	Sustainable finance and investment	**$539.0bn**	**$641.0bn**	**$693.0bn**
Relative TSR[4] (37.5%)		**At median of the peer group**	**Straight-line vesting between minimum and maximum**	**At upper quartile of peer group**

Subject to risk and compliance modifier
The Group Remuneration Committee retains the discretion to revise down the formulaic outcome taking into account performance against risk and compliance factors during the performance period.

1 Awards will vest on a straight-line basis for performance between the minimum, target and maximum levels of performance set in this table.
2 To be assessed based on RoTE at the end of the performance period, subject to the CET1 capital ratio underpin.
3 Carbon reduction will be measured based on percentage reduction in total energy and travel emissions achieved by 31 December 2026 using 2019 as the baseline. The sustainable finance and investment measure will assess the cumulative amount provided and facilitated over the period ending 31 December 2026.
4 The peer group for the 2024–2026 award is: Bank of China (Hong Kong), Barclays, BNP Paribas, China Merchants Bank, Citigroup, DBS Group Holdings, J.P. Morgan Chase & Co., Lloyds Banking Group, OCBC Bank, Standard Chartered and UBS Group.

Other scheme interests held during 2024

The table below details scheme interests held by executive Directors during 2024, in respect of prior performance years. Vesting of deferred share awards is normally subject to the Director remaining an employee on the vesting date. The awards may vest at an earlier date in some circumstances. Under the Securities and Futures Ordinance of Hong Kong, interests in conditional share awards are categorised as the interests of the beneficial owner.

Other scheme interests in 2024

						HSBC Holdings ordinary shares				
	Type of interest held	Dates of award	Award price (£)[1]	Usually vesting from	to	**At 1 Jan 2024**	**Vested in period**	**Lapsed in period**	**Cancelled in period**	**At 31 Dec 2024**
Sir Noel Quinn	LTI deferred shares	1 Mar 2021	4.262	1 Mar 2024	31 Mar 2028	**1,118,554**	**167,782[2]**	**279,639**	**—**	**671,133**
		28 Feb 2022	5.380	1 Mar 2025	31 Mar 2029	**983,339**	**—**	**—**	**—**	**983,339**
		27 Feb 2023	6.357	1 Mar 2026	31 Mar 2030	**861,422**	**—**	**—**	**—**	**861,422**
	Deferred shares	27 Feb 2017[3]	6.503	1 Mar 2020	31 Mar 2024	**19,886**	**20,698[4]**	**—**	**—**	**—**
		26 Feb 2018[5]	7.234	1 Mar 2021	31 Mar 2025	**43,011**	**21,504**	**—**	**—**	**21,507**
		25 Feb 2019[6]	6.235	1 Mar 2022	31 Mar 2026	**84,351**	**28,117**	**—**	**—**	**56,234**
		24 Feb 2020[7]	5.622	1 Mar 2023	31 Mar 2027	**161,362**	**40,340**	**—**	**—**	**121,022**
Georges Elhedery	LTI deferred shares	28 Feb 2022	5.380	1 Mar 2025	31 Mar 2029	**223,989**	**—**	**—**	**—**	**223,989**
		27 Feb 2023	6.357	1 Mar 2026	31 Mar 2030	**251,474**	**—**	**—**	**—**	**251,474**
	Deferred shares	25 Feb 2019[8]	6.235	1 Mar 2020	31 Mar 2024	**17,193**	**17,193**	**—**	**—**	**—**
		24 Feb 2020[7]	5.622	1 Mar 2023	31 Mar 2027	**118,129**	**29,532**	**—**	**—**	**88,597**
		1 Mar 2021[9]	4.262	1 Mar 2024	31 Mar 2028	**305,523**	**61,104**	**—**	**—**	**244,419**
		28 Feb 2022[10]	5.380	1 Mar 2025	31 Mar 2029	**273,163**	**—**	**—**	**—**	**273,163**

1 The award price is the closing price on the day before the grant date. In all cases the purchase price is nil.
2 The performance conditions were assessed and confirmed at 75%. The remaining 25% of the award was forfeited. Shares equivalent in number to those that vest under the award (net of tax liabilities) must be retained for one year from the vesting date. The award vests in five equal tranches commencing in 2024. The first tranche vested on 12 March 2024 at a market value of £5.8992. The closing price of the shares immediately before the date on which the awards were vested was £5.758.
3 The award vested in five equal annual tranches. The final tranche vested on 11 March 2024 at a market value of £5.7534. Shares equivalent in number to those that vest under the award (net of tax liabilities) must be retained for six months from the vesting date. The closing price of the shares immediately before the date on which the awards were vested was £5.799.
4 The quantity vested included 812 dividend equivalents allocated in respect of the Q4 2023 dividend.
5 Shares equivalent in number to those that vest under the award (net of tax liabilities) must be retained for one year from the vesting date. The award will vest in five equal annual tranches. The fourth tranche vested on 12 March 2024 at a market value of £5.8992. The closing price of the shares immediately before the date on which the awards were vested was £5.758.
6 Shares equivalent in number to those that vest under the award (net of tax liabilities) must be retained for one year from the vesting date. The award will vest in five equal annual tranches. The third tranche vested on 11 March 2024 at a market value of £5.7534. The closing price of the shares immediately before the date on which the awards were vested was £5.799.
7 Shares equivalent in number to those that vest under the award (net of tax liabilities) must be retained for one year from the vesting date. The award will vest in five equal annual tranches. The second tranche vested on 11 March 2024 at a market value of £5.7534. The closing price of the shares immediately before the date on which the awards were vested was £5.799.
8 Shares equivalent in number to those that vest under the award (net of tax liabilities) must be retained for six months from the vesting date. The award vested in five equal annual tranches. The final tranche vested on 11 March 2024 at a market value of £5.7534. The closing price of the shares immediately before the date on which the awards were vested was £5.799.
9 Shares equivalent in number to those that vest under the award (net of tax liabilities) must be retained for one year from the vesting date. The award will vest in five equal annual tranches. The first tranche vested on 12 March 2024 at a market value of £5.8992. The closing price of the shares immediately before the date on which the awards were vested was £5.758.
10 The award will vest in five equal annual tranches commencing in 2025. Shares equivalent in number to those that vest under the award (net of tax liabilities) must be retained for one year from the vesting date.

No Directors held any short position (as defined in the Securities and Futures Ordinance of Hong Kong) in the shares or debentures of HSBC Holdings and its associated corporations. Save as stated in the tables above, none of the Directors had an interest in any shares or debentures of HSBC Holdings or any associates at the beginning or at the end of the period, and none of the Directors or members of their immediate families were awarded or exercised any right to subscribe for any shares or debentures in any HSBC corporation during the period.

There have been no changes in the shares or debentures of the Directors from 31 December 2024 to the date of this report.

Executive Directors' interests in shares

(Audited)

The shareholdings of executive Directors in 2024, including the shareholdings of their connected persons, at 31 December 2024 (or the date they stepped down from the Board, if earlier) are set out below. The following table shows the comparison of shareholdings with the company shareholding guidelines. There have been no changes in the shareholdings of the executive Directors from 31 December 2024 to the date of this report.

Individuals have five years from their appointment date to build up the recommended levels of shareholding. In line with investor guidance, for executive Directors, unvested shares that are not subject to forward-looking performance conditions (on a net of tax basis) can count towards their shareholding requirement under the shareholder-approved policy.

The Committee reviews compliance with the shareholding requirement, taking into account shareholder expectations and guidelines. The Committee also has full discretion in determining any penalties for non-compliance.

With regard to post-employment shareholding arrangements, we believe that our remuneration structure achieves the objective of ensuring there is ongoing alignment of executive Directors' interests with shareholder experience post-cessation of their employment due to the following features of the policy:

- Shares delivered to executive Directors as part of the fixed pay allowance have a five-year retention period, which continues to apply following a departure of an executive Director.
- Shares delivered as part of an annual incentive award are subject to a one-year retention period, which continues to apply following a departure of an executive Director.
- LTI awards have a seven-year vesting period with a one-year post-vesting retention period, which is not accelerated on departure.

The weighted average holding period of an LTI award within HSBC is therefore six years, in excess of the five-year holding period typically implemented by FTSE-listed companies.

HSBC operates a policy under which individuals are not permitted to enter into any personal hedging strategies in relation to HSBC shares subject to a vesting and/or retention period.

Shares

(Audited)

			At 31 Dec 2024, or date stepped down from the Board if earlier			
				Scheme interests		
					Shares awarded subject to deferral[1]	
	Shareholding guidelines (% of salary)	Shareholding at 31 Dec 2024[2] or date stepped down (% of salary)	Share interests (number of shares)	Share options[3]	without performance conditions	with performance conditions[4]
Executive Directors						
Sir Noel Quinn[5] (stepped down from 2 September 2024)	400%	**1,068%**	**2,046,949**	**—**	**869,896**	**2,819,614**
Georges Elhedery[5] (appointed as Group CEO from 2 September 2024)	400%	**504%**	**966,017**	**—**	**606,179**	**1,044,640**

1 The gross number of shares is disclosed. A portion will be sold at vesting to cover any income tax and social security that falls due at the time of vesting.
2 The value of the shareholding is calculated using an average of the daily closing share prices in the three months to 31 December 2024 (£7.184), and does not include any unvested interests.
3 At 31 December 2024, Sir Noel Quinn and Georges Elhedery did not hold any options under the HSBC Holdings Savings-Related Share Option Plan (UK).
4 LTI awards granted in February 2022, 2023 and 2024 are subject to the performance conditions as set out in the preceding sections.
5 Executive Directors are expected to meet their shareholding guidelines within five years of the date of their appointment.

Total pension entitlements

(Audited)

No employees who served as executive Directors during the year have a right to amounts under any HSBC final salary pension scheme for their services as executive Directors or are entitled to additional benefits in the event of early retirement. There is no retirement age set for Directors, but the normal retirement age for colleagues is 65.

Payments to past Directors

(Audited)

In line with the terms of his departure disclosed in our Annual Report and Accounts 2022, Ewen Stevenson was granted good leaver status. Ewen Stevenson is eligible to receive vesting of the 2022–2024 LTI award, pro-rated for time in employment subject to satisfaction of non-compete provisions under which he cannot undertake a role with a defined list of competitor financial services firms for 12 months after his employment ceases with HSBC. Details of the 2022–2024 LTI outcome are outlined on page 298.

No other payments were made to, or in respect of, former Directors in the year in excess of the minimum threshold of £50,000 set for this purpose.

External appointments

During 2024, executive Directors did not receive any fees from external appointments.

Payments for loss of office

(Audited)

Departure terms for Sir Noel Quinn

Sir Noel Quinn is leaving the Group on 30 April 2025. He will continue to receive his salary, Fixed Pay Allowance ('FPA'), cash in lieu of pension allowance and other benefits up to (and including) his retirement date in the normal way. The aggregate value of these payments from 2 September 2024 to 31 December 2024 was £1,147,055 and comprised a salary of £454,844, a FPA of £562,019, cash in lieu of pension allowance of £45,484 and benefits totalling £84,707, which includes Group Income Protection, a contribution towards Sir Noel Quinn's legal fees incurred in connection with his departure arrangements and other benefits in connection with his retirement. Sir Noel Quinn will also receive cash in lieu of unused holiday on expiry of his notice period. The fixed pay allowance will be awarded in immediately vested shares, be subject to a retention period and released on a pro-rata basis over five years.

Sir Noel Quinn will not be eligible for an LTI award in respect of the 2024 performance year, or any annual incentive award in respect of the 2025 performance year. In accordance with the contractual terms agreed and our approved Directors' remuneration policy, Sir Noel Quinn was granted good leaver status in respect of his outstanding unvested share awards. Good leaver status is conditional upon him not taking up a role with a defined list of competitor financial services firms for a year from his departure date. As a good leaver, his deferred share awards will continue to vest and be released on their scheduled vesting dates, subject to the relevant terms (including post-vesting retention periods, malus and, where applicable, clawback). Any vesting of his LTI awards will be pro-rated for the period up to the departure date and will be subject to the relevant terms (including post-vesting retention periods, malus and clawback) and the achievement of the required performance conditions. For this purpose, his 2022 and 2023 LTI awards have been pro-rated for time with the maximum number of shares, being 669,995 and 433,268 respectively, still subject to performance.

Sir Noel Quinn will be eligible to receive certain post-departure benefits for a period of up to seven years after the departure date. Sir Noel Quinn will receive no other compensation or payment for the termination of his service agreement or his ceasing to be a Director of the Group.

Directors' emoluments

The details of compensation paid to executive and non-executive Directors for the year ended 31 December 2024 are set out below:

Emoluments

	Sir Noel Quinn		Georges Elhedery		Non-executive Directors[1]	
	2024	2023	**2024**	2023	**2024**	2023
	£000	£000	**£000**	£000	**£000**	£000
Directors' base salary, allowances and benefits in kind	**2,270**	3,386	**2,473**	1,999		
Non-executive Directors' fees and benefits in kind					**5,583**	4,769
Pension contributions	**—**	—	**—**	—	**—**	—
Performance-related pay paid or receivable[2,3]	**1,540**	6,293	**10,677**	3,783	**—**	—
Inducements to join paid or receivable	**—**	—	**—**	—	**—**	—
Compensation for loss of office	**1,147**	—	**—**	—	**—**	—
Notional return on deferred cash	**56**	43	**8**	6	**—**	—
Total	**5,013**	9,722	**13,157**	5,788	**5,583**	4,769
Total ($000)	**6,406**	12,424	**16,814**	7,397	**7,135**	6,095

1 Fees and benefits in kind for 2024 reflects the population as per the single total figure table for non-executive Directors, which excludes individuals who have stepped down from the Board during 2024.
2 Includes the value of the deferred and LTI awards at grant.
3 The 2024 value of performance-related pay paid or receivable for Georges Elhedery includes the proposed 2025-2027 LTI award under the new executive Director remuneration policy, which is subject to shareholder approval at the 2025 AGM.

The aggregate amount of Directors' emoluments (including both executive Directors and non-executive Directors) for the year ended 31 December 2024 was $30,355,377. The aggregate value of Director retirement benefits for current Directors is nil.

As per our policy, benefits in kind may include, but are not limited to, the provision of medical insurance, income protection insurance, health assessment, life assurance, club membership, tax assistance, car benefit, travel assistance, provision of company owned-accommodation and relocation costs (including any tax due, where applicable).

The details of compensation paid to former executive Directors for the year ended 31 December 2024 are set out below:

Emoluments to former executive Directors

	Douglas Flint		Stuart Gulliver		John Flint		Marc Moses	
	£	**$**	**£**	**$**	**£**	**$**	**£**	**$**
Post-employment medical insurance benefits	**8,018**	**10,246**	**8,018**	**10,246**	**12,161**	**15,541**	**18,950**	**24,217**
Tax return support	**—**	**—**	**—**	**—**	**—**	**—**	**2,500**	**3,195**

1 Amounts are converted into US dollars based on the average exchange rates for the year.

The total aggregate value of benefits provided to former executive Directors in 2024 was £49,646 ($63,444). There were payments under retirement benefit arrangements to four former Directors of £3,225,964.

We note an additional retirement benefit payment made in 2023 to a former Director of £1,038,863. This means payments under retirement benefit arrangements for 2023 were made to four former Directors, totalling £2,420,537.

The provision at 31 December 2024 in respect of unfunded pension obligations to two former Directors amounted to £352,441. This relates to unfunded unapproved retirement benefits schemes.

Emoluments of senior management and five highest paid employees

The following tables set out the emoluments paid to senior management, which in this case comprises executive Directors and members of the Group Executive Committee, for the year ended 31 December 2024, or for the period of appointment in 2024 as a Director or member of the Group Executive Committee. Details of the remuneration paid and share awards granted to the five highest paid employees, comprising Georges Elhedery, Pam Kaur and three other members of the Group Executive Committee for the year ended 31 December 2024, are also presented.

Five highest paid employees – share awards (HSBC Share Plan 2011)

				HSBC Holdings ordinary share awards					
Dates of award	Award price (£)[1]	Usually vesting from	to	At 1 Jan 2024	Granted in period	Vested in period[2]	Lapsed in period	Cancelled in period	At 31 Dec 2024
2017 to 2023	—	1 Mar 2024	30 Mar 2030	**4,290,807**	**—**	**478,332**	**—**	**—**	**3,812,475**
26 Feb 2024[3]	5.972	26 Feb 2024	30 Mar 2031	**—**	**2,064,764**	**568,482**	**—**	**—**	**1,496,282**
18 Mar 2024[4]	5.980	18 Mar 2024	30 Mar 2028	**—**	**313,085**	**113,864**	**—**	**—**	**199,221**
8 May 2024[5]	7.126	8 May 2024	30 Mar 2027	**—**	**1,012,813**	**332,397**	**—**	**—**	**680,416**
15 Aug 2024[6]	6.498	15 Aug 2024	15 Aug 2024	**—**	**29,498**	**29,498**	**—**	**—**	**—**
5 Nov 2024[7]	7.177	5 Nov 2024	5 Nov 2024	**—**	**41,720**	**41,720**	**—**	**—**	**—**
1 Jan to 31 Dec 2024[8]	—	1 Mar 2024	30 Mar 2024	**—**	**5,269**	**5,269**	**—**	**—**	**—**
				4,290,807	**3,467,149**	**1,569,562**	**—**	**—**	**6,188,394**

1 The award price is the closing price on the day before the grant date. In all cases the purchase price is nil.
2 The weighted average closing price of the shares immediately before the dates on which the awards were vested was £6.2037.
3 The fair values of the awards were calculated according to the IFRS 2 accounting standard. The fair values, which vary based on the length of the vesting period, range between £2.028 and £5.957. These awards include LTI awards and other awards which are subject to satisfaction of performance conditions. LTI awards are subject to a combination of financial and non-financial metrics that are detailed in the Directors' remuneration report in this Annual Report and Accounts 2024.
4 The fair values of the awards were calculated according to the IFRS 2 accounting standard. The fair values, which vary based on the length of the vesting period, range between £5.165 and £5.789.
5 The fair values of the awards were calculated according to the IFRS 2 accounting standard. The fair values, which vary based on the length of the vesting period, range between £6.823 and £7.208.
6 The fair values of the awards were calculated according to the IFRS 2 accounting standard. The fair value of the award was £6.558.
7 The fair values of the awards were calculated according to the IFRS 2 accounting standard. The fair value of the award was £7.224.
8 Relates to the allocation of dividend equivalent shares in relation to eligible awards.

Emoluments

£000s	Five highest paid employees	Senior management
Basic salaries, allowances and benefits in kind	**10,688**	**37,990**
Pension contributions	**9**	**656**
Performance-related pay paid or receivable[1]	**33,459**	**58,290**
Inducements to join paid or receivable	**—**	**—**
Compensation for loss of office[2]	**—**	**2,221**
Total	**44,156**	**99,157**
Total ($000)	**56,429**	**126,717**

1 Includes the value of deferred share awards at grant.
2 Excludes expected payments in 2025 in connection with loss of office for senior management in 2024.

Emoluments by bands

Hong Kong dollars	US dollars	Number of highest paid employees	Number of senior management
$5,500,001 – $6,000,000	$704,877 – $768,956	**—**	**2**
$8,000,001 – $8,500,000	$1,025,275 – $1,089,355	**—**	**1**
$20,000,001 – $20,500,000	$2,563,187 – $2,627,267	**—**	**3**
$21,000,001 – $21,500,000	$2,691,347 – $2,755,426	**—**	**1**
$29,500,001 – $30,000,000	$3,780,701 – $3,844,781	**—**	**1**
$33,000,001 – $33,500,000	$4,229,259 – $4,293,339	**—**	**1**
$34,500,001 – $35,000,000	$4,421,498 – $4,485,578	**—**	**1**
$35,000,001 – $35,500,000	$4,485,578 – $4,549,658	**—**	**1**
$37,000,001 – $37,500,000	$4,741,897 – $4,805,976	**—**	**1**
$40,000,001 – $40,500,000	$5,126,375 – $5,190,454	**—**	**1**
$44,000,001 – $44,500,000	$5,639,012 – $5,703,092	**—**	**1**
$47,500,001 – $48,000,000	$6,087,570 – $6,151,650	**—**	**1**
$49,000,001 – $49,500,000	$6,279,809 – $6,343,889	**—**	**2**
$50,500,001 – $51,000,000	$6,472,048 – $6,536,128	**—**	**1**
$57,000,001 – $57,500,000	$7,305,084 – $7,369,164	**1**	**2**
$76,500,001 – $77,000,000	$9,804,192 – $9,868,271	**1**	**—**
$83,000,001 – $83,500,000	$10,637,228 – $10,701,307	**1**	**1**
$107,000,001 – $107,500,000	$13,713,053 – $13,777,132	**1**	**1**
$131,000,001 – $131,500,000	$16,788,877 – $16,852,957	**1**	**1**

Non-executive Directors

(Audited)

The following table shows the total fees and benefits of non-executive Directors for 2024, together with comparative figures for 2023.

Fees and benefits

(Audited)	Fees[1]		Benefits[2]		Total	
(£000)	**2024**	2023	**2024**	2023	**2024**	2023
Geraldine Buckingham[3]	**270**	244	**3**	5	**273**	249
Rachel Duan	**255**	244	**3**	—	**258**	244
Dame Carolyn Fairbairn	**292**	279	**5**	—	**297**	279
James Forese[4]	**801**	759	**4**	1	**805**	760
Ann Godbehere[5]	**389**	68	**—**	—	**389**	68
Steven Guggenheimer[6]	**259**	264	**4**	1	**263**	265
José Antonio Meade Kuribreña	**253**	244	**7**	4	**260**	248
Kalpana Morparia[7]	**248**	170	**1**	—	**249**	170
Eileen Murray[8]	**331**	290	**—**	3	**331**	293
Brendan Nelson[9]	**329**	81	**38**	12	**367**	93
David Nish[10]	**159**	479	**30**	19	**189**	498
Swee Lian Teo[11]	**256**	51	**—**	—	**256**	51
Sir Mark Tucker	**1,500**	1,500	**145**	51	**1,645**	1,551
Total (£000)	**5,343**	4,673	**240**	96	**5,583**	4,769
Total ($000)	**6,828**	5,972	**307**	123	**7,135**	6,095

1 Fees are in line with the Directors' remuneration policy. There was a 5% increase in fees for Director fees, Group Risk Committee Member, Group Audit Committee Chair and Member, Remuneration Committee Chair and Member, Nomination & Corporate Governance Committee Member and Group Technology Committee Chair and Member).
2 Benefits include taxable expenses such as accommodation, travel and subsistence relating to attendance at Board and other meetings at HSBC Holdings' registered offices. Amounts disclosed have been grossed up using a tax rate of 45%, where relevant.
3 Stepped down as a member of the Group Risk Committee and joined the Group Audit Committee as member on 1 October 2024. Appointed as Chair of the Sustainability Working Group on 1 October 2024.
4 Appointed as a member of the Sustainability Working Group on 1 October 2024. Includes fee of £430,000 (2023: £443,000) in relation to his role as Chair of HSBC North America Holdings, Inc.
5 Appointed as a member of the Group Audit Committee on 21 February 2024 and the Sustainability Working Group on 1 October 2024. Appointed as Senior Independent Director on 3 May 2024.
6 Stepped down as a member of the Technology Governance Working Group on 1 March 2024. Appointed as a member of the Group Technology Committee on 1 March 2024.
7 Appointed as a member of the Group Technology Committee on 1 March 2024. Stepped down as a member of Group Risk Committee on 1 October 2024 and joined the Group Remuneration Committee on 1 October 2024.
8 Stepped down as the Co-Chair of the Technology Governance Working Group Committee on 1 March 2024 and as the member of the Group Audit Committee on 1 October 2024. Appointed as the Chair of the Group Technology Committee on 1 March 2024 and as a member of the Group Risk Committee on 1 October 2024.
9 Appointed as Chair of the Group Audit Committee on 21 February 2024. Appointed as member of the Group Technology Committee on 1 March 2024 and Sustainability Working Group on 1 October 2024.
10 Retired from the Board at the conclusion of the 2024 AGM on 3 May 2024.
11 Appointed as member of the Group Technology Committee on 1 March 2024 and the Sustainability Working Group on 1 October 2024.

Non-executive Directors' interests in shares

(Audited)

The shareholdings of persons who were non-executive Directors in 2024, including the shareholdings of their connected persons, at 31 December 2024, or date of cessation as a Director if earlier, are set out below. There have been no changes in the shareholdings of the non-executive Directors from 31 December 2024 to the date of this report.

Non-executive Directors are expected to meet the shareholding guidelines of 15,000 shares within five years of the date of their appointment. All non-executive Directors who had been appointed for five years or more at 31 December 2024 met the guidelines.

Shares

	Shareholding guidelines (number of shares)	**Share interests (number of shares)**
Geraldine Buckingham	15,000	**15,000**
Rachel Duan	15,000	**15,000**
Dame Carolyn Fairbairn	15,000	**15,000**
James Forese	15,000	**115,000**
Ann Godbehere	15,000	**15,000**
Steven Guggenheimer	15,000	**15,000**
José Antonio Meade Kuribreña	15,000	**15,000**
Kalpana Morparia	15,000	**15,000**
Eileen Murray	15,000	**75,000**
Brendan Nelson	15,000	**15,000**
David Nish (retired on 3 May 2024)	15,000	**50,000**
Swee Lian Teo	15,000	**15,200**
Sir Mark Tucker	15,000	**307,352**

2025 fees for non-executive Directors

The table below sets out the 2025 fees for non-executive Directors. The fees paid to non-executive Directors who are standing for election or re-election as members of Board Committees are set out in the table below (these Board Committees' fees and Board fees are pro-rated for part year service where relevant).

Position		**2025 fees £**
Non-executive Group Chairman[1]		**1,500,000**
Non-executive Director (base fee)		**136,500**
Senior Independent Director		**200,000**
Group Risk Committee	Chair	**150,000**
	Member	**50,000**
Group Audit Committee, Group Remuneration Committee and Group Technology Committee	Chair	**125,000**
	Member	**50,000**
Nomination & Corporate Governance Committee	Chair	**—**
	Member	**34,650**
Sustainability Working Group	Chair	**60,000**
	Member	**30,000**
Designated workforce engagement non-executive Director		**50,000**

1 The Group Chairman does not receive a base fee or any other fee in respect of chairing of the Nomination & Corporate Governance Committee.

The Board has reviewed the fees payable to non-executive Directors in the context of changes to the organisational structure. Following this review, the Board considered that the fees payable for chairing or being a member of a Board Committee (excluding the Nomination & Corporate Governance Committee) should be increased to recognise the responsibilities and additional time commitment associated with such a role. Overall, giving due consideration to the highly regulated and complex industry in which HSBC operates, the Board agreed to align the additional fee payable for chairing a Board Committee at £150,000 per annum (i.e., in line with the current fee for chairing the Group Risk Committee). The increase in the fee for chairing a Board Committee will be phased over two years, with an increase to £125,000 per annum for 2025, and a further increase to £150,000 per annum with effect from 1 January 2026.

The Board also agreed increases to the additional fee for being a member of a Board Committee, and for the role of designated non-executive Director for workforce engagement, which were both increased to £50,000 per annum. These increases reflect the additional activity being undertaken during this period of organisational and cultural change.

No other changes are proposed to non-executive Director fees for 2025.

MRT remuneration disclosures

The following tables set out the remuneration disclosures for individuals identified as MRTs for HSBC Holdings.

Remuneration information for individuals who are only identified as MRTs at HSBC Bank plc, HSBC UK Bank plc or other solo-regulated entity levels is included, where relevant, in those entities' disclosures.

The 2024 variable pay information included in the following tables is based on the market value of awards. For share awards, the market value is based on HSBC Holdings' share price at the date of grant (unless indicated otherwise). For cash awards, it is the value of awards expected to be paid to the individual over the deferral period.

Remuneration awarded for the financial year (REM1)

		Supervisory function	Management function	Other senior management	Other identified staff
Fixed remuneration	Number of identified staff	**13.0**	**2.0**	**18.9**	**1,260.6**
	Total fixed pay ($m)	**7.1**	**7.4**	**45.0**	**703.8**
	– of which: cash-based ($m)[1]	**7.1**	**3.6**	**45.0**	**703.8**
	– of which: shares or equivalent ownership interests ($m)[2]	**—**	**3.8**	**—**	**—**
	– of which: share-linked instruments or equivalent non-cash instruments ($m)	**—**	**—**	**—**	**—**
	– of which: other instruments ($m)	**—**	**—**	**—**	**—**
	– of which: other forms ($m)	**—**	**—**	**—**	**—**
Variable remuneration[3]	Number of identified staff	**13.0**	**2.0**	**18.9**	**1,260.6**
	Total variable remuneration ($m)[4]	**—**	**20.2**	**81.1**	**769.0**
	– of which: cash-based ($m)	**—**	**2.1**	**36.8**	**387.8**
	– of which: deferred ($m)	**—**	**0.6**	**16.3**	**179.7**
	– of which: shares or equivalent ownership interests ($m)[2]	**—**	**18.1**	**44.3**	**367.6**
	– of which: deferred ($m)	**—**	**16.7**	**31.3**	**209.5**
	– of which: share-linked instruments or equivalent non-cash instruments ($m)	**—**	**—**	**—**	**9.3**
	– of which: deferred ($m)	**—**	**—**	**—**	**5.1**
	– of which: other instruments ($m)	**—**	**—**	**—**	**—**
	– of which: deferred ($m)	**—**	**—**	**—**	**—**
	– of which: other forms ($m)	**—**	**—**	**—**	**4.3**
	– of which: deferred ($m)	**—**	**—**	**—**	**2.7**
Total remuneration ($m)		**7.1**	**27.6**	**126.1**	**1,472.8**

1 Cash-based fixed remuneration is paid immediately.
2 Paid in HSBC shares. Vested shares are subject to a retention period of up to one year.
3 Variable pay awarded in respect of 2024. In accordance with shareholder approval received on 3 May 2024 (99% in favour), and where regulations permit, for each MRT the variable component of remuneration for any one year is limited to ten times the fixed component of total remuneration, in line with the maximum pay ratio approved by the Group Remuneration Committee. HSBC Holdings plc continues to provide approval for entities regulated by the European Banking Authority to operate a maximum variable pay ratio of 200% of the fixed component of total remuneration for each MRT, where permitted to do so.
4 27 identified staff members were exempt from the application of the remuneration structure requirements for MRTs under the PRA and FCA remuneration rules. Their total remuneration is $7.1m, of which $6.0m is fixed pay and $1.1m is variable remuneration.

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

	Supervisory function	Management function	Other senior management	Other identified staff
Guaranteed variable remuneration awards[1]				
Number of identified staff	**—**	**—**	**—**	**—**
Total amount ($m)	**—**	**—**	**—**	**—**
– of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap ($m)	**—**	**—**	**—**	**—**
Severance payments awarded in previous periods, that have been paid out during the financial year[2]				
Number of identified staff	**—**	**—**	**—**	**1.0**
Total amount ($m)	**—**	**—**	**—**	**3.4**
Severance payments awarded during the financial year[2]				
Number of identified staff	**—**	**—**	**6.9**	**34.0**
Total amount ($m)	**—**	**—**	**7.5**	**42.6**
– of which paid during the financial year ($m)	**—**	**—**	**—**	**37.1**
– of which deferred ($m)	**—**	**—**	**—**	**—**
– of which severance payments paid during the financial year, that are not taken into account in the bonus cap ($m)	**—**	**—**	**7.5**	**42.6**
– of which highest payment that has been awarded to a single person ($m)	**—**	**—**	**4.3**	**9.3**

1 No guaranteed variable remuneration was awarded in 2024. HSBC would offer a guaranteed variable remuneration award in exceptional circumstances for new hires, and for the first year of employment only. It would 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.
2 Includes payments such as payment in lieu of notice, statutory severance, outplacement service, legal fees, ex-gratia payments and settlements (excludes pre-existing benefit entitlements triggered on terminations).

Deferred remuneration at 31 December[1] (REM3)

$m	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
Supervisory function	—	—	—	—	—	—	—	—
Cash-based	—	—	—	—	—	—	—	—
Shares	—	—	—	—	—	—	—	—
Share-linked instruments	—	—	—	—	—	—	—	—
Other instruments	—	—	—	—	—	—	—	—
Other forms	—	—	—	—	—	—	—	—
Management function	**58.9**	**4.1**	**54.8**	**(3.0)**	**—**	**11.5**	**4.2**	**2.7**
Cash-based	6.5	1.3	5.2	—	—	—	1.3	—
Shares	52.4	2.8	49.6	(3.0)	—	11.5	2.9	2.7
Share-linked instruments	—	—	—	—	—	—	—	—
Other instruments	—	—	—	—	—	—	—	—
Other forms	—	—	—	—	—	—	—	—
Other senior management	**195.8**	**17.9**	**177.9**	**(5.4)**	**—**	**29.6**	**18.2**	**7.5**
Cash-based	65.7	8.2	57.5	—	—	—	8.3	—
Shares	130.1	9.7	120.4	(5.4)	—	29.6	9.9	7.5
Share-linked instruments	—	—	—	—	—	—	—	—
Other instruments	—	—	—	—	—	—	—	—
Other forms	—	—	—	—	—	—	—	—
Other identified staff	**1,253.5**	**247.3**	**1,006.2**	**—**	**—**	**152.6**	**250.8**	**63.5**
Cash-based	467.3	97.3	370.0	—	—	—	98.2	—
Shares	749.1	142.2	606.9	—	—	145.8	144.7	57.8
Share-linked instruments	31.9	6.4	25.5	—	—	6.3	6.5	4.4
Other instruments	—	—	—	—	—	—	—	—
Other forms	5.2	1.4	3.8	—	—	0.5	1.4	1.3
Total amount	**1,508.2**	**269.3**	**1,238.9**	**(8.4)**	**—**	**193.7**	**273.2**	**73.7**

1 This table provides details of balances and movements during performance year 2024. For details of variable pay awards granted for 2024, refer to the ‘Remuneration awarded for the financial year’ table. Deferred remuneration is made in cash and/or shares. Share-based awards are made in HSBC shares.

Identified staff - remuneration by band[1] (REM4)

	Identified staff that are high earners as set out in Article 450(i) CRR
€1,000,000 – 1,500,000	257
€1,500,000 – 2,000,000	118
€2,000,000 – 2,500,000	48
€2,500,000 – 3,000,000	35
€3,000,000 – 3,500,000	13
€3,500,000 – 4,000,000	8
€4,000,000 – 4,500,000	7
€4,500,000 – 5,000,000	10
€5,000,000 – 6,000,000	7
€6,000,000 – 7,000,000	6
€7,000,000 – 8,000,000	1
€8,000,000 – 9,000,000	1
€9,000,000 – 10,000,000	1
€10,000,000 – 11,000,000	3
€11,000,000 – 12,000,000	—
€12,000,000 – 13,000,000	—
€13,000,000 – 14,000,000	—
€14,000,000 – 15,000,000	—
€15,000,000 – 16,000,000	1
€16,000,000 – 17,000,000	—
€17,000,000 – 18,000,000	—
€18,000,000 – 19,000,000	—
€19,000,000 – 20,000,000	1

1 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.

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

	Management body			Business areas						
	Supervisory function	Management function	Total	Investment banking	Retail banking	Asset management	Corporate function	Independent internal control function	All other	Total
Total number of identified staff										**1,294.5**
– of which members of the Board	**13.0**	**2.0**	**15.0**							
– of which senior management				**2.0**	**2.0**	**—**	**6.9**	**2.0**	**6.0**	
– of which other identified staff				**532.9**	**289.6**	**29.0**	**165.0**	**183.5**	**60.6**	
Total remuneration of identified staff ($m)	**7.1**	**27.6**	**34.7**	**721.4**	**329.7**	**38.8**	**220.8**	**149.0**	**139.2**	
– of which variable remuneration ($m)[1]	**—**	**20.2**	**20.2**	**394.6**	**167.6**	**20.6**	**112.9**	**69.6**	**84.8**	
– of which fixed remuneration ($m)	**7.1**	**7.4**	**14.5**	**326.8**	**162.1**	**18.2**	**107.9**	**79.4**	**54.4**	

1 Variable pay awarded in respect of 2024. In accordance with shareholder approval received on 3 May 2024 (99% in favour), and where regulations permit, for each MRT the variable component of remuneration for any one year is limited to ten times the fixed component of total remuneration, in line with the maximum pay ratio approved by the Group Remuneration Committee. HSBC Holdings plc continues to provide approval for entities regulated by the European Banking Authority to operate a maximum variable pay ratio of 200% of the fixed component of total remuneration for each MRT, where permitted to do so.

Share plan matters considered by the Group Remuneration Committee

The Group Remuneration Committee and its delegates considered various matters relating to the HSBC share plans during the financial year.

The HSBC International Employee Share Purchase Plan ('ShareMatch') and The HSBC Holdings Savings-Related Share Option Plan (UK) ('Sharesave') were offered in 2024. The HSBC variable pay deferral approach for the 2024 performance year was approved, for which certain minor updates were made to comply with legal and regulatory requirements. The Directors Remuneration Policy was approved and will be available for shareholders to vote on at the 2025 AGM. Other awards with performance conditions were approved for certain strategically important projects during 2024.

Certain awards were granted to executive Directors or senior managers with vesting periods of less than 12 months:

- Fixed pay allowance awards were granted to executive Directors in accordance with the approved Directors' remuneration policy, which vest immediately and are subject to a retention period. These awards are not subject to clawback on the basis that they form part of the executive Directors' fixed pay. The awards were granted under the HSBC Share Plan 2011.
- Immediate share awards were granted to executive Directors and senior managers in compliance with our regulatory requirements to deliver a portion of non-deferred variable pay in instruments. These awards vest immediately, and are subject to a retention period and clawback provisions.

Share capital and other related governance disclosures

Share buy-backs

On 1 November 2023, HSBC Holdings commenced a further share buy-back of its ordinary shares of up to a maximum consideration of $3.0bn. The share buy-back continued in 2024 and was concluded on 16 February 2024, with 64,733,089 ordinary shares repurchased for cancellation on UK trading venues and 79,414,800 ordinary shares repurchased for cancellation on The Stock Exchange of Hong Kong Limited ('HKEx') from 1 January 2024 to 16 February 2024.

On 23 February 2024, HSBC Holdings commenced a further share buy-back of its ordinary shares of up to a maximum consideration of $2.0bn. This share buy-back concluded on 23 April 2024 with 127,570,463 ordinary shares repurchased for cancellation on UK trading venues and 127,412,800 ordinary shares repurchased for cancellation on HKEx.

On 8 May 2024, HSBC Holdings commenced a further share buy-back of its ordinary shares of up to a maximum consideration of $3.0bn. This share buy-back concluded on 26 July 2024 with 171,668,799 ordinary shares repurchased for cancellation on UK trading venues and 171,252,800 ordinary shares repurchased for cancellation on HKEx.

On 2 August 2024, HSBC Holdings commenced a further share buy-back of its ordinary shares of up to a maximum consideration of $3.0bn. This share buy-back concluded on 25 October 2024 with 172,311,192 ordinary shares repurchased for cancellation on UK trading venues and 173,041,600 ordinary shares repurchased for cancellation on HKEx.

On 31 October 2024, HSBC Holdings commenced a further share buy-back of its ordinary shares of up to a maximum consideration of $3.0bn. As at 31 December 2024, 132,349,029 ordinary shares had been repurchased for cancellation on UK trading venues and 82,502,400 ordinary shares had been repurchased for cancellation on HKEx.

The purpose of the share buy-backs was to reduce HSBC's number of outstanding ordinary shares.

As at 31 December 2024, the total number of ordinary shares repurchased during the year was 1,302,256,972, representing a nominal value of $651,128,486 and an aggregate consideration paid by HSBC of £4,477,248,660 on UK trading venues and HK$41,961,808,443 on HKEx. The ordinary shares repurchased represent 7.256% of the ordinary shares in issue as at 31 December 2024. Of the repurchased ordinary shares, 20,433,459 were awaiting cancellation as at 31 December 2024.

The table that follows outlines details of the ordinary shares purchased and cancelled on a monthly basis during 2024.

Share buy-back - UK venues

	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Average price paid per share	Aggregate price paid
		£	£	£	£
Jan 2024	64,733,089	6.4300	5.8190	6.1356	397,174,665
Feb 2024	17,761,890	6.2050	5.9270	6.0468	107,403,375
Mar 2024	59,048,017	6.2810	5.7290	6.0295	356,031,979
Apr 2024	50,760,556	6.6960	6.1950	6.4603	327,930,581
May 2024	59,069,838	7.2440	6.8240	6.9678	411,587,427
Jun 2024	76,307,014	7.0080	6.7040	6.8620	523,621,847
Jul 2024	36,291,947	6.9330	6.6350	6.7829	246,165,955
Aug 2024	51,180,681	6.6810	6.1090	6.4796	331,631,735
Sep 2024	78,450,902	6.8340	6.4550	6.6528	521,919,215
Oct 2024	46,324,540	7.1490	6.5930	6.8097	315,457,983
Nov 2024	86,259,230	7.3510	6.8880	7.1500	616,752,033
Dec 2024	42,444,868	7.8500	7.3080	7.5762	321,571,865
Total	668,632,572				4,477,248,660

Share buy-back - Hong Kong venues

	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Average price paid per share	Aggregate price paid
		(HK$)	(HK$)	(HK$)	(HK$)
Jan 2024	57,819,600	63.8000	57.8500	61.0549	3,530,172,280
Feb 2024	33,790,800	62.4500	58.8500	60.8394	2,055,810,581
Mar 2024	63,110,400	61.9500	58.1000	60.1891	3,798,555,480
Apr 2024	52,106,800	64.9500	61.1000	63.0989	3,287,883,380
May 2024	53,104,800	70.6500	67.5000	68.7465	3,650,768,500
Jun 2024	65,043,200	69.7500	67.0500	68.2592	4,439,796,237
Jul 2024	53,104,800	69.2500	65.9000	67.3965	3,579,076,860
Aug 2024	64,395,200	68.9000	61.1500	65.5441	4,220,726,180
Sep 2024	64,664,000	70.9500	65.7500	68.4382	4,425,485,800
Oct 2024	47,667,200	72.3000	67.3500	69.1996	3,298,553,120
Nov 2024	58,186,800	72.5500	68.8500	71.1225	4,138,390,665
Dec 2024	20,630,800	75.9500	72.3500	74.4804	1,536,589,360
Total	633,624,400				41,961,808,443

Dividends

Dividends for 2024

First, second and third interim dividends for 2024, each of $0.10 per ordinary share, were paid on 21 June 2024, 27 September 2024 and 19 December 2024. A special dividend of $0.21 was paid on 21 June 2024. For further details of the dividends approved in 2024, see Note 8 on the financial statements.

On 19 February 2025, the Directors approved a fourth interim dividend for 2024 of $0.36 per ordinary share, making a total of $0.87 for the 2024 full-year when including the $0.21 special dividend. The fourth interim dividend for 2024 will be payable on 25 April 2025 in cash in US dollars, or in sterling or Hong Kong dollars at exchange rates to be determined on 14 April 2025. The fourth interim dividend for 2024 of $1.80 per American Depositary Share, each of which represents five ordinary shares, will be payable by the depositary in US dollars. No liability was recorded in the financial statements in respect of the fourth interim dividend for 2024.

A quarterly dividend of £0.01 per non-cumulative preference share of £0.01 each was paid on 15 March, 17 June, 16 September and 16 December 2024.

Dividends for 2025

The Group intends to pay quarterly dividends on its ordinary shares during 2025.

A quarterly dividend of £0.01 per non-cumulative preference share of £0.01 each is payable on 17 March, 16 June, 15 September and 15 December 2025 for the quarter then ended at the sole and absolute discretion of the Board of HSBC Holdings plc. Accordingly, the Board of HSBC Holdings plc has approved a quarterly dividend to be payable on the non-cumulative preference share on 17 March 2025 to holders of record on 28 February 2025.

Distributable Reserves

As at 31 December 2024, the distributable reserves of HSBC Holdings were $28.3bn, inclusive of $24.8bn in profits and other reserves movements generated in 2024. As at the date of this report, HSBC Holdings intends to increase its distributable reserves subject to shareholder and court approval. Shareholder approval will be sought at the 2025 AGM. The process will involve the conversion of the amount standing to the credit of each of the share premium account ($14.8bn) and capital redemption reserve ($1.8bn) as at 31 December 2024 into retained earnings, and will have no impact on regulatory capital. Further information will be included in the Notice of the 2025 AGM which will be circulated to shareholders on 21 March 2025. The process is expected to complete by the end of July 2025.

Share capital

Issued share capital

The nominal value of HSBC Holdings' issued share capital paid up at 31 December 2024 was $8,973,475,291 divided into 17,946,950,582 ordinary shares of $0.50 each and one non-cumulative preference share of £0.01, representing approximately 100.00% and 0.00% respectively of the nominal value of HSBC Holdings' total issued share capital paid up at 31 December 2024.

Rights, obligations and restrictions attaching to shares

The rights and obligations attaching to each class of ordinary and non-cumulative preference shares in our share capital are set out in full in our Articles of Association. The Articles of Association may be amended by special resolution of the shareholders and can be found on our website at www.hsbc.com/who-we-are/our-people/board-of-directors/board-responsibilities.

Ordinary shares

HSBC Holdings has one class of ordinary share, which carries no right to fixed income. There are no voting restrictions on the issued ordinary shares, all of which are fully paid. On a show of hands, each member present has the right to one vote at general meetings. On a poll, each member present or voting by proxy is entitled to one vote for every $0.50 nominal value of share capital held.

There are no specific restrictions on transfers of ordinary shares, which are governed by the general provisions of the Articles of Association and prevailing legislation.

Information on the policy adopted by the Board for paying interim dividends on the ordinary shares may be found in the 'Shareholder information' section on page 439.

Dividend waivers

The Group's employee benefit trusts, which hold shares in HSBC Holdings in connection with the operation of its share plans, have lodged standing instructions to waive dividends on shares held by them that have not been allocated to employees. Shares held by custodians in connection with the vesting of employee share awards also lodged instructions to waive dividends. The total amount of dividends waived during 2024 was $28.85m.

Preference shares

The preference shares, which have preferential rights to income and capital, do not, in general, confer a right to attend and vote at general meetings.

There are three classes of preference shares in the share capital of HSBC Holdings: non-cumulative US dollar preference shares of $0.01 each ('dollar preference shares'); non-cumulative preference shares of £0.01 each ('sterling preference shares'); and non-cumulative preference shares of €0.01 ('euro preference shares').

The sterling preference share in issue is a Series A sterling preference share. There are no dollar preference shares or euro preference shares in issue.

Information on dividends approved for 2023 and 2024 may be found in Note 8 on the financial statements.

Further details of the rights and obligations attaching to the HSBC Holdings' issued share capital may be found in Note 32 on the financial statements.

Compliance with Hong Kong Listing Rule 13.25A(2)

HSBC Holdings has been granted a waiver from strict compliance with Rule 13.25A(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Under this waiver, HSBC's obligation to file a Next Day Return following the issue of new shares, pursuant to the vesting of share awards granted under its share plans to persons who are not Directors, would only be triggered where it falls within one of the circumstances set out under Rule 13.25A(3).

Share capital changes in 2024

In addition to the share buy-backs, the following events occurred during the year in relation to the ordinary share capital of HSBC Holdings:

Scrip dividends

There were no scrip dividends issued during the year.

Treasury shares

HSBC Holdings does not hold any ordinary shares in treasury.

All-employee share plans[1]

	HSBC Holdings ordinary shares issued	Aggregate nominal value	Market value per share	
			from	to
		$	£	£
HSBC International Employee Share Purchase Plan	141,770	70,885	5.957	6.707

1 In respect of the HSBC Holdings Savings Related Share Option Plan (UK), no new shares were issued under this plan. All exercises were satisfied by market purchased shares. See page 326 for details of options granted, exercised and lapsed.

HSBC share plans

	HSBC Holdings ordinary shares issued	Aggregate nominal value	Market value per share	
			from	to
		$	£	£
Vesting of awards under the HSBC Share Plan 2011	10,141,660	5,070,830	5.799	7.177

Authorities to allot and to purchase shares and pre-emption rights

At the AGM in 2024, shareholders renewed the general authority for the Directors to allot new shares up to 12,700,701,506 ordinary shares, 15,000,000 non-cumulative preference shares of £0.01 each, 15,000,000 non-cumulative preference shares of $0.01 each, 15,000,000 non-cumulative preference shares of €0.01 each. Shareholders also renewed the authority for the Directors to make market/off-market purchases of up to 1,905,105,226 ordinary shares. The Directors exercised their market/off-market purchase authority from both the 2023 AGM and the 2024 AGM and repurchased 1,302,256,972 ordinary shares during the year.

In addition, shareholders gave authority for the Directors to grant rights to subscribe for, or to convert any security into, no more than 3,810,210,452 ordinary shares in relation to any issue by HSBC Holdings, or any member of the Group, of contingent convertible securities that automatically convert into or are exchanged for ordinary shares in HSBC Holdings in prescribed circumstances. For further details on the issue of contingent convertible securities, see Note 32 on the financial statements.

Other than as disclosed in the tables above headed 'Share capital changes in 2024', the Directors did not allot any shares during 2024.

Debt securities

In 2024, HSBC Holdings issued the equivalent of $24.0bn of debt securities in the public capital markets in a range of currencies and maturities, of which $16.1bn were in the form of senior securities to ensure it meets the current and proposed regulatory rules, including those relating to the availability of adequate total loss-absorbing capacity. For details of capital instruments and subordinated bail-inable debt, see Notes 29 and 32 on pages 416 and 423.

Treasury shares

HSBC Holdings does not hold any ordinary shares in treasury.

Notifiable interests in share capital

During 2024, HSBC Holdings did not receive any notification of major holdings of voting rights pursuant to the requirements of Rule 5 of the Disclosure Guidance and Transparency Rules ('Rule 5 of the DTRs').

No notifications had been received between 31 December 2024 and 14 February 2025. Previous notifications received are as follows:

- BlackRock, Inc. gave notice on 3 March 2020 that on 2 March 2020 it had the following: an indirect interest in HSBC Holdings ordinary shares of 1,235,558,490; qualifying financial instruments with 7,294,459 voting rights that may be acquired if the instruments are exercised or converted; and financial instruments with a similar economic effect to qualifying financial instruments, which refer to 2,441,397 voting rights, representing 6.07%, 0.03% and 0.01%, respectively, of the total voting rights at 2 March 2020.
- Ping An Asset Management Co., Ltd. gave notice on 6 December 2017 that on 4 December 2017 it had an indirect interest in HSBC Holdings ordinary shares of 1,007,946,172, representing 5.04% of the total voting rights at that date.

At 31 December 2024, according to the register maintained by HSBC Holdings pursuant to section 336 of the Securities and Futures Ordinance of Hong Kong:

- BlackRock, Inc. gave notice on 24 December 2024 that on 19 December 2024 it had the following interests in HSBC Holdings ordinary shares: a long position of 1,615,527,141 shares and a short position of 4,231,678 shares, representing 8.99% and 0.02%, respectively, of the ordinary shares in issue at that date.
- Ping An Asset Management Co., Ltd. gave notice on 10 May 2024 that on 7 May 2024 it had a long position of 1,502,584,731 in HSBC Holdings ordinary shares, representing 7.98% of the ordinary shares in issue at that date.

Between 31 December 2024 and 14 February 2025, the following notification was received:

- BlackRock, Inc. gave notice on 31 January 2025 that on 28 January 2025 it had the following interests in HSBC Holdings ordinary shares: a long position of 1,601,449,305 shares and a short position of 5,961,010 shares, representing 8.97% and 0.03%, respectively, of the ordinary shares in issue at that date.

Sufficiency of float

In compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, at least 25% of the total issued share capital has been held by the public at all times during 2024 and up to the date of this report.

Dealings in HSBC Holdings listed securities

The Group has policies and procedures that, except where permitted by statute and regulation, prohibit specified transactions in respect of its securities listed on The Stock Exchange of Hong Kong Limited. Except for dealings as intermediaries or as trustees by subsidiaries of HSBC Holdings, and purchases by HSBC Holdings under the share buy-backs, neither HSBC Holdings nor any of its subsidiaries has purchased, sold or redeemed any of its securities listed on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2024.

Directors' interests

Pursuant to the requirements of the UK Listing Rules and according to the register of Directors' interests maintained by HSBC Holdings pursuant to section 352 of the Securities and Futures Ordinance of Hong Kong, the Directors of HSBC Holdings at 31 December 2024 had certain interests, all beneficial unless otherwise stated, in the shares or debentures of HSBC Holdings and its associated corporations.

Save as stated in the following table, no further interests were held by Directors, and no Directors or their connected persons were awarded or exercised any right to subscribe for any shares or debentures in any HSBC corporation during the year.

No Directors held any short position as defined in the Securities and Futures Ordinance of Hong Kong in the shares or debentures of HSBC Holdings and its associated corporations.

Directors' interests – shares and debentures

	At 1 Jan 2024, or date of appointment, if later	At 31 Dec 2024 or date of cessation, if earlier				
		Beneficial owner	Child under 18 or spouse	Jointly with spouse/ other	Trustee	Total interests
HSBC Holdings ordinary shares						
Geraldine Buckingham[1]	15,000	15,000				15,000
Rachel Duan[1]	15,000	15,000				15,000
Georges Elhedery[2]	753,467	966,017				966,017
Dame Carolyn Fairbairn	15,000	15,000				15,000
James Forese[1]	115,000	115,000				115,000
Ann Godbehere[1]	15,000			15,000		15,000
Steven Guggenheimer[1]	15,000			15,000		15,000
José Antonio Meade Kuribreña[1]	15,000	15,000				15,000
Kalpana Morparia[1]	15,000	15,000				15,000
Eileen Murray[1]	75,000	75,000				75,000
Brendan Nelson	—	15,000				15,000
David Nish (retired on 3 May 2024)	50,000		50,000			50,000
Sir Noel Quinn[2] (retired on 2 September 2024)	1,721,465	2,046,949				2,046,949
Swee Lian Teo	15,200	15,200				15,200
Sir Mark Tucker	307,352	307,352				307,352

1 Geraldine Buckingham has an interest in 3,000, Rachel Duan in 3,000, James Forese in 23,000, Ann Godbehere in 3,000, Steven Guggenheimer in 3,000, José Antonio Meade Kuribreña in 3,000, Kalpana Morparia in 3,000 and Eileen Murray in 15,000 listed American Depositary Shares ('ADS'), which are categorised as equity derivatives under Part XV of the Securities and Futures Ordinance of Hong Kong. Each ADS represents five HSBC Holdings ordinary shares.

2 Executive Directors' other interests in HSBC Holdings ordinary shares arising from the HSBC Holdings Savings-Related Share Option Plan (UK) and the HSBC Share Plan 2011 are set out in the Scheme interests in the Directors' remuneration report on page 279. At 31 December 2024, or date of cessation if earlier, the aggregate interests under the Securities and Futures Ordinance of Hong Kong in HSBC Holdings ordinary shares, including interests arising through employee share plans and the interests above were: Sir Noel Quinn – 5,736,459; and Georges Elhedery – 2,616,836, representing approximately 0.03% and 0.015% of the shares in issue respectively.

There have been no changes in the shares or debentures of the current Directors from 31 December 2024 to the date of this report.

UK Listing Rule 6.6.1 and other disclosures

The disclosures required by UKLR 6.6.1, and other regulations, are set out on the following pages:

Content	Page references
Long-term incentives	298
Dividends and Dividend waivers	319
Share buy-back	318
Emissions	42
Energy Efficiency	42, 45-46
Principal activities of HSBC	11, 30, 96-97, 405
Business review and future developments	11-40, 41, 128, 136, 430
Risk Review	37-39, 128-235
Engagement with suppliers, customers and others	20-21

Board governance

Appointment and re-election of Directors

A rigorous selection process is followed for the appointment of Directors. Appointments are made on merit and candidates are considered against objective criteria, and with regard to the benefits of a diverse Board. Appointments are made in accordance with HSBC Holdings' Articles of Association.

The Board may at any time appoint any person as a Director or secretary, either to fill a vacancy or as an additional officer. The Board may appoint any Director or secretary to hold any employment or executive office and may revoke or terminate any such appointment.

Non-executive Directors are appointed for an initial three-year term and, subject to continued satisfactory performance based upon an assessment by the Group Chairman and the Nomination & Corporate Governance Committee, are proposed for re-election by shareholders at each AGM. They typically serve two three-year terms, with any individual's appointment beyond six years to be for a rolling one-year term and subject to thorough review and challenge with reference to the needs of the Board. Where non-executive Directors are appointed beyond six years, an explanation will be provided in the Annual Report and Accounts.

Shareholders vote at each AGM on whether to elect and re-elect individual Directors. All Directors that stood for election and re-election at the 2024 AGM were elected and re-elected by shareholders.

Joint Company Secretary

Aileen Taylor is the Group Company Secretary and Group Chief People & Governance Officer.

Hannah Ashdown (48) was appointed as Deputy Group Secretary in December 2021 and for administrative purposes, in October 2022, was appointed as Joint Company Secretary. She is a Fellow of the Chartered Governance Institute UK and Ireland. Hannah has over 20 years' governance and regulatory experience across multiple sectors including financial services, asset management, energy, leisure and retail.

Independence

Independence is a critical component of good corporate governance, and a principle that is applied consistently at both the HSBC Holdings and subsidiary level. The Group Nomination & Corporate Governance Committee has delegated authority from the Board in relation to the assessment of the independence of non-executive Directors. In accordance with the UK and Hong Kong Corporate Governance Codes, the Group Nomination & Corporate Governance Committee has reviewed and confirmed that all non-executive Directors who have submitted themselves for election and re-election at the AGM are considered to be independent. This conclusion was reached after consideration of all relevant circumstances that are likely to impair, or could appear to impair, independence.

In line with the requirements of the Hong Kong Corporate Governance Code, the Group Nomination & Corporate Governance Committee also reviewed and considered the mechanisms in place to ensure independent views and inputs are available to the Board. These mechanisms include:

– having the appropriate Board and committee structure in place, including rules on the appointment and tenure of non-executive Directors;
– facilitating the option of having brokers and external industry experts in attendance at Board meetings during 2024, as well as having representatives from the Group's key regulators attend Board meetings in relation to specific regulatory items;
– ensuring non-executive Directors are entitled to obtain independent professional advice relating to their personal responsibilities as a Director at the Group's expense;
– having terms of reference for each committee and the Board that provide authority to engage independent professional advisers; and
– holding annual Board and committee performance reviews, with feedback sought from members on the quality of, and access to, independent external advice.

Conflicts of interest

The Board has an established policy and set of procedures, which are reviewed annually, to ensure that the Board's management of Directors' conflicts of interest is effective. The Board has the power to authorise conflicts where they arise, in accordance with the Companies Act 2006 and HSBC Holdings' Articles of Association. Details of all Directors' conflicts of interest are recorded in the register of conflicts. Upon appointment, new Directors are advised of the policy and procedures for managing conflicts. Directors are required to notify the Board of any actual or potential conflicts of interest and to update the Board with any changes to the facts and circumstances surrounding such conflicts. Directors are requested to review and confirm their own and their respective closely associated persons' outside interests and appointments twice each year. The Board has considered, and authorised (with or without conditions) where appropriate, potential conflicts as they have arisen during the year in accordance with its conflicts policy and procedures. All non-executive Directors are subject to re-vetting by the Group's compliance team on a triennial basis following appointment. As part of this re-vetting process, all conflict checks are refreshed.

Non-executive Director commitments

The terms and conditions of the appointments of non-executive Directors are set out in a letter of appointment, which includes the expectations of them, and the estimated time required to perform their role. Letters of appointment of each non-executive Director are available for inspection at the registered office of HSBC Holdings.

Non-executive Directors serving on the Board and as a member of any committees are expected to serve up to 75 days per annum. The Senior Independent Director is expected to serve an additional 30 days per annum. Those Directors who also chair a large committee are expected to commit up to 100 days per annum, with the Group Risk Committee Chair expected to commit up to 150 days per annum. Any additional time commitment required of non-executive Directors in connection with Board and committee activities is confirmed to them separately.

Board approval is required for any non-executive Director's external commitments, with consideration given to their total time commitments, potential conflicts of interest, and regulatory and investor expectations.

Directors' indemnities

The Articles of Association of HSBC Holdings contain a qualifying third-party indemnity provision, which entitles Directors and other officers to be indemnified out of the assets of HSBC Holdings against claims from third parties in respect of certain liabilities.

HSBC Holdings has granted, by way of deed poll, indemnities to the Directors, including former Directors, against certain liabilities arising in connection with their position as a Director of HSBC Holdings or of any Group company. Directors are indemnified to the maximum extent permitted by law.

The indemnities that constitute a 'qualifying third-party indemnity provision', as defined by section 234 of the Companies Act 2006, remained in force for the whole of the financial year (or, in the case of Directors appointed during 2024, from the date of their appointment). The deed poll is available for inspection at the registered office of HSBC Holdings.

Additionally, Directors and pension trustees have the benefit of both Directors' and officers' liability insurance and pension trustees' liability insurance. Qualifying pension scheme indemnities have also been granted to the trustees of the Group's pension schemes, which were in force for the whole of the financial year and remain in force as at the date of this report.

Contracts of significance

During 2024, none of the Directors had a material interest, directly or indirectly, in any contract of significance with any HSBC company. During the year, all Directors were reminded of their obligations in respect of transacting in HSBC securities and, following specific enquiry, all Directors have confirmed that they have complied with their obligations.

Shareholder engagement and communication

The Board is directly accountable to, and gives high priority to communicating with, HSBC's shareholders. Information about HSBC and its activities is provided to shareholders in its Interim Reports and the Annual Report and Accounts as well as on www.hsbc.com.

The Board seeks to understand investor needs through ongoing dialogue between members of the Board and institutional investors throughout the year. For examples of such engagement, see 'Directors' engagements with key stakeholders in 2024' on page 21 and the Group Remuneration Committee Chair's letter on page 279. During 2024, approximately 612 meetings were held with institutional investors and analysts globally.

Our shareholder communications policy summarises how we communicate with our shareholders, including through financial reporting, general shareholder meetings, investor and analyst meetings and our website. The policy is reviewed annually by the Board, and in 2024 the Board confirmed that it was satisfied with its implementation and effectiveness. The policy can be found at www.hsbc.com/who-we-are/our-people/board-of-directors/board-responsibilities.

We also publish our current and past financial results, investor presentations and shareholder information such as dividend payments and shareholder meeting details. Stock exchange announcements are also accessible on our website along with information for fixed income investors. For further details, see www.hsbc.com/investors.

Directors are encouraged to develop an understanding of the views of shareholders. Enquiries from individuals on matters relating to their shareholdings and HSBC's business are welcomed. Any individual or institutional investor can make an enquiry by contacting the investor relations team, Group Chairman, Group CEO, Group CFO and Group Company Secretary and Chief Governance Officer. Our Senior Independent Director is also available to shareholders if they have concerns that cannot be resolved or for which the normal channels would not be appropriate. They can be contacted via the Group Company Secretary and Chief Governance Officer at 8 Canada Square, London E14 5HQ.

Annual General Meeting

The AGM in 2025 is planned to be held in London, UK at 10:00am on Friday, 2 May 2025. Information on how to vote and participate, both in advance and on the day, can be found in the Notice of the 2025 AGM, which will be sent to shareholders on 21 March 2025 and be available on www.hsbc.com/agm. A live webcast will be available on www.hsbc.com/agm. A recording of the proceedings will be available on www.hsbc.com/agm shortly after the conclusion of the AGM. Shareholders should monitor our website and announcements for any changes to these arrangements. Shareholders may send enquiries to the Board in writing via Company Secretary, HSBC Holdings plc, 8 Canada Square, London E14 5HQ or by sending an email to shareholderquestions@hsbc.com.

General meetings and resolutions

Shareholders may require the Directors to call a general meeting other than an AGM, as provided by the UK Companies Act 2006. A valid request to call a general meeting may be made by members representing at least 5% of the paid-up capital of HSBC Holdings as carries the right of voting at its general meetings (excluding any paid-up capital held as treasury shares). A request must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. At any general meeting convened on such request, no business may be transacted except that stated by the requisition or proposed by the Board.

Shareholders may request the Directors to send a resolution to shareholders for consideration at an AGM, as provided by the UK Companies Act 2006. A valid request must be made by (i) members representing at least 5% of the paid-up capital of HSBC Holdings as carries the right of voting at its general meetings (excluding any paid-up capital held as treasury shares), or (ii) at least 100 members who have a right to vote on the resolution at the AGM in question and hold shares in HSBC Holdings on which there has been paid up an average sum, per member, of at least £100.

The request must be received by HSBC Holdings not later than (i) six weeks before the AGM in question; or (ii) if later, the time at which the notice of AGM is published.

A request may be in hard copy form or in electronic form, and must be authenticated by the person or persons making it. A request may be made in writing to HSBC Holdings at its UK address, referred to in the paragraph above or by sending an email to shareholderquestions@hsbc.com.

Articles of Association

The Articles of Association were last approved at the 2022 AGM. The Articles of Association can be found at www.hsbc.com/who-we-are/our-people/board-of-directors/board-responsibilities.

Events after the balance sheet date

For details of events after the balance sheet date, see Note 37 on the financial statements.

Change of control

The Group is not party to any significant agreements that take effect, alter or terminate following a change of control of the Group. The Group does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a takeover bid.

Branches

The Group provides a wide range of banking and financial services through branches and offices in the UK and overseas.

Research and development activities

During the ordinary course of business, the Group develops new products and services within the global businesses.

Political donations

HSBC does not make any political donations or incur political expenditure within the ordinary meaning of those words. We have no intention of altering this policy. However, the definitions of political donations, political parties, political organisations and political expenditure used in the UK Companies Act 2006 are very wide. As a result, they may cover routine activities that form part of the normal business activities of the Group and are an accepted part of engaging with stakeholders. To ensure that neither the Group nor any of its subsidiaries inadvertently breaches the UK Companies Act 2006, authority is sought from shareholders at the AGM to make political donations.

HSBC provides administrative support to two political action committees ('PACs') in the US funded by voluntary political contributions by eligible employees. We do not control the PACs, and all decisions regarding the amounts and recipients of contributions are directed by a voluntary Board Finance Committee, which consists of contributing eligible employees. The PACs recorded combined political donations of $124,450 during 2024 (2023: $110,004).

Charitable contributions

For details of charitable contributions, see page 72.

Internal control

The Board is responsible for monitoring the Group's risk management and internal control systems, determining the level and type of risks the Group is willing to take in achieving its strategic objectives, and reviewing the effectiveness of these procedures on an annual basis.

To meet this requirement and to discharge its obligations under the FCA Handbook and the PRA Rulebook, procedures have been designed to provide reasonable assurance against material misstatement, errors, losses or fraud. They are designed to provide effective internal control within the Group and accord with the Financial Reporting Council's guidance for Directors, issued in 2014, on risk management, internal control and related financial and business reporting. The procedures have been in place throughout the year and up to 19 February 2025, the date of publication of the Annual Report and Accounts 2024.

The Board, the GRC and the GAC monitored the effectiveness of the Group's system of risk management and internal control during the year through regular updates on the operation of the Group's internal controls, supplemented by reviews of these controls by the second line of defence and internal audit, and the external auditors. In particular, this focused on the Group's regulatory remediation and change programmes, and involved working closely with management to better prioritise and understand where there are key interdependencies. These reviews enabled to the Board to perform an annual review of effectiveness, identifying no material weaknesses as at the year-end. To support the work of the Board, the GRC and the GAC in discharging their responsibilities in this regard, assurance was also provided by executive management confirming that a risk assessment had been undertaken and controls were in place to mitigate the risks arising from the Group's key activities. Necessary actions will be taken to remedy any failings or weaknesses identified from these activities on an ongoing basis.

In 2025, continued focus will be placed on the quality and timeliness of data used to inform management decisions and support oversight of emerging risks and potential risks arising from new products and offerings. In preparation for the Board's forthcoming responsibility under the 2024 UK Corporate Governance Code, the Board approved changes to the scope of the GAC's responsibilities in relation to internal controls to extend these to cover all internal controls and, once defined, all material controls including financial, operational, reporting and compliance controls.

The key risk management and internal control procedures include the following:

The HSBC Book

In 2024, the HSBC Book replaced the Global Principles document and is situated at the top of the HSBC document hierarchy. It underpins the key principles, policies and procedures that are fundamental to the Group's risk management structure. It informs and connects our purpose, ambition, strategy and values, guiding us to make responsible decisions aligned to our risk culture and risk management approach, to do the right thing, and to treat our customers and our colleagues fairly at all times.

Risk management framework

The risk management framework supports our HSBC Book. It outlines the key principles and practices that we employ in managing material risks. It applies to all categories of risk and supports a consistent approach in identifying, assessing, managing and reporting the risks we accept and incur in our activities.

Delegation of authority within limits set by the Board

Subject to certain matters reserved for the Board, the Group CEO has been delegated authority limits and powers within which to manage the day-to-day affairs of the Group. A delegation of authority framework is in place providing a Group structure within which the Board and its subsidiaries can manage their delegated powers. These delegated authorities can be used for the approval, signing and execution of specific written agreements and documents such as procurement contracts.

The delegation of authority framework is adopted on a legal entity basis via a board resolution which is reviewed annually. Matters not covered by the delegation of authority framework can be set out in a separate board resolution, powers of attorney or the relevant Group policy with clear systems of control that are appropriate to the business or function. Authorities to enter into credit and market risk exposures are delegated with limits to line management of Group companies in line with Group policy. Credit and market risks are measured and reported at subsidiary company level and aggregated for risk concentration analysis on a Group-wide basis.

Risk identification and monitoring

Systems and procedures are in place to identify, assess, control and monitor the material risk types facing HSBC as set out in the risk management framework. The Group's risk measurement and reporting systems are designed to help ensure that material risks are captured with all the attributes necessary to support well-founded decisions, that those attributes are accurately assessed and that information is delivered in a timely manner for those risks to be successfully managed and mitigated.

Changes in market conditions/ practices

Processes are in place to identify new risks arising from changes in market conditions/practices or customer behaviours, which could expose the Group to heightened risk of loss or reputational damage.

The Group employs both a top and emerging risks process to provide forward-looking views of issues with the potential to threaten the execution of our strategy or operations over the medium to long term.

We remain committed to investing in the reliability and resilience of our IT systems and critical services, including those provided by third parties, that support all parts of our business. We do so to help protect our customers, affiliates and counterparties, and to help ensure that we minimise any disruption to services that could result in reputational and regulatory consequences. In our approach to defend against these threats, we invest in business and technical controls to help us detect, manage and recover from issues, including data loss, in a timely manner.

We continue our focus on the quality and timeliness of the data used to inform management decisions, through measures such as early warning indicators, prudent active risk management of our risk appetite, and ensuring regular communication with our Board and other key stakeholders.

Responsibility for risk management

All employees are responsible for identifying and managing risk within the scope of their role as part of the three lines of defence model. This is an activity-based model to delineate management accountabilities and responsibilities for risk management and the control environment. The second line of defence sets the policy and guidelines for managing specific risk areas, provides advice and guidance in relation to the risk, and challenges the first line of defence (the risk owners) on effective risk management.

The Board delegated authority to the GAC to annually review the independence, autonomy and effectiveness of the Group's policies and procedures on whistleblowing, including the procedures for the protection of staff who raise concerns of detrimental treatment.

Strategic plans

Strategic plans are prepared for global businesses, global functions and geographical regions within the framework of the Group's overall strategy. Financial resource plans, informed by detailed analysis of risk appetite describing the types and quantum of risk that the Group is prepared to take in executing its strategy, are prepared and adopted by all major Group operating companies and set out the key business initiatives and the likely financial effects of those initiatives.

Internal control over financial reporting

HSBC is required to comply with section 404 of the US Sarbanes-Oxley Act of 2002 and assess its effectiveness of internal control over financial reporting at 31 December 2024. In 2014, the GAC endorsed the adoption of the principles of the Committee of Sponsoring Organizations of the Treadway Commission ('COSO') 2013 framework for the monitoring of risk management and internal control systems to satisfy the requirements of section 404 of the Sarbanes-Oxley Act.

The primary mechanism through which comfort over risk management and internal control systems is achieved is through annual assessments of the effectiveness of controls to manage risk, and the reporting of issues on a regular basis through the various risk management and risk governance forums, including regular updates to GAC.

The key risk management and internal control procedures over financial reporting include the following:

Entity level controls

Entity level controls are a defined suite of internal controls that have a pervasive influence over the entity as a whole and meet the principles of the COSO framework. They include controls related to the control environment, such as the Group's values and ethics, the promotion of effective risk management and the overarching governance exercised by the Board and its non-executive committees. The design and operational effectiveness of entity level controls are assessed on an ongoing basis. If issues are significant to the Group, they are escalated to the GRC and / or the GAC.

Process level transactional controls

Key process level controls that mitigate the risk of financial misstatement are identified, recorded and monitored in accordance with the risk framework. This includes the identification and assessment of relevant control issues against which action plans are tracked through to remediation. Further details of HSBC's approach to risk management can be found on page 127.

Financial reporting controls

The Group's financial reporting process is controlled using documented accounting policies and reporting formats, supported by detailed instructions and guidance on reporting requirements, issued to all reporting entities within the Group in advance of each reporting period end. The submission of financial information from each reporting entity is supported by a certification by the responsible financial officer and analytical review procedures at reporting entity and Group levels.

Group Disclosure and Controls Committee

Chaired by the Group CFO, the Group Disclosure and Controls Committee supports the discharge of the Group's obligations under relevant legislation and regulation including the UK and Hong Kong listing rules, the UK Market Abuse Regulation and US Securities and Exchange Commission rules. In so doing, the Group Disclosure and Controls Committee is empowered to determine whether a new event or circumstance should be disclosed, including the form and timing of such disclosure, and review certain material disclosures made or to be made by the Group. The membership of the Group Disclosure and Controls Committee consists of senior management, including the Group CFO, Group Chief Risk and Compliance Officer; Group Chief Legal Officer; and Group Chief People and Governance Officer. The Group's external auditors are standing attendees, while the Group's brokers and external legal counsel are consulted on relevant matters and attend as required. The integrity of disclosures is underpinned by structures and processes within the Global Finance and Group Risk and Compliance functions that support rigorous analytical review of financial reporting and the maintenance of proper accounting records. As required by the Sarbanes-Oxley Act, the Group CEO and the Group CFO have certified that the Group's disclosure controls and procedures were effective as at the end of the period covered by the Annual Report and Accounts 2024.

The annual review of the effectiveness of the Group's system of risk management and internal control over financial reporting was conducted with reference to the COSO 2013 framework. Based on the assessment performed, the Directors concluded that for the year ended 31 December 2024, the Group's internal control over financial reporting was effective.

PwC has audited the effectiveness of HSBC's internal control over financial reporting and has given an unqualified opinion.

Other information included in the Annual Report and Accounts 2024

We include other non-statutory information in the Annual Report and Accounts to enable a broader perspective of our performance for the period, including ESG and regulatory capital and liquidity information.

On page 43 we highlight the challenges we face in our sustainability and climate reporting alongside the key changes we have made to our 2024 climate disclosures. Strengthening our global regulatory reporting processes with an aim to enhance data, consistency, and controls remains a key priority for the Group and regulatory authorities. See page 201 for further details. The GAC provides oversight to our reporting across these areas, including the disclosure risks in relation to sustainability and climate reporting, and monitoring of the programme of work to address the quality and reliability of regulatory reporting. See page 265 for further details.

Going concern

The Board, having made appropriate enquiries, is satisfied that the Group as a whole has adequate resources to continue operations for a period of at least 12 months from the date of this report, and it therefore continues to adopt the going concern basis in preparing the financial statements.

For further details, see page 40.

Employees

At 31 December 2024, HSBC had a total workforce equivalent to 211,000 full-time employees compared with 221,000 at the end of 2023. Our main centres of employment were India with approximately 44,000 employees, the UK with 35,000, mainland China with 33,000, Hong Kong with 27,000, and Mexico with 16,000.

Our business spans many cultures, communities and continents. We aspire to provide a high-performing environment where our colleagues can fulfil their potential by building their skills and capabilities while focusing on the development of a diverse and inclusive culture. We use employee surveys to assess progress and make changes. We want to provide an open culture, where our colleagues feel connected and supported to speak up, and where our leaders encourage and use feedback. Where we make organisational changes, we support our colleagues, in particular where there are job impacts.

Employee relations

We consult with and, where appropriate, negotiate with employee representative bodies where we have them. It is our policy to maintain well-developed communications and consultation programmes with all employee representative bodies. There have been no material disruptions to our operations from labour disputes during the past five years.

We are committed to complying with the applicable employment laws and regulations in the jurisdictions in which we operate, including in relation to working hours and rest periods. HSBC's employment practices and relations policy provides the framework and controls through which we seek to uphold that commitment.

Inclusion

Our customers, colleagues and communities span many cultures and continents. We value difference and believe that an inclusive culture makes us stronger. We are dedicated to building a connected workforce where everyone feels a sense of belonging.

We expect all colleagues at HSBC to treat each other with dignity and respect to ensure an inclusive environment. Our policies make it clear that we do not tolerate unlawful discrimination, bullying or harassment on any grounds. We are transparent in sharing our data through external disclosures and we participate in benchmarking to measure our progress across the industry.

Our approach to inclusion is set out on page 64 alongside our ambitions and progress.

For further details of our representation data, pay gap data, and actions, see www.hsbc.com/who-we-are/our-people/inclusion-at-hsbc and the ESG Data Pack at www.hsbc.com/esg

Employment of people with a disability

We strongly believe in providing equal opportunities for our employees. The employment of people with a disability is included in this commitment. We are committed to retaining disabled employees in the workplace and to providing reasonable adjustments to enable this.

Employee development

Employee development energises our colleagues for growth and helps to equip them with the skills they need today whilst also preparing them to meet future challenges. We remain committed to delivering a high-quality learning experience by adopting a data-driven approach that targets our learning investment to meet the most critical skill needs.

By leveraging our strategic workforce blueprints, we have focused our efforts on critical skill shifts, including digitally enabling our frontline colleagues and developing the sustainability and wealth expertise of our relationship managers, providing a variety of learning opportunities through our Enterprise Skills Academies.

We have launched our new AI Academy to support advanced skills development aligned with HSBC's AI strategy, expanded our 'Doing Business in India and China' programmes to include Saudi Arabia, and increased our focus on building capabilities beyond foundational skills through our Sustainability Academy. In our global Wealth and Personal Banking business we have focused our attention on developing customer centricity and product expertise, and we have created opportunities for colleagues to develop new skills and collaborate more broadly through our transition to a value stream delivery model as part of our bank wide Digital Acceleration Programme.

We remain committed to our global mandatory training to complete annually, as it is essential for shaping our culture and maintaining a focus on critical issues, such as sustainability and financial crime risk. In line with this commitment, we have maintained our focus on senior leaders by launching new programs centred on Enterprise Risk Leadership, which are designed to equip them with the skills necessary to navigate an evolving risk environment.

Effective leadership is essential for empowering our colleagues to develop critical skills, fostering a robust talent pipeline, and supporting our strategic ambitions. To facilitate this, we have introduced the Career Academy, which enables our colleagues to explore their aspirations, and continued to evolve our flagship Enterprise Leadership Programs, including uGrow, Accelerating Women's Leadership, and Accelerating into Leadership.

We have also expanded our Managing Director leadership offering, supported by a Leadership 360 survey, to ensure comprehensive development and alignment with our strategic goals.

Health and safety

We are committed to providing a safe and healthy working environment for everyone. We have adopted global policies, mandatory procedures, and incident and information reporting systems across the organisation that reflect our core values and are aligned to international standards. Our global health and safety performance is subject to ongoing monitoring and assurance to ensure we are compliant with relevant laws and regulations.

Our chief operating officers have overall responsibility for engendering a positive health and safety culture and ensuring that global policies, procedures and systems are put into practice locally. They also have responsibility for ensuring all local legal requirements are met.

We delivered a range of activities in 2024 to help us understand and manage our health and safety risks:

- We achieved the WELL Health and Safety Rating from the International WELL Building Institute at 54 of our global offices as a demonstration of our commitment to the provision of safe and healthy workplaces for our employees, customers and stakeholders.
- We reinforced our advice and risk assessment and control methodology on working from home for employees adopting a hybrid work style, providing more awareness and best practices on good ergonomics and well-being.
- We delivered health and safety training and awareness to 228,000 of our employees and contractors globally, ensuring roles and responsibilities were clear and understood.
- We completed the annual safety inspection on all of our buildings globally, to ensure we were meeting our standards and continuously improving our safety performance.
- We maintained measures in our workplaces globally to minimise the risks from the spread of respiratory disease, including through the provision of hand sanitiser, improved ventilation and guidance on good hygiene practices.
- We extended the reach of our Workplace Adjustments programme to include all colleagues in India, providing tools and technologies which contribute to making work-life manageable for employees with disability (including physical or sensory), long term / mental health condition or a neurodiversity, and will continue the expansion of this programme to further Regions.
- We continued to hold health & safety themed awareness campaigns and facilitate CPR and first aid training for our colleagues.
- We continued to provide our guidance and training programme for our construction partners, focusing on our key markets globally to reduce the likelihood of accidents occurring by helping them understand and deliver industry-leading health and safety performance. More than 7,200 construction workers received safety passport training across 13 countries.
- In 2024, we achieved full implementation of the Eat Well Live Well programme across 100% of catered HSBC sites, driving global healthy food sales to 32% with over 10% of all dishes sold globally being plant-based. These results were supported by monthly Eat Well Live Well events, and virtual teaching kitchens accessible to all employees.
- Protection of our colleagues and operations is of critical importance, and we have effective controls in place to protect our people from natural disasters (such as storms and earthquakes). In 2024, there were 40 named storms that passed over 3,127 of our buildings, resulting in no injuries and only a minor impact on 3 of our buildings.

Employee health and safety

	2024	2023	2022
Rate of workplace fatalities per 100,000 employees	—	—	—
Number of major injuries to employees[1]	14	12	7
All injury rate per 100,000 employees	91	110	70
Lost days due to work injury	335	594	485

1 Fractures, dislocation, concussion, loss of consciousness, overnight admission to hospital.

Remuneration

HSBC's pay and performance strategy is designed to reward competitively the achievement of long-term sustainable performance and attract and motivate the very best people, regardless of gender, ethnicity, age, disability or any other factor unrelated to performance or experience with the Group, while performing their role in the long-term interests of our stakeholders.

For further details of the Group's approach to remuneration, see page ##.

Employee share plans

Summaries of the share options and share awards granted, exercised/vested or lapsed during the year and other details required to be disclosed pursuant to Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including detailed summaries of the HSBC share plans, are available on our website at www.hsbc.com/investors/results-and-announcements and on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk, or can be obtained upon request from the Company Secretary, 8 Canada Square, London E14 5HQ.

Particulars of options held by Directors of HSBC Holdings are set out on page 310.

Note 5 on the financial statements gives details of share-based payments, including discretionary awards of shares granted under HSBC share plans.

Statement of compliance

The statement of corporate governance practices set out on pages 236 to 328 and the information referred to therein constitutes the 'Corporate governance report' and 'Report of the Directors' of HSBC Holdings for 2024. Further details of the relevant corporate governance codes, role profiles and policies can be obtained from the websites referenced in the table below. The websites referred to do not form part of this report.

Relevant corporate governance codes, role profiles and policies

UK Corporate Governance Code	www.frc.org.uk
Hong Kong Corporate Governance Code (set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ('HKEx'))	www.hkex.com.hk
Descriptions of the roles and responsibilities of the: – Group Chairman – Group Chief Executive Officer – Senior Independent Director – Board	www.hsbc.com/who-we-are/our-people/board-of-directors/board-responsibilities
Board and senior management	www.hsbc.com/who-we-are/our-people
Roles and responsibilities of the Board's committees	www.hsbc.com/who-we-are/our-people/board-of-directors/board-committees
Board's policies on: – diversity and inclusion – shareholder communication – human rights – remuneration practices and governance	www.hsbc.com/who-we-are/our-people/board-of-directors/board-responsibilities
Global Internal Audit Charter	www.hsbc.com/who-we-are/esg-and-responsible-business/governance/internal-control

HSBC is subject to corporate governance requirements in both the UK and Hong Kong. During 2024, HSBC complied with the provisions and requirements of both the UK and Hong Kong Corporate Governance Codes.

Under the Hong Kong Corporate Governance Code, the audit committee should be responsible for the oversight of all risk management and internal control systems. During 2024, the Board approved changes to the scope of the Group Audit Committee's responsibilities in relation to internal controls to extend these to cover oversight of the effectiveness of all internal controls. HSBC's Group Risk Committee retains oversight of internal controls relating to risk management and risk management systems and provides input to the Group Audit Committee on these.

HSBC Holdings has codified obligations for transactions in Group securities in accordance with the requirements of the UK Market Abuse Regulation and the rules governing the listing of securities on HKEx. The Group has been granted certain waivers by HKEx from strict compliance with the rules that take into account accepted practices in the UK, particularly in respect of employee share plans. During the year, all Directors were reminded of their obligations in respect of transacting in HSBC Group securities. Following specific enquiry all Directors have confirmed that they have complied with their obligations.

The Group Audit Committee has reviewed and provided assurance to support the HSBC Holdings Board's approval and publication of the Annual Report and Accounts 2024.

On behalf of the Board

Sir Mark E Tucker
Group Chairman
HSBC Holdings plc

Registered number 617987

19 February 2025

Directors' responsibility statement

The Directors are responsible for preparing the Annual Report and Accounts 2024, the Directors' remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the parent company ('Company') and the Group financial statements in accordance with UK-adopted international accounting standards. The company has also prepared financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. In preparing these financial statements, the Directors have complied with International Financial Reporting Standards issued by the International Accounting Standards Board ('IFRS Accounting Standards'). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and Group, and of the profit or loss of the Company and the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK-adopted international accounting standards, international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and IFRS Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The Directors are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are responsible for the maintenance and integrity of the Annual Report and Accounts 2024 as they appear on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts 2024, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the 'Report of the Directors: Corporate governance report' on pages 237 to 241 of the Annual Report and Accounts 2024, confirms that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006, international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and IFRS Accounting Standards, give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group; and
- the management report represented by the Report of the Directors includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

The Group Audit Committee has responsibility, delegated to it from the Board, for overseeing all matters relating to external financial reporting. The Group Audit Committee report on page 263 sets out how the Group Audit Committee discharges its responsibilities.

Disclosure of information to auditors

In accordance with section 418 of the Companies Act 2006, the Directors' report includes a statement, in the case of each Director in office as at the date the Report of the Directors is approved, that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board

Sir Mark E Tucker
Group Chairman
HSBC Holdings plc

Registered number 617987

19 February 2025

Financial statements

The financial statements provide detailed information and notes on our income, balance sheet, cash flows and changes in equity, alongside a report from our independent auditors.

Hong Kong, 2019. Colleague Collaboration.

Independent auditors' report to the members of HSBC Holdings plc

Report on the audit of the financial statements

Opinion

In our opinion, HSBC Holdings plc's Group financial statements and parent company financial statements (the 'financial statements'):

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2024 and of the Group's and parent company's profit and the Group's and parent company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2024 (the 'Annual Report'), which comprise:

- the consolidated and parent company balance sheets as at 31 December 2024;
- the consolidated and parent company income statements; the consolidated and parent company statements of comprehensive income; the consolidated and parent company statements of changes in equity; and the consolidated and parent company statements of cash flows for the year then ended; and
- the notes on the financial statements, comprising material accounting policy information and other explanatory information.

Certain notes on the financial statements have been presented elsewhere in the Annual Report and have been cross referenced from the financial statements and marked as 'Audited'. These are described further in note 1.1 (e) Presentation of information.

Our opinion is consistent with our reporting to the Group Audit Committee ('GAC').

As explained in note 1.1(a) on the financial statements the Group and parent company have also applied International Financial Reporting Standards ('IFRS') adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and IFRSs as issued by the International Accounting Standards Board ('IASB').

In our opinion, the Group and parent company financial statements have been properly prepared in accordance with IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, and have been properly prepared in accordance with IFRSs as issued by the IASB.

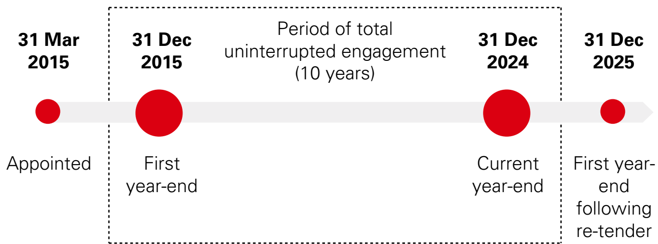
Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)'), International Standards on Auditing issued by the International Auditing and Assurance Standards Board ('ISAs') and applicable law. Our responsibilities under ISAs (UK) and ISAs are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and appointment

This is the first year that it has been my responsibility to form this opinion on behalf of PricewaterhouseCoopers LLP, who, following the recommendation of the GAC, were first appointed as auditor on 31 March 2015 by the members for the year ended 31 December 2015 and subsequent financial periods. Following re-tender, we were then reappointed as auditor for the year ended 31 December 2025.

Total period of uninterrupted engagement



We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by either the FRC's Ethical Standard or Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Other than those disclosed in note 6, we have provided no non-audit services to the parent company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

Our risk assessment and scoping identified six entities (collectively the 'Significant Components') for which we obtained audit opinions.

We performed full scope audits of four Significant Components: The Hongkong and Shanghai Banking Corporation Limited, HSBC Holdings plc, HSBC Bank plc and HSBC UK Bank plc.

For two Significant Components, we obtained audit opinions over specific balances based on either the size or risk profile of those balances: HSBC North America Holdings Inc and HSBC Mexico S.A..

In addition, for a further three components, we performed audit work over centralised functions supporting specific balances.

Specific audit procedures in relation to various Group activities, including IT general controls, IT dependencies, forward looking economic scenarios for expected credit losses ('ECL'), operating expenses, intangible assets, payroll and consolidation were performed by the Group team centrally.

4
full scope component audits

2
components with audit opinions over specific balances

3
components with audit work over centralised functions

Materiality

Overall Group materiality Based on 5% of profit before tax excluding notable items.	$1.5bn
Overall parent company materiality Based on 0.75% of total assets. This would result in an overall materiality of $2.06bn and was therefore reduced below the Group materiality.	$1.4bn

Performance materiality

Group	Parent
$1.1bn	$1.1bn

Key audit matters

Expected credit losses – Loans and advances to customers (Group)

Year on year:
Consistent

Impairment of investment in associate – Bank of Communications Co., Ltd ('BoCom') (Group)

Year on year:
Consistent

Valuation of defined benefit pension obligations (Group)

Year on year:
Consistent

Investments in subsidiaries (parent company)

Year on year:
Consistent

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks or other matters identified by our audit. During our engagement with the GAC we also provided written and verbal observations on other areas of accounting judgement including the valuation of financial instruments, legal proceedings and regulatory matters, the impact of acquisitions and disposals, tax-related judgements and the related control considerations arising from our audit.

The key audit matters below are consistent with last year, although the specific test plans have evolved to take account of developments at HSBC and in its operating environment. Examples of HSBC specific developments included the change in CEO and the strategic initiatives subsequently announced. Examples of operating environment changes include macro-economic developments in key markets and government actions to manage economic conditions.

Expected credit losses - Loans and advances to customers (Group)

Background	Procedures performed
Relevant references in the Annual Report and Accounts 2024: Refer to the Audited credit risk disclosures, Group Audit Committee Report, Note 1.2(d): Financial instruments measured at amortised cost and Note 1.2(i): Impairment of amortised cost and FVOCI financial assets. Determining ECL involves management judgement and is subject to a high degree of estimation uncertainty. Management makes various assumptions when estimating ECL. We performed a risk assessment to identify those assumptions with significant levels of management judgement and for which variations had the most material impact on ECL. Assumptions were made in determining economic scenarios and their probability weightings (specifically the central and downside scenarios given these have the most material impact on ECL) and estimating discounted cash flows for significant credit impaired exposures in relation to the mainland China commercial real estate portfolio. The level of estimation uncertainty and judgement in these areas has remained elevated during 2024 as a result of continued uncertainties in the macroeconomic and geopolitical environment and the higher interest rate environment, as well as developments in mainland China's commercial real estate sector and economy more broadly. Macroeconomic conditions vary between territories and industry sectors, requiring judgement in determining the severity and probability weighting of economic scenarios used in ECL models. The modelling methodologies used to estimate ECL are developed using historical experience. We assess the impact of limitations in these methodologies when forecasting the extent and timing of future customer defaults or when responding to emerging risks, such as climate risk. The focus of our assessment of the impact of climate risk on ECL was to evaluate management’s risk assessment process for identifying, quantifying and concluding that the impact of climate risk on ECL for the year end was immaterial.	We assessed the design and effectiveness of governance and controls over the estimation of ECL. We observed management's review and challenge in governance forums for (1) the determination of economic scenarios and their probability weightings, and (2) the assessment of ECL for Retail and Wholesale portfolios. We also tested controls over: – model validation and monitoring; – the identification of credit impaired triggers; – the input of critical data into source systems and the flow and transformation of critical data from source systems to impairment models; and – approval of significant individual impairments. We involved our economic experts in assessing the significant assumptions made in determining the severity and probability weighting of economic scenarios. These assessments considered the sensitivity of ECL to variations in the severity and probability weighting of economic scenarios. We also involved our modelling specialists in assessing the appropriateness of the significant assumptions and methodologies used for the ECL models. We independently re-performed the calculations for a sample of those models. In respect of the mainland China commercial real estate portfolio, we had oversight of the audit work performed by our component team in Hong Kong. This work included involving business recovery experts in assessing the discounted cash flows for a sample of significant credit impaired exposures. We further considered whether the judgements made in selecting the significant assumptions would give rise to indicators of possible management bias. We evaluated management’s risk assessment in respect of the impact of climate change on the ECL provision, including involving our modelling specialists to evaluate the stress testing and scenario analysis methodology used and sensitising key assumptions. Finally, we tested the Audited credit risk disclosures made in the Annual Report. Overall, we found the ECL on loans and advances to customers to be reasonable.

Observations discussed with the Group Audit Committee

We reported to the GAC our observations covering governance and controls, the assumptions used and the modelling methodologies implemented by management in determining ECL, with a significant focus on the uncertain prevailing macroeconomic conditions and developments in mainland China's commercial real estate sector. Our observations regarded:

- the severity of economic scenarios, and their related probability weightings, across territories;
- significant assumptions used to estimate the discounted cash flow projections for defaulted exposures in relation to the mainland China commercial real estate portfolio; and
- the disclosures made in relation to ECL.

Impairment of investment in associate - Bank of Communications Co., Ltd ('BoCom') (Group)

Background	Procedures performed
Relevant references in the Annual Report and Accounts 2024: Refer to the Group Audit Committee Report, Note 1.2(a): Consolidation and related policies and Note 18: Interests in associates and joint ventures. 2024 is the first annual reporting period after the Group impaired its investment in BoCom, the carrying value of which amounted to $22.4bn at 31 December 2024. The estimation uncertainty related to the investment remained high in 2024 and further policy announcements were made in relation to fiscal stimulus packages by the government in China. The carrying value is required to be assessed for indicators of potential further impairment and reversal of previous impairment. No indicators of further impairment or reversal of previous impairment in the investment in BoCom have been identified at 31 December 2024. Management's assessment of impairment or reversal of previous impairment indicators is supported by an estimation of the recoverable amount using a value in use ('VIU') model. The VIU model estimates future cash flows expected to be derived from the investment in BoCom in its current condition and does not reflect the impact of future capital transactions. The VIU model continues to be a permissible method to estimate the recoverable amount. The methodology applied in the VIU model is dependent on various assumptions, both short to medium term and long term in nature. These assumptions, which are subject to estimation uncertainty, are derived from a combination of management's judgement, analysts' forecasts, market data or other relevant information. The assumptions that we focused our audit on were those with greater levels of management judgement and subjectivity, and for which variations had the most significant impact on the VIU. Specifically, these significant assumptions included: – the discount rate; – short to medium term assumptions for operating income growth rate, loans and advances to customers growth rate, cost-income ratio, and expected credit losses as a percentage of loans and advances to customers; – long-term assumptions for profit growth rate, asset growth rate, expected credit losses as a percentage of loans and advances to customers, and effective tax rates; and – capital related assumptions (risk-weighted assets as a percentage of total assets and capital adequacy ratios).	We had oversight of the audit work performed by our component audit team in Hong Kong in relation to the impairment indicator assessment of BoCom. This work included: – testing controls in place over the significant assumptions, the methodology and its consistent application period over period used in the impairment indicator assessment, assessing the appropriateness of the methodology used, its application, and the mathematical accuracy of the calculations; – challenging the appropriateness of the significant assumptions and, where relevant, their interrelationships; – obtaining evidence to corroborate and challenge the data supporting significant assumptions, which included past experience, external market information, third-party sources including analyst reports, information from BoCom management and historical publicly available BoCom financial information; – determining an independent reasonable range for the discount rate assumption, with the assistance of our valuation experts, and comparing it to the discount rate used by management; – assessing whether the judgements made in determining the significant assumptions would give rise to indicators of possible management bias; – attending certain meetings alongside management and BoCom management to identify facts and circumstances impacting significant assumptions relevant to the determination of the VIU; and – evaluating and testing the disclosures in relation to BoCom in the Annual Report. Representations were obtained from management that assumptions used were consistent with information currently available to the Group. Overall, we found management's assessment of impairment, or reversal of previous impairment, indicators to be reasonable.

Observations discussed with the Group Audit Committee

We reported to the GAC our observations on the appropriateness of the methodology, the consistency of its application period over period and significant assumptions. This included our observations regarding management's approach to ongoing impairment monitoring including whether there are indicators of further impairment or reversal to previous impairment, the appropriateness of significant assumptions used in the VIU, and the disclosures made in relation to BoCom, including the use of sensitivity analysis to explain estimation uncertainty.

Valuation of defined benefit pension obligations (Group)

Background	Procedures performed
Relevant references in the Annual Report and Accounts 2024: Refer to the Group Audit Committee Report, Note 1.2(k): Employee compensation and benefits and Note 5: Employee compensation and benefits. The Group has a defined benefit obligation of US$24.0bn, of which US$17.2bn relates to HSBC Bank (UK) pension scheme ('the principal plan'). The valuation of the defined benefit obligation for the principal plan is dependent on a number of actuarial assumptions. Management uses an actuarial expert to determine the valuation of the defined benefit obligations. The valuation methodology uses a number of market based inputs and other financial and demographic assumptions. The significant assumptions that we focused our audit on were those with greater levels of management judgement and for which variations had the most significant impact on the liability. Specifically, these included the discount rate, inflation rate and mortality rate.	We had oversight of the audit work performed by our component audit team in the UK in relation to the valuation of the defined benefit obligation. This work included: – assessing the design and testing the effectiveness of controls in place over methodologies and significant assumptions, including in the use of management's experts. – evaluating the objectivity and competence of management's expert involved in the valuation of the principal plan's defined benefit obligation. – engaging actuarial experts to understand the judgements made by management and their actuarial expert in determining the significant assumptions, and comparing these assumptions to independently compiled expected ranges based on market observable indices and the knowledge and opinions of experts. – evaluating and testing the appropriateness of disclosures made in the Annual Report. Overall, we found the valuation of the defined benefit pension obligations to be reasonable.

Observations discussed with the Group Audit Committee

We reported to the GAC our observations covering governance and controls, the assumptions used and the methodologies implemented by management in determining the valuation of the defined benefit obligations with a significant focus on discount, inflation and mortality rates.

Investments in subsidiaries (parent company)

Background	Procedures performed
Relevant references in the Annual Report and Accounts 2024: Refer to the Group Audit Committee Report, Note 1.2(a): Consolidation and related policies and Note 19: Investments in subsidiaries Management reviewed the carrying values of the investments in subsidiaries to evaluate whether any adjustment was required, including additional consideration for impacts resulting from the announced organisational changes and strategic refocus. Where indicators have been identified management estimated the recoverable amount using the higher of value in use ('VIU') or fair value less cost to sell. Management's assessment resulted in an impairment charge of US$11.4bn in relation to the investment in HSBC Overseas Holdings (UK) Limited. The methodology used to estimate the recoverable amount is dependent on various assumptions. These assumptions, which are subject to estimation uncertainty, are derived from a combination of management's judgement, experts engaged by management and market data. The significant assumptions that we focused our audit on were those with greater levels of management judgement and for which variations had the most significant impact on the recoverable amount. Specifically, these included the relevant business plan, long term growth rates, discount rates, and the impact of HSBC's strategy on those cash flows.	We assessed the design and tested the effectiveness of controls in place over significant assumptions and the model used to determine the recoverable amount. We assessed the appropriateness of the methodology used, and tested the mathematical accuracy of the calculations, to estimate the recoverable amounts. In respect of the significant assumptions, our testing included the following: – challenging management's business plan, including the impacts resulting from the announced organisational restructure, as well as considering the achievement of historic forecasts; – obtaining and evaluating evidence relating to significant assumptions, from a combination of historical experience and external market and other financial information; – assessing whether the cash flows included in the model were in compliance with the relevant accounting standard; – assessing the sensitivity of the recoverable amount to reasonable variations in significant assumptions, both individually and in aggregate; and – determining a reasonable range for the discount rate used within the model, with the assistance of our valuation experts, and comparing it to the discount rate used by management. We also evaluated and tested the disclosures made in the Annual Report in relation to investment in subsidiaries (Note 19). Overall, we found management's impairment assessment in relation to the investment in HSBC Overseas Holdings (UK) Limited to be reasonable.

Observations discussed with the Group Audit Committee

We reported to the GAC our observations covering governance and controls, the assumptions used and the methodologies implemented by management in determining the impairment charge for the HSBC Overseas Holdings (UK) Limited investment, with a significant focus on the relevant business plan for FY25 to FY29, discount rates, long term growth rates, and the impact of HSBC's strategy on those forecast cash flows.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the parent company, the accounting processes and controls, and the industry in which they operate.

A focus on risk factors

The risks that HSBC faces are diverse, with the interdependencies between them being numerous and complex. In performing our risk assessment we engaged with a number of stakeholders to ensure we appropriately understood and considered these risks and their interrelationships. This included stakeholders within HSBC and our own experts within PwC. This engagement covered external factors across the geopolitical, macroeconomic, regulatory and accounting landscape, and the impact of climate risk. It also covered the strategy and transformation-driven internal environment at HSBC, with particular attention to the announced Group reorganisation. The impact of this reorganisation on financial reporting will primarily be in later reporting periods.

Scoping

The risks of material misstatement can be reduced to an acceptable level by testing the entities that are significant due to their size and those that drive particular significant risks identified as part of our risk assessment. We continually assessed risks and changed the scope of our audit where necessary. Our risk assessment and scoping identified certain entities (collectively the 'Significant Components') for which we obtained audit opinions.

	Full scope audit opinion	Audit opinions over specific balances
HSBC Holdings plc*	◆	
The Hongkong and Shanghai Banking Corporation Limited**	◆	
HSBC Bank plc**	◆	
HSBC UK Bank plc*	◆	
HSBC North America Holdings Inc**		◆
HSBC Mexico S.A.*		◆

* Opinion for the company financial position and performance.
** Opinion for the consolidated financial position and performance.

We instructed other PwC network firms to perform the audits of The Hongkong and Shanghai Banking Corporation Limited, HSBC North America Holdings Inc and HSBC Mexico S.A.. The audits for HSBC Bank plc and HSBC UK Bank plc were performed by PwC teams in the UK, who themselves then instructed other PwC network firms to perform work in certain areas.

We also performed audit work over centralised functions supporting specific balances in other components. These components are HSBC Global Services (UK) Limited, HSBC Group Management Services Limited, and HSBC Global Services (HK) Limited. This work was performed by PwC teams in the UK.

Significant Components audit approach

We instructed the component auditors reporting to us on the Significant Components to work to assigned materiality levels reflecting the size of the operations they audited. Certain Significant Component auditors performed their work to a local statutory audit materiality that was a lower level than our allocated Group materiality.

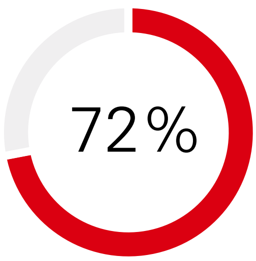
We designed global audit approaches for the products and services that substantially make up HSBC's global businesses, such as lending, deposits and derivatives. These approaches were provided to the engagement partners and teams performing audit testing for the Significant Components.

We were in active dialogue throughout the year with the component auditors of the Significant Components, including directing how they planned and performed their work. Senior members of our team undertook at least one in-person site visit where a full scope audit was requested and we had oversight over certain areas of audit work performed. We attended Audit Committee meetings for some of the Significant Components. We also attended meetings with management for each of these Significant Components at the year end.

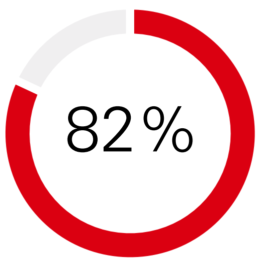
In planning and executing our oversight plan, we considered where reliance was placed on PwC network firms to perform a full scope audit. Given the relative financial significance of The Hongkong and Shanghai Banking Corporation Limited to the Group, we concluded this component required a full scope audit. As a result, we placed specific focus on the direction, supervision and review of the work performed by our teams in Hong Kong and China. The frequency of dialogue with these teams was substantial throughout all stages of our audit, we also; performed additional site visits with component auditors and management, held workshops in several areas where their work supported the Group audit and increased the nature and extent of review over the audit work performed by these teams.

Overall coverage
The components where we performed audit procedures covered approximately:

Net operating income



Total assets



Group-wide audit approach

HSBC has entity level controls that have a pervasive influence across the Group, as well as other global and regional governance and controls over aspects of financial reporting, such as those operated by the Global Risk function for expected credit losses. A significant amount of IT and operational processes and controls relevant to financial reporting are undertaken in operations centres run by Digital Business Services ('DBS'). Whilst these operations centres are not separate components, the IT and operational processes and controls are relevant to the financial information of the Components. Financial reporting processes and controls are also performed centrally in HSBC's Group Finance function and finance operation centres ('Finance Operations'), including the impairment assessment of goodwill and intangible assets, held for sale classifications and the consolidation of the Group's results, the preparation of financial statements, and management's oversight controls relevant to the Group's financial reporting.

Group-wide processes or processes in DBS and Finance Operations are subject to specified audit procedures or an audit over specific financial statement line items. For these areas, we either performed audit work ourselves, or directed and provided oversight of the audit work performed by PwC teams in the UK, Poland, China, Malaysia, India, France, Hong Kong and the Philippines. This audit work, together with analytical review procedures and assessing the outcome of local external audits, also addressed the risk of material misstatement for balances in entities that were not part of a Significant Component.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group	Parent Company
Overall materiality	$1.5bn (FY23 $1.6bn)	$1.4bn (FY23 $1.5bn)
How we determined it	5% of profit before tax adjusted for notable items	0.75% of total assets then capped to 95% of the group materiality.
Rationale for benchmark applied	We believe a benchmark based on 5% of profit before tax excluding notable items is an appropriate quantitative indicator of materiality, although certain items could also be material for qualitative reasons. This benchmark is consistent with our approach for listed entities.	A benchmark of total assets has been used, as the parent company's primary purpose is to act as a holding parent company with investments in the Group's subsidiaries, not to generate operating profits and therefore a profit-based measure is not relevant.
Performance materiality	$1.1bn (FY23 $1.2bn)	$1.1bn (FY23 $1.1bn)
How we determined it	75% of overall materiality	75% of overall materiality
Level above which we report to the Group Audit Committee	$75m (FY23 $80m)	$75m (FY23 $80m)
	We agreed we would also report misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.	

For each Significant Component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between $0.1bn and $1.4bn.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

The impact of climate risk on our audit

In considering the impact of climate risk on our audit, we:
Made enquiries of management to understand the extent of the potential impact of climate risk on the financial statements and we remained alert when performing our audit procedures for any indicators of the impact of climate risk.
Evaluated and challenged management's assessment of the impact of climate risk, set out on page 43, which includes the potential impact on ECL, classification and measurement of financial instruments, goodwill and other intangible assets, and assumptions used in making the long-term viability statement and going concern assumption.
Read the disclosures in relation to climate risk made in the other information within the Annual Report to ascertain whether the disclosures are materially consistent with the financial statements and our knowledge from our audit. Our responsibility over other information is further described in the Reporting on other information section of our report.
Our procedures did not identify any material incremental adjustments needed to capture climate impacts on the Group and parent company financial statements.

Our ability to detect irregularities, including fraud, and our response

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined below, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of financial crime laws and regulations and regulatory compliance, including regulatory reporting requirements and conduct of business, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and relevant tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries in relation to cost targets, and management bias in accounting estimates, particularly those related to the valuation of certain financial instruments. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work.

Audit procedures performed by the Group engagement team and/or component auditors included:
Review of correspondence with and reports from regulators, including the Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA').
Review of reporting to the GAC and the Group Risk Committee in respect of compliance and legal matters.
Enquiry of management and those charged with governance, and review of internal audit reports insofar as they related to the financial statements.
Obtaining legal confirmations from legal advisors relating to material litigation and compliance matters.
Assessing matters reported on the Group's whistleblowing programmes and the results of management's investigation of such matters, insofar as they related to the financial statements.
Challenging assumptions and judgements made by management in its significant accounting estimates, in particular in relation to the determination of the valuation of certain financial instruments, ECL, and the impairment assessment of investment in subsidiaries.
Obtaining confirmations from third parties to confirm the existence of a sample of transactions and balances.
Identifying and testing journal entries, including those posted with certain descriptions, posted to certain account combinations, or posted by unexpected users.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

Conclusions relating to going concern

Our evaluation of the directors’ assessment of the Group's and the parent company’s ability to continue to adopt the going concern basis of accounting included:

- Performing a risk assessment to identify factors that could impact the going concern basis of accounting, including both internal risks (e.g. strategy execution) and external risks (e.g. macroeconomic conditions).
- Understanding and evaluating the Group's financial forecasts.
- Understanding and evaluating the Group's stress testing of liquidity and regulatory capital, including the severity of the stress scenarios that were used.
- Understanding and evaluating credit rating agency ratings and actions.
- Reading and evaluating the adequacy of the disclosures made in the financial statements in relation to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the parent company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the parent company's ability to continue as a going concern.

In relation to the directors’ reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors’ statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors’ report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Where PwC has provided independent assurance over other parts of the annual report (specifically, certain ESG data), that is the subject of a separate assurance report and does not fall within the scope of this audit report.

With respect to the Strategic report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included. Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the year ended 31 December 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Report of the Directors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and parent company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the parent company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group and parent company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and parent company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and parent company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the GAC.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the parent company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' responsibility statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements (encompassing our responsibilities under ISAs and our additional responsibilities under ISAs (UK)) is located on the FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Other matter

The company is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R - 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.

Matthew Falconer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors London

19 February 2025

Financial statements

Consolidated income statement

for the year ended 31 December 2024

	Notes*	2024 $m	2023 $m	2022 $m
Net interest income		**32,733**	35,796	30,377
– interest income[1,2]		**108,631**	100,868	52,826
– interest expense[3]		**(75,898)**	(65,072)	(22,449)
Net fee income	2	**12,301**	11,845	11,770
– fee income		**16,266**	15,616	15,124
– fee expense		**(3,965)**	(3,771)	(3,354)
Net income from financial instruments held for trading or managed on a fair value basis[4]	3	**21,116**	16,661	10,278
Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	3	**5,901**	7,887	(13,831)
Insurance finance (expense)/income	4	**(5,978)**	(7,809)	13,799
Insurance service result	4	**1,310**	1,078	809
– insurance revenue		**2,752**	2,259	1,977
– insurance service expense		**(1,442)**	(1,181)	(1,168)
Gain on acquisition[5]		**—**	1,591	—
Gains/(losses) recognised on sale of business operations[6]		**(1,752)**	(61)	(2,678)
Other operating income/(expense)[7]		**223**	(930)	96
Net operating income before change in expected credit losses and other credit impairment charges[8]		**65,854**	66,058	50,620
Change in expected credit losses and other credit impairment charges		**(3,414)**	(3,447)	(3,584)
Net operating income		**62,440**	62,611	47,036
Employee compensation and benefits	5	**(18,465)**	(18,220)	(18,003)
General and administrative expenses		**(10,498)**	(10,383)	(10,848)
Depreciation and impairment of property, plant and equipment and right-of-use assets[9]		**(1,845)**	(1,640)	(2,149)
Amortisation and impairment of intangible assets		**(2,235)**	(1,827)	(1,701)
Total operating expenses		**(33,043)**	(32,070)	(32,701)
Operating profit		**29,397**	30,541	14,335
Share of profit in associates and joint ventures	18	**2,912**	2,807	2,723
Impairment of interest in associate	18	**—**	(3,000)	—
Profit before tax		**32,309**	30,348	17,058
Tax expense	7	**(7,310)**	(5,789)	(809)
Profit for the year		**24,999**	24,559	16,249
Attributable to:				
– ordinary shareholders of the parent company		**22,917**	22,432	14,346
– preference shareholders of the parent company		**—**	—	—
– other equity holders		**1,062**	1,101	1,213
– non-controlling interests		**1,020**	1,026	690
Profit for the year		**24,999**	24,559	16,249
		$	$	$
Basic earnings per ordinary share	9	**1.25**	1.15	0.72
Diluted earnings per ordinary share	9	**1.24**	1.14	0.72

For Notes on the financial statements, see page 353.

1 Interest income includes $93,388m (2023: $88,657m; 2022: $45,994m) of interest recognised on financial assets measured at amortised cost and $15,273m (2023: $12,134m; 2022: $6,293m) of interest recognised on financial assets measured at fair value through other comprehensive income. It also includes a net $237m loss related to the early redemption of legacy securities.
2 Interest income is calculated using the effective interest method and comprises interest recognised on financial assets measured at either amortised cost or fair value through other comprehensive income.
3 Interest expense includes $72,594m (2023: $62,095m; 2022: $20,798m) of interest on financial instruments, excluding interest on debt instruments issued by HSBC for funding purposes that are designated under the fair value option to reduce an accounting mismatch and on derivatives managed in conjunction with those debt instruments included in interest expense.
4 Includes a $255m gain (2023: $315m loss) on the foreign exchange hedging of the proceeds from the sale of our banking business in Canada and a $114m mark-to-market gain (2023:nil) on interest rate hedging of the portfolio of retained loans post sale of our retail banking business in France.
5 Gain recognised in respect of the acquisition of SVB UK.
6 This line item has been updated to include amounts from Other operating income relating to all sales of business operations; in the 2023 Annual Report and Accounts, this line item only reflected the disposal of our France retail banking business. The amount in 2024 includes a $1.0bn loss on disposal and a $5.2bn loss on the recycling in foreign currency translation reserve losses and other reserves arising on sale of our business in Argentina. This was partly offset by a gain of $4.6bn, inclusive of the recycling of $0.6bn in foreign currency translation reserve losses and $0.4bn of other reserves losses but excluding the $255m gain on the foreign exchange hedging (see footnote 4 above) on the sale of our banking business in Canada. The amount in 2023 primarily reflected losses due to restrictions impacting the recoverability of assets in Russia, partly offset by a gain on sale of our retail banking operations in France. The amount in 2022 included losses from classifying businesses as held for sale as part of a broader restructuring of our European business.
7 Other operating income/(expense) includes a loss on net monetary positions of $1,187m (2023: $1,667m; 2022: $678m) as a result of applying IAS 29 'Financial Reporting in Hyperinflationary Economies'.
8 Net operating income before change in expected credit losses and other credit impairment charges also referred to as revenue.
9 Includes depreciation of the right-of-use assets of $711m (2023: $663m; 2022: $717m).

Consolidated statement of comprehensive income
for the year ended 31 December 2024

	2024	2023	2022
	$m	$m	$m
Profit for the year	**24,999**	24,559	16,249
Other comprehensive income/(expense)			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Debt instruments at fair value through other comprehensive income	**163**	2,599	(7,232)
– fair value gains/(losses)	**41**	2,381	(9,618)
– fair value losses/(gains) transferred to the income statement on disposal	**69**	905	(18)
– expected credit (recoveries)/losses recognised in the income statement	**(6)**	59	56
– disposal of subsidiary	**85**	—	—
– income taxes	**(26)**	(746)	2,348
Cash flow hedges	**(52)**	2,953	(3,655)
– fair value gains/(losses)	**(282)**	2,534	(4,207)
– fair value (gains)/losses reclassified to the income statement	**(135)**	1,463	(758)
– disposal of subsidiary	**262**	—	—
– income taxes	**103**	(1,044)	1,310
Share of other comprehensive income/(expense) of associates and joint ventures	**462**	47	(367)
– share for the year	**462**	47	(367)
Net finance income/(expenses) from insurance contracts	**(142)**	(364)	1,775
– before income taxes	**(191)**	(491)	2,393
– income taxes	**49**	127	(618)
Exchange differences	**833**	(204)	(9,918)
– foreign exchange losses reclassified to the income statement on disposal of a foreign operation	**5,816**	—	—
– other exchange differences	**(4,983)**	(204)	(9,918)
Items that will not be reclassified subsequently to profit or loss:			
Fair value gains on property revaluation	**5**	1	280
Remeasurement of defined benefit asset/(liability)	**(228)**	(314)	(1,031)
– before income taxes	**(342)**	(413)	(1,723)
– income taxes	**114**	99	692
Changes in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	**(439)**	(1,219)	1,922
– before income taxes	**(579)**	(1,617)	2,573
– income taxes	**140**	398	(651)
Equity instruments designated at fair value through other comprehensive income	**99**	(120)	107
– fair value gains/(losses)	**141**	(120)	107
– income taxes	**(42)**	—	—
Effects of hyperinflation	**1,239**	1,604	877
Other comprehensive income/(expense) for the year, net of tax	**1,940**	4,983	(17,242)
Total comprehensive income/(expense) for the year	**26,939**	29,542	(993)
Attributable to:			
– ordinary shareholders of the parent company	**24,833**	27,397	(2,810)
– other equity holders	**1,062**	1,101	1,213
– non-controlling interests	**1,044**	1,044	604
Total comprehensive income/(expense) for the year	**26,939**	29,542	(993)

Consolidated balance sheet
at 31 December 2024

	Notes*	At 31 Dec 2024 $m	31 Dec 2023 $m
Assets			
Cash and balances at central banks		**267,674**	285,868
Hong Kong Government certificates of indebtedness		**42,293**	42,024
Trading assets	11	**314,842**	289,159
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	14	**115,769**	110,643
Derivatives	15	**268,637**	229,714
Loans and advances to banks		**102,039**	112,902
Loans and advances to customers		**930,658**	938,535
Reverse repurchase agreements – non-trading		**252,549**	252,217
Financial investments	16	**493,166**	442,763
Assets held for sale	23	**27,234**	114,134
Prepayments, accrued income and other assets[1]	22	**152,740**	171,597
Current tax assets		**1,313**	1,536
Interests in associates and joint ventures	18	**28,909**	27,344
Goodwill and intangible assets	21	**12,384**	12,487
Deferred tax assets	7	**6,841**	7,754
Total assets		**3,017,048**	3,038,677
Liabilities			
Hong Kong currency notes in circulation		**42,293**	42,024
Deposits by banks		**73,997**	73,163
Customer accounts		**1,654,955**	1,611,647
Repurchase agreements – non-trading		**180,880**	172,100
Trading liabilities	24	**65,982**	73,150
Financial liabilities designated at fair value	25	**138,727**	141,426
Derivatives	15	**264,448**	234,772
Debt securities in issue	26	**105,785**	93,917
Liabilities of disposal groups held for sale	23	**29,011**	108,406
Accruals, deferred income and other liabilities[1]	27	**130,340**	143,901
Current tax liabilities		**1,729**	2,777
Insurance contract liabilities	4	**107,629**	120,851
Provisions	28	**1,724**	1,741
Deferred tax liabilities	7	**1,317**	1,238
Subordinated liabilities	29	**25,958**	24,954
Total liabilities		**2,824,775**	2,846,067
Equity			
Called up share capital	32	**8,973**	9,631
Share premium account	32	**14,810**	14,738
Other equity instruments		**19,070**	17,719
Other reserves		**(10,282)**	(8,907)
Retained earnings		**152,402**	152,148
Total shareholders' equity		**184,973**	185,329
Non-controlling interests	19	**7,300**	7,281
Total equity		**192,273**	192,610
Total liabilities and equity		**3,017,048**	3,038,677

* For Notes on the financial statements, see page 353.

1 In 2023 'Items in the course of collection from other banks' ($6.3bn) were presented on the face of the balance sheet but are now reported within 'Prepayments, accrued income and other assets' in the Annual Report and Accounts 2024. Similarly, 'Items in the course of transmission to other banks' ($7.3bn) are now presented within 'Accruals, deferred income and other liabilities'.

The accompanying notes on pages 353 to 438 and the audited sections in the Risk review on pages 126 to 235 and 'Directors' remuneration report' on pages 279 to 317 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 19 February 2025 and signed on its behalf by:

Sir Mark E Tucker
Group Chairman

Pam Kaur
Group Chief Financial Officer

Consolidated statement of changes in equity
for the year ended 31 December 2024

			Other reserves								
	Called up share capital and share premium	Other equity instru-ments	Financial assets at FVOCI reserve	Cash flow hedging reserve	Foreign exchange reserve	Merger and other reserves[1,2]	Insurance finance reserve[3]	Retained earnings[1,4]	Total share-holders' equity	Non-controlling interests	Total equity
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
At 1 Jan 2024	**24,369**	**17,719**	**(3,507)**	**(1,033)**	**(33,753)**	**28,601**	**785**	**152,148**	**185,329**	**7,281**	**192,610**
Profit for the year	—	—	—	—	—	—	—	23,979	23,979	1,020	24,999
Other comprehensive income (net of tax)	—	—	259	(46)	863	5	(183)	1,018	1,916	24	1,940
– debt instruments at fair value through other comprehensive income	—	—	62	—	—	—	—	—	62	16	78
– equity instruments designated at fair value through other comprehensive income	—	—	75	—	—	—	—	—	75	24	99
– cash flow hedges	—	—	—	(312)	—	—	—	—	(312)	(2)	(314)
– changes in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	—	—	—	—	—	—	—	(439)	(439)	—	(439)
– property revaluation	—	—	—	—	—	5	—	—	5	—	5
– remeasurement of defined benefit asset/liability	—	—	—	—	—	—	—	(244)	(244)	16	(228)
– share of other comprehensive income of associates and joint ventures	—	—	—	—	—	—	—	462	462	—	462
– effects of hyperinflation	—	—	—	—	—	—	—	1,239	1,239	—	1,239
– foreign exchange reclassified to income statement on disposal of a foreign operation[5]	—	—	—	—	5,816	—	—	—	5,816	—	5,816
– other reserves reclassified to income statement on disposal of a foreign operation	—	—	85	262	—	—	—	—	347	—	347
– insurance finance income/(expense) recognised in other comprehensive income	—	—	—	—	—	—	(142)	—	(142)	—	(142)
– exchange differences	—	—	37	4	(4,953)	—	(41)	—	(4,953)	(30)	(4,983)
Total comprehensive income for the year	—	—	259	(46)	863	5	(183)	24,997	25,895	1,044	26,939
Shares issued under employee remuneration and share plans	77	—	—	—	—	—	—	(77)	—	—	—
Capital securities issued[6]	—	3,601	—	—	—	—	—	—	3,601	—	3,601
Dividends to shareholders	—	—	—	—	—	—	—	(16,410)	(16,410)	(690)	(17,100)
Redemption of securities[7]	—	(2,250)	—	—	—	—	—	—	(2,250)	—	(2,250)
Transfers[8]	—	—	—	—	—	(2,945)	—	2,945	—	—	—
Cost of share-based payment arrangements	—	—	—	—	—	—	—	529	529	—	529
Share buy-back[9]	—	—	—	—	—	—	—	(11,043)	(11,043)	—	(11,043)
Cancellation of shares	(663)	—	—	—	—	663	—	—	—	—	—
Other movements	—	—	2	—	3	4	—	(687)	(678)	(335)	(1,013)
At 31 Dec 2024	**23,783**	**19,070**	**(3,246)**	**(1,079)**	**(32,887)**	**26,328**	**602**	**152,402**	**184,973**	**7,300**	**192,273**

Consolidated statement of changes in equity (continued)

for the year ended 31 December 2023

			Other reserves								
	Called up share capital and share premium	Other equity instru-ments	Financial assets at FVOCI reserve	Cash flow hedging reserve	Foreign exchange reserve	Merger and other reserves[1,2]	Insurance finance reserve[3]	Retained earnings[1,4]	Total share-holders' equity	Non-controlling interests	Total equity
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
At 1 Jan 2023	24,811	19,746	(7,038)	(3,808)	(32,575)	33,209	1,079	142,409	177,833	7,364	185,197
Profit for the year	—	—	—	—	—	—	—	23,533	23,533	1,026	24,559
Other comprehensive income (net of tax)	—	—	2,402	3,030	(211)	1	(371)	114	4,965	18	4,983
– debt instruments at fair value through other comprehensive income	—	—	2,574	—	—	—	—	—	2,574	25	2,599
– equity instruments designated at fair value through other comprehensive income	—	—	(93)	—	—	—	—	—	(93)	(27)	(120)
– cash flow hedges	—	—	—	2,919	—	—	—	—	2,919	34	2,953
– changes in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	—	—	—	—	—	—	—	(1,220)	(1,220)	1	(1,219)
– property revaluation	—	—	—	—	—	1	—	—	1	—	1
– remeasurement of defined benefit asset/liability	—	—	—	—	—	—	—	(317)	(317)	3	(314)
– share of other comprehensive income of associates and joint ventures	—	—	—	—	—	—		47	47	—	47
– effects of hyperinflation	—	—	—	—	—	—	—	1,604	1,604	—	1,604
– insurance finance income/(expense) recognised in other comprehensive income	—	—	—	—	—	—	(364)	—	(364)	—	(364)
– exchange differences	—	—	(79)	111	(211)	—	(7)	—	(186)	(18)	(204)
Total comprehensive income for the year	—	—	2,402	3,030	(211)	1	(371)	23,647	28,498	1,044	29,542
Shares issued under employee remuneration and share plans	79	—	—	—	—	—	—	(79)	—	—	—
Capital securities issued	—	1,996	—	—	—	—	—	—	1,996	—	1,996
Dividends to shareholders	—	—	—	—	—	—	—	(11,593)	(11,593)	(603)	(12,196)
Redemption of securities	—	(4,023)	—	—	—	—	—	20	(4,003)	—	(4,003)
Transfers[8]	—	—	—	—	—	(5,130)	—	5,130	—	—	—
Cost of share-based payment arrangements	—	—	—	—	—	—	—	482	482	—	482
Share buy-back	—	—	—	—	—	—	—	(7,025)	(7,025)	—	(7,025)
Cancellation of shares	(521)	—	—	—	—	521	—	—	—	—	—
Other movements	—	—	1,129	(255)	(967)	—	77	(843)	(859)	(524)	(1,383)
At 31 Dec 2023	24,369	17,719	(3,507)	(1,033)	(33,753)	28,601	785	152,148	185,329	7,281	192,610

Consolidated statement of changes in equity (continued)
for the year ended 31 December 2022

			Other reserves								
	Called up share capital and share premium	Other equity instru-ments	Financial assets at FVOCI reserve	Cash flow hedging reserve	Foreign exchange reserve	Merger and other reserves[1,2]	Insurance finance reserve[3]	Retained earnings[1,4]	Total share-holders' equity	Non-controlling interests	Total equity
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
At 1 Jan 2022	24,918	22,414	49	(197)	(22,769)	30,060	(696)	135,236	189,015	7,303	196,318
Profit for the year	—	—	—	—	—	—	—	15,559	15,559	690	16,249
Other comprehensive income (net of tax)	—	—	(7,089)	(3,613)	(9,806)	174	1,775	1,403	(17,156)	(86)	(17,242)
– debt instruments at fair value through other comprehensive income	—	—	(7,181)	—	—	—	—	—	(7,181)	(51)	(7,232)
– equity instruments designated at fair value through other comprehensive income	—	—	92	—	—	—	—	—	92	15	107
– cash flow hedges	—	—	—	(3,613)	—	—	—	—	(3,613)	(42)	(3,655)
– changes in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	—	—	—	—	—	—	—	1,922	1,922	—	1,922
– property revaluation	—	—	—	—	—	174	—	—	174	106	280
– remeasurement of defined benefit asset/liability	—	—	—	—	—	—	—	(1,029)	(1,029)	(2)	(1,031)
– share of other comprehensive income of associates and joint ventures	—	—	—	—	—	—	—	(367)	(367)	—	(367)
– effects of hyperinflation	—	—	—	—	—	—	—	877	877	—	877
– insurance finance income/ (expense) recognised in other comprehensive income	—	—	—	—	—	—	1,775	—	1,775	—	1,775
– exchange differences	—	—	—	—	(9,806)	—	—	—	(9,806)	(112)	(9,918)
Total comprehensive income for the year	—	—	(7,089)	(3,613)	(9,806)	174	1,775	16,962	(1,597)	604	(993)
Shares issued under employee remuneration and share plans	67	—	—	—	—	—	—	(67)	—	—	—
Dividends to shareholders	—	—	—	—	—	—	—	(6,544)	(6,544)	(426)	(6,970)
Redemption of securities	—	(2,668)	—	—	—	—	—	402	(2,266)	—	(2,266)
Transfers[8]	—	—	—	—	—	2,499	—	(2,499)	—	—	—
Cost of share-based payment arrangements	—	—	—	—	—	—	—	400	400	—	400
Share buy-back	—	—	—	—	—	—	—	(1,000)	(1,000)	—	(1,000)
Cancellation of shares	(174)	—	—	—	—	174	—	—	—	—	—
Other movements	—	—	2	2	—	302	—	(481)	(175)	(117)	(292)
At 31 Dec 2022	24,811	19,746	(7,038)	(3,808)	(32,575)	33,209	1,079	142,409	177,833	7,364	185,197

1 Cumulative goodwill amounting to $5,138m was charged against reserves in respect of acquisitions of subsidiaries prior to 1 January 1998, including $3,469m charged against the merger reserve arising on the acquisition of HSBC Bank plc. The balance of $1,669m was charged against retained earnings.
2 Statutory share premium relief under section 131 of the Companies Act 1985 was taken in respect of the acquisition of HSBC Bank plc in 1992, HSBC Continental Europe in 2000 and HSBC Finance Corporation in 2003, and the shares issued were recorded at their nominal value only. In HSBC's consolidated financial statements, the fair value differences of $8,290m in respect of HSBC Continental Europe and $12,768m in respect of HSBC Finance Corporation were recognised in the merger reserve. The merger reserve created on the acquisition of HSBC Finance Corporation subsequently became attached to HSBC Overseas Holdings (UK) Limited, following a number of intra-Group reorganisations, and has since been transferred to retained earnings as part of the impairment recognised in respect of HSBC Overseas Holding (UK) Limited. During 2009, pursuant to section 131 of the Companies Act 1985, statutory share premium relief was taken in respect of the rights issue and $15,796m was recognised in the merger reserve.
3 The insurance finance reserve reflects the impact of the adoption of the other comprehensive income option for our insurance business in France. Underlying assets supporting these contracts are measured at fair value through other comprehensive income. Under this option, only the amount that matches income or expenses recognised in profit or loss on underlying items is included in finance income or expenses, resulting in the elimination of income statement accounting mismatches. The remaining amount of finance income or expenses for these insurance contracts is recognised in other comprehensive income ('OCI').
4 At 31 December 2024, retained earnings included 28,744,609 own shares held. These include own shares held within HSBC's insurance business's retirement funds for the benefit of policyholders or beneficiaries within employee trusts for the settlement of shares expected to be delivered under employee share schemes or bonus plans, and the market-making activities in Markets and Securities Services.
5 At 31 December 2024, accumulated foreign currency translation reserve losses of $5,816m were recycled to the income statement, including $5,166m upon completion of the sale of our business in Argentina and $564m upon completion of the sale of our banking business in Canada.
6 HSBC Holdings issued SGD1,500m 5.250% contingent convertible securities in June 2024, and a further $1,350m 6.875% and $1,150m 6.950% contingent convertible securities in September 2024. All instruments were recorded net of issuance costs.
7 In September 2024, HSBC Holdings redeemed its $2,250m 6.375% contingent convertible securities.
8 At 31 December 2024, an impairment of $11,442m (2023: $5,512m) of HSBC Overseas Holdings (UK) Limited was recognised, resulting in a permitted transfer of $2,945m (2023: $5,130m) from the remaining historical merger reserve to retained earnings, and a realisation of nil share-based payment reserve (2023: $382m) within retained earnings. In 2022, a part-reversal of the impairment resulted in a transfer from retained earnings back to the merger reserve of $2,499m.
9 HSBC Holdings announced the following share buy-backs during the year: a share buy-back of up to $2.0bn in February 2024, which was completed in April 2024; a share buy-back of up to $3.0bn in April 2024, which was completed in July 2024; a share buy-back of up to $3.0bn in July 2024, which was completed in October 2024; and a share buy-back of up to $3.0bn in October 2024, which was completed in February 2025.

Consolidated statement of cash flows
for the year ended 31 December 2024

	2024 $m	2023 $m	2022 $m
Profit before tax	**32,309**	30,348	17,058
Adjustments for non-cash items:			
Depreciation, amortisation and impairment	**4,080**	3,466	3,850
Net loss from investing activities	**180**	1,213	11
Share of profit in associates and joint ventures	**(2,912)**	(2,807)	(2,723)
Impairment of interest in associate	**—**	3,000	—
(Gain)/loss on acquisition/disposal of subsidiaries, businesses, associates and joint ventures	**1,704**	(1,775)	2,554
Change in expected credit losses gross of recoveries and other credit impairment charges	**3,674**	3,717	3,898
Provisions including pensions	**299**	266	638
Share-based payment expense	**529**	482	400
Other non-cash items included in profit before tax	**(5,290)**	(4,299)	(774)
Elimination of exchange differences[1]	**26,734**	(10,678)	48,718
Changes in operating assets and liabilities			
Change in net trading securities and derivatives	**(41,385)**	(63,247)	20,166
Change in loans and advances to banks and customers	**7,275**	(14,145)	31,649
Change in reverse repurchase agreements – non-trading	**(4,227)**	(2,095)	(23,405)
Change in financial assets designated and otherwise mandatorily measured at fair value	**(20,662)**	(9,994)	14,164
Change in other assets[2]	**7,685**	(10,254)	(12,858)
Change in deposits by banks and customer accounts	**44,237**	45,021	(91,194)
Change in repurchase agreements – non-trading	**8,700**	43,366	4,344
Change in debt securities in issue	**11,942**	11,945	12,518
Change in financial liabilities designated at fair value	**(2,248)**	10,097	(13,654)
Change in other liabilities	**(1,603)**	8,742	6,021
Dividends received from associates	**1,062**	1,067	944
Contributions paid to defined benefit plans	**(167)**	(208)	(194)
Tax paid	**(6,611)**	(4,117)	(2,776)
Net cash from operating activities	**65,305**	39,111	19,355
Purchase of financial investments[2]	**(523,454)**	(563,561)	(511,097)
Proceeds from the sale and maturity of financial investments[2]	**453,502**	504,174	492,624
Net cash flows from the purchase and sale of property, plant and equipment	**(1,344)**	(1,145)	(1,284)
Net cash flows from disposal of loan portfolio and customer accounts	**—**	623	(3,530)
Net investment in intangible assets	**(2,542)**	(2,550)	(3,125)
Net cash inflow on acquisition/disposal of subsidiaries, businesses, associates and joint ventures[3]	**9,891**	1,239	—
Net cash outflow on acquisition/disposal of subsidiaries, businesses, associates and joint ventures[4]	**(12,617)**	(1,692)	(989)
Net cash from investing activities	**(76,564)**	(62,912)	(27,401)
Issue of ordinary share capital and other equity instruments	**3,602**	1,996	—
Cancellation of shares	**(11,348)**	(5,812)	(2,285)
Net purchases of own shares for market-making and investment purposes	**(541)**	(614)	(91)
Net cash flow from change in stake of subsidiaries	**—**	(19)	(197)
Redemption of preference shares and other equity instruments	**(3,433)**	(4,003)	(2,266)
Subordinated loan capital issued	**4,361**	5,237	7,300
Subordinated loan capital repaid[5]	**(2,000)**	(2,147)	(1,777)
Dividends paid to shareholders of the parent company and non-controlling interests	**(17,100)**	(12,196)	(6,970)
Net cash from financing activities	**(26,459)**	(17,558)	(6,286)
Net decrease in cash and cash equivalents	**(37,718)**	(41,359)	(14,332)
Cash and cash equivalents at 1 Jan	**490,933**	521,671	574,032
Exchange differences in respect of cash and cash equivalents	**(18,275)**	10,621	(38,029)
Cash and cash equivalents at 31 Dec[6]	**434,940**	490,933	521,671

Consolidated statement of cash flows (continued)
for the year ended 31 December 2024

	2024	2023	2022
	$m	$m	$m
Cash and cash equivalents comprise:			
– cash and balances at central banks	**267,674**	285,868	327,002
– loans and advances to banks of one month or less	**69,803**	76,620	72,295
– reverse repurchase agreements with banks of one month or less	**58,290**	64,341	68,682
– treasury bills, other bills and certificates of deposit less than three months[8]	**27,307**	33,303	26,727
– cash collateral, net settlement accounts and items in course of collection from/transmission to other banks	**9,827**	14,866	18,878
– cash and cash equivalents held for sale[7]	**2,039**	15,935	8,087
Cash and cash equivalents at 31 Dec[6]	**434,940**	490,933	521,671

Interest received was $110,106m (2023: $98,910m; 2022: $55,664m), interest paid was $81,680m (2023: $65,980m; 2022: $22,856m) and dividends received (excluding dividends received from associates, which are presented separately above) were $2,812m (2023: $1,869m; 2022: $1,638m).

1 Adjustment to bring changes between opening and closing balance sheet amounts to average rates. This is not done on a line-by-line basis, as details cannot be determined without unreasonable expense.
2 Post adoption of IFRS 17 'Insurance Contracts', certain assets have been reclassified from 'Investing activities' to 'Operating activities'. The comparative data for 2022 have not been re-presented.
3 This includes $9.3bn from the sale of our banking business in Canada.
4 This includes $10.6bn from the sale of our retail banking business in France and $1.8bn from the sale of our business in Argentina.
5 Subordinated liabilities changes during the year are attributable to repayments of $(2.0)bn (2023: $(2.1)bn; 2022: $(1.8)bn) of securities. Non-cash changes during the year included foreign exchange gains/losses of $1.6bn gain (2023: $0.6bn loss; 2022: $1.1bn gain) and fair value gains/losses of $1.0bn gain (2023: $0.8bn loss; 2022: $3.1bn gain).
6 At 31 December 2024, $50.4bn (2023: $61.8bn; 2022: $59.3bn) was not available for use by HSBC due to a range of restrictions, including currency exchange and other restrictions.
7 Includes $1.9bn (2023: $5.6bn, 2022: $6.5bn) of cash and balances at central banks and $0.1bn (2023: $10.5bn, 2022: $0.2bn) of loans and advances to banks of one month or less. There is nil balance in 2024 for reverse repurchase agreements with banks of one month or less (2023: $0.2bn, 2022: $1.3bn) and cash collateral, net settlement accounts and items in course of collection from/transmission to other banks (2023: $(0.4)bn, 2022: $(0.2)bn).
8 The amount in this line is included in the 'Financial investments' and 'Financial assets designated and otherwise mandatorily measured at fair value through profit or loss' line items in the Consolidated balance sheet on page 343.

HSBC Holdings income statement

for the year ended 31 December 2024

	Notes*	2024 $m	2023 $m	2022 $m
Net interest expense		**(5,758)**	(5,339)	(3,074)
– interest income		**3,053**	2,864	937
– interest expense		**(8,811)**	(8,203)	(4,011)
Net fee (expense)/income		**(10)**	2	(3)
Net income from financial instruments held for trading or managed on a fair value basis	3	**2,899**	1,063	2,129
Changes in fair value of designated debt and related derivatives[1]	3	**(125)**	(1,468)	2,144
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	3	**2,086**	3,692	(2,409)
Gains less losses from financial investments		**2**	45	58
Dividend income from subsidiaries[3]		**33,846**	16,824	9,478
Other operating income		**276**	332	91
Total operating income		**33,216**	15,151	8,414
Employee compensation and benefits	5	**(29)**	(15)	(41)
General and administrative expenses		**(1,148)**	(1,327)	(1,586)
(Impairment) of subsidiaries/reversal of impairment[3]	19	**(11,490)**	(5,574)	2,493
Total operating expenses		**(12,667)**	(6,916)	866
Profit before tax		**20,549**	8,235	9,280
Tax credit[2,3]		**499**	977	3,077
Profit for the year		**21,048**	9,212	12,357

* For Notes on the financial statements, see page 353.

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

2 The tax credit in 2022 includes $2.2bn arising from the recognition of a deferred tax asset from historical tax losses in HSBC Holdings. This was a result of improved profit forecasts for the UK tax group, which accelerated the expected utilisation of these losses and reduced uncertainty regarding their recoverability.

3 The amounts recorded within profit before tax with respect to dividend income from subsidiaries and impairment/reversal of impairment of subsidiaries are not subject to tax.

HSBC Holdings statement of comprehensive income

for the year ended 31 December 2024

	2024 $m	2023 $m	2022 $m
Profit for the year	**21,048**	9,212	12,357
Other comprehensive income/(expense)			
Items that will not be reclassified subsequently to profit or loss:			
Changes in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	**21**	(124)	326
– before income taxes	**32**	(166)	435
– income taxes	**(11)**	42	(109)
Other comprehensive income/(expense) for the year, net of tax	**21**	(124)	326
Total comprehensive income for the year	**21,069**	9,088	12,683

HSBC Holdings balance sheet

	Notes*	31 Dec 2024 $m	31 Dec 2023 $m
Assets			
Cash and balances with HSBC undertakings		**2,548**	7,029
Financial assets with HSBC undertakings designated and otherwise mandatorily measured at fair value		**61,286**	59,879
Derivatives	15	**3,054**	3,344
Loans and advances to HSBC undertakings		**37,677**	27,354
Trading Assets		**709**	—
Financial investments	16	**10,328**	19,558
Prepayments, accrued income and other assets		**4,353**	5,341
Current tax assets		**305**	924
Investments in subsidiaries	19	**152,337**	159,478
Intangible assets		**162**	180
Deferred tax assets		**1,498**	2,082
Total assets at 31 Dec		**274,257**	285,169
Liabilities and equity			
Liabilities			
Amounts owed to HSBC undertakings		**231**	168
Financial liabilities designated at fair value	25	**41,582**	43,638
Derivatives	15	**5,340**	6,090
Debt securities in issue	26	**64,320**	65,239
Accruals, deferred income and other liabilities		**3,097**	4,289
Subordinated liabilities	29	**23,548**	24,439
Total liabilities		**138,118**	143,863
Equity			
Called up share capital	32	**8,973**	9,631
Share premium account	32	**14,810**	14,738
Other equity instruments	32	**19,024**	17,703
Merger and other reserves		**33,664**	35,946
Retained earnings		**59,668**	63,288
Total equity		**136,139**	141,306
Total liabilities and equity at 31 Dec		**274,257**	285,169

* For Notes on the financial statements, see page 353.

The accompanying notes on pages 353 to 438, the audited sections in the Risk review on pages 126 to 235 and 'Directors' remuneration report' on pages 279 to 317 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 19 February 2025 and signed on its behalf by:

Sir Mark E Tucker
Group Chairman

Pam Kaur
Group Chief Financial Officer

HSBC Holdings statement of changes in equity
for the year ended 31 December 2024

	Called up share capital	Share premium	Other equity instruments	Retained earnings[1,2]	Other reserves: Merger and other reserves	Total shareholders' equity
	$m	$m	$m	$m	$m	$m
At 1 Jan 2024	**9,631**	**14,738**	**17,703**	**63,288**	**35,946**	**141,306**
Profit for the year	—	—	—	**21,048**	—	**21,048**
Other comprehensive income (net of tax)	—	—	—	**21**	—	**21**
– changes in fair value of financial liabilities designated at fair value due to movement in own credit risk	—	—	—	**21**	—	**21**
Total comprehensive income for the year	—	—	—	**21,069**	—	**21,069**
Shares issued under employee share plans	**5**	**72**	—	**(181)**	—	**(104)**
Capital securities issued[3]	—	—	**3,571**	—	—	**3,571**
Purchase and cancellation of shares[4]	**(663)**	—	—	**(11,043)**	**663**	**(11,043)**
Dividends to shareholders	—	—	—	**(16,410)**	—	**(16,410)**
Redemption of capital securities[5]	—	—	**(2,250)**	—	—	**(2,250)**
Transfers[6]	—	—	—	**2,945**	**(2,945)**	—
At 31 Dec 2024	**8,973**	**14,810**	**19,024**	**59,668**	**33,664**	**136,139**
At 1 Jan 2023	10,147	14,664	19,746	67,996	40,555	153,108
Profit for the year	—	—	—	9,212	—	9,212
Other comprehensive income (net of tax)	—	—	—	(124)	—	(124)
– changes in fair value of financial liabilities designated at fair value due to movement in own credit risk	—	—	—	(124)	—	(124)
Total comprehensive income for the year	—	—	—	9,088	—	9,088
Shares issued under employee share plans	5	74	—	(328)	—	(249)
Capital securities issued	—	—	1,980	—	—	1,980
Purchase and cancellation of shares	(521)	—	—	(7,025)	521	(7,025)
Dividends to shareholders	—	—	—	(11,593)	—	(11,593)
Redemption of capital securities	—	—	(4,023)	20	—	(4,003)
Transfers[6]	—	—	—	5,130	(5,130)	—
At 31 Dec 2023	9,631	14,738	17,703	63,288	35,946	141,306
At 1 Jan 2022	10,316	14,602	22,414	65,116	37,882	150,330
Profit for the year	—	—	—	12,357	—	12,357
Other comprehensive income (net of tax)	—	—	—	326	—	326
– changes in fair value of financial liabilities designated at fair value due to movement in own credit risk	—	—	—	326	—	326
Total comprehensive income for the year	—	—	—	12,683	—	12,683
Shares issued under employee share plans	5	62	—	(161)	—	(94)
Capital securities issued	—	—	—	—	—	—
Purchase and cancellation of shares	(174)	—	—	(1,001)	174	(1,001)
Dividends to shareholders	—	—	—	(6,544)	—	(6,544)
Redemption of capital securities	—	—	(2,668)	402	—	(2,266)
Transfers[6]	—	—	—	(2,499)	2,499	—
At 31 Dec 2022	10,147	14,664	19,746	67,996	40,555	153,108

Dividends per ordinary share at 31 December 2024 were $0.82 (2023: $0.53; 2022: $0.27).

1 Retained earnings include unrealised profits from intercompany transactions and share-based payment reserves, which are excluded from distributable reserves. Distributable reserves include the distributable portions of retained earnings and the merger reserve. Distributable reserves are reduced by ordinary dividend payments, distributions on additional tier 1 instruments, share buy-backs and impairments in investments in subsidiaries. They are increased by profits and the realisation of retained earnings or merger reserves upon impairment of an associated investment in subsidiary.
2 At 31 December 2024, retained earnings included 29,739,384 own shares held. These include own shares held by HSBC Holdings for the benefit of beneficiaries within employee trusts for the settlement of shares expected to be delivered under employee share schemes or bonus plans.
3 HSBC Holdings issued SGD1,500m 5.250% contingent convertible securities in June 2024, and a further $1,350m 6.875% and $1,150m 6.950% contingent convertible securities in September 2024. All instruments were recorded net of issuance cost.
4 HSBC Holdings announced the following share buy-backs during the year: a share buy-back of up to $2.0bn in February 2024, which was completed in April 2024; a share buy-back of up to $3.0bn in April 2024, which was completed in July 2024; a share buy-back of up to $3.0bn in July 2024, which was completed in October 2024; and a share buy-back of up to $3.0bn in October 2024, which was completed in February 2025.
5 In September 2024, HSBC Holdings redeemed its $2,250m 6.375% contingent convertible securities.
6 At 31 December 2024, an impairment of $11,442m (2023: $5,512m) of HSBC Overseas Holdings (UK) Limited was recognised, resulting in a permitted transfer of $2,945m (2023: $5,130m) from the remaining historical associated merger reserve to retained earnings, and a realisation of nil share-based payment reserves (2023: $382m) to retained earnings. In 2022, a part-reversal of the impairment resulted in a transfer from retained earnings back to the merger reserve of $2,499m.

HSBC Holdings statement of cash flows

for the year ended 31 December 2024

	2024	2023	2022
	$m	$m	$m
Profit before tax	**20,549**	8,235	9,280
Adjustments for non-cash items	**11,721**	5,611	(2,500)
– depreciation, amortisation and impairment/expected credit losses	**11,552**	5,629	(2,428)
– share-based payment expense	**1**	—	1
– other non-cash items included in profit before tax	**53**	(38)	(73)
– elimination of exchange differences[1]	**115**	20	—
Changes in operating assets and liabilities			
Change in loans and advances to HSBC undertakings	**(2,753)**	(1,267)	(1,657)
Change in financial assets with HSBC undertakings designated and otherwise mandatorily measured at fair value	**(1,978)**	(7,767)	(914)
Change in net trading securities and net derivatives	**(1,537)**	(529)	4,712
Change in other assets	**603**	363	51
Change in financial investments	**—**	—	196
Change in debt securities in issue	**469**	1,964	(5,625)
Change in financial liabilities designated at fair value	**292**	3,096	(4,755)
Change in other liabilities	**(1,897)**	1,947	(3,394)
Tax received	**1,691**	577	215
Net cash from operating activities	**27,160**	12,230	(4,391)
Purchase of financial investments	**(29,812)**	(7,803)	(21,481)
Proceeds from the sale and maturity of financial investments	**31,779**	20,074	17,165
Net cash outflow from acquisition of or increase in stake of subsidiaries	**(7,473)**	(2,517)	(5,696)
Repayment of capital from subsidiaries	**2,963**	4,993	3,860
Net investment in intangible assets	**(43)**	(46)	(39)
Net cash from investing activities	**(2,586)**	14,701	(6,191)
Issue of ordinary share capital and other equity instruments	**3,648**	2,059	67
Redemption of preference shares and other equity instruments	**(2,250)**	(4,003)	(2,266)
Purchase of own shares	**(532)**	(855)	(438)
Cancellation of shares	**(11,204)**	(5,812)	(2,298)
Subordinated loan capital issued	**4,268**	5,270	7,300
Subordinated loan capital repaid	**(3,994)**	—	—
Debt securities issued	**16,102**	17,180	18,076
Debt securities repaid	**(18,179)**	(13,047)	(10,094)
Dividends paid on ordinary shares	**(15,348)**	(10,492)	(5,330)
Dividends paid to holders of other equity instruments	**(1,062)**	(1,101)	(1,214)
Net cash from financing activities	**(28,551)**	(10,801)	3,803
Net increase/(decrease) in cash and cash equivalents	**(3,977)**	16,130	(6,779)
Cash and cash equivalents at 1 January	**22,814**	6,756	13,535
Exchange differences in respect of cash and cash equivalents[2]	**(144)**	(72)	—
Cash and cash equivalents at 31 Dec	**18,693**	22,814	6,756
Cash and cash equivalents comprise:			
– cash at bank with HSBC undertakings	**2,548**	7,029	3,210
– cash collateral and net settlement accounts	**2,544**	3,422	3,544
– loans and advances to HSBC undertakings of one month or less	**8,500**	—	—
– treasury and other eligible bills	**5,101**	12,363	2

Interest received was $6,624m (2023: $5,695m; 2022: $2,410m), interest paid was $8,800m (2023: $7,754m; 2022: $3,813m) and dividends received were $33,846m (2023: $16,824m; 2022: $9,478m).

1 Adjustment to bring changes between opening and closing balance sheet amounts to average rates. This is not done on a line-by-line basis, as details cannot be determined without unreasonable expense. As this change has immaterial impact, 2022 prior period comparatives have not been restated.
2 In 2023, additional disclosure has been made in respect of exchange differences on cash and cash equivalents. As this change has immaterial impact, 2022 prior period comparatives have not been restated.

Notes on the financial statements

Contents

1 Basis of preparation and material accounting policies

1.1 Basis of preparation

(a) Compliance with International Financial Reporting Standards

The consolidated financial statements of HSBC and the separate financial statements of HSBC Holdings comply with UK-adopted international accounting standards and with the requirements of the Companies Act 2006, and have also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. These financial statements are also prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IFRS Accounting Standards'), including interpretations issued by the IFRS Interpretations Committee, as there are no applicable differences from IFRS Accounting Standards for the periods presented. There were no unendorsed standards effective for the year ended 31 December 2024 affecting these consolidated and separate financial statements.

IFRS Accounting Standards adopted during the year ended 31 December 2024

There were no new standards, amendments to standards or interpretations that had an effect on these financial statements. Accounting policies have been applied consistently.

(b) Differences between IFRS Accounting Standards and Hong Kong Financial Reporting Standards

There are no significant differences between IFRS Accounting Standards and Hong Kong Financial Reporting Standards in terms of their application to HSBC, and consequently there would be no significant differences had the financial statements been prepared in accordance with Hong Kong Financial Reporting Standards. The 'Notes on the financial statements', taken together with the 'Report of the Directors', include the aggregate of all disclosures necessary to satisfy IFRS Accounting Standards and Hong Kong Financial Reporting Standards.

(c) Future accounting developments

Minor amendments to IFRS Accounting Standards

The International Accounting Standards Board ('IASB') has published a number of minor amendments to IFRS Accounting Standards that are effective from 1 January 2025. HSBC expects they will have an insignificant effect, when adopted, on the consolidated financial statements of HSBC and the separate financial statements of HSBC Holdings.

Other amendments and new IFRS Accounting Standards

Amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures'

In May 2024, the IASB issued amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures', effective for annual reporting periods beginning on, or after, 1 January 2026. In addition to guidance as to when certain financial liabilities can be deemed settled when using an electronic payment system, the amendments also provide further clarification regarding the classification of financial assets that contain contractual terms that change the timing or amount of contractual cash flows, including those arising from ESG-related contingencies, and financial assets with certain non-recourse features. The Group is undertaking an assessment of the potential impact.

IFRS 18 'Presentation and Disclosure in Financial Statements'

In April 2024, the IASB issued IFRS 18 'Presentation and Disclosure in Financial Statements', effective for annual reporting periods beginning on or after 1 January 2027. The new accounting standard aims to give users of financial statements more transparent and comparable information about an entity's financial performance. It will replace IAS 1 'Presentation of Financial Statements' but carries over many requirements from that IFRS Accounting Standard unchanged. In addition, there are three sets of new requirements relating to the structure of the income statement, management-defined performance measures and the aggregation and disaggregation of financial information.

While IFRS 18 will not change recognition criteria or measurement bases, it may have an impact on presenting information in the financial statements, in particular the income statement and to a lesser extent the cash flow statement. HSBC are currently assessing impacts and data readiness before developing a more detailed implementation plan.

(d) Foreign currencies

HSBC's consolidated financial statements are presented in US dollars because the US dollar and currencies linked to it form the major currency bloc in which HSBC transacts and funds its business. The US dollar is also HSBC Holdings' functional currency because the US dollar and currencies linked to it are the most significant currencies relevant to the underlying transactions, events and conditions of its subsidiaries, as well as representing a significant proportion of its funds generated from financing activities.

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date, except non-monetary assets and liabilities measured at historical cost, which are translated using the rate of exchange at the initial transaction date. Exchange differences are included in other comprehensive income or in the income statement depending on where the gain or loss on the underlying item is recognised. Except for subsidiaries operating in hyperinflationary economies, in the consolidated financial statements, the assets and liabilities of branches, subsidiaries, joint ventures and associates whose functional currency is not US dollars are translated into the Group's presentation currency at the rate of exchange at the balance sheet date, while their results are translated into US dollars at the average rates of exchange for the reporting period. Exchange differences arising are recognised in other comprehensive income. On disposal of a foreign operation, exchange differences previously recognised in other comprehensive income are reclassified to the income statement.

(e) Presentation of information

Certain disclosures required by IFRS Accounting Standards have been included in the sections marked as ('Audited') in the Annual Report and Accounts 2024 as follows:

- Disclosures concerning the nature and extent of risks relating to insurance contracts and financial instruments are included in the 'Risk review' on pages 126 to 235.
- The 'Own funds disclosure' is included in the 'Risk review' on page 205.

HSBC follows the UK Finance Disclosure Code. The UK Finance Disclosure Code aims to increase the quality and comparability of UK banks' disclosures and sets out five disclosure principles together with supporting guidance agreed in 2010. In line with the principles of the UK Finance Disclosure Code, HSBC assesses good practice recommendations issued from time to time by relevant regulators and standard setters, and will assess the applicability and relevance of such guidance, enhancing disclosures where appropriate.

(f) Critical estimates and judgements

The preparation of financial information requires the use of estimates and judgements about future conditions. In view of the inherent uncertainties and the high level of subjectivity involved in the recognition or measurement of items, highlighted as the 'critical estimates and judgements' in section 1.2 below, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based. This could result in materially different estimates and judgements from those reached by management for the purposes of these financial statements. Management's selection of HSBC's accounting policies that contain critical estimates and judgements reflects the materiality of the items to which the policies are applied and the high degree of judgement and estimation uncertainty involved.

Management has considered the impact of climate-related risks on HSBC's financial position and performance. While the effects of climate change are a source of uncertainty, as at 31 December 2024 management did not consider there to be a material impact on our critical judgements and estimates from the physical, transition and other climate-related risks in the short to medium term. In particular, management has considered the known and observable potential impacts of climate-related risks of associated judgements and estimates in our value in use calculations.

(g) Going concern

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Group and parent company have the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, liquidity, capital requirements and capital resources.

These considerations include stressed scenarios that reflect the uncertainty in the macroeconomic environment following uncertain inflation, rapidly changing interest rates, slower Chinese economic activity, and disrupted supply chains as a result of the Russia-Ukraine war, conflict in the Middle East and US-China tensions. They also included other top and emerging risks, including climate change, as well as the related impacts on profitability, capital and liquidity.

1.2 Summary of material accounting policies

(a) Consolidation and related policies

Investments in subsidiaries

Where an entity is governed by voting rights, HSBC consolidates when it holds – directly or indirectly – the necessary voting rights to pass resolutions by the governing body. In all other cases, the assessment of control is more complex and requires judgement of other factors, including having exposure to variability of returns, power to direct relevant activities, and whether power is held as agent or principal.

Business combinations are accounted for using the acquisition method. The amount of non-controlling interest is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. This election is made for each business combination. HSBC Holdings' investments in subsidiaries are stated at cost less impairment losses.

Impairment testing is performed where there is an indication of impairment, by comparing the recoverable amount of the relevant investment to its carrying amount. Indicators of impairment include both external and internal sources of information. Similarly, assessments are made as to whether an impairment loss recognised in prior periods may no longer exist or may have decreased. Where this is the case, such an impairment loss is reversed if there has been a change in the estimate used to determine the relevant recoverable amount since the last impairment loss was recognised, and to the extent that it does not increase the carrying amount above that had no impairment loss been previously recognised.

Critical estimates and judgements

Investments in subsidiaries are tested for impairment when there is an indication that the investment may be impaired, which involves estimations of value in use reflecting management's best estimate of the future cash flows of the investment and the rates used to discount these cash flows, both of which are subject to uncertain factors as follows:

Judgements	Estimates
– The accuracy of forecast cash flows is subject to a high degree of uncertainty in volatile market conditions. Where such circumstances are determined to exist, management re-tests for impairment or reversal more frequently than once a year when indicators exist. This ensures that the assumptions on which the cash flow forecasts are based continue to reflect current market conditions and management's best estimate of future business prospects.	– The future cash flows of each investment are sensitive to the cash flows projected for the periods for which detailed forecasts are available and to assumptions regarding the long-term pattern of sustainable cash flows thereafter. Forecasts are compared with actual performance and verifiable economic data, but they reflect management's view of future business prospects at the time of the assessment. – The rates used to discount future expected cash flows can have a significant effect on their valuation, and are based on the costs of equity assigned to the investment. The cost of equity percentage is generally derived from a capital asset pricing model and the market implied cost of equity, which incorporates inputs reflecting a number of financial and economic variables, including the risk-free interest rate in the country concerned and a premium for the risk of the business being evaluated. These variables are subject to fluctuations in external market rates and economic conditions beyond management's control. – Key assumptions used in estimating impairment in subsidiaries and their reversal where relevant are described in Note 19.

Goodwill

Goodwill is allocated to cash-generating units ('CGUs') for the purpose of impairment testing, which is undertaken at the lowest level at which goodwill is monitored for internal management purposes. HSBC's CGUs are based on its main legal entities subdivided by global business, except for Global Banking and Markets, for which goodwill is monitored on a global basis.

Impairment testing is performed at least once a year, or whenever there is an indication of impairment, by comparing the recoverable amount of a CGU with its carrying amount.

Goodwill is included in a disposal group if the disposal group is a CGU to which goodwill has been allocated or it is an operation within such a CGU. The amount of goodwill included in a disposal group is measured on the basis of the relative values of the operation disposed of and the portion of the CGU retained.

Critical estimates and judgements

The review of goodwill and non-financial assets (see Note 1.2(n)) for impairment reflects management's best estimate of the future cash flows of the CGUs and the rates used to discount these cash flows, both of which are subject to uncertain factors as follows:

Judgements	Estimates
– The accuracy of forecast cash flows is subject to a high degree of uncertainty in volatile market conditions. Where such circumstances are determined to exist, management re-tests goodwill for impairment more frequently than once a year when indicators of impairment exist. This ensures that the assumptions on which the cash flow forecasts are based continue to reflect current market conditions and management's best estimate of future business prospects.	– The future cash flows of the CGUs are sensitive to the cash flows projected for the periods for which detailed forecasts are available and to assumptions regarding the long-term pattern of sustainable cash flows thereafter. Forecasts are compared with actual performance and verifiable economic data, but they reflect management's view of future business prospects at the time of the assessment. – The rates used to discount future expected cash flows can have a significant effect on their valuation, and are based on the costs of equity assigned to individual CGUs. The cost of equity percentage is generally derived from a capital asset pricing model and market implied cost of equity, which incorporates inputs reflecting a number of financial and economic variables, including the risk-free interest rate in the country concerned and a premium for the risk of the business being evaluated. These variables are subject to fluctuations in external market rates and economic conditions beyond management's control. – Key assumptions used in estimating goodwill and non-financial asset impairment are described in Note 21.

The Group does not consider there to be a significant risk of a material adjustment to the carrying amount of goodwill in the next financial year, but does consider this to be an area that is inherently judgemental. The Group's consideration of this risk includes taking account of the potential implications for CGUs arising from the revised organisational structure effective from 1 January 2025.

HSBC sponsored structured entities

HSBC is considered to sponsor another entity if, in addition to ongoing involvement with the entity, it had a key role in establishing that entity or in bringing together relevant counterparties so the transaction that is the purpose of the entity could occur. HSBC is generally not considered a sponsor if the only involvement with the entity is merely administrative.

Interests in associates and joint arrangements

Joint arrangements are investments in which HSBC, together with one or more parties, has joint control. Depending on HSBC's rights and obligations, the joint arrangement is classified as either a joint operation or a joint venture.

HSBC classifies investments in entities over which it has significant influence, and those that are neither subsidiaries nor joint arrangements, as associates.

HSBC recognises its share of the assets, liabilities and results in a joint operation. Investments in associates and interests in joint ventures are recognised using the equity method. The attributable share of the results and reserves of joint ventures and associates is included in the consolidated financial statements of HSBC based on either financial statements made up to 31 December or pro-rated amounts adjusted for any material transactions or events occurring between the date the financial statements are available and 31 December.

Investments in associates and joint ventures are assessed at each reporting date and tested for impairment when there is an indication that the investment may be impaired, by comparing the recoverable amount of the relevant investment to its carrying amount. Goodwill on acquisition of interests in joint ventures and associates is not tested separately for impairment, but is assessed as part of the carrying amount of the investment. Previously recognised impairments are assessed for reversal when there are indicators that they may no longer exist or have decreased. Any reversal, which may arise only from changes in estimates used to determine the prior impairment loss, is recognised to the extent that it does not increase the carrying amount above that had no impairment loss been previously recognised.

Critical estimates and judgements

The most significant critical estimates relate to the assessment of impairment or its reversal of our investment in Bank of Communications Co., Limited ('BoCom'), which involves estimations of value in use:

Judgements	Estimates
	– The value in use calculation uses discounted cash flow projections based on management's best estimate of future earnings available to ordinary shareholders prepared in accordance with IAS 36 'Impairment of Assets'. Those cash flows use estimates based on BoCom's current condition and so do not include estimated cash flows arising from uncommitted future actions that may affect the performance of the investment which will be considered at the relevant time should they arise. – Key assumptions used in estimating BoCom's value in use and the sensitivity of the value in use calculations to different assumptions are described in Note 18.

(b) Income and expense

Operating income

Interest income and expense

Interest income and expense for all financial instruments, excluding those classified as held for trading or designated at fair value, is recognised in 'Interest income' and 'Interest expense' in the income statement using the effective interest method. However, as an exception to this, interest on debt instruments issued by HSBC for funding purposes that are designated under the fair value option to reduce an accounting mismatch and on derivatives managed in conjunction with those debt instruments is included in interest expense.

Interest on credit-impaired financial assets is recognised by applying the effective interest rate to the amortised cost (i.e. gross carrying amount of the asset less allowance for expected credit losses).

Non-interest income and expense

HSBC generates fee income from services provided over time, such as account service and card fees, or when HSBC delivers a specific transaction at a point in time, such as broking services and import/export services. With the exception of certain fund management and performance fees, all other fees are generated at a fixed price. Fund management and performance fees can be variable depending on the size of the customer portfolio and HSBC's performance as fund manager. Variable fees are recognised when all uncertainties are resolved. Fee income is generally earned from short-term contracts with payment terms that do not include a significant financing component.

HSBC acts as principal in the majority of contracts with customers, with the exception of broking services. For most brokerage trades, HSBC acts as agent in the transaction and recognises broking income net of fees payable to other parties in the arrangement.

HSBC recognises fees earned on transaction-based arrangements at a point in time when it has fully provided the service to the customer. Where the contract requires services to be provided over time, income is recognised on a systematic basis over the life of the agreement.

Where HSBC offers a package of services that contains multiple non-distinct performance obligations, such as those included in account service packages, the promised services are treated as a single performance obligation. If a package of services contains distinct performance obligations, the corresponding transaction price is allocated to each performance obligation based on the estimated stand-alone selling prices.

Dividend income is recognised when the right to receive payment is established.

Net income/(expense) from financial instruments measured at fair value through profit or loss includes the following:

- 'Net income from financial instruments held for trading or managed on a fair value basis': This comprises net trading activities, which includes all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading and other financial instruments managed on a fair value basis, together with the related interest income, interest expense and dividend income, excluding the effect of changes in the credit risk of liabilities managed on a fair value basis. It also includes all gains and losses from changes in the fair value of derivatives that are managed in conjunction with financial assets and liabilities measured at fair value through profit or loss.
- 'Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss': This includes all gains and losses from changes in the fair value, together with related interest income, interest expense and dividend income in respect of financial assets and liabilities measured at fair value through profit or loss, and those derivatives managed in conjunction with the above that can be separately identifiable from other trading derivatives.
- 'Changes in fair value of designated debt instruments and related derivatives': Interest paid on debt instruments and interest cash flows on related derivatives is presented in interest expense where doing so reduces an accounting mismatch.
- 'Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss': This includes interest on instruments that fail the solely payments of principal and interest ('SPPI') test, see (d) below.

The accounting policies for insurance service result and insurance finance income/(expense) are disclosed in Note 1.2(j).

(c) Valuation of financial instruments

All financial instruments are initially recognised at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a financial instrument on initial recognition is generally its transaction price (that is, the fair value of the consideration given or received). However, if there is a difference between the transaction price and the fair value of financial instruments whose fair value is based on a quoted price in an active market or a valuation technique that uses only data from observable markets, HSBC recognises the difference as a trading gain or loss at inception (a 'day 1 gain or loss'). In all other cases, the entire day 1 gain or loss is deferred and recognised in the income statement over the life of the transaction until the transaction matures, is closed out, the valuation inputs become observable or HSBC enters into an offsetting transaction.

The fair value of financial instruments is generally measured on an individual basis. However, in cases where HSBC manages a group of financial assets and liabilities according to its net market or credit risk exposure, the fair value of the group of financial instruments is measured on a net basis but the underlying financial assets and liabilities are presented separately in the financial statements, unless they satisfy the IFRS offsetting criteria. Financial instruments are classified into one of three fair value hierarchy levels, described in Note 12, 'Fair values of financial instruments carried at fair value'.

Critical estimates and judgements

The majority of valuation techniques employ only observable market data. However, certain financial instruments are classified on the basis of valuation techniques that feature one or more significant market inputs that are unobservable, and for them, the measurement of fair value is more judgemental:

Judgements	Estimates
– An instrument in its entirety is classified as valued using significant unobservable inputs if, in the opinion of management, greater than 5% of the instrument's valuation is driven by unobservable inputs. – 'Unobservable' in this context means that there is little or no current market data available from which to determine the price at which an arm's length transaction would be likely to occur. It generally does not mean that there is no data available at all upon which to base a determination of fair value (consensus pricing data may, for example, be used).	– Details on the Group's Level 3 financial instruments and the sensitivity of their valuation to the effect of applying reasonably possible alternative assumptions in determining their fair value are set out in Note 12.

(d) Financial instruments measured at amortised cost

Financial assets that are held to collect the contractual cash flows and which contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at amortised cost. Such financial assets include most loans and advances to banks and customers and some debt securities. In addition, most financial liabilities are measured at amortised cost. HSBC accounts for regular way amortised cost financial instruments using trade date accounting. The carrying amount of these financial assets at initial recognition includes any directly attributable transactions costs.

HSBC may commit to underwriting loans on fixed contractual terms for specified periods of time. When the loan arising from the lending commitment is expected to be sold shortly after origination, the commitment to lend is recorded as a derivative. When HSBC intends to hold the loan, the loan commitment is included in the impairment calculations set out below.

Financial assets are reclassified only when the business model for their management changes. Such changes, which are expected to be infrequent, are determined by senior management as a result of external or internal changes and must be significant to operations and demonstrable to external parties. Reclassifications are applied prospectively from the first day of the first reporting period following the change of business model. Where a financial asset is reclassified out of the amortised cost measurement category and into the fair value through other comprehensive income measurement category its fair value is measured at the date of reclassification. Any gain or loss arising from a difference between the previous amortised cost and fair value is recognised in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

Non-trading reverse repurchase, repurchase and similar agreements

When debt securities are sold subject to a commitment to repurchase them at a predetermined price ('repos'), they remain on the balance sheet and a liability is recorded in respect of the consideration received. Securities purchased under commitments to resell ('reverse repos') are not recognised on the balance sheet and an asset is recorded in respect of the initial consideration paid. Non-trading repos and reverse repos are measured at amortised cost. The difference between the sale and repurchase price or between the purchase and resale price is treated as interest and recognised in net interest income over the life of the agreement.

Contracts that are economically equivalent to reverse repo or repo agreements (such as sales or purchases of debt securities entered into together with total return swaps with the same counterparty) are accounted for similarly to, and presented together with, reverse repo or repo agreements.

(e) Financial assets measured at fair value through other comprehensive income

Financial assets managed within a business model that is achieved by both collecting contractual cash flows and selling and which contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at fair value through other comprehensive income ('FVOCI'). These comprise primarily debt securities. They are recognised on trade date when HSBC enters into contractual arrangements to purchase and are generally derecognised when they are either sold or redeemed. They are subsequently remeasured at fair value with changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) recognised in other comprehensive income until the assets are sold. Upon disposal, the cumulative gains or losses in other comprehensive income are recognised in the income statement as 'Gains less losses from financial instruments'. Financial assets measured at FVOCI are included in the impairment calculations set out below and impairment is recognised in profit or loss.

(f) Equity securities measured at fair value with fair value movements presented in other comprehensive income

The equity securities for which fair value movements are shown in other comprehensive income are business facilitation and other similar investments where HSBC holds the investments other than to generate a capital return. Dividends from such investments are recognised in profit or loss. Gains or losses on the derecognition of these equity securities are not transferred to profit or loss. Otherwise, equity securities are measured at fair value through profit or loss.

(g) Financial instruments designated at fair value through profit or loss

Financial instruments, other than those held for trading, are classified in this category if they meet one or more of the criteria set out below and are so designated irrevocably at inception:

– The use of the designation removes or significantly reduces an accounting mismatch.
– A group of financial assets and liabilities or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
– The financial liability contains one or more non-closely related embedded derivatives.

Designated financial assets are recognised when HSBC enters into contracts with counterparties, which is generally on trade date, and are normally derecognised when the rights to the cash flows expire or are transferred. Designated financial liabilities are recognised when HSBC enters into contracts with counterparties, which is generally on settlement date, and are normally derecognised when extinguished. Subsequent changes in fair values are recognised in the income statement in 'Net income from financial instruments held for trading or managed on a fair value basis' or 'Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss' or 'Changes in fair value of designated debt and related derivatives' except for the effect of changes in the liabilities' credit risk, which is presented in 'Other comprehensive income', unless that treatment would create or enlarge an accounting mismatch in profit or loss.

Under the above criteria, the main classes of financial instruments designated by HSBC are:

– Debt instruments for funding purposes that are designated to reduce an accounting mismatch: The interest and/or foreign exchange exposure on certain fixed-rate debt securities issued has been matched with the interest and/or foreign exchange exposure on certain swaps as part of a documented risk management strategy.
– Financial assets and financial liabilities under unit-linked and non-linked investment contracts: A contract under which HSBC does not accept significant insurance risk from another party is not classified as an insurance contract, other than investment contracts with discretionary participation features ('DPF'), but is accounted for as a financial liability. Customer liabilities under linked and certain non-linked investment contracts issued by insurance subsidiaries are determined based on the fair value of the assets held in the linked funds or by a valuation method. The related financial assets and liabilities are managed and reported to management on a fair value basis. Designation at fair value of the financial assets and related liabilities allows changes in fair values to be recorded in the income statement and presented in the same line.
– Financial liabilities that contain both deposit and derivative components: These financial liabilities are managed and their performance evaluated on a fair value basis.

(h) Derivatives

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, interest rates or other indices. Derivatives are recognised initially and are subsequently measured at fair value through profit or loss. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. This includes embedded derivatives in financial liabilities, which are bifurcated from the host contract when they meet the definition of a derivative on a stand-alone basis.

Where the derivatives are managed with debt securities issued by HSBC that are designated at fair value where doing so reduces an accounting mismatch, the contractual interest is shown in 'Interest expense' together with the interest payable on the issued debt.

Hedge accounting

When derivatives are not part of fair value designated relationships, if held for risk management purposes they are designated in hedge accounting relationships where the required criteria for documentation and hedge effectiveness are met. HSBC uses these derivatives or, where allowed, other non-derivative hedging instruments in fair value hedges, cash flow hedges or hedges of net investments in foreign operations as appropriate to the risk being hedged.

Fair value hedge

Fair value hedge accounting does not change the recording of gains and losses on derivatives and other hedging instruments, but results in recognising changes in the fair value of the hedged assets or liabilities attributable to the hedged risk that would not otherwise be recognised in the income statement. If a hedge relationship no longer meets the criteria for hedge accounting, hedge accounting is discontinued and the cumulative adjustment to the carrying amount of a hedged item for which the effective interest rate method is used is amortised to the income statement on a recalculated effective interest rate, unless the hedged item has been derecognised, in which case it is recognised in the income statement immediately.

Cash flow hedge

The effective portion of gains and losses on hedging instruments is recognised in other comprehensive income and the ineffective portion of the change in fair value of derivative hedging instruments that are part of a cash flow hedge relationship is recognised immediately in the income statement within 'Net income from financial instruments held for trading or managed on a fair value basis'. The accumulated gains and losses recognised in other comprehensive income are reclassified to the income statement in the same periods in which the hedged item affects profit or loss. When a hedge relationship is discontinued, or partially discontinued, any cumulative gain or loss recognised in other comprehensive income remains in equity until the forecast transaction is recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss previously recognised in other comprehensive income is immediately reclassified to the income statement.

Net investment hedge

Hedges of net investments in foreign operations are accounted for in a similar way to cash flow hedges. The effective portion of gains and losses on the hedging instrument is recognised in other comprehensive income and other gains and losses are recognised immediately in the income statement. Gains and losses previously recognised in other comprehensive income are reclassified to the income statement on the disposal, or part-disposal, of the foreign operation.

Derivatives that do not qualify for hedge accounting

Non-qualifying hedges are derivatives entered into as economic hedges of assets and liabilities for which hedge accounting was not applied.

(i) Impairment of amortised cost and FVOCI financial assets

Expected credit losses ('ECL') are recognised for loans and advances to banks and customers, non-trading reverse repurchase agreements, other financial assets held at amortised cost, debt instruments measured at FVOCI, and certain loan commitments and financial guarantee contracts. At initial recognition, an allowance (or provision in the case of some loan commitments and financial guarantees) is recognised for ECL resulting from possible default events within the next 12 months, or less, where the remaining life is less than 12 months ('12-month ECL'). In the event of a significant increase in credit risk, an allowance (or provision) is recognised for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment, and so are considered to be in default or otherwise credit impaired are in 'stage 3'. Purchased or originated credit-impaired financial assets ('POCI') are treated differently as set out below.

Credit impaired (stage 3)

HSBC determines that a financial instrument is credit impaired and in stage 3 by considering relevant objective evidence, primarily whether contractual payments of either principal or interest are past due for more than 90 days, there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition, or the loan is otherwise considered to be in default.

If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due. Therefore, the definitions of credit impaired and default are aligned as far as possible so that stage 3 represents all loans that are considered defaulted or otherwise credit impaired.

Interest income is recognised by applying the effective interest rate to the amortised cost (i.e. gross carrying amount less allowance for ECL).

Write-off

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

Forbearance

Loans are identified as forborne and classified as either performing or non-performing when HSBC modifies the contractual terms due to financial difficulty of the borrower. Non-performing forborne loans are stage 3 and classified as non-performing until they meet the curing criteria, as specified by applicable credit risk policy (for example, when the loan is no longer in default and no other indicators of default have been present for at least 12 months). Any amount written off as a result of any modification of contractual terms upon entering forbearance would not be reversed.

The Group applies the EBA Guidelines on the application of definition of default for our retail portfolios, which affect credit risk policies and our reporting in respect of the status of loans as credit impaired principally due to forbearance (or curing thereof). Further details are provided under 'Forborne loans and advances' on page 140.

Performing forborne loans are initially stage 2 and remain classified as forborne until they meet applicable curing criteria (for example, they continue to not be in default and no other indicators of default are present for a period of at least 24 months). At this point, the loan is either stage 1 or stage 2 as determined by comparing the risk of a default occurring at the reporting date (based on the modified contractual terms) and the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

A forborne loan is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms, or if the terms of an existing agreement are modified such that the forborne loan is a substantially different financial instrument. Any new loans that arise following derecognition events in these circumstances would generally be classified as POCI and will continue to be disclosed as forborne.

Loan modifications other than forborne loans

Loan modifications that are not identified as forborne are considered to be commercial restructurings. Where a commercial restructuring results in a modification (whether legalised through an amendment to the existing terms or the issuance of a new loan contract) such that HSBC's rights to the cash flows under the original contract have expired, the old loan is derecognised and the new loan is recognised at fair value. The rights to cash flows are generally considered to have expired if the commercial restructuring is at market rates and no payment-related concession has been provided. Modifications of certain higher credit risk wholesale loans are assessed for derecognition, having regard to changes in contractual terms that either individually or in combination are judged to result in a substantially different financial instrument. Mandatory and general offer loan modifications that are not borrower specific, for example market-wide customer relief programmes, generally do not result in derecognition, but their stage allocation is determined considering all available and supportable information under our ECL impairment policy. Changes made to these financial instruments that are economically equivalent and required by interest rate benchmark reform do not result in the derecognition or a change in the carrying amount of the financial instrument, but instead require the effective interest rate to be updated to reflect the change of the interest rate benchmark.

Significant increase in credit risk (stage 2)
An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument.

The assessment explicitly or implicitly compares the risk of default occurring at the reporting date compared with that at initial recognition, taking into account reasonable and supportable information, including information about past events, current conditions and future economic conditions. The assessment is unbiased, probability-weighted, and to the extent relevant, uses forward-looking information consistent with that used in the measurement of ECL. The analysis of credit risk is multifactor. The determination of whether a specific factor is relevant and its weight compared with other factors depends on the type of product, the characteristics of the financial instrument and the borrower, and the geographical region. Therefore, it is not possible to provide a single set of criteria that will determine what is considered to be a significant increase in credit risk, and these criteria will differ for different types of lending, particularly between retail and wholesale. However, unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due. In addition, wholesale loans that are individually assessed, which are typically corporate and commercial customers, and included on a watch or worry list, are included in stage 2.

For wholesale portfolios, the quantitative comparison assesses default risk using a lifetime probability of default ('PD'), which encompasses a wide range of information including the obligor's customer risk rating ('CRR'), macroeconomic condition forecasts and credit transition probabilities. For origination CRRs up to 3.3, significant increase in credit risk is measured by comparing the average PD for the remaining term estimated at origination with the equivalent estimation at the reporting date. The quantitative measure of significance varies depending on the credit quality at origination as follows:

Origination CRR	Significance trigger – PD to increase by
0.1–1.2	15bps
2.1–3.3	30bps

For CRRs greater than 3.3 that are not impaired, a significant increase in credit risk is considered to have occurred when the origination PD has doubled. The significance of changes in PD was informed by expert credit risk judgement, referenced to historical credit migrations and to relative changes in external market rates.

For loans originated prior to the implementation of IFRS 9, the origination PD does not include adjustments to reflect expectations of future macroeconomic conditions since these are not available without the use of hindsight. In the absence of this data, origination PD must be approximated assuming through-the-cycle PDs and through-the-cycle migration probabilities, consistent with the instrument's underlying modelling approach and the CRR at origination. For these loans, the quantitative comparison is supplemented with additional CRR deterioration-based thresholds, as set out in the table below:

Origination CRR	Additional significance criteria – number of CRR grade notches deterioration required to identify as significant credit deterioration (stage 2) (> or equal to)
0.1	5 notches
1.1–4.2	4 notches
4.3–5.1	3 notches
5.2–7.1	2 notches
7.2–8.2	1 notch
8.3	0 notch

Further information about the 23-grade scale used for CRR can be found on page 139.

For retail portfolios, default risk is assessed using a reporting date 12-month PD derived from internal models, which incorporate all available information about the customer. This PD is adjusted for the effect of macroeconomic forecasts for periods longer than 12 months and is considered to be a reasonable approximation of a lifetime PD measure. Retail exposures are first segmented into homogenous portfolios, generally by country, product and brand. Within each portfolio, the stage 2 accounts are defined as accounts with an adjusted 12-month PD greater than the average 12-month PD of loans in that portfolio 12 months before they become 30 days past due. The expert credit risk judgement is that no prior increase in credit risk is significant. This portfolio-specific threshold therefore identifies loans with a PD higher than would be expected from loans that are performing as originally expected and higher than that which would have been acceptable at origination. It therefore approximates a comparison of origination to reporting date PDs.

We continue to refine the retail transfer criteria approach for certain portfolios as additional data becomes available, in order to utilise a more relative approach. These enhancements take advantage of the increase in origination-related data in the assessment of significant increases in credit risk by comparing remaining lifetime PD to the comparable remaining term lifetime PD at origination based on portfolio-specific origination segments.

Unimpaired and without significant increase in credit risk (stage 1)
ECL resulting from default events that are possible within the next 12 months ('12-month ECL') are recognised for financial instruments that remain in stage 1.

Purchased or originated credit impaired
Financial assets that are purchased or originated at a deep discount that reflects the incurred credit losses are considered to be POCI. This population includes new financial instruments recognised in most cases following the derecognition of forborne loans. The amount of change in lifetime ECL for a POCI loan is recognised in profit or loss until the POCI loan is derecognised, even if the lifetime ECL are less than the amount of ECL included in the estimated cash flows on initial recognition.

Movement between stages
Financial assets can be transferred between the different categories (other than POCI) depending on their relative increase in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments described above. In the case of non-performing forborne loans, such financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment and meet the curing criteria as described above.

Measurement of ECL

The assessment of credit risk and the estimation of ECL are unbiased and probability-weighted, and incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money and considers other factors such as climate-related risks.

In general, HSBC calculates ECL using three main components: a probability of default ('PD'), a loss given default ('LGD') and the exposure at default ('EAD').

The 12-month ECL is calculated by multiplying the 12-month PD, LGD and EAD. Lifetime ECL is calculated using the lifetime PD instead. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument respectively.

The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdowns of committed facilities. The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money.

HSBC makes use of the IRB framework where possible, with recalibration to meet the differing IFRS 9 requirements as set out in the following table:

Model	Regulatory capital	IFRS 9
PD	– Represents long-run average PD throughout a full economic cycle (for mortgage portfolios a hybrid approach, which sits between the extremes of point in time and through the cycle, is used for calculating long-run averages as required by the PRA) – Default backstop of 90+ days past due for all portfolios (includes unlikely to pay ('UTP') criteria in line with internal policy) – May be subject to a sovereign cap	– Represents current portfolio quality and performance, adjusted for the impact of multiple forward-looking macroeconomic scenarios – Default backstop of 90+ days past due for all portfolios (includes UTP criteria in line with internal policy)
EAD	– Cannot be lower than current balance	– Amortisation captured for term products – Future drawdown captured for revolving products
LGD	– Downturn LGD (consistent with losses we would expect to suffer during a severe but plausible economic downturn) – Regulatory floors may apply to mitigate risk of underestimating downturn LGD due to lack of historical data – Discounted using appropriate index (minimum 9%) – All collection costs included	– LGD based on recent portfolio performance data and includes the expected impact of future economic conditions such as change in the value of collateral – No floors applied, discounted using the original effective interest rate – Only costs associated with selling collateral and certain third-party costs are included
Other		– Discounted back from point of default to balance sheet date

While 12-month PDs are recalibrated from IRB models where possible, the lifetime PDs are determined by projecting the 12-month PD using a term structure. For the wholesale methodology, the lifetime PD also takes into account credit migration, i.e. a customer migrating through the CRR bands over its life.

The ECL for wholesale stage 3 is determined primarily on an individual basis using a discounted cash flow ('DCF') methodology. The expected future cash flows are based on estimates as of the reporting date, reflecting reasonable and supportable assumptions and projections of future recoveries and expected future receipts of interest.

Collateral is taken into account if it is likely that the recovery of the outstanding amount will include realisation of collateral based on its estimated fair value of collateral at the time of expected realisation, less costs for obtaining and selling the collateral.

The cash flows are discounted at a reasonable approximation of the original effective interest rate. For significant cases, cash flows under up to four different scenarios are probability-weighted by reference to the status of the borrower, economic scenarios applied more generally by the Group and judgement in relation to the likelihood of the work-out strategy succeeding or receivership being required. For less significant cases where an individual assessment is undertaken, the effect of different economic scenarios and work-out strategies results in an ECL calculation based on a most likely outcome which is adjusted to capture losses resulting from less likely but possible outcomes. For certain less significant cases, the bank may use an LGD-based modelled approach to ECL assessment, which factors in a range of economic scenarios.

Period over which ECL is measured

Expected credit loss is measured from the initial recognition of the financial asset. The maximum period considered when measuring ECL (be it 12-month or lifetime ECL) is the maximum contractual period over which HSBC is exposed to credit risk. However, where the financial instrument includes both a drawn and undrawn commitment and the contractual ability to demand repayment and cancel the undrawn commitment does not serve to limit HSBC's exposure to credit risk to the contractual notice period, the contractual period does not determine the maximum period considered. Instead, ECL is measured over the period HSBC remains exposed to credit risk that is not mitigated by credit risk management actions. This applies to retail overdrafts and credit cards, where the period is the average time taken for stage 2 exposures to default or close as performing accounts, determined on a portfolio basis and ranging from between two and six years. In addition, for these facilities it is not possible to identify the ECL on the loan commitment component separately from the financial asset component. As a result, the total ECL is recognised in the loss allowance for the financial asset unless the total ECL exceeds the gross carrying amount of the financial asset, in which case the ECL is recognised as a provision. For wholesale overdraft facilities, credit risk management actions are taken no less frequently than on an annual basis.

Forward-looking economic inputs

HSBC applies multiple forward-looking global economic scenarios determined with reference to external forecast distributions representative of its view of forecast economic conditions. This approach is considered sufficient to calculate unbiased expected credit losses in most economic environments. In certain economic environments, additional analysis may be necessary and may result in additional scenarios or adjustments, to reflect a range of possible economic outcomes sufficient for an unbiased estimate. The detailed methodology is disclosed in 'Measurement uncertainty and sensitivity analysis of ECL estimates' on page 147.

Critical estimates and judgements

The calculation of the Group's ECL under IFRS 9 requires the Group to make a number of judgements, assumptions and estimates. The most significant are set out below:

Judgements	Estimates
– Defining what is considered to be a significant increase in credit risk – Determining the lifetime and point of initial recognition of overdrafts and credit cards – Selecting and calibrating the PD, LGD and EAD models, which support the calculations, including making reasonable and supportable judgements about how models react to current and future economic conditions – Selecting model inputs and economic forecasts, including determining whether sufficient and appropriately weighted economic forecasts are incorporated to calculate unbiased expected credit loss – Making management adjustments to account for late-breaking events, model and data limitations and deficiencies, and expert credit judgements – Selecting applicable recovery strategies for certain wholesale credit-impaired loans	– The section 'Measurement uncertainty and sensitivity analysis of ECL estimates', marked as audited from page 147, sets out the assumptions used in determining ECL, and provides an indication of the sensitivity of the result to the application of different weightings being applied to different economic assumptions

(j) Insurance contracts

A contract is classified as an insurance contract where the Group accepts significant insurance risk from another party by agreeing to compensate that party if it is adversely affected by a specified uncertain future event. An insurance contract may also transfer financial risk, but is accounted for as an insurance contract if the insurance risk is significant. In addition, the Group issues investment contracts with discretionary participation features ('DPF'), which are also accounted under IFRS 17 'Insurance Contracts'.

Aggregation of insurance contracts

Individual insurance contracts that are managed together and subject to similar risks are identified as a portfolio. Contracts that are managed together usually belong to the same product group, and have similar characteristics such as being subject to a similar pricing framework or similar product management, and are issued by the same legal entity. If a contract is exposed to more than one risk, the dominant risk of the contract is used to assess whether the contract features similar risks. Each portfolio is further separated by the contract's expected profitability. The portfolios are split by their profitability into: (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and (iii) the remaining contracts. These profitability groups are then divided by issue date, with most contracts the Group issues after the transition date being grouped into calendar quarter cohorts. For multi-currency groups of contracts, the Group considers its groups of contracts as being denominated in a single currency.

The measurement of the insurance contract liability is based on groups of insurance contracts as established at initial recognition, and will include fulfilment cash flows as well as the CSM representing the unearned profit. The Group's accounting policy is to update the estimates used in the measurement on a year-to-date basis.

Fulfilment cash flows

The fulfilment cash flows comprise the following:

Best estimates of future cash flows

The cash flows within the contract boundary of each contract in the Group include amounts expected to be collected from premiums and payouts for claims, benefits and expenses, and are projected using a range of scenarios and assumptions in an unbiased way based on the Group's demographic and operating experience along with external mortality data where the Group's own experience data is not sufficiently large in size to be credible.

Adjustment for the time value of money and financial risks associated with the future cash flows

The estimates of future cash flows are adjusted to reflect the time value of money (i.e. discounting) and the financial risks to derive an expected present value. The Group generally makes use of stochastic modelling techniques in the estimation for products with options and guarantees.

A bottom-up approach is used to determine the discount rate to be applied to a given set of expected future cash flows. This is derived as the sum of the risk-free yield and an illiquidity premium. The risk-free yield is determined based on observable market data, where such markets are considered to be deep, liquid and transparent. When information is not available, management judgement is applied to determine the appropriate risk-free yield. Illiquidity premiums reflect the liquidity characteristics of the associated insurance contracts.

Risk adjustment for non-financial risk

The risk adjustment reflects the compensation required for bearing the uncertainty about the amount and timing of future cash flows that arises from non-financial risk. It is calculated as a 75th percentile level of stress over a one-year period. The level of the stress is determined with reference to external regulatory stresses and internal economic capital stresses.

For the main insurance manufacturing entity in these locations, the one-year 75th percentile level of stress corresponds to the following percentiles based on an ultimate view of risk over all future years:

- Asia-Pacific (Hong Kong): 60th percentile (2023: 60th percentile).
- Europe (France): 60th percentile (2023: 60th percentile).
- Latin America (Mexico): 64th percentile (2023: 65th percentile).

The Group does not disaggregate changes in the risk adjustment between insurance service result (comprising insurance revenue and insurance service expense) and insurance finance income or expenses. All changes are included in the insurance service result.

Measurement models

The variable fee approach ('VFA') measurement model is used for most of the contracts issued by the Group, which is mandatory upon meeting the following eligibility criteria at inception:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Group expects to pay to the policyholder a substantial share of the fair value returns on the underlying items. The Group considers that a substantial share is a majority of returns; and
- the Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items. The Group considers that a substantial proportion is a majority proportion of change on a present value probability-weighted average of all scenarios.

For some contracts measured under VFA, the other comprehensive income ('OCI') option is used. The OCI option is applied where the underlying items held by the Group are not accounted for at fair value through profit or loss. Under this option, only the amount that matches income or expenses recognised in profit or loss on underlying items is included in finance income or expenses for these insurance contracts, and hence results in the elimination of accounting mismatches. The remaining amount of finance income or expenses for these insurance contracts issued for the period is recognised in OCI. In addition, the risk mitigation option is used for a number of economic offsets against the instruments that meet specific requirements.

The remaining contracts issued and the reinsurance contracts held are accounted for under the general measurement model ('GMM').

CSM and coverage units

The CSM represents the unearned profit and results in no income or expense at initial recognition when the group of contracts is profitable. The CSM is adjusted at each subsequent reporting period for changes in fulfilment cash flows relating to future service (e.g. changes in non-economic assumptions, including mortality and morbidity rates). For initial recognition of onerous groups of contracts and when groups of contracts become onerous subsequently, losses are recognised in insurance service expense immediately.

For groups of contracts measured using the VFA, changes in the Group's share of the underlying items, and economic experience and economic assumption changes adjust the CSM, whereas these changes do not adjust the CSM under the GMM, but are recognised in profit or loss as they arise. However, under the risk mitigation option for VFA contracts, the changes in the fulfilment cash flows and the changes in the Group's share in the fair value return on underlying items that the instruments mitigate are not adjusted in CSM but recognised in profit or loss. The risk mitigating instruments are primarily reinsurance contracts held.

The CSM is systematically recognised in insurance revenue to reflect the insurance contract services provided, based on the coverage units of the group of contracts. Coverage units are determined by the quantity of benefits and the expected coverage period of the contracts.

The Group identifies the quantity of the benefits provided as follows:

- Insurance coverage: This is based on the expected net policyholder insurance benefit at each period after allowance for decrements, where net policyholder insurance benefit refers to the amount of sum assured less the fund value or surrender value.
- Investment services (including both investment-return service and investment-related service): This is based on a constant measure basis which reflects the provision of access for the policyholder to the facility.

For contracts that provide both insurance coverage and investment services, coverage units are weighted according to the expected present value of the future cash outflows for each service.

Insurance service result

Insurance revenue reflects the consideration to which the Group expects to be entitled in exchange for the provision of coverage and other insurance contract services (excluding any investment components). Insurance service expenses comprise the incurred claims and other incurred insurance service expenses (excluding any investment components), and losses on onerous groups of contracts and reversals of such losses.

Insurance finance income and expenses

Insurance finance income and expenses comprise the change in the carrying amount of the group of insurance contracts arising from the effects of the time value of money, financial risk and changes therein. For VFA contracts, changes in the fair value of underlying items (excluding additions and withdrawals) are recognised in insurance finance income or expenses.

(k) Employee compensation and benefits

Share-based payments

HSBC enters into both equity-settled and cash-settled share-based payment arrangements with its employees as compensation for the provision of their services.

The vesting period for these schemes may commence before the legal grant date if the employees have started to render services in respect of the award before the legal grant date, where there is a shared understanding of the terms and conditions of the arrangement. Expenses are recognised when the employee starts to render service to which the award relates.

Cancellations result from the failure to meet a non-vesting condition during the vesting period, and are treated as an acceleration of vesting recognised immediately in the income statement. Failure to meet a vesting condition by the employee is not treated as a cancellation, and the amount of expense recognised for the award is adjusted to reflect the number of awards expected to vest.

Post-employment benefit plans

HSBC operates a number of pension schemes including defined benefit, defined contribution and other post-employment benefit schemes.

Payments to defined contribution schemes are charged as an expense as the employees render service.

Defined benefit pension obligations are calculated using the projected unit credit method. The net charge to the income statement mainly comprises the service cost and the net interest on the net defined benefit asset or liability, and is presented in operating expenses.

Remeasurements of the net defined benefit asset or liability, which comprise actuarial gains and losses, return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The net defined benefit asset or liability represents the present value of defined benefit obligations reduced by the fair value of plan assets (see Note 1.2(c)), after applying the asset ceiling test, where the net defined benefit surplus is limited to the present value of available refunds and reductions in future contributions to the plan.

The costs of obligations arising from other post-employment plans are accounted for on the same basis as defined benefit pension plans.

Critical estimates and judgements

The most significant critical estimates relate to the determination of key assumptions applied in calculating the defined benefit pension obligation for the principal plan.

Judgements	Estimates
	– A range of assumptions could be applied, and different assumptions could significantly alter the defined benefit obligation and the amounts recognised in profit or loss or OCI. – The calculation of the defined benefit pension obligation includes assumptions with regard to the discount rate, inflation rate, pension payments and deferred pensions, pay and mortality. Management determines these assumptions in consultation with the plan's actuaries. – Key assumptions used in calculating the defined benefit pension obligation for the principal plan and the sensitivity of the calculation to different assumptions are described in Note 5.

(l) Tax

Income tax comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is recognised in the same statement as the related item appears.

Current tax is the tax expected to be payable on the taxable profit for the year and on any adjustment to tax payable in respect of previous years. HSBC provides for potential current tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet, and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled.

In assessing the probability and sufficiency of future taxable profit, management considers the availability of evidence to support the recognition of deferred tax assets, taking into account the inherent risks in long-term forecasting, including climate change-related, and drivers of recent history of tax losses where applicable. Management also considers the future reversal of existing taxable temporary differences and tax planning strategies, including corporate reorganisations.

Current and deferred tax are calculated based on tax rates and laws enacted, or substantively enacted, by the balance sheet date.

Critical estimates and judgements

The recognition of deferred tax assets depends on judgements and estimates.

Judgements	Estimates
– Specific judgements supporting deferred tax assets are described in Note 7.	– The recognition of deferred tax assets is sensitive to estimates of future cash flows projected for periods for which detailed forecasts are available and to assumptions regarding the long-term pattern of cash flows thereafter, on which forecasts of future taxable profit are based, and which affect the expected recovery periods and the pattern of utilisation of tax losses and tax credits. See Note 7 for further detail.

The Group does not consider there to be a significant risk of a material adjustment to the carrying amount of deferred tax assets in the next financial year, but does consider this to be an area that is inherently judgemental.

(m) Provisions, contingent liabilities and guarantees

Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation that has arisen as a result of past events and for which a reliable estimate can be made.

Critical estimates and judgements

The recognition and measurement of provisions requires the Group to make a number of judgements, assumptions and estimates. The most significant are set out below:

Judgements	Estimates
– Determining whether a present obligation exists. Professional advice is taken on the assessment of litigation and similar obligations. – Provisions for legal proceedings and regulatory matters typically require a higher degree of judgement than other types of provisions. When matters are at an early stage, accounting judgements can be difficult because of the high degree of uncertainty associated with determining whether a present obligation exists, and estimating the probability and amount of any outflows that may arise. As matters progress, management and legal advisers evaluate on an ongoing basis whether provisions should be recognised, revising previous estimates as appropriate. At more advanced stages, it is typically easier to make estimates around a better defined set of possible outcomes.	– Provisions for legal proceedings and regulatory matters remain very sensitive to the assumptions used in the estimate. There could be a wider range of possible outcomes for any pending legal proceedings, investigations or inquiries. As a result it is often not practicable to quantify a range of possible outcomes for individual matters. It is also not practicable to meaningfully quantify ranges of potential outcomes in aggregate for these types of provisions because of the diverse nature and circumstances of such matters and the wide range of uncertainties involved.

Contingent liabilities, contractual commitments and guarantees

Contingent liabilities

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, and contingent liabilities related to legal proceedings or regulatory matters, are not recognised in the financial statements but are disclosed unless the probability of settlement is remote.

Financial guarantee contracts

Liabilities under financial guarantee contracts that are not classified as insurance contracts are recorded initially at their fair value, which is generally the fee received or present value of the fee receivable.

(n) Impairment of non-financial assets

Software under development is tested for impairment at least annually. Other non-financial assets are property, plant and equipment, intangible assets (excluding goodwill) and right-of-use assets. They are tested for impairment at the individual asset level when there is indication of impairment at that level, or at the CGU level for assets that do not have a recoverable amount at the individual asset level. In addition, impairment is also tested at the CGU level when there is indication of impairment at that level. For this purpose, CGUs are considered to be the principal operating legal entities divided by global business. Impairment testing compares the carrying amount of the non-financial asset or CGU with its recoverable amount, which is the higher of the fair value less costs of disposal or the value in use. The carrying amount of a CGU comprises the carrying amount of its assets and liabilities, including non-financial assets that are directly attributable to it and non-financial assets that can be allocated to it on a reasonable and consistent basis. Non-financial assets that cannot be allocated to an individual CGU are tested for impairment at an appropriate grouping of CGUs. The recoverable amount of the CGU is the higher of the fair value less costs of disposal of the CGU, which is determined by independent and qualified valuers where relevant, and the value in use, which is calculated based on appropriate inputs (see Note 21).

When the recoverable amount of a CGU is less than its carrying amount, an impairment loss is recognised in the income statement to the extent that the impairment can be allocated on a pro-rata basis to the non-financial assets by reducing their carrying amounts to the higher of their respective individual recoverable amount or nil. Impairment is not allocated to the financial assets in a CGU.

Impairment losses recognised in prior periods for non-financial assets are reversed when there has been a change in the estimate used to determine the recoverable amount. The impairment loss is reversed to the extent that the carrying amount of the non-financial assets would not exceed the amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised in prior periods.

Critical estimates and judgements

The review of goodwill and other non-financial assets for impairment reflects management's best estimate of the future cash flows of the CGUs and the rates used to discount these cash flows, both of which are subject to uncertain factors as described in the 'Critical estimates and judgements' in Note 1.2(a).

The Group does not consider there to be a significant risk of a material adjustment to the carrying amount of goodwill and non-financial assets in the next financial year, but does consider this to be an area that is inherently judgemental.

(o) Non-current assets and disposal groups held for sale

HSBC classifies non-current assets or disposal groups (including assets and liabilities) as held for sale when their carrying amounts will be recovered principally through sale rather than through continuing use. To be classified as held for sale, the non-current asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups), and the sale must be highly probable. For a sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group) and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Held for sale assets and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell except for those assets and liabilities that are not within the scope of the measurement requirements of IFRS 5. If the carrying amount of the non-current asset (or disposal group) is greater than the fair value less costs to sell, an impairment loss for any initial or subsequent write-down of the asset or disposal group to fair value less costs to sell is recognised. Any such impairment loss is first allocated against the non-current assets that are in scope of IFRS 5 for measurement. This first reduces the carrying amount of any goodwill allocated to the disposal group, and then to the other non-current assets of the disposal group pro rata on the basis of the carrying amount of each asset in the disposal group. Thereafter, any impairment loss in excess of the carrying amount of the non-current assets in scope of IFRS 5 for measurement is recognised against the total assets of the disposal group.

2 Net fee income

Net fee income by global business

	2024				
	Wealth and Personal Banking	Commercial Banking	Global Banking and Markets	Corporate Centre	Total
	$m	$m	$m	$m	$m
Funds under management	1,864	78	497	—	2,439
Cards	2,448	351	44	—	2,843
Credit facilities	85	722	621	—	1,428
Broking income	561	13	716	—	1,290
Account services	348	791	360	—	1,499
Unit trusts	1,060	10	1	—	1,071
Underwriting	—	8	683	—	691
Global custody	120	7	704	—	831
Remittances	77	387	361	—	825
Imports/exports	—	463	182	—	645
Insurance agency commission	329	18	—	—	347
Other	1,551	1,249	2,725	(3,168)	2,357
Fee income	8,443	4,097	6,894	(3,168)	16,266
Less: fee expense	(2,513)	(245)	(4,348)	3,141	(3,965)
Net fee income	5,930	3,852	2,546	(27)	12,301

	2023				
	Wealth and Personal Banking	Commercial Banking	Global Banking and Markets	Corporate Centre	Total
	$m	$m	$m	$m	$m
Funds under management	1,763	71	539	—	2,373
Cards	2,385	353	38	—	2,776
Credit facilities	103	856	615	—	1,574
Broking income	463	22	592	—	1,077
Account services	402	788	347	—	1,537
Unit trusts	727	10	1	—	738
Underwriting	—	3	583	—	586
Global custody	128	6	730	—	864
Remittances	86	389	347	1	823
Imports/exports	—	470	154	—	624
Insurance agency commission	280	18	—	—	298
Other	1,433	1,161	2,458	(2,706)	2,346
Fee income	7,770	4,147	6,404	(2,705)	15,616
Less: fee expense	(2,416)	(210)	(3,858)	2,713	(3,771)
Net fee income	5,354	3,937	2,546	8	11,845

	2022				
	Wealth and Personal Banking	Commercial Banking	Global Banking and Markets	Corporate Centre	Total
	$m	$m	$m	$m	$m
Funds under management	1,765	107	500	(12)	2,360
Cards	2,146	313	32	—	2,491
Credit facilities	100	783	591	—	1,474
Broking income	576	40	635	—	1,251
Account services	337	730	344	1	1,412
Unit trusts	682	14	—	—	696
Underwriting	1	2	443	(5)	441
Global custody	140	19	762	—	921
Remittances	72	380	346	1	799
Imports/exports	—	493	141	—	634
Insurance agency commission	283	16	1	—	300
Other	1,330	1,102	2,376	(2,463)	2,345
Fee income	7,432	3,999	6,171	(2,478)	15,124
Less: fee expense	(2,128)	(212)	(3,459)	2,445	(3,354)
Net fee income	5,304	3,787	2,712	(33)	11,770

Net fee income included $6,816m of fees earned on financial assets that were not at fair value through profit or loss, other than amounts included in determining the effective interest rate (2023: $6,971m; 2022: $6,410m), $1,951m of fees payable on financial liabilities that were not at fair value through profit or loss, other than amounts included in determining the effective interest rate (2023: $1,872m; 2022: $1,613m), $3,480m of fees earned on trust and other fiduciary activities (2023: $3,452m; 2022: $3,492m) and $401m of fees payable relating to trust and other fiduciary activities (2023: $333m; 2022: $370m).

3 Net income/(expense) from financial instruments measured at fair value through profit or loss

	2024 $m	2023 $m	2022 $m
Net income/(expense) arising on:			
Net trading activities	**23,186**	20,391	2,372
Other instruments managed on a fair value basis	**(2,070)**	(3,730)	7,906
Net income from financial instruments held for trading or managed on a fair value basis	**21,116**	16,661	10,278
Financial assets held to meet liabilities under insurance and investment contracts	**6,210**	8,086	(14,392)
Liabilities to customers under investment contracts	**(309)**	(199)	561
Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	**5,901**	7,887	(13,831)

HSBC Holdings

	2024 $m	2023 $m	2022 $m
Net income/(expense) arising on:			
Net trading activities	**984**	(546)	2,094
Other instruments managed on a fair value basis	**1,915**	1,609	35
Net income from financial instruments held for trading or managed on a fair value basis	**2,899**	1,063	2,129
Derivatives managed in conjunction with HSBC Holdings-issued debt securities	**93**	426	(1,529)
Other changes in fair value	**(218)**	(1,894)	3,673
Changes in fair value of designated debt and related derivatives	**(125)**	(1,468)	2,144
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	**2,086**	3,692	(2,409)
Year ended 31 Dec	**4,860**	3,287	1,864

4 Insurance business

Insurance service result

	Year ended 31 Dec 2024			Year ended 31 Dec 2023		
	Life direct participating and investment DPF contracts[1]	**Life other contracts[2]**	**Total**	Life direct participating and investment DPF contracts[1]	Life other contracts[2]	Total
	$m	**$m**	**$m**	$m	$m	$m
Insurance revenue						
Amounts relating to changes in liabilities for remaining coverage	**1,890**	**566**	**2,456**	1,626	470	2,096
– Contractual service margin recognised for services provided	**1,143**	**188**	**1,331**	975	151	1,126
– Change in risk adjustment for non-financial risk for risk expired	**46**	**20**	**66**	21	15	36
– Expected incurred claims and other insurance service expenses	**698**	**358**	**1,056**	594	304	898
– Other	**3**	**—**	**3**	36	—	36
Recovery of insurance acquisition cash flows	**195**	**101**	**296**	109	54	163
Total insurance revenue	**2,085**	**667**	**2,752**	1,735	524	2,259
Insurance service expenses						
Incurred claims and other insurance service expenses	**(616)**	**(428)**	**(1,044)**	(615)	(292)	(907)
Losses and reversal of losses on onerous contracts	**(50)**	**(73)**	**(123)**	(32)	(77)	(109)
Amortisation of insurance acquisition cash flows	**(195)**	**(101)**	**(296)**	(109)	(54)	(163)
Adjustments to liabilities for incurred claims	**(6)**	**27**	**21**	(1)	(1)	(2)
Total insurance service expenses	**(867)**	**(575)**	**(1,442)**	(757)	(424)	(1,181)
Total insurance service result	**1,218**	**92**	**1,310**	978	100	1,078

1 'Life direct participating and investment DPF contracts' are substantially measured under the variable fee approach measurement model.
2 'Life other contracts' are measured under the general measurement model.

Net investment return

	Year ended 31 Dec 2024			Year ended 31 Dec 2023		
	Life direct participating and investment DPF contracts	**Life other contracts**	**Total**	Life direct participating and investment DPF contracts	Life other contracts	Total
	$m	**$m**	**$m**	$m	$m	$m
Investment return						
Amounts recognised in profit or loss[1]	**5,644**	**273**	**5,917**	7,663	214	7,877
Amounts recognised in OCI[2]	**185**	**—**	**185**	493	—	493
Total investment return (memorandum)	**5,829**	**273**	**6,102**	8,156	214	8,370
Net finance expense						
Changes in fair value of underlying items of direct participating contracts	**(5,805)**	**—**	**(5,805)**	(7,995)	—	(7,995)
Effect of risk mitigation option	**44**	**—**	**44**	(35)	—	(35)
Interest accreted	**—**	**(110)**	**(110)**	—	(127)	(127)
Effect of changes in interest rates and other financial assumptions	**—**	**(298)**	**(298)**	(12)	(121)	(133)
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition	**—**	**—**	**—**	—	(10)	(10)
Total net finance expense from insurance contracts	**(5,761)**	**(408)**	**(6,169)**	(8,042)	(258)	(8,300)
Represented by:						
Amounts recognised in profit or loss	**(5,570)**	**(408)**	**(5,978)**	(7,551)	(258)	(7,809)
Amounts recognised in OCI	**(191)**	**—**	**(191)**	(491)	—	(491)
Total net investment return	**68**	**(135)**	**(67)**	114	(44)	70
Represented by:						
Amounts recognised in profit or loss	**74**	**(135)**	**(61)**	112	(44)	68
Amounts recognised in OCI	**(6)**	**—**	**(6)**	2	—	2

1 Total Group 'Net income/(expense) from assets and liabilities of insurance business, including related derivatives, measured at fair value through profit or loss' of $5,901m gain (2023: $7,886m gain) includes returns on assets and liabilities supporting insurance policies of $5,685m (2023: $7,627m loss) and on shareholder assets of $216m (2023: $259m gain). Investment returns of $5,917m (2023: $7,877m gain) include gains of $5,685m (2023: $7,627m gain) on underlying assets supporting insurance liabilities reported in 'Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss', $235m gains (2023: $257m gain) reported in 'Net interest income' and $3m loss (2023: $7m loss) reported in 'Other operating income'.

2 'Amounts recognised in OCI' insurance investment income comprises of fair value gains of $185m (2023: $497m gain) and expected credit (recoveries)/losses of nil (2023: $4m loss). The Group statement of comprehensive income statement 'Debt instruments at fair value through other comprehensive income – fair value gains/(losses)' gain of $41m (2023: $2,381m gain) includes insurance investment income recognised in OCI of $185m gain (2023: $497m gain) and 'Debt instruments at fair value through other comprehensive income - expected credit (recoveries)/losses recognised in the income statement' recovery of $6m (2023: $59m loss) includes insurance expected credit (recoveries)/losses recognised in OCI of nil (2023: $4m loss).

Reconciliation of amounts included in other comprehensive income for financial assets measured at fair value through other comprehensive income – assets supporting contracts measured under the modified retrospective approach

	2024	2023
	$m	$m
Balance at 1 Jan	**(670)**	(973)
Net change in fair value	**(153)**	451
Net amount reclassified to profit or loss	**3**	(6)
Related income tax	**39**	(115)
Foreign exchange and other	**45**	(27)
Balance at 31 Dec	**(736)**	(670)

Movements in carrying amounts of insurance contracts – analysis by remaining coverage and incurred claims

	Year ended 31 Dec 2024								
	Life direct participating and investment DPF contracts				Life other contracts				
	Liabilities for remaining coverage:				Liabilities for remaining coverage:				
	Excluding loss component	Loss component	Incurred claims	Total	Excluding loss component	Loss component	Incurred claims	Total	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m
Opening assets	(15)	1	1	(13)	(279)	(16)	56	(239)	(252)
Opening liabilities	116,546	121	370	117,037	3,400	191	223	3,814	120,851
Net opening balance at 1 Jan 2024	116,531	122	371	117,024	3,121	175	279	3,575	120,599
Changes in the consolidated income statement and statement of comprehensive income									
Insurance revenue									
Contracts under the fair value approach[1]	(715)	—	—	(715)	(217)	—	—	(217)	(932)
Contracts under the modified retrospective approach	(141)	—	—	(141)	(18)	—	—	(18)	(159)
Other contracts[2]	(1,229)	—	—	(1,229)	(432)	—	—	(432)	(1,661)
Total insurance revenue	(2,085)	—	—	(2,085)	(667)	—	—	(667)	(2,752)
Insurance service expenses									
Incurred claims and other insurance service expenses	—	(7)	623	616	—	(49)	477	428	1,044
Amortisation of insurance acquisition cash flows	195	—	—	195	101	—	—	101	296
Losses and reversal of losses on onerous contracts	—	50	—	50	—	73	—	73	123
Adjustments to liabilities for incurred claims	—	—	6	6	—	—	(27)	(27)	(21)
Total insurance service expenses	195	43	629	867	101	24	450	575	1,442
Investment components	(8,284)	—	8,284	—	(1,058)	—	1,058	—	—
Insurance service result	(10,174)	43	8,913	(1,218)	(1,624)	24	1,508	(92)	(1,310)
Net finance expense from insurance contracts[3]	5,720	41	—	5,761	405	3	—	408	6,169
Other movements recognised in the statement of profit or loss	—	—	—	—	—	—	—	—	—
Effect of movements in exchange rates	(1,162)	(5)	(9)	(1,176)	(76)	1	(24)	(99)	(1,275)
Total changes in the consolidated income statement and statement of comprehensive income	(5,616)	79	8,904	3,367	(1,295)	28	1,484	217	3,584
Cash flows									
Premiums received	16,442	—	—	16,442	1,950	—	—	1,950	18,392
Claims, other insurance service expenses paid and other cash flows	2	—	(9,020)	(9,018)	2	—	(1,508)	(1,506)	(10,524)
Insurance acquisition cash flows	(835)	—	—	(835)	(260)	—	—	(260)	(1,095)
Total cash flows	15,609	—	(9,020)	6,589	1,692	—	(1,508)	184	6,773
Other movements[4]	(23,495)	(54)	(31)	(23,580)	53	8	60	121	(23,459)
Net closing balance at 31 Dec 2024	103,029	147	224	103,400	3,571	211	315	4,097	107,497
Closing assets	(16)	1	1	(14)	(177)	(13)	72	(118)	(132)
Closing liabilities	103,045	146	223	103,414	3,748	224	243	4,215	107,629
Net closing balance at 31 Dec 2024	103,029	147	224	103,400	3,571	211	315	4,097	107,497

Movements in carrying amounts of insurance contracts – analysis by remaining coverage and incurred claims (continued)

	Year ended 31 Dec 2023								
	Life direct participating and investment DPF contracts				Life other contracts				
	Liabilities for remaining coverage:				Liabilities for remaining coverage:				
	Excluding loss component	Loss component	Incurred claims	Total	Excluding loss component	Loss component	Incurred claims	Total	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m
Opening assets	(5)	—	—	(5)	(187)	21	35	(131)	(136)
Opening liabilities	104,676	114	355	105,145	3,359	109	203	3,671	108,816
Net opening balance at 1 Jan 2023	104,671	114	355	105,140	3,172	130	238	3,540	108,680
Changes in the consolidated income statement and statement of comprehensive income									
Insurance revenue									
Contracts under the fair value approach[1]	(508)	—	—	(508)	(196)	—	—	(196)	(704)
Contracts under the modified retrospective approach	(148)	—	—	(148)	(22)	—	—	(22)	(170)
Other contracts[2]	(1,079)	—	—	(1,079)	(306)	—	—	(306)	(1,385)
Total insurance revenue	(1,735)	—	—	(1,735)	(524)	—	—	(524)	(2,259)
Insurance service expenses									
Incurred claims and other insurance service expenses	—	(6)	621	615	—	(24)	316	292	907
Amortisation of insurance acquisition cash flows	109	—	—	109	54	—	—	54	163
Losses and reversal of losses on onerous contracts	—	32	—	32	—	77	—	77	109
Adjustments to liabilities for incurred claims	—	—	1	1	—	—	1	1	2
Total insurance service expenses	109	26	622	757	54	53	317	424	1,181
Investment components	(8,104)	—	8,104	—	(818)	—	818	—	—
Insurance service result	(9,730)	26	8,726	(978)	(1,288)	53	1,135	(100)	(1,078)
Net finance expense from insurance contracts[3]	8,042	—	—	8,042	254	3	1	258	8,300
Other movements recognised in the statement of profit or loss	513	(5)	(214)	294	(8)	4	(13)	(17)	277
Effect of movements in exchange rates	942	1	6	949	25	(2)	8	31	980
Total changes in the consolidated income statement and statement of comprehensive income	(233)	22	8,518	8,307	(1,017)	58	1,131	172	8,479
Cash flows									
Premiums received	12,616	—	—	12,616	1,256	—	—	1,256	13,872
Claims, other insurance service expenses paid and other cash flows	(15)	—	(8,502)	(8,517)	1	—	(1,112)	(1,111)	(9,628)
Insurance acquisition cash flows	(522)	—	—	(522)	(282)	—	—	(282)	(804)
Total cash flows	12,079	—	(8,502)	3,577	975	—	(1,112)	(137)	3,440
Acquisition of subsidiaries and other movements	14	(14)	—	—	(9)	(13)	22	—	—
Net closing balance at 31 Dec 2023	116,531	122	371	117,024	3,121	175	279	3,575	120,599
Closing assets	(15)	1	1	(13)	(279)	(16)	56	(239)	(252)
Closing liabilities	116,546	121	370	117,037	3,400	191	223	3,814	120,851
Net closing balance at 31 Dec 2023	116,531	122	371	117,024	3,121	175	279	3,575	120,599

1 On transition to IFRS 17 the Group applied the full retrospective approach to new business written from 2018 at the earliest. Where applying the full retrospective approach was impracticable, the Group primarily applied the fair value approach.
2 'Other contracts' are those contracts measured by applying IFRS 17 from inception of the contracts. These include contracts measured under the full retrospective approach at transition and contracts incepted after transition.
3 'Net finance expense from insurance contracts' expense of $6,169m (2023: $8,300m expense) comprises expense of $5,978m (2023: $7,809m expense) recognised in the income statement and expense of $191m (2023: $491m expense) recognised in other comprehensive income.
4 The 'Other movements' reduction of $23,459m in insurance contracts includes $21,811m in respect of our French insurance business, classified as held for sale at 31 December 2024. Further details are provided on page 412.

Movements in carrying amounts of insurance contracts – analysis by measurement component

	Year ended 31 Dec 2024										
	Life direct participating and investment DPF contracts					Life other contracts					
	Estimates of present value of future cash flows and risk adjustment	Contractual service margin				Estimates of present value of future cash flows and risk adjustment	Contractual service margin				
		Contracts under the fair value approach[1]	Contracts under the modified retros-pective approach	Other contracts[2]	Total		Contracts under the fair value approach[1]	Contracts under the modified retros-pective approach	Other contracts[2]	Total	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Opening assets	(30)	3	—	14	(13)	(339)	36	—	64	(239)	(252)
Opening liabilities	106,440	4,679	715	5,203	117,037	3,113	361	19	321	3,814	120,851
Net opening balance at 1 Jan 2024	106,410	4,682	715	5,217	117,024	2,774	397	19	385	3,575	120,599
Changes in the consolidated income statement and statement of comprehensive income											
Changes that relate to current services											
Contractual service margin recognised for services provided	—	(488)	(59)	(596)	(1,143)	—	(77)	(6)	(105)	(188)	(1,331)
Change in risk adjustment for non-financial risk expired	(46)	—	—	—	(46)	(20)	—	—	—	(20)	(66)
Experience adjustments	(82)	—	—	—	(82)	70	—	—	—	70	(12)
Other movements recognised in insurance service result	—	52	—	(55)	(3)	—	—	—	—	—	(3)
Changes that relate to future services											
Contracts initially recognised in the year	(2,384)	—	—	2,400	16	(201)	—	—	220	19	35
Changes in estimates that adjust the contractual service margin[3]	(914)	229	(6)	691	—	(7)	30	7	(30)	—	—
Changes in estimates that result in losses and reversal of losses on onerous contracts	34	—	—	—	34	54	—	—	—	54	88
Changes that relate to past services											
Adjustments to liabilities for incurred claims	6	—	—	—	6	(27)	—	—	—	(27)	(21)
Insurance service result	(3,386)	(207)	(65)	2,440	(1,218)	(131)	(47)	1	85	(92)	(1,310)
Net finance expense from insurance contracts[4]	5,761	—	—	—	5,761	380	12	—	16	408	6,169
Other movements recognised in the statement of profit or loss	—	—	—	—	—	—	—	—	—	—	—
Effect of movements in exchange rates	(1,167)	51	(24)	(36)	(1,176)	(50)	(11)	—	(38)	(99)	(1,275)
Total changes in the consolidated income statement and statement of comprehensive income	1,208	(156)	(89)	2,404	3,367	199	(46)	1	63	217	3,584
Cash flows											
Premiums received	16,442	—	—	—	16,442	1,950	—	—	—	1,950	18,392
Claims, other insurance service expenses paid and other cash flows	(9,018)	—	—	—	(9,018)	(1,506)	—	—	—	(1,506)	(10,524)
Insurance acquisition cash flows	(835)	—	—	—	(835)	(260)	—	—	—	(260)	(1,095)
Total cash flows	6,589	—	—	—	6,589	184	—	—	—	184	6,773
Other movements[5]	(22,736)	(23)	(626)	(195)	(23,580)	153	2	(20)	(14)	121	(23,459)
Net closing balance at 31 Dec 2024	91,471	4,503	—	7,426	103,400	3,310	353	—	434	4,097	107,497
Closing assets	(27)	3	—	10	(14)	(359)	73	—	168	(118)	(132)
Closing liabilities	91,498	4,500	—	7,416	103,414	3,669	280	—	266	4,215	107,629
Net closing balance at 31 Dec 2024	91,471	4,503	—	7,426	103,400	3,310	353	—	434	4,097	107,497

Movements in carrying amounts of insurance contracts – analysis by measurement component (continued)

	Year ended 31 Dec 2023										
	Life direct participating and investment DPF contracts					Life other contracts					
	Estimates of present value of future cash flows and risk adjustment	Contractual service margin: Contracts under the fair value approach[1]	Contractual service margin: Contracts under the modified retros-pective approach	Contractual service margin: Other contracts[2]	Total	Estimates of present value of future cash flows and risk adjustment	Contractual service margin: Contracts under the fair value approach[1]	Contractual service margin: Contracts under the modified retros-pective approach	Contractual service margin: Other contracts[2]	Total	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Opening assets	(18)	3	—	10	(5)	(308)	86	—	91	(131)	(136)
Opening liabilities	96,174	4,364	792	3,815	105,145	3,162	325	18	166	3,671	108,816
Net opening balance at 1 Jan 2023	96,156	4,367	792	3,825	105,140	2,854	411	18	257	3,540	108,680
Changes in the consolidated income statement and statement of comprehensive income											
Changes that relate to current services											
Contractual service margin recognised for services provided	—	(188)	(70)	(717)	(975)	—	(69)	(6)	(76)	(151)	(1,126)
Change in risk adjustment for non-financial risk expired	(21)	—	—	—	(21)	(15)	—	—	—	(15)	(36)
Experience adjustments	21	—	—	—	21	(12)	—	—	—	(12)	9
Other movements recognised in insurance service result	(36)	—	—	—	(36)	—	—	—	—	—	(36)
Changes that relate to future services											
Contracts initially recognised in the year	(1,606)	—	—	1,619	13	(176)	—	—	207	31	44
Changes in estimates that adjust contractual service margin[3]	(771)	368	(33)	436	—	21	26	6	(53)	—	—
Changes in estimates that result in losses and reversal of losses on onerous contracts	19	—	—	—	19	46	—	—	—	46	65
Changes that relate to past services											
Adjustments to liabilities for incurred claims	1	—	—	—	1	1	—	—	—	1	2
Insurance service result	(2,393)	180	(103)	1,338	(978)	(135)	(43)	—	78	(100)	(1,078)
Net finance expense from insurance contracts[4]	8,042	—	—	—	8,042	235	11	—	12	258	8,300
Other movements recognised in the statement of profit or loss	145	133	(1)	17	294	(43)	6	—	20	(17)	277
Effect of movements in exchange rates	883	2	27	37	949	—	12	1	18	31	980
Total changes in the consolidated income statement and statement of comprehensive income	6,677	315	(77)	1,392	8,307	57	(14)	1	128	172	8,479
Cash flows											
Premiums received	12,616	—	—	—	12,616	1,256	—	—	—	1,256	13,872
Claims, other insurance service expenses paid and other cash flows	(8,517)	—	—	—	(8,517)	(1,111)	—	—	—	(1,111)	(9,628)
Insurance acquisition cash flows	(522)	—	—	—	(522)	(282)	—	—	—	(282)	(804)
Total cash flows	3,577	—	—	—	3,577	(137)	—	—	—	(137)	3,440
Other movements	—	—	—	—	—	—	—	—	—	—	—
Net closing balance at 31 Dec 2023	106,410	4,682	715	5,217	117,024	2,774	397	19	385	3,575	120,599
Closing assets	(30)	3	—	14	(13)	(339)	36	—	64	(239)	(252)
Closing liabilities	106,440	4,679	715	5,203	117,037	3,113	361	19	321	3,814	120,851
Net closing balance at 31 Dec 2023	106,410	4,682	715	5,217	117,024	2,774	397	19	385	3,575	120,599

1 On transition to IFRS 17 the Group applied the full retrospective approach to new business written from 2018 at the earliest. Where applying the full retrospective approach was impracticable, the Group primarily applied the fair value approach.
2 'Other contracts' are those contracts measured by applying IFRS 17 from inception of the contracts. These include contracts measured under the full retrospective approach at transition and contracts incepted after transition.
3 'Changes in estimates that adjust contractual service margin' increase of $921m (2023: $750m increase) includes an increase of $651m (2023: $233m increase) from economic factors and an increase of $270m (2023: $517m increase) from non-economic factors.
4 'Net finance expense from insurance contracts' expense of $6,169m (2023: $8,300m expense) comprises expense of $5,978m (2023: $7,809m expense) recognised in the income statement and expense of $191m (2023: $491m expense) recognised in other comprehensive income.
5 'Other movements' $23,459m reduction in insurance contracts includes $21,811m in respect of the classification of the France insurance business to held for sale at 31 December 2024. Further details are provided on page 412.

Effect of contracts initially recognised in the year

	Year ended 31 Dec 2024			Year ended 31 Dec 2023		
	Profitable contracts issued	Onerous contracts issued	Total	Profitable contracts issued	Onerous contracts issued	Total
	$m	$m	$m	$m	$m	$m
Life direct participating and investment DPF contracts						
Estimates of present value of cash outflows	**16,878**	**495**	**17,373**	12,418	215	12,633
– insurance acquisition cash flows	**805**	**38**	**843**	602	21	623
– claims and other insurance service expenses payable	**16,073**	**457**	**16,530**	11,816	194	12,010
Estimates of present value of cash inflows	**(19,326)**	**(481)**	**(19,807)**	(14,074)	(204)	(14,278)
Risk adjustment for non-financial risk	**48**	**2**	**50**	37	2	39
Contractual service margin	**2,400**	**—**	**2,400**	1,619	—	1,619
(Losses) recognised on initial recognition	**—**	**(16)**	**(16)**	—	(13)	(13)
Life other contracts						
Estimates of present value of cash outflows	**1,484**	**476**	**1,960**	1,116	464	1,580
– insurance acquisition cash flows	**125**	**65**	**190**	106	50	156
– claims and other insurance service expenses payable	**1,359**	**411**	**1,770**	1,010	414	1,424
Estimates of present value of cash inflows	**(1,731)**	**(460)**	**(2,191)**	(1,350)	(438)	(1,788)
Risk adjustment for non-financial risk	**27**	**3**	**30**	27	5	32
Contractual service margin	**220**	**—**	**220**	207	—	207
(Losses) recognised on initial recognition	**—**	**(19)**	**(19)**	—	(31)	(31)

Present value of expected future cash flows of insurance contract liabilities and contractual service margin

	Less than 1 year	1–2 years	2–3 years	3–4 years	4–5 years	5–10 years	10–20 years	Over 20 years	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m
2024									
Insurance liability future cash flows[1]									
Life direct participating and investment DPF contracts	**(3,526)**	**(455)**	**2,464**	**2,968**	**3,219**	**11,332**	**22,005**	**53,120**	**91,127**
Life other contracts	**971**	**(96)**	**(101)**	**(53)**	**7**	**63**	**279**	**2,529**	**3,599**
Insurance liability future cash flows at 31 Dec	**(2,555)**	**(551)**	**2,363**	**2,915**	**3,226**	**11,395**	**22,284**	**55,649**	**94,726**
Remaining contractual service margin[1]									
Life direct participating and investment DPF contracts	**1,052**	**961**	**880**	**810**	**746**	**2,892**	**2,954**	**1,634**	**11,929**
Life other contracts	**128**	**104**	**85**	**69**	**53**	**159**	**127**	**62**	**787**
Remaining contractual service margin at 31 Dec	**1,180**	**1,065**	**965**	**879**	**799**	**3,051**	**3,081**	**1,696**	**12,716**
2023									
Insurance liability future cash flows									
Life direct participating and investment DPF contracts	(2,620)	(545)	2,321	2,419	3,344	11,695	23,351	65,897	105,862
Life other contracts	1,276	362	(347)	4	(45)	36	102	1,628	3,016
Insurance liability future cash flows at 31 Dec	(1,344)	(183)	1,974	2,423	3,299	11,731	23,453	67,525	108,878
Remaining contractual service margin									
Life direct participating and investment DPF contracts	917	848	783	722	666	2,597	2,653	1,428	10,614
Life other contracts	172	113	84	74	61	141	115	41	801
Remaining contractual service margin at 31 Dec	1,089	961	867	796	727	2,738	2,768	1,469	11,415

1 'Insurance liability future cash flows' and 'Remaining contractual service margin' at 31 December 2024 exclude the French insurance business that was classified as held for sale at 31 December 2024. Further details are provided on page 412.

Discount rates

The discount rates applied to expected future cash flows are determined through a bottom-up approach as set out in Note 1.2(j) 'Summary of material accounting policies – Insurance contracts' on page 354. The blended average of discount rates used within our most material manufacturing entities are as follows:

	HSBC Life (International) Ltd		Hang Seng Insurance Co Ltd		HSBC Assurances Vie (France)
	HK$	US$	HK$	US$	€
At 31 Dec 2024					
10-year discount rate (%)	**4.32**	**5.16**	**4.43**	**5.25**	**2.97**
20-year discount rate (%)	**4.42**	**5.51**	**4.53**	**5.60**	**2.95**
At 31 Dec 2023					
10-year discount rate (%)	4.02	4.47	4.16	4.62	2.96
20-year discount rate (%)	4.21	4.91	4.34	5.06	2.97

5 Employee compensation and benefits

	2024 $m	2023 $m	2022 $m
Employee compensation and benefits[1]	**18,465**	18,220	18,003
Capitalised wages and salaries[2]	**1,688**	1,403	1,285
Gross employee compensation and benefits for the year ended 31 Dec	**20,153**	19,623	19,288
Consists of:			
Wages and salaries	**17,815**	17,359	16,970
Social security costs	**1,487**	1,507	1,403
Post-employment benefits	**851**	757	915
Year ended 31 Dec	**20,153**	19,623	19,288

1 Employee compensation and benefits are presented in the income statement net of software capitalisation costs and costs included in the insurance contract fulfilment cash flow liabilities under IFRS 17.
2 Comprises $1,118m (2023: $1,043m; 2022: $922m) software capitalisation costs and $570m (2023: $360m; 2022: $363m) costs included in the insurance contract fulfilment cash flow liabilities under IFRS 17.

Average number of persons employed by HSBC during the year by global business[1]

	2024	2023	2022
Wealth and Personal Banking	**125,068**	132,336	135,676
Commercial Banking	**47,135**	46,826	48,004
Global Banking and Markets	**48,351**	48,043	48,597
Corporate Centre	**374**	347	365
Year ended 31 Dec	**220,928**	227,552	232,642

1 Average number of persons employed represents the number of persons with contracts of service with the Group.

Average number of persons employed by HSBC during the year by legal entity[1]

	2024	2023	2022
HSBC UK Bank plc	**20,034**	20,415	20,501
HSBC Bank plc	**11,456**	14,809	15,405
The Hongkong and Shanghai Banking Corporation Limited	**54,478**	54,321	54,792
HSBC Bank Middle East Limited	**3,344**	3,316	3,338
HSBC North America Holdings Inc.	**5,928**	6,046	6,749
HSBC Bank Canada	**758**	4,354	4,241
Grupo Financiero HSBC, S.A. de C.V.	**13,928**	14,412	14,484
Other trading entities[2]	**8,393**	9,247	10,026
Holding companies, shared service centres and intra-Group eliminations	**102,609**	100,632	103,106
Year ended 31 Dec	**220,928**	227,552	232,642

1 Average number of persons employed represents the number of persons with contracts of service with the Group.
2 Other trading entities includes entities located in Türkiye, Egypt and Saudi Arabia.

Reconciliation of total incentive awards granted to income statement charge

	2024 $m	2023 $m	2022 $m
Total incentive awards approved for the current year	**3,800**	3,774	3,359
Less: deferred bonuses awarded, expected to be recognised in future periods	**(381)**	(353)	(343)
Total incentives awarded and recognised in the current year	**3,419**	3,421	3,016
Add: current year charges for deferred bonuses from previous years	**439**	375	239
Other	**(97)**	(56)	(22)
Income statement charge for incentive awards	**3,761**	3,740	3,233

Share-based payments

'Wages and salaries' includes the effect of share-based payments arrangements, of which $529m (2023: $482m; 2022: $400m) was equity settled, as follows:

	2024 $m	2023 $m	2022 $m
Conditional share awards	**551**	499	402
Savings-related and other share award option plans	**27**	23	22
Year ended 31 Dec	**578**	522	424

HSBC share awards

Award	Policy
Deferred share awards (including annual incentive awards, long-term incentive ('LTI') awards delivered in shares)	An assessment of performance over the relevant period ending on 31 December is used to determine the amount of the award to be granted. – Deferred awards generally require employees to remain in employment over the vesting period and are generally not subject to performance conditions after the grant date. An exception to these are LTI awards, which are subject to performance conditions. – Deferred share awards generally vest over a period of three, four, five or seven years. – Vested shares may be subject to a retention requirement post-vesting. – Awards are generally subject to malus and clawback provisions.
International Employee Share Purchase Plan ('ShareMatch')	The plan was first introduced in Hong Kong in 2013 and now includes employees based in 30 jurisdictions. – Shares are purchased in the market each quarter up to a maximum value of £750, or the equivalent in local currency. – Matching awards are added at a ratio of one free share for every three purchased. In mainland China, matching awards are settled in cash. – Matching awards vest subject to continued employment and the retention of the purchased shares for a maximum period of two years and nine months.

Movement on HSBC share awards

	2024 Number (000s)	2023 Number (000s)
Conditional share awards outstanding at 1 Jan	**125,023**	126,246
Additions during the year	**84,930**	72,289
Released in the year	**(71,849)**	(70,054)
Forfeited in the year	**(4,461)**	(3,458)
Conditional share awards outstanding at 31 Dec	**133,643**	125,023
Weighted average fair value of awards granted ($)	**6.08**	5.84

HSBC share option plans

Main plans	Policy
Savings-related share option plans ('Sharesave')	– From 2014, employees eligible for the UK plan could save up to £500 per month with the option to use the savings to acquire shares. – These are generally exercisable within six months following either the third or fifth anniversary of the commencement of a three-year or five-year contract, respectively. – The exercise price is set at a 20% (2023: 20%) discount to the market value immediately preceding the date of invitation.

Calculation of fair values

The fair values of share options are calculated using a Black-Scholes model. The fair value of a share award is based on the share price at the date of the grant.

Movement on HSBC share option plans

	Savings-related share option plans	
	Number (000s)	**WAEP[1] £**
Outstanding at 1 Jan 2024	**83,994**	**3.42**
Granted during the year[2]	**11,845**	**5.30**
Exercised during the year[3]	**(16,776)**	**2.94**
Expired during the year	**(2,454)**	**4.20**
Forfeited during the year	**(1,274)**	**3.48**
Outstanding at 31 Dec 2024	**75,335**	**3.81**
– of which exercisable	**1,446**	**3.34**
Weighted average remaining contractual life (years)	**2.10**	
Outstanding at 1 Jan 2023	115,651	2.89
Granted during the year[2]	23,382	4.70
Exercised during the year[3]	(49,007)	2.73
Expired during the year	(3,832)	3.78
Forfeited during the year	(2,200)	2.88
Outstanding at 31 Dec 2023	83,994	3.42
– of which exercisable	7,165	2.70
Weighted average remaining contractual life (years)	2.41	

1 Weighted average exercise price.
2 The weighted average fair value of options granted during the year was $1.66 (2023: $1.92).
3 The weighted average share price at the date the options were exercised was $8.54 (2023: $7.39).

Post-employment benefit plans

The Group operates pension plans throughout the world for its employees. 'Pension risk management processes' on page 203 contains details of the policies and practices associated with these pension plans, some of which are defined benefit plans. The largest defined benefit plan is the HSBC UK section of the HSBC Bank (UK) Pension Scheme ('the principal plan'), created as a result of the HSBC Bank (UK) Pension Scheme being fully sectionalised in 2018 to meet the requirements of the Banking Reform Act. For further details of how the trustee of the HSBC Bank (UK) Pension Scheme manages climate risk, see 'Managing climate risk' on page 60.

HSBC holds on its balance sheet the net surplus or deficit, which is the difference between the fair value of plan assets and the discounted value of scheme liabilities at the balance sheet date for each plan. Surpluses are only recognised to the extent that they are recoverable through reduced contributions in the future or through potential future refunds from the schemes. In assessing whether a surplus is recoverable, HSBC has considered its current right to obtain a future refund or a reduction in future contributions together with the rights of third parties such as trustees.

The principal plan

The principal plan has a defined benefit section and a defined contribution section. The defined benefit section was closed to future benefit accrual in 2015, with defined benefits earned by employees at that date continuing to be linked to their salary while they remain employed by HSBC. The plan is overseen by an independent corporate trustee, who has a fiduciary responsibility for the operation of the plan. Its assets are held separately from the assets of the Group.

The investment strategy of the plan is to hold the majority of assets in bonds, with the remainder in a diverse range of investments. It also includes some interest rate swaps to reduce interest rate risk, inflation swaps to reduce inflation risk and longevity swaps to reduce the impact of longer life expectancy.

The principal plan is subject to the statutory funding objective requirements of the UK Pensions Act 2004, which requires that it be funded to at least the level of technical provisions (an actuarial estimate of the assets needed to provide for the benefits already built up under the plan). Where a funding valuation is carried out and identifies a deficit, the employer and trustee are required to agree to a deficit recovery plan.

The latest funding valuation of the plan at 31 December 2022 was carried out by Towers Watson Limited, using the projected unit credit method. At that date, the market value of the plan's assets was £23.9bn ($28.8bn) and this exceeded the value placed on its liabilities on an ongoing basis by £3.7bn ($4.4bn), giving a funding level of 118%. These figures include defined contribution assets amounting to £3.0bn ($3.6bn). The main differences between the assumptions used for assessing the defined benefit liabilities for this funding valuation and those used for IAS 19 are that an element of prudence is contained in the funding valuation assumptions for discount rate, inflation rate and life expectancy. The funding valuation is used to judge the amount of cash contributions the Group needs to put into the pension scheme. It will always be different to the IAS 19 accounting surplus, which is an accounting rule concerning employee benefits and shown on the balance sheet of our financial statements. The next funding valuation will be performed in 2026, with an effective date of 31 December 2025.

The actuary also assessed the value of the liabilities if the plan were to have been stopped and an insurance company asked to secure all future pension payments. This is generally larger than the amount needed on the ongoing basis described above because an insurance company would use more prudent assumptions, which would allow for reserves and include an explicit allowance for the future administrative expenses of the plan. Under this approach, the amount of assets needed was estimated to be £21.3bn ($25.7bn) at 31 December 2022.

The trust deed gives the ability for HSBC UK to take a refund of surplus assets after the plan has been run down such that no further beneficiaries remain. In assessing whether a surplus is recoverable, HSBC UK has considered its right to obtain a future refund together with the rights of third parties such as trustees. On this basis, any net surplus in the HSBC UK section of the plan is recognised in HSBC UK's financial statements and the Group's financial statements.

Income statement charge/(credit)

	2024	2023	2022
	$m	$m	$m
Defined benefit pension plans	**(116)**	(151)	42
Defined contribution pension plans	**933**	874	845
Pension plans	**817**	723	887
Defined benefit and contribution healthcare plans	**34**	34	28
Year ended 31 Dec	**851**	757	915

Net assets/(liabilities) recognised on the balance sheet in respect of defined benefit plans

	Fair value of plan assets	**Present value of defined benefit obligations**	**Effect of limit on plan surpluses**	**Total**
	$m	**$m**	**$m**	**$m**
Defined benefit pension plans	**30,758**	**(23,959)**	**—**	**6,799**
Defined benefit healthcare plans	**80**	**(348)**	**—**	**(268)**
At 31 Dec 2024	**30,838**	**(24,307)**	**—**	**6,531**
Total employee benefit liabilities (within Note 27 'Accruals, deferred income and other liabilities')				**(1,017)**
Total employee benefit assets (within Note 22 'Prepayments, accrued income and other assets')				**7,548**
Defined benefit pension plans	33,897	(27,011)	—	6,886
Defined benefit healthcare plans	107	(403)	—	(296)
At 31 Dec 2023	34,004	(27,414)	—	6,590
Total employee benefit liabilities (within Note 27 'Accruals, deferred income and other liabilities')				(1,160)
Total employee benefit assets (within Note 22 'Prepayments, accrued income and other assets')				7,750

HSBC Holdings

Employee compensation and benefit expense in respect of HSBC Holdings' employees in 2024 amounted to $29m (2023: $15m). The average number of persons employed during 2024 was 28 (2023: 29). A small number of employees are members of defined benefit pension plans. These employees are members of the HSBC Bank (UK) Pension Scheme. HSBC Holdings pays contributions to such plan for its own employees in accordance with the schedules of contributions determined by the trustees of the plan and recognises these contributions as an expense as they fall due.

Defined benefit pension plans

Net asset/(liability) under defined benefit pension plans

	Fair value of plan assets		Present value of defined benefit obligations		Effect of the asset ceiling		Net defined benefit asset/(liability)	
	Principal[1] plan	Other plans	Principal[1] plan	Other plans	Principal[1] plan	Other plans	Principal[1] plan	Other plans
	$m	$m	$m	$m	$m	$m	$m	$m
At 1 Jan 2024	**26,590**	**7,307**	**(19,782)**	**(7,229)**	**—**	**—**	**6,808**	**78**
Service cost	**—**	**(1)**	**(35)**	**(144)**	**—**	**—**	**(35)**	**(145)**
– current service cost	**—**	**—**	**(9)**	**(140)**	**—**	**—**	**(9)**	**(140)**
– past service cost and gains/(losses) from settlements	**—**	**(1)**	**(26)**	**(4)**	**—**	**—**	**(26)**	**(5)**
Net interest income/(cost) on the net defined benefit asset/(liability)	**1,213**	**277**	**(896)**	**(265)**	**—**	**—**	**317**	**12**
Remeasurement effects recognised in other comprehensive income	**(2,665)**	**(6)**	**2,156**	**186**	**—**	**—**	**(509)**	**180**
– return on plan assets (excluding interest income)	**(2,665)**	**(6)**	**—**	**—**	**—**	**—**	**(2,665)**	**(6)**
– actuarial gains/(losses) financial assumptions	**—**	**—**	**1,771**	**204**	**—**	**—**	**1,771**	**204**
– actuarial gains/(losses) demographic assumptions	**—**	**—**	**161**	**(5)**	**—**	**—**	**161**	**(5)**
– actuarial gains/(losses) experience adjustments	**—**	**—**	**224**	**(13)**	**—**	**—**	**224**	**(13)**
– other changes	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Exchange differences	**(387)**	**(145)**	**281**	**191**	**—**	**—**	**(106)**	**46**
Benefits paid	**(1,082)**	**(496)**	**1,082**	**561**	**—**	**—**	**—**	**65**
Other movements[2]	**(17)**	**170**	**(29)**	**(36)**	**—**	**—**	**(46)**	**134**
At 31 Dec 2024	**23,652**	**7,106**	**(17,223)**	**(6,736)**	**—**	**—**	**6,429**	**370**
At 1 Jan 2023	25,121	7,050	(18,787)	(6,906)	—	—	6,334	144
Service cost	—	—	(10)	(150)	—	—	(10)	(150)
– current service cost	—	—	(14)	(135)	—	—	(14)	(135)
– past service cost and losses from settlements	—	—	4	(15)	—	—	4	(15)
Net interest income/(cost) on the net defined benefit asset/(liability)	1,247	298	(925)	(286)	—	—	322	12
Remeasurement effects recognised in other comprehensive income	(225)	110	7	(300)	—	—	(218)	(190)
– return on plan assets (excluding interest income)	(225)	110	—	—	—	—	(225)	110
– actuarial gains/(losses) financial assumptions	—	—	(123)	(327)	—	—	(123)	(327)
– actuarial gains/(losses) demographic assumptions	—	—	357	17	—	—	357	17
– actuarial gains/(losses) experience adjustments	—	—	(227)	10	—	—	(227)	10
– other changes	—	—	—	—	—	—	—	—
Exchange differences	1,472	228	(1,098)	(190)	—	—	374	38
Benefits paid	(1,063)	(548)	1,063	629	—	—	—	81
Other movements[2]	38	169	(32)	(26)	—	—	6	143
At 31 Dec 2023	26,590	7,307	(19,782)	(7,229)	—	—	6,808	78

1 For further details of the principal plan, see page 376.
2 Other movements include contributions by HSBC, contributions by employees, administrative costs and taxes paid by plan.

HSBC expects to make $97m of contributions to defined benefit pension plans during 2025, consisting of $nil for the principal plan and $97m for other plans. Benefits expected to be paid from the plans to retirees over each of the next five years, and in aggregate for the five years thereafter, are as follows:

Benefits expected to be paid from plans

	2025	2026	2027	2028	2029	2030-2034
	$m	$m	$m	$m	$m	$m
The principal plan[1,2]	1,094	1,129	1,165	1,203	1,242	6,837
Other plans[1]	437	423	438	432	428	2,223

1 The duration of the defined benefit obligation is 11.8 years for the principal plan under the disclosure assumptions adopted (2023: 12.9 years) and 9.8 years for all other plans combined (2023: 10.3 years).
2 For further details of the principal plan, see page 376.

Fair value of plan assets by asset classes

	31 Dec 2024				31 Dec 2023			
	Value	Quoted market price in active market	No quoted market price in active market	Thereof HSBC[1]	Value	Quoted market price in active market	No quoted market price in active market	Thereof HSBC[1]
	$m	$m	$m	$m	$m	$m	$m	$m
The principal plan[2]								
Fair value of plan assets	**23,652**	**13,903**	**9,749**	**421**	26,590	15,006	11,584	547
– equities[3]	**65**	**—**	**65**	**—**	83	—	83	—
– bonds fixed income	**5,864**	**5,372**	**492**	**—**	5,262	4,739	523	—
– bonds index-linked	**8,253**	**8,253**	**—**	**—**	10,300	10,300	—	—
– derivatives	**295**	**—**	**295**	**421**	1,061	—	1,061	547
– property	**833**	**—**	**833**	**—**	830	—	830	—
– pooled investment vehicles	**8,064**	**—**	**8,064**	**—**	9,087	—	9,087	—
– other	**278**	**278**	**—**	**—**	(33)	(33)	—	—
Other plans								
Fair value of plan assets	**7,106**	**6,407**	**699**	**19**	7,307	5,361	1,946	39
– equities	**587**	**587**	**—**	**4**	556	556	—	3
– bonds fixed income	**3,671**	**3,671**	**—**	**4**	3,624	3,623	1	5
– bonds index-linked	**33**	**33**	**—**	**—**	90	90	—	—
– bonds other	**473**	**473**	**—**	**—**	447	415	32	—
– derivatives	**2**	**(3)**	**5**	**—**	2	(1)	3	—
– property	**103**	**98**	**5**	**—**	112	108	4	—
– other	**2,237**	**1,548**	**689**	**11**	2,476	570	1,906	31

1 The fair value of plan assets includes derivatives entered into with HSBC Bank plc as detailed in Note 36.
2 For further details of the principal plan, see page 376.
3 Includes $65m (2023: $83m) in relation to private equities.

Post-employment defined benefit plans' principal actuarial financial assumptions

HSBC determines the discount rates to be applied to its obligations in consultation with the plans' local actuaries, on the basis of current average yields of high-quality (AA-rated or equivalent) debt instruments with maturities consistent with those of the defined benefit obligations.

Key actuarial assumptions for the principal plan[1]

	Discount rate	Inflation rate (RPI)	Inflation rate (CPI)	Rate of increase for pensions	Rate of pay increase
	%	%	%	%	%
UK					
At 31 Dec 2024	**5.54**	**3.33**	**2.88**	**3.22**	**3.63**
At 31 Dec 2023	4.65	3.23	2.67	3.14	3.42

1 For further details of the principal plan, see page 376.

Mortality tables and average life expectancy at age 60 for the principal plan[1]

	Mortality table	Life expectancy at age 60 for a male member currently:		Life expectancy at age 60 for a female member currently:	
		Aged 60	Aged 40	Aged 60	Aged 40
UK					
At 31 Dec 2024	**SAPS S3[2]**	**26.1**	**27.7**	**28.3**	**29.9**
At 31 Dec 2023	**SAPS S3[3]**	26.2	27.7	28.3	29.8

1 For further details of the principal plan, see page 376.
2 Self-administered pension scheme ('SAPS') S3 table, with different tables and multipliers adopted based on gender, pension amount and member status, reflecting the Scheme's actual mortality experience. Improvements are projected in accordance with the Continuous Mortality Investigation's CMI 2023 core projection model with an initial addition to improvement of 0.25% per annum, and a long-term rate of improvement of 1.25% per annum and with a 0% weighting to 2020 and 2021 mortality experience and a 15% weighting to 2022 and 2023, reflecting long-term view on mortality improvements post-pandemic.
3 Self-administered pension scheme ('SAPS') S3 table, with different tables and multipliers adopted based on gender, pension amount and member status, reflecting the Scheme's actual mortality experience. Improvements are projected in accordance with the Continuous Mortality Investigation's CMI 2022 core projection model with an initial addition to improvement of 0.25% per annum, a long-term rate of improvement of 1.25% per annum, with a 0% weighting to 2020 and 2021, mortality experience and a 25% weighting to 2022, reflecting updated long-term view on mortality improvements post-pandemic.

The effect of changes in key assumptions on the principal plan[1]

	Impact on HSBC UK section of the HSBC Bank (UK) Pension Scheme obligation			
	Financial impact of increase		Financial impact of decrease	
	2024	2023	**2024**	2023
	$m	$m	**$m**	$m
Discount rate – increase/decrease of 0.25%	**(473)**	(599)	**496**	631
Inflation rate (RPI and CPI) – increase/decrease of 0.25%	**389**	500	**(391)**	(497)
Pension payments and deferred pensions – increase/decrease of 0.25%	**487**	622	**(478)**	(590)
Pay – increase/decrease of 0.25%	**6**	8	**(6)**	(6)
Change in mortality – increase/decrease of 1 year	**483**	613	**(464)**	(613)

1 For further details of the principal plan, see page 376.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit asset recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared with the prior period.

Directors' emoluments

Details of Directors' emoluments, pensions and their interests are disclosed in the Directors' remuneration report on page 279.

6 Auditor's remuneration

	2024	2023	2022
	$m	$m	$m
Audit fees payable to PwC[1]	**102.8**	109.8	97.6
Other audit fees payable	**1.6**	2.2	1.6
Year ended 31 Dec	**104.4**	112.0	99.2

Fees payable by HSBC to PwC

	2024	2023	2022
	$m	$m	$m
Fees for HSBC Holdings' statutory audit[2]	**22.0**	24.1	21.9
Fees for other services provided to HSBC	**124.6**	131.8	126.2
– audit of HSBC's subsidiaries	**80.8**	85.7	75.7
– audit-related assurance services[3]	**25.0**	26.0	26.4
– other assurance services[4,5]	**18.8**	20.1	24.1
Year ended 31 Dec	**146.6**	155.9	148.1

1 Audit fees payable to PwC in 2024 included adjustments made to the prior year audit fee after finalisation of the 2023 financial statements.
2 Fees payable to PwC for the statutory audit of the consolidated financial statements of HSBC and the separate financial statements of HSBC Holdings. They include amounts payable for services relating to the consolidation returns of HSBC Holdings' subsidiaries, which are clearly identifiable as being in support of the Group audit opinion.
3 Including services for assurance and other services that relate to statutory and regulatory filings, including interim reviews.
4 Including permitted services relating to attestation reports on internal controls of a service organisation primarily prepared for and used by third-party end users, including comfort letters.
5 Includes reviews of PRA regulatory reporting returns.

No fees were payable by HSBC to PwC as principal auditor for the following types of services: internal audit services and services related to litigation, recruitment and remuneration.

Fees payable by HSBC's associated pension schemes to PwC

	2024	2023	2022
	$000	$000	$000
Audit of HSBC's associated pension schemes	**320**	297	480
Year ended 31 Dec	**320**	297	480

No fees were payable by HSBC's associated pension schemes to PwC as principal auditor for the following types of services: internal audit services, other assurance services, services related to corporate finance transactions, valuation and actuarial services, litigation, recruitment and remuneration, and information technology.

In addition to the above, the estimated fees paid to PwC by third parties associated with HSBC amounted to $9.9m (2023: $12.3m; 2022: $13.1m). In these cases, HSBC was connected with the contracting party and may therefore have been involved in appointing PwC. These fees arose from services such as auditing mutual funds managed by HSBC and reviewing the financial position of corporate concerns that borrow from HSBC.

Fees payable for non-audit services for HSBC Holdings are not disclosed separately because such fees are disclosed on a consolidated basis for the Group.

7 Tax

Tax expense

	2024	2023	2022
	$m	$m	$m
Current tax[1]	6,115	5,718	2,984
– for this year	5,863	5,737	3,264
– adjustments in respect of prior years	31	(19)	(280)
– Pillar 2 and qualifying domestic top-up taxes	221	—	—
Deferred tax	1,195	71	(2,175)
– origination and reversal of temporary differences	1,288	19	(2,278)
– effect of changes in tax rates	(2)	17	(293)
– adjustments in respect of prior years	(91)	35	396
Year ended 31 Dec[2]	7,310	5,789	809

1 Current tax included Hong Kong profits tax of $1,615m (2023: $1,328m; 2022: $604m). The Hong Kong tax rate applying to the profits of subsidiaries assessable in Hong Kong was 16.5% (2023: 16.5%; 2022: 16.5%).
2 In addition to amounts recorded in the income statement, a tax credit of $12m (2023: credit of $41m) was recorded directly to equity.

Tax reconciliation

The tax charged to the income statement differs from the tax charge that would apply if all profits had been taxed at the UK corporation tax rate as follows:

	2024		2023		2022	
	$m	%	$m	%	$m	%
Profit before tax	32,309		30,348		17,058	
Tax expense						
Taxation at UK corporation tax rate of 25.0% (2023: 23.5%, 2022: 19.0%)	8,077	25.0	7,132	23.5	3,241	19.0
Impact of differently taxed overseas profits in overseas locations	(1,351)	(4.2)	(612)	(2.0)	459	2.7
UK banking surcharge	215	0.7	350	1.2	283	1.7
Items increasing tax charge in 2024:						
– tax impact of sale of HSBC Argentina	1,536	4.8	—	—	—	—
– local taxes and overseas withholding taxes	584	1.8	419	1.4	346	2.0
– other permanent disallowables	344	1.0	227	0.7	363	2.1
– impacts of hyperinflation	327	1.0	348	1.1	171	1.0
– movements in unrecognised deferred tax	259	0.7	(22)	(0.1)	(2,503)	(14.7)
– Global Minimum Tax top-up charge	221	0.7	—	—	—	—
– bank levy	73	0.2	112	0.4	59	0.3
– movements in provisions for uncertain tax positions	38	0.1	(472)	(1.6)	27	0.2
– impact of changes in tax rates	6	—	17	0.1	(293)	(1.7)
– impairment of interest in associate	—	—	705	2.3	—	—
Items reducing tax charge in 2024:						
– non-taxable gain on disposal of HSBC Canada	(1,174)	(3.6)	—	—	—	—
– non-taxable income and gains	(1,079)	(3.3)	(1,189)	(3.9)	(825)	(4.8)
– effect of profits in associates and joint ventures	(456)	(1.4)	(571)	(1.9)	(504)	(3.1)
– deductions for AT1 coupon payments	(249)	(0.8)	(229)	(0.7)	(246)	(1.4)
– adjustments in respect of prior period	(46)	(0.1)	16	0.1	116	0.7
– tax impact of sale of French retail banking business	(15)	—	—	—	115	0.7
– accounting gain on acquisition of SVB UK	—	—	(442)	(1.5)	—	—
Year ended 31 Dec	7,310	22.6	5,789	19.1	809	4.7

The Group's profits are taxed at different rates depending on the country or territory in which the profits arise. The key applicable tax rates for 2024 include Hong Kong (16.5%), the US (21%) and the UK (25%). If the Group's profits were taxed at the statutory rates of the countries in which the profits arose, then the tax rate for the year would have been 21.4% (2023: 22.6%).

The effective tax rate for the year of 22.6% was higher than in the previous year (2023: 19.1%). The effective tax rate for the year was reduced by 3.6% by the non-taxable gain arising on the disposal of HSBC Canada, increased by 4.8% by the non-deductible loss arising on the disposal of HSBC Argentina, increased by 70.0% by movements in unrecognised deferred tax, primarily relating to French tax losses, and increased by 70.0% by the Group's Pillar 2 Global Minimum Tax charge. The effective tax rate for 2023 was increased by 2.3% by the non-taxable impairment of the Group's investment in BoCom, reduced by 1.6% by the release of provisions for uncertain tax positions and reduced by 1.5% by the non-taxable accounting gain on the acquisition of SVB UK.

In July 2023, the UK enacted legislation to introduce the 'Pillar Two' global minimum tax model rules of the OECD's Inclusive Framework on Base Erosion and Profit Shifting ('BEPS') and a UK qualified domestic minimum top-up tax, with effect from 1 January 2024. Under the Pillar Two rules, a top-up tax liability arises where the Group's effective tax rate in a jurisdiction is below 15%. The Group has recorded a Pillar Two global minimum tax charge of $221m for the period, primarily related to the non-taxation of dividends and income on government bonds in Hong Kong (which have the effect of reducing the effective tax rate from the statutory rate of 16.5% to below 15%) and low or nil statutory tax rates in jurisdictions such as Bermuda and the Channel Islands. For the current period, this tax expense will be substantially payable in the UK by HSBC Holdings.

Many jurisdictions have introduced or announced the introduction of domestic minimum tax rules that are closely aligned to the OECD's Pillar Two model rules, as well as new or amended corporate income tax rules, with effect from 2024 or 2025. As and when such taxes are introduced, they will have the effect of increasing local tax liabilities, eliminating or reducing the top-up tax liability payable in the UK by HSBC

Holdings in respect of those jurisdictions. Hong Kong, Bermuda and the Channel Islands have introduced such new tax rules with effect from 1 January 2025.

Accounting for taxes involves some estimation because tax law is uncertain and its application requires a degree of judgement, which authorities may dispute. Liabilities are recognised based on best estimates of the probable outcome, taking into account external advice where appropriate. Exposures relating to legacy tax cases were reassessed during 2024, resulting in a charge of $38m to the income statement. We do not expect significant liabilities to arise in excess of the amounts provided. HSBC only recognises current and deferred tax assets where recovery is probable.

Movement of deferred tax assets and liabilities

	Loan impairment provisions	Unused tax losses and tax credits	Financial assets at FVOCI	Cash flow hedges	Retirement obligations	Other	Total
	$m	$m	$m	$m	$m	$m	$m
Assets	**1,158**	**4,544**	**876**	**419**	**—**	**2,933**	**9,930**
Liabilities	**—**	**—**	**—**	**—**	**(1,814)**	**(1,600)**	**(3,414)**
At 1 Jan 2024	**1,158**	**4,544**	**876**	**419**	**(1,814)**	**1,333**	**6,516**
Income statement	**(74)**	**(640)**	**100**	**—**	**(85)**	**(431)**	**(1,130)**
Other comprehensive income	**—**	**—**	**(49)**	**84**	**114**	**189**	**338**
Foreign exchange and other adjustments	**(14)**	**(40)**	**(311)**	**(61)**	**18**	**208**	**(200)**
At 31 Dec 2024	**1,070**	**3,864**	**616**	**442**	**(1,767)**	**1,299**	**5,524**
Assets[1]	**1,070**	**3,864**	**616**	**442**	**—**	**2,906**	**8,898**
Liabilities[1]	**—**	**—**	**—**	**—**	**(1,767)**	**(1,607)**	**(3,374)**
Assets	1,062	4,397	850	1,271	—	3,048	10,628
Liabilities	—	—	—	—	(1,673)	(1,567)	(3,240)
At 1 Jan 2023	1,062	4,397	850	1,271	(1,673)	1,481	7,388
Income statement	(39)	102	541	1	(114)	(562)	(71)
Other comprehensive income	—	—	(598)	(974)	99	399	(1,074)
Foreign exchange and other adjustments	135	45	83	121	(126)	15	273
At 31 Dec 2023	1,158	4,544	876	419	(1,814)	1,333	6,516
Assets[1]	1,158	4,544	876	419	—	2,933	9,930
Liabilities[1]	—	—	—	—	(1,814)	(1,600)	(3,414)

1 After netting off balances within countries, the balances as disclosed in the accounts are as follows: deferred tax assets of $6,841m (2023: $7,754m) and deferred tax liabilities of $1,317m (2023: $1,238m).

In applying judgement in recognising deferred tax assets, management has assessed all relevant information, including future business profit projections and the track record of meeting forecasts. Management's assessment of the likely availability of future taxable profits against which to recover deferred tax assets is based on the most recent financial forecasts approved by management, which cover a five-year period and are extrapolated where necessary, and takes into consideration the reversal of existing taxable temporary differences and past business performance. When forecasts are extrapolated beyond five years, a number of different scenarios are considered, reflecting different downward risk adjustments, in order to assess the sensitivity of our recognition and measurement conclusions in the context of such longer-term forecasts.

The Group's net deferred tax asset of $5.5bn (2023: $6.5bn) included $2.6bn (2023: $3.3bn) of deferred tax assets relating to the UK, $3.0bn (2023: $3.1bn) of deferred tax assets relating to the US and a net deferred asset of $0.5bn (2023: $0.9bn) in France.

The UK deferred tax asset of $2.6bn excluded a $1.8bn deferred tax liability arising on the UK pension scheme surplus, the reversal of which is not taken into account when estimating future taxable profit due to the level of uncertainty as to the timing and manner of its reversal. The UK deferred tax assets are supported by forecasts of taxable profit, also taking into consideration the history of profitability in the relevant businesses. The majority of the deferred tax asset relates to tax attributes which do not expire and are forecast to be recovered within 3 years and as such are less sensitive to changes in long-term profit forecasts.

The net US deferred tax asset of $3.0bn included $1.2bn related to US tax losses, of which $0.9bn expire in 10 to 15 years. Management expects the US deferred tax asset to be substantially recovered within 13 years, with the majority recovered in the first 5 years.

The net deferred tax asset in France of $0.5bn included $0.5bn related to tax losses, which are expected to be substantially recovered within 12 years. Unused tax losses with a tax value of $0.2bn have not been recognised due to the absence of convincing evidence regarding the availability of sufficient future taxable profits against which to recover them.

Unrecognised deferred tax

The amount of gross temporary differences, unused tax losses and tax credits for which no deferred tax asset is recognised in the balance sheet was $11.0bn (2023: $10.4bn). This amount included unused US state tax losses of $3.8bn (2023: $4.0bn) which are forecast to expire before they are recovered, unused French tax losses of $0.7bn (2023: nil) for which there is insufficient evidence of future taxable profits to support recognition, and unused UK tax losses of $3.5bn (2023: $4.5bn), which arose prior to 1 April 2017 and can only be recovered against future taxable profits of HSBC Holdings. No deferred tax was recognised on these losses due to the absence of convincing evidence regarding the availability of sufficient future taxable profits against which to recover them. Deferred tax asset recognition is reassessed at each balance sheet date based on the available evidence. Of the total amounts on which deferred tax was not recognised, $6.0bn (2023: $5.1bn) had no expiry date, $1.0bn (2023: $0.5bn) was scheduled to expire within 10 years and the remaining balance is expected to expire after 10 years.

Deferred tax is not recognised in respect of the Group's investments in subsidiaries and branches where HSBC is able to control the timing of remittance or other realisation and where remittance or realisation is not probable in the foreseeable future. The aggregate temporary differences relating to unrecognised deferred tax liabilities arising on investments in subsidiaries and branches was $15.2bn (2023: $14.4bn) and the corresponding unrecognised deferred tax liability was $0.7bn (2023: $0.7bn).

8 Dividends

Dividends to shareholders of the parent company

	2024		2023		2022	
	Per share	Total	Per share	Total	Per share	Total
	$	$m	$	$m	$	$m
Dividends paid on ordinary shares						
In respect of previous year:						
– second interim dividend	—	—	0.23	4,589	0.18	3,576
– fourth interim dividend	**0.31**	**5,872**	—	—	—	—
In respect of current year:						
– first interim dividend	**0.10**	**1,877**	0.10	2,001	0.09	1,754
– special dividend	**0.21**	**3,942**	—	—	—	—
– second interim dividend	**0.10**	**1,852**	0.10	1,956	—	—
– third interim dividend	**0.10**	**1,805**	0.10	1,946	—	—
Total	**0.82**	**15,348**	0.53	10,492	0.27	5,330
Total coupons on capital securities classified as equity		**1,062**		1,101		1,214
Dividends to shareholders		**16,410**		11,593		6,544

Total coupons on capital securities classified as equity

		2024		2023	2022
	First call date	Per security	Total $m	Total $m	Total $m
Perpetual subordinated contingent convertible securities[1]					
$2,250m issued at 6.375%[2]	Sep 2024	**$63.750**	**122**	143	143
$2,450m issued at 6.375%	Mar 2025	**$63.750**	**156**	156	156
$3,000m issued at 6.000%	May 2027	**$60.000**	**180**	180	180
$2,350m issued at 6.250%[3]	Mar 2023	**$62.500**	**—**	52	147
$1,800m issued at 6.500%	Mar 2028	**$65.000**	**117**	117	117
$1,500m issued at 4.600%	Dec 2030	**$46.000**	**69**	69	69
$1,000m issued at 4.000%	Mar 2026	**$40.000**	**40**	40	40
$1,000m issued at 4.700%	Mar 2031	**$47.000**	**47**	47	47
$2,000m issued at 8.000%[4]	Mar 2028	**$80.000**	**160**	80	—
$1,350m issued at 6.875%[5]	Sep 2029	**$68.750**	**—**	—	—
$1,150m issued at 6.950%[6]	Mar 2034	**$69.500**	**—**	—	—
€1,500m issued at 5.250%[7]	Sep 2022	**€52.500**	**—**	—	76
€1,000m issued at 6.000%[8]	Sep 2023	**€60.000**	**—**	56	63
€1,250m issued at 4.750%	Jul 2029	**€47.500**	**65**	64	65
£1,000m issued at 5.875%	Sep 2026	**£58.750**	**77**	72	70
SGD1,000m issued at 4.700%[9]	Jun 2022	**SGD47.000**	**—**	—	14
SGD750m issued at 5.000%[10]	Sep 2023	**SGD50.000**	**—**	25	27
SGD1,500m issued at 5.250%[11]	Jun 2029	**SGD52.500**	**29**	—	—
Total			**1,062**	1,101	1,214

1 Discretionary coupons are paid semi-annually, based on the denominations of each security.
2 This security was called by HSBC Holdings on 23 July 2024 and was redeemed and cancelled on 17 September 2024.
3 This security was called by HSBC Holdings on 30 January 2023 and was redeemed and cancelled on 23 March 2023.
4 This security was issued by HSBC Holdings on 7 March 2023. The first call period commences six calendar months prior to the reset date of 7 September 2028.
5 This security was issued by HSBC Holdings on 11 September 2024. The first call period commences six calendar months prior to the reset date of 11 March 2030.
6 This security was issued by HSBC Holdings on 11 September 2024. The first call period commences six calendar months prior to the reset date of 11 September 2034.
7 This security was called by HSBC Holdings on 9 August 2022 and was redeemed and cancelled on 16 September 2022.
8 This security was called by HSBC Holdings on 3 August 2023 and was redeemed and cancelled on 29 September 2023.
9 This security was called by HSBC Holdings on 4 May 2022 and was redeemed and cancelled on 8 June 2022.
10 This security was called by HSBC Holdings on 3 August 2023 and was redeemed and cancelled on 25 September 2023.
11 This security was issued by HSBC Holdings on 14 June 2024. The first call period commences six calendar months prior to the reset date of 14 December 2029.

On 19 February 2025, the Directors approved a fourth interim dividend in respect of the financial year ended 31 December 2024 of $0.36 per ordinary share (the 'dividend'), an expected distribution of approximately $6.4bn. The dividend will be payable on 25 April 2025 to holders of record on the Principal Register in the UK, the Hong Kong Overseas Branch Register or the Bermuda Overseas Branch Register on 7 March 2025. No liability was recorded in the financial statements in respect of the fourth interim dividend for 2024.

On 6 January 2025, HSBC paid a coupon on its €1,250m subordinated capital securities, representing a total distribution of €30m ($31m). No liability was recorded in the balance sheet at 31 December 2024 in respect of this coupon payment.

9 Earnings per share

Basic earnings per ordinary share is calculated by dividing the profit attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding, after deducting own shares held. Diluted earnings per ordinary share is calculated by dividing the basic earnings, which require no adjustment for the effects of dilutive potential ordinary shares, by the weighted average number of ordinary shares outstanding, excluding own shares held, plus the weighted average number of ordinary shares that would be issued on conversion of dilutive potential ordinary shares.

Basic and diluted earnings per share

	2024			2023			2022		
	Profit	**Number of shares**	**Per share**	Profit	Number of shares	Per share	Profit	Number of shares	Per share
	$m	**(millions)**	**$**	$m	(millions)	$	$m	(millions)	$
Basic[1]	**22,917**	**18,357**	**1.25**	22,432	19,478	1.15	14,346	19,849	0.72
Effect of dilutive potential ordinary shares		**128**			122			137	
Diluted[1]	**22,917**	**18,485**	**1.24**	22,432	19,600	1.14	14,346	19,986	0.72

1 Weighted average number of ordinary shares outstanding (basic) or assuming dilution (diluted) after deducting own shares held.

The number of anti-dilutive employee share options excluded from the weighted average number of dilutive potential ordinary shares was Nil (2023: 23 million; 2022: 9.4 million).

10 Segmental analysis

The Group CEO, supported by the rest of the Group Executive Committee ('GEC'), was considered the Chief Operating Decision Maker ('CODM') during the reporting period for the purposes of identifying the Group's reportable segments. As the reorganisation only took effect from 1 January 2025, it has no effect on the 2024 segmental reporting. Global business results were assessed by the CODM on the basis of constant currency performance that removes the effects of currency translation from reported results. Therefore, we disclose these results on a constant currency basis as required by IFRS Accounting Standards. The 2023 and 2022 income statements are converted at the average rates of exchange for 2024, and the balance sheets at 31 December 2023 and 31 December 2022 at the prevailing rates of exchange on 31 December 2024.

Our operations are closely integrated and, accordingly, the presentation of data includes internal allocations of certain items of income and expense. These allocations include the costs of certain support services and global functions to the extent that they can be meaningfully attributed to global businesses. While such allocations have been made on a systematic and consistent basis, they involve a certain degree of subjectivity. Costs that are not allocated to global businesses are included in Corporate Centre.

Where relevant, income and expense amounts presented include the results of inter-segment funding along with inter-company and inter-business line transactions. All such transactions are undertaken on arm's length terms. Measurement of segmental assets, liabilities, income and expenses is in accordance with the Group's accounting policies. Shared costs are included in segments on the basis of actual recharges. The intra-group elimination items for the global businesses are presented in Corporate Centre.

Our global businesses

We provide a comprehensive range of banking and related financial services to our customers in our three global businesses. The products and services offered to customers are organised by these global businesses.

- Wealth and Personal Banking ('WPB') provides a full range of retail banking and wealth products to our customers from personal banking to ultra high net worth individuals. Typically, customer offerings include retail banking products, such as current and savings accounts, mortgages and personal loans, credit cards, debit cards and local and international payment services. We also provide wealth management services, including insurance and investment products, global asset management services, investment management and private wealth solutions for customers with more sophisticated and international requirements.
- Commercial Banking ('CMB') offers a broad range of products and services to serve the needs of our commercial customers, including small and medium-sized enterprises, mid-market enterprises and corporates. These include credit and lending, international trade and receivables finance, treasury management and liquidity solutions (payments and cash management and commercial cards), commercial insurance and investments. CMB also offers customers access to products and services offered by other global businesses, such as Global Banking and Markets, which include foreign exchange products, raising capital on debt and equity markets and advisory services.
- Global Banking and Markets ('GBM') provides tailored financial solutions to major government, corporate and institutional clients and private investors worldwide. The client-focused business lines deliver a full range of banking capabilities, including financing, advisory and transaction services, a markets business that provides services in credit, rates, foreign exchange, equities, money markets and securities services, and principal investment activities.

HSBC constant currency profit before tax and balance sheet data

	2024				
	Wealth and Personal Banking	Commercial Banking	Global Banking and Markets	Corporate Centre	Total
	$m	$m	$m	$m	$m
Net operating income/(expense) before change in expected credit losses and other credit impairment charges[1]	28,674	21,580	17,529	(1,929)	65,854
– external	20,460	21,565	30,698	(6,869)	65,854
– inter-segment	8,214	15	(13,169)	4,940	—
– of which: net interest income/(expense)[2]	20,352	17,261	7,488	(12,368)	32,733
Change in expected credit losses and other credit impairment charges	(1,335)	(1,815)	(235)	(29)	(3,414)
Net operating income/(expense)	27,339	19,765	17,294	(1,958)	62,440
Total operating expenses	(15,204)	(7,906)	(10,231)	298	(33,043)
Operating profit/(loss)	12,135	11,859	7,063	(1,660)	29,397
Share of profit in associates and joint ventures less impairment	47	1	—	2,864	2,912
Constant currency profit before tax	12,182	11,860	7,063	1,204	32,309
	%	%	%	%	%
Share of HSBC's constant currency profit before tax	37.7	36.7	21.9	3.7	100.0
Constant currency cost efficiency ratio	53.0	36.6	58.4	15.4	50.2
Constant currency balance sheet data	$m	$m	$m	$m	$m
Loans and advances to customers (net)	447,085	306,926	169,516	7,131	930,658
Interests in associates and joint ventures	558	25	108	28,218	28,909
Total external assets	890,080	603,841	1,388,845	134,282	3,017,048
Customer accounts	823,267	490,475	340,898	315	1,654,955

	2023				
Net operating income/(expense) before change in expected credit losses and other credit impairment charges[1]	26,848	22,396	15,771	(103)	64,912
– external	18,669	23,686	27,618	(5,061)	64,912
– inter-segment	8,179	(1,290)	(11,847)	4,958	—
– of which: net interest income/(expense)[2]	19,902	16,289	6,860	(8,899)	34,152
Change in expected credit losses and other credit impairment charges	(935)	(2,006)	(317)	(1)	(3,259)
Net operating income/(expense)	25,913	20,390	15,454	(104)	61,653
Total operating expenses	(14,352)	(7,234)	(9,872)	(36)	(31,494)
Operating profit/(loss)	11,561	13,156	5,582	(140)	30,159
Share of profit/(loss) in associates and joint ventures[3]	64	(1)	—	(319)	(256)
Constant currency profit/(loss) before tax	11,625	13,155	5,582	(459)	29,903
	%	%	%	%	%
Share of HSBC's constant currency profit before tax	38.9	44.0	18.7	(1.6)	100.0
Constant currency cost efficiency ratio	53.5	32.3	62.6	(35.0)	48.5
Constant currency balance sheet data	$m	$m	$m	$m	$m
Loans and advances to customers (net)	444,856	301,103	170,868	262	917,089
Interests in associates and joint ventures	539	23	107	26,226	26,895
Total external assets	915,062	613,124	1,298,065	146,296	2,972,547
Customer accounts	792,710	465,095	321,226	582	1,579,613

HSBC constant currency profit before tax and balance sheet data (continued)

	2022				
	Wealth and Personal Banking	Commercial Banking	Global Banking and Markets	Corporate Centre	Total
	$m	$m	$m	$m	$m
Net operating income/(expense) before change in expected credit losses and other credit impairment charges[1]	20,772	16,207	14,542	(1,934)	49,587
– external	18,176	16,834	18,704	(4,127)	49,587
– inter-segment	2,596	(627)	(4,162)	2,193	—
– of which: net interest income/(expense)[2]	15,887	11,584	4,602	(2,633)	29,440
Change in expected credit losses and other credit impairment charges	(1,160)	(1,868)	(578)	(9)	(3,615)
Net operating income/(expense)	19,612	14,339	13,964	(1,943)	45,972
Total operating expenses	(14,141)	(6,810)	(9,403)	(1,875)	(32,229)
Operating profit/(loss)	5,471	7,529	4,561	(3,818)	13,743
Share of profit/(loss) in associates and joint ventures	29	1	(2)	2,531	2,559
Constant currency profit/(loss) before tax	5,500	7,530	4,559	(1,287)	16,302
	%	%	%	%	%
Share of HSBC's constant currency profit before tax	33.7	46.2	28.0	(7.9)	100.0
Constant currency cost efficiency ratio	68.1	42.0	64.7	(96.9)	65.0
Constant currency balance sheet data	$m	$m	$m	$m	$m
Loans and advances to customers (net)	425,072	309,224	186,653	350	921,299
Interests in associates and joint ventures	503	27	90	27,676	28,296
Total external assets	873,688	602,624	1,305,319	161,872	2,943,503
Customer accounts	781,881	462,806	323,420	443	1,568,550

1 Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.
2 Net interest expense recognised in Corporate Centre includes $11.4bn (2023: $8.7bn; 2022: $2.5bn) of interest expense in relation to the internal cost to fund trading and fair value net assets; and the funding cost of foreign exchange swaps in our Markets Treasury function.
3 Includes an impairment loss of $3.0bn recognised in respect of the Group's investment in BoCom in 2023.

Reported external net operating income is attributed to countries and territories on the basis of the location of the branch responsible for reporting the results or advancing the funds:

	2024	2023	2022
	$m	$m	$m
Reported external net operating income/(expense) by country/territory[1]	**65,854**	66,058	50,620
– UK[2]	**12,307**	11,027	11,710
– Hong Kong	**20,811**	20,185	15,454
– US	**4,233**	3,816	3,893
– France	**3,804**	4,208	(177)
– other countries/territories	**24,699**	26,822	19,740

1 Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.
2 UK includes HSBC UK Bank plc (ring-fenced bank), HSBC Bank plc (non-ring-fenced bank), the ultimate holding company, HSBC Holdings plc, and the separately incorporated group of service companies ('ServCo Group').

Constant currency results reconciliation

	2024	2023			2022		
	Reported and constant currency	Constant currency	Currency translation	Reported	Constant currency	Currency translation	Reported
	$m	$m	$m	$m	$m	$m	$m
Revenue[1]	**65,854**	64,912	(1,146)	66,058	49,587	(1,033)	50,620
ECL	**(3,414)**	(3,259)	188	(3,447)	(3,615)	(31)	(3,584)
Operating expenses	**(33,043)**	(31,494)	576	(32,070)	(32,229)	472	(32,701)
Share of profit/(loss) in associates and joint ventures less impairment[2]	**2,912**	(256)	(63)	(193)	2,559	(164)	2,723
Profit before tax	**32,309**	29,903	(445)	30,348	16,302	(756)	17,058

1 Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.
2 Includes an impairment loss of $3.0bn recognised in respect of the Group's investment in BoCom in 2023.

Constant currency balance sheet reconciliation

	2024	2023			2022		
	Reported and constant currency	Constant currency	Currency translation	Reported	Constant currency	Currency translation	Reported
	$m	$m	$m	$m	$m	$m	$m
Loans and advances to customers (net)	**930,658**	917,089	21,446	938,535	921,299	2,262	923,561
Interests in associates and joint ventures	**28,909**	26,895	449	27,344	28,296	958	29,254
Total external assets	**3,017,048**	2,972,547	66,130	3,038,677	2,943,503	5,783	2,949,286
Customer accounts	**1,654,955**	1,579,613	32,034	1,611,647	1,568,550	1,753	1,570,303

Notable items

	2024 $m	2023 $m	2022 $m
Year ended 31 Dec			
Notable items			
Revenue			
Disposals, acquisitions and related costs[1,2]	**(1,343)**	1,298	(2,737)
Fair value movements on financial instruments[3]	**—**	14	(618)
Restructuring and other related costs	**—**	—	(247)
Disposal losses on Markets Treasury repositioning	**—**	(977)	—
Early redemption of legacy securities	**(237)**	—	—
Operating expenses			
Disposals, acquisitions and related costs	**(199)**	(321)	(18)
Restructuring and other related costs[4]	**(34)**	136	(2,882)
Impairment of interests in associates[5]	**—**	(3,000)	—

1 Amounts in 2024 include a $1.0bn loss on disposal and a $5.2bn loss on the recycling in foreign currency translation reserve losses and other reserves arising on sale of our business in Argentina. This is partly offset by a $4.8bn gain on disposal of our banking business in Canada, inclusive of a $0.3bn gain on the foreign exchange hedging of the sales proceeds, the recycling of $0.6bn in foreign currency translation reserve losses and $0.4bn of other reserves losses.
2 Amounts in 2023 include the gain of $1.6bn recognised in respect of the acquisition of SVB UK, as well as the impact of the sale of our retail banking operations in France.
3 Fair value movements on non-qualifying hedges in HSBC Holdings.
4 Amounts in 2024 relate to restructuring provisions recognised in 2024 and reversals of restructuring provisions recognised during 2022. Amounts in 2023 relate to reversals of restructuring provisions recognised during 2022.
5 Relates to an impairment loss of $3.0bn recognised in respect of the Group's investment in BoCom in 2023.

11 Trading assets

	2024 $m	2023 $m
Treasury and other eligible bills	**32,022**	24,433
Debt securities	**97,275**	106,108
Equity securities	**155,194**	123,663
Trading securities	**284,491**	254,204
Loans and advances to banks[1]	**6,123**	9,761
Loans and advances to customers[1]	**24,228**	25,194
Year ended 31 Dec	**314,842**	289,159

1 Loans and advances to banks and customers include reverse repos, stock borrowing and other accounts.

12 Fair values of financial instruments carried at fair value

Control framework

Fair values are subject to a control framework designed to ensure that they are either determined or validated by a function independent of the risk taker.

Where fair values are determined by reference to externally quoted prices or observable pricing inputs to models, independent price determination or validation is used. For inactive markets, HSBC sources alternative market information, with greater weight given to information that is considered to be more relevant and reliable. Examples of the factors considered are price observability, instrument comparability, consistency of data sources, underlying data accuracy and timing of prices.

For fair values determined using valuation models, the control framework includes development or validation by independent support functions of the model logic, inputs, model outputs and adjustments. Valuation models are subject to a process of due diligence before becoming operational and are calibrated against external market data on an ongoing basis.

Changes in fair value are generally subject to a profit and loss analysis process and are disaggregated into high-level categories including portfolio changes, market movements and other fair value adjustments.

The majority of financial instruments measured at fair value are in GBM. GBM's fair value governance structure comprises its Finance function, Valuation Committees and a Valuation Committee Review Group. Finance is responsible for establishing procedures governing valuation and ensuring fair values are in compliance with accounting standards. The fair values are reviewed by the Valuation Committees, which consist of independent support functions. These committees are overseen by the Valuation Committee Review Group, which considers all material subjective valuations.

Financial liabilities measured at fair value

In certain circumstances, HSBC records its own debt in issue at fair value, based on quoted prices in an active market for the specific instrument. When quoted market prices are unavailable, the own debt in issue is valued using valuation techniques, the inputs for which are either based on quoted prices in an inactive market for the instrument or are estimated by comparison with quoted prices in an active market for similar instruments. In both cases, the fair value includes the effect of applying the credit spread that is appropriate to HSBC's liabilities. The change in fair value of issued debt securities attributable to the Group's own credit spread is computed as follows: for each security at each reporting date, an externally verifiable price is obtained or a price is derived using credit spreads for similar securities for the same issuer. Then, using discounted cash flow, each security is valued using an appropriate market discount curve. The difference in the valuations is attributable to the Group's own credit spread. This methodology is applied consistently across all securities.

Structured notes issued and certain other hybrid instruments are reported as financial liabilities designated at fair value. The credit spread applied to these instruments is derived from the spreads at which HSBC issues structured notes.

Gains and losses arising from changes in the credit spread of liabilities issued by HSBC, recorded in other comprehensive income, reverse over the contractual life of the debt, provided that the debt is not repaid at a premium or a discount.

Fair value hierarchy

Fair values of financial assets and liabilities are determined according to the following hierarchy:

– Level 1 – valuation technique using quoted market price. These are financial instruments with quoted prices for identical instruments in active markets that HSBC can access at the measurement date.
– Level 2 – valuation technique using observable inputs. These are financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
– Level 3 – valuation technique with significant unobservable inputs. These are financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

Financial instruments carried at fair value and bases of valuation

	2024				2023			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	$m	**$m**	**$m**	**$m**	$m	$m	$m	$m
Recurring fair value measurements at 31 Dec								
Assets								
Trading assets	**236,593**	**71,574**	**6,675**	**314,842**	202,020	82,833	4,306	289,159
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	**39,331**	**56,694**	**19,744**	**115,769**	27,030	63,825	19,788	110,643
Derivatives	**1,859**	**264,629**	**2,149**	**268,637**	931	226,714	2,069	229,714
Financial investments	**258,371**	**78,088**	**2,734**	**339,193**	215,228	76,591	2,618	294,437
Liabilities								
Trading liabilities	**42,038**	**23,160**	**784**	**65,982**	53,354	19,318	478	73,150
Financial liabilities designated at fair value	**2,152**	**127,458**	**9,117**	**138,727**	1,266	129,232	10,928	141,426
Derivatives	**1,088**	**260,518**	**2,842**	**264,448**	1,918	230,285	2,569	234,772

The table below provides the fair value levelling of assets held for sale and liabilities of disposal groups that have been classified as held for sale in accordance with IFRS 5. For further details, see Note 23.

Financial instruments carried at fair value and bases of valuation – assets and liabilities held for sale

	2024				2023			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	$m	**$m**	**$m**	**$m**	$m	$m	$m	$m
Recurring fair value measurements at 31 Dec								
Assets								
Trading assets	**—**	**—**	**—**	**—**	2,403	61	—	2,465
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	**2,967**	**9,018**	**2,575**	**14,560**	—	15	49	64
Derivatives	**—**	**36**	**—**	**36**	—	528	—	528
Financial investments	**2,651**	**5,345**	**504**	**8,500**	9,357	—	28	9,385
Liabilities								
Trading liabilities	**—**	**—**	**—**	**—**	1,352	64	—	1,417
Financial liabilities designated at fair value	**—**	**130**	**—**	**130**	—	2,370	—	2,370
Derivatives	**—**	**19**	**—**	**19**	—	615	—	615

Transfers between Level 1 and Level 2 fair values

	Assets				**Liabilities**		
	Financial investments	**Trading assets**	**Designated and otherwise mandatorily measured at fair value**	**Derivatives**	**Trading liabilities**	**Designated at fair value**	**Derivatives**
	$m	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
At 31 Dec 2024							
Transfers from Level 1 to Level 2	**13,511**	**9,246**	**1,540**	**—**	**191**	**—**	**—**
Transfers from Level 2 to Level 1	**10,752**	**6,060**	**3,042**	**—**	**159**	**—**	**—**
At 31 Dec 2023							
Transfers from Level 1 to Level 2	13,200	8,066	1,709	—	54	—	—
Transfers from Level 2 to Level 1	9,975	5,758	2,477	—	309	—	—

Transfers between levels of the fair value hierarchy are deemed to occur at the end of each quarterly reporting period. Transfers are primarily attributable to changes in price transparency and in the assessment of observability.

Fair value adjustments

Fair value adjustments take into consideration additional factors not incorporated within the primary product valuation model that would otherwise be considered by a market participant. Adjustments are calculated using model infrastructure including those within primary valuation systems. We classify fair value adjustments as either 'risk-related' or 'model-related'. The majority of these adjustments relate to MSS. Movements in the amount of fair value adjustments do not necessarily translate in equivalent movements of profits or losses within the income statement, as these movements can be compensated by other related profits or loss effects. For example, as models are enhanced, fair value adjustments may no longer be required. Similarly, fair value adjustments will decrease when the related positions are unwound, but this may not result in profit or loss.

Fair value adjustments

	2024		2023	
	GBM	**Corporate Centre**	GBM	Corporate Centre
	$m	**$m**	$m	$m
Type of adjustment				
Risk-related	**634**	**35**	692	41
– bid-offer	**366**	**2**	414	—
– uncertainty	**98**	**3**	75	3
– credit valuation adjustment	**126**	**27**	164	35
– debit valuation adjustment	**(24)**	**—**	(54)	—
– funding fair value adjustment	**68**	**3**	93	3
Model-related	**50**	**—**	63	—
– model limitation	**50**	**—**	63	—
Inception profit (Day 1 P&L reserves)	**92**	**—**	86	—
At 31 Dec	**776**	**35**	841	41

The net reduction in fair value adjustments was predominantly driven by changes to exposure, and tightening of credit and liquidity market spreads.

Bid-offer

IFRS 13 'Fair Value Measurement' requires the use of the price within the bid-offer spread that is most representative of fair value. Valuation models will typically generate mid-market values. The bid-offer adjustment reflects the extent to which bid-offer costs would be incurred if substantially all residual net portfolio market risks were closed using available hedging instruments or by disposing of or unwinding the position.

Uncertainty

Certain model inputs may be less readily determinable from market data and/or the choice of model itself may be more subjective. In these circumstances, an adjustment may be necessary to reflect the likelihood that market participants would adopt more conservative values for uncertain parameters and/or model assumptions than those used in HSBC's valuation model.

Credit and debit valuation adjustments

The credit valuation adjustment ('CVA') is an adjustment to the valuation of over-the-counter ('OTC') derivative contracts to reflect the possibility that the counterparty may default and that HSBC may not receive the full market value of the transactions.

The debit valuation adjustment ('DVA') is an adjustment to the valuation of OTC derivative contracts to reflect the possibility that HSBC may default, and that it may not pay the full market value of the transactions. The DVA considers the overlap with the funding fair value adjustment.

HSBC calculates a separate CVA and DVA for each legal entity, and for each counterparty to which the entity has exposure. With the exception of central clearing parties, all third-party counterparties are included in the CVA and DVA calculations, and these adjustments are not netted across Group entities.

HSBC calculates the CVA by applying the probability of default ('PD') of the counterparty, conditional on the non-default of HSBC, to HSBC's expected positive exposure to the counterparty and multiplying the result by the loss expected in the event of default. Conversely, HSBC calculates the DVA by applying the PD of HSBC, conditional on the non-default of the counterparty, to the expected positive exposure of the counterparty to HSBC and multiplying the result by the loss expected in the event of default. Both calculations are performed over the life of the potential exposure.

For most products HSBC uses a simulation methodology, which incorporates a range of potential exposures over the life of the portfolio, to calculate the expected positive exposure to a counterparty. The simulation methodology includes credit mitigants, such as counterparty netting agreements and collateral agreements with the counterparty.

The methodologies do not, in general, account for 'wrong-way risk'. Wrong-way risk is an adverse correlation between the counterparty's probability of default and the mark-to-market value of the underlying transaction. The risk can either be general, perhaps related to the currency of the issuer country, or specific to the transaction concerned. When there is significant wrong-way risk, a trade-specific approach is applied to reflect this risk in the valuation.

Funding fair value adjustment

The funding fair value adjustment ('FFVA') is calculated by applying future market funding spreads to the expected future funding exposure of any uncollateralised component of the OTC derivative portfolio. The expected future funding exposure is calculated by a simulation methodology, where available, and is adjusted for events that may terminate the exposure, such as the default of HSBC or the counterparty.

Model limitation

Models used for portfolio valuation purposes may be based upon a simplified set of assumptions that do not capture all current and future material market characteristics. In these circumstances, model limitation adjustments are adopted.

Inception profit (Day 1 P&L reserves)

Inception profit adjustments are adopted when the fair value estimated by a valuation model is based on one or more significant unobservable inputs. The accounting for inception profit adjustments is discussed in Note 1.

Fair value valuation bases

Financial instruments measured at fair value using a valuation technique with significant unobservable inputs – Level 3

	Assets					Liabilities			
	Financial investments	Trading assets	Designated and otherwise mandatorily measured at fair value through profit or loss	Derivatives	Total	Trading liabilities	Designated at fair value	Derivatives	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m
Private equity including strategic investments	**552**	**1**	**17,705**	**—**	**18,258**	**—**	**1**	**—**	**1**
Asset-backed securities	**182**	**198**	**—**	**—**	**380**	**—**	**—**	**—**	**—**
Structured notes	**—**	**—**	**3**	**—**	**3**	**—**	**9,113**	**—**	**9,113**
Other derivatives	**—**	**—**	**—**	**2,149**	**2,149**	**—**	**—**	**2,842**	**2,842**
Other portfolios	**2,000**	**6,476**	**2,036**	**—**	**10,512**	**784**	**3**	**—**	**787**
At 31 Dec 2024	**2,734**	**6,675**	**19,744**	**2,149**	**31,302**	**784**	**9,117**	**2,842**	**12,743**
Private equity including strategic investments	507	7	17,640	—	18,154	—	1	—	1
Asset-backed securities	309	128	8	—	445	—	—	—	—
Structured notes	—	—	3	—	3	—	10,331	—	10,331
Other derivatives	—	—	—	2,069	2,069	—	—	2,569	2,569
Other portfolios	1,802	4,171	2,137	—	8,110	478	596	—	1,074
At 31 Dec 2023	2,618	4,306	19,788	2,069	28,781	478	10,928	2,569	13,975

Level 3 instruments are present in both ongoing and legacy businesses. Loans held for securitisation, derivatives with monolines, certain 'other derivatives' and predominantly all Level 3 asset-backed securities are legacy positions. HSBC has the capability to hold these positions.

Private equity including strategic investments

The fair value of a private equity investment (including strategic investments) is estimated on the basis of an analysis of the investee's financial position and results, risk profile, prospects and other factors; by reference to market valuations for similar entities quoted in an active market; the price at which similar companies have changed ownership; or from published net asset values ('NAV') received. If necessary, adjustments are made to the NAV of funds to obtain the best estimate of fair value.

Asset-backed securities

While quoted market prices are generally used to determine the fair value of the asset-backed securities ('ABSs'), valuation models are used to substantiate the reliability of the limited market data available and to identify whether any adjustments to quoted market prices are required. For certain ABSs, such as residential mortgage-backed securities, the valuation uses an industry standard model with assumptions relating to prepayment speeds, default rates and loss severity based on collateral type, and performance, as appropriate. The valuations output is benchmarked for consistency against observable data for securities of a similar nature.

Structured notes

The fair value of Level 3 structured notes is derived from the fair value of the underlying debt security, and the fair value of the embedded derivative is determined as described in the paragraph below on derivatives. These structured notes comprise principally equity-linked notes issued by HSBC, which provide the counterparty with a return linked to the performance of equity securities and other portfolios. Examples of the unobservable parameters include long-dated equity volatilities and correlations between equity prices, and interest and foreign exchange rates.

Derivatives

OTC derivative valuation models calculate the present value of expected future cash flows, based upon 'no arbitrage' principles. For many vanilla derivative products, the modelling approaches used are standard across the industry. For more complex derivative products, there may be some differences in market practice. Inputs to valuation models are determined from observable market data wherever possible, including prices available from exchanges, dealers, brokers or providers of consensus pricing. Certain inputs may not be observable in the market directly, but can be determined from observable prices via model calibration procedures or estimated from historical data or other sources.

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy

Movement in Level 3 financial instruments

	Assets				Liabilities		
	Financial investments	Trading assets	Designated and otherwise mandatorily measured at fair value through profit or loss	Derivatives	Trading liabilities	Designated at fair value	Derivatives
	$m	$m	$m	$m	$m	$m	$m
At 1 Jan 2024	**2,618**	**4,306**	**19,788**	**2,069**	**478**	**10,928**	**2,569**
Total gains/(losses) recognised in profit or loss	**(9)**	**280**	**896**	**1,037**	**18**	**496**	**1,268**
– net income/(losses) from financial instruments held for trading or managed on a fair value basis	**—**	**280**	**—**	**1,037**	**18**	**496**	**1,268**
– net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	**—**	**—**	**684**	**—**	**—**	**—**	**—**
– changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	**—**	**—**	**212**	**—**	**—**	**—**	**—**
– gains less losses from financial investments at fair value through other comprehensive income	**(9)**	**—**	**—**	**—**	**—**	**—**	**—**
Total gains/(losses) recognised in other comprehensive income ('OCI')[1]	**(78)**	**(115)**	**(39)**	**(36)**	**(18)**	**(45)**	**(53)**
– financial investments: fair value gains/(losses)	**18**	**—**	**—**	**—**	**—**	**33**	**—**
– exchange differences	**(96)**	**(115)**	**(39)**	**(36)**	**(18)**	**(78)**	**(53)**
Purchases	**1,670**	**4,170**	**6,261**	**—**	**924**	**—**	**—**
New issuances	**—**	**—**	**—**	**—**	**—**	**6,521**	**—**
Sales	**(97)**	**(1,477)**	**(649)**	**—**	**(295)**	**—**	**—**
Settlements[2]	**(1,011)**	**(967)**	**(6,476)**	**(897)**	**(307)**	**(4,750)**	**(568)**
Transfers out[3]	**(438)**	**(429)**	**(278)**	**(777)**	**(29)**	**(6,048)**	**(1,346)**
Transfers in[3]	**79**	**907**	**241**	**753**	**13**	**2,015**	**972**
At 31 Dec 2024	**2,734**	**6,675**	**19,744**	**2,149**	**784**	**9,117**	**2,842**
Unrealised gains/(losses) recognised in profit or loss relating to assets and liabilities held at 31 Dec 2024	**—**	**(150)**	**11**	**(1,377)**	**(6)**	**(94)**	**(1,343)**
– net income/(losses) from financial instruments held for trading or managed on a fair value basis	**—**	**(150)**	**—**	**(1,377)**	**(6)**	**—**	**(1,343)**
– changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	**—**	**—**	**11**	**—**	**—**	**(94)**	**—**
At 1 Jan 2023	2,961	4,817	17,407	1,964	474	10,432	2,920
Total gains/(losses) recognised in profit or loss	(44)	266	921	692	75	97	910
– net income/(losses) from financial instruments held for trading or managed on a fair value basis	—	266	—	692	75	97	910
– net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	—	—	—	—	—	—	—
– changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	—	—	921	—	—	—	—
– gains less losses from financial investments at fair value through other comprehensive income	(44)	—	—	—	—	—	—
Total gains/(losses) recognised in other comprehensive income ('OCI')[1]	28	108	87	81	24	523	111
– financial investments: fair value gains/(losses)	(44)	—	—	—	—	335	—
– exchange differences	72	108	87	81	24	188	111
Purchases	353	2,276	3,555	—	291	—	—
New issuances	—	2	—	—	2	5,389	—
Sales	(290)	(2,478)	(658)	—	(320)	(2)	—
Settlements	(352)	(872)	(1,886)	(1,018)	(74)	(3,258)	(1,565)
Transfers out	(662)	(922)	(156)	(240)	(45)	(2,881)	(358)
Transfers in	624	1,109	518	590	51	628	551
At 31 Dec 2023	2,618	4,306	19,788	2,069	478	10,928	2,569
Unrealised gains/(losses) recognised in profit or loss relating to assets and liabilities held at 31 Dec 2023	—	(152)	82	737	—	(433)	(903)
– net income/(losses) from financial instruments held for trading or managed on a fair value basis	—	(152)	—	737	—	—	(903)
– changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	—	—	82	—	—	(433)	—

1 Included in 'financial investments: fair value gains/(losses)' in the current year and 'exchange differences' in the consolidated statement of comprehensive income.
2 Includes $3.1bn decrease from classification of the assets of our French Life Insurance business as assets held for sale.
3 Includes $4.4bn of transfers out and $1.5bn of transfers in relating to enhancement of observability assessments on equity structured notes.

Transfers between levels of the fair value hierarchy are deemed to occur at the end of each quarterly reporting period. Transfers are primarily attributable to changes in price transparency and in the assessment of observability.

Effect of changes in significant unobservable assumptions to reasonably possible alternatives

Sensitivity of fair values to reasonably possible alternative assumptions

	2024				2023			
	Reflected in profit or loss		Reflected in OCI		Reflected in profit or loss		Reflected in OCI	
	Favourable changes	Un-favourable changes	Favourable changes	Un-favourable changes	Favourable changes	Un-favourable changes	Favourable changes	Un-favourable changes
	$m	$m	$m	$m	$m	$m	$m	$m
Derivatives, trading assets and trading liabilities[1]	**481**	**(313)**	**—**	**—**	492	(531)	—	—
Financial assets and liabilities designated and otherwise mandatorily measured at fair value through profit or loss	**1,434**	**(1,141)**	**—**	**—**	1,092	(1,100)	—	—
Financial investments	**21**	**(21)**	**47**	**(50)**	13	(12)	61	(66)
At 31 Dec	**1,936**	**(1,475)**	**47**	**(50)**	1,597	(1,643)	61	(66)

1 'Derivatives, trading assets and trading liabilities' are presented as one category to reflect the manner in which these instruments are risk-managed.

The sensitivity analysis for certain private equity positions has been enhanced in order to reduce dependency on historical observations and focus on current valuation uncertainty, resulting in some increases in favourable sensitivities.

The sensitivity analysis aims to measure a range of fair values consistent with the application of a 95% confidence interval. Methodologies take account of the nature of the valuation technique employed, as well as the availability and reliability of observable proxy and historical data.

When the fair value of a financial instrument is affected by more than one unobservable assumption, the above table reflects the most favourable or the most unfavourable change from varying the assumptions individually.

Key unobservable inputs to Level 3 financial instruments

The following table lists key unobservable inputs to Level 3 financial instruments and provides the range of those inputs at 31 December 2024.

Quantitative information about significant unobservable inputs in Level 3 valuations

	Fair value				2024		2023	
					Full range of inputs		Full range of inputs	
	Assets $m	Liabilities $m	Key valuation techniques	Key unobservable inputs	Lower	Higher	Lower	Higher
Private equity including strategic investments[2]	**18,258**	**1**	**Price – Net asset value**	**Current Value/Cost**	**0**	**291**	See footnote 2	
Asset-backed securities	**380**	**—**						
– collateralised loan/debt obligation	**100**	**—**	**Market proxy**	**Price**	**0**	**97**	0	94
– other ABSs	**280**	**—**	**Market proxy**	**Price**	**0**	**248**	0	220
Structured notes	**3**	**9,113**						
– equity-linked notes	**3**	**5,739**	**Model – Option model**	**Equity volatility**	**6%**	**70%**	6%	154%
			Model – Option model	**Equity correlation**	**15%**	**100%**	34%	100%
– Foreign exchange-linked notes	**—**	**1,833**	**Model – Option model**	**Foreign exchange volatility**	**3%**	**35%**	1%	34%
– other structured notes	**—**	**1,541**						
Derivatives	**2,149**	**2,842**						
– interest rate derivatives	**1,102**	**1,066**						
securitisation swaps	**196**	**186**	**Model – Discounted cash flow**	**Prepayment rate**	**5%**	**10%**	5%	10%
long-dated swaptions	**71**	**76**	**Model – Option model**	**Interest rate volatility**	**9%**	**30%**	11%	37%
other interest rate derivatives	**835**	**804**						
– Foreign exchange derivatives	**202**	**212**						
Foreign exchange options	**154**	**174**	**Model – Option model**	**Foreign exchange volatility**	**1%**	**26%**	1%	31%
other foreign exchange derivatives	**48**	**38**						
– equity derivatives	**460**	**638**						
long-dated single stock options	**145**	**166**	**Model – Option model**	**Equity volatility**	**6%**	**118%**	6%	110%
other equity derivatives	**315**	**472**						
– credit derivatives	**376**	**922**						
total return swaps	**349**	**847**	**Market proxy**	**Price**	**0**	**104**	0	104
other credit derivatives	**27**	**75**						
– other derivatives	**9**	**4**						
Other portfolios	**10,512**	**787**						
– repurchase agreements	**1,739**	**742**	**Model – Discounted cash flow**	**Interest rate curve**	**0%**	**26%**	3%	8%
– bonds	**4,300**	**27**	**Market proxy**	**Price**	**0**	**140**	0	101
– other[1]	**4,473**	**18**						
At 31 Dec 2024	**31,302**	**12,743**						

1 'Other' includes a range of asset holdings including loans and deposits, syndicated loans and infrastructure debt.
2 'Private equity including strategic investments' includes private equity, private credit and private equity fund, primarily held as part of our Insurance business and for strategic investments. The analysis for private equity positions has been enhanced with the range of key unobservable inputs now quoted.

The range of values above shows the highest and lowest unobservable inputs that have been used to value significant Level 3 exposures and reflects the diversity of the underlying financial instruments in scope and subsequent differentiation in pricing.

Private equity including strategic investments

The 'private equity' holdings include private equity investments and private equity funds held as limited partners. The key unobservable input is the current value of the underlying positions, determined using valuation techniques in line with the International Capital Valuation Guidelines. The inputs represented are an appropriate range of inputs normalised across different exposure types.

Prepayment rates

Prepayment rates are a measure of the anticipated future speed at which a loan portfolio will be repaid in advance of the due date. They vary according to the nature of the loan portfolio and expectations of future market conditions, and may be estimated using a variety of evidence, such as prepayment rates implied from proxy observable security prices, current or historical prepayment rates and macroeconomic modelling.

Market proxy

Market proxy pricing may be used for an instrument when specific market pricing is not available but there is evidence from instruments with common characteristics. In some cases it might be possible to identify a specific proxy, but more generally evidence across a wider range of instruments will be used to understand the factors that influence current market pricing and the manner of that influence.

Volatility

Volatility is a measure of the anticipated future variability of a market price. It varies by underlying reference market price, and by strike and maturity of the option. Certain volatilities, typically those of a longer-dated nature, are unobservable and are estimated from observable data. The range of unobservable volatilities reflects the wide variation in volatility inputs by reference market price.

Correlation

Correlation is a measure of the inter-relationship between two market variables and is expressed as a number between minus one and one. It is used to value more complex instruments where the payout is dependent upon more than one market variable. There is a wide range of instruments for which correlation is an input, and consequently a wide range of both same-asset correlations and cross-asset correlations is used. In general, the range of same-asset correlations will be narrower than the range of cross-asset correlations.

Unobservable correlations may be estimated based upon a range of evidence, including consensus pricing services, HSBC trade prices, proxy correlations and examination of historical price relationships. The range of unobservable correlations quoted in the table reflects the wide variation in correlation inputs by market variable pair.

Credit spread

Credit spread is the premium over a benchmark interest rate required by the market to accept lower credit quality. In a discounted cash flow model, the credit spread increases the discount factors applied to future cash flows, thereby reducing the value of an asset. Credit spreads may be implied from market prices and may not be observable in more illiquid markets.

Inter-relationships between key unobservable inputs

Key unobservable inputs to Level 3 financial instruments may not be independent of each other. As described above, market variables may be correlated. This correlation typically reflects the manner in which different markets tend to react to macroeconomic or other events. Furthermore, the effect of changing market variables on the HSBC portfolio will depend on HSBC's net risk position in respect of each variable.

HSBC Holdings

Basis of valuing HSBC Holdings' financial assets and liabilities measured at fair value

	2024			2023		
	Level 1	**Level 2**	**Total**	Level 1	Level 2	Total
	$m	**$m**	**$m**	$m	$m	$m
Recurring fair value measurement						
Assets at 31 Dec						
Trading assets	**709**	**—**	**709**	—	—	—
Financial assets with HSBC undertakings designated and otherwise mandatorily measured at fair value	**—**	**61,286**	**61,286**	—	59,879	59,879
Derivatives	**—**	**3,054**	**3,054**	—	3,344	3,344
Liabilities at 31 Dec						
Financial liabilities designated at fair value	**—**	**41,582**	**41,582**	—	43,638	43,638
Derivatives	**—**	**5,340**	**5,340**	—	6,090	6,090

13 Fair values of financial instruments not carried at fair value

Fair values of financial instruments not carried at fair value and bases of valuation

		Fair value			
	Carrying amount	Quoted market price Level 1	Observable inputs Level 2	Significant unobservable inputs Level 3	Total
	$m	$m	$m	$m	$m
At 31 Dec 2024					
Assets					
Loans and advances to banks	**102,039**	**—**	**101,007**	**1,048**	**102,055**
Loans and advances to customers[1]	**930,658**	**—**	**11,435**	**906,208**	**917,643**
Reverse repurchase agreements – non-trading	**252,549**	**—**	**252,598**	**—**	**252,598**
Financial investments – at amortised cost	**153,973**	**120,843**	**29,493**	**724**	**151,060**
Liabilities					
Deposits by banks	**73,997**	**—**	**74,025**	**—**	**74,025**
Customer accounts	**1,654,955**	**—**	**1,655,151**	**—**	**1,655,151**
Repurchase agreements – non-trading	**180,880**	**—**	**180,873**	**—**	**180,873**
Debt securities in issue	**105,785**	**—**	**105,689**	**954**	**106,643**
Subordinated liabilities	**25,958**	**—**	**28,262**	**—**	**28,262**
At 31 Dec 2023					
Assets					
Loans and advances to banks	112,902	2	111,263	1,479	112,744
Loans and advances to customers	938,535	—	13,258	911,124	924,382
Reverse repurchase agreements – non-trading	252,217	—	252,243	—	252,243
Financial investments – at amortised cost	148,326	115,383	30,765	440	146,588
Liabilities					
Deposits by banks	73,163	—	73,176	—	73,176
Customer accounts	1,611,647	—	1,611,795	—	1,611,795
Repurchase agreements – non-trading	172,100	—	172,081	—	172,081
Debt securities in issue	93,917	—	93,196	706	93,902
Subordinated liabilities	24,954	—	27,151	—	27,151

1 Includes retained portfolio of French home and other loans following the sale of retail banking operations in France, with carrying amount of $6.9bn (2023: $7.9bn). We reclassified the portfolio to a hold-to-collect-and-sell business model from 1 January 2025 and will measure it prospectively from the first quarter of 2025 at fair value through other comprehensive income. We expect to recognise an estimated $1bn fair value pre-tax loss in other comprehensive income on the remeasurement of these financial instruments. The valuation of this portfolio of loans may be substantially different in the event of a sale due to entity and deal-specific factors, including funding costs and the value of customer relationships (refer Note 23 for details).

Fair values of financial instruments not carried at fair value and bases of valuation – assets and disposal groups held for sale

		Fair value			
	Carrying amount	Quoted market price Level 1	Observable inputs Level 2	Significant unobservable inputs Level 3	Total
	$m	$m	$m	$m	$m
At 31 Dec 2024					
Assets					
Loans and advances to banks	**144**	**—**	**144**	**—**	**144**
Loans and advances to customers	**977**	**—**	**11**	**966**	**977**
Reverse repurchase agreements – non-trading	**—**	**—**	**—**	**—**	**—**
Financial investments – at amortised cost	**—**	**—**	**—**	**—**	**—**
Liabilities					
Deposits by banks	**—**	**—**	**—**	**—**	**—**
Customer accounts	**5,399**	**—**	**5,399**	**—**	**5,399**
Repurchase agreements – non-trading	**—**	**—**	**—**	**—**	**—**
Debt securities in issue	**—**	**—**	**—**	**—**	**—**
Subordinated liabilities	**—**	**—**	**—**	**—**	**—**
At 31 Dec 2023					
Assets					
Loans and advances to banks	10,487	—	10,487	—	10,487
Loans and advances to customers	73,376	—	90	72,200	72,290
Reverse repurchase agreements – non-trading	2,723	—	2,723	—	2,723
Financial investments – at amortised cost	7,624	7,530	—	5	7,535
Liabilities					
Deposits by banks	78	—	78	—	78
Customer accounts	85,950	—	86,475	—	86,475
Repurchase agreements – non-trading	2,768	—	2,768	—	2,768
Debt securities in issue	9,084	—	8,820	—	8,820
Subordinated liabilities	8	—	7	—	7

Other financial instruments not carried at fair value are typically short term in nature and reprice to current market rates frequently. Accordingly, their carrying amount is a reasonable approximation of fair value. They include cash and balances at central banks, Hong Kong Government certificates of indebtedness and Hong Kong currency notes in circulation, all of which are measured at amortised cost.

Valuation

Fair value is an estimate of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This may be different from the theoretical economic value attributed from an instrument's cash flows over its expected future life. Our valuation methodologies and assumptions in determining fair values for which no observable market prices are available may differ from those of other companies.

Loans and advances to banks and customers

To determine the fair value of loans and advances to banks and customers, loans are segregated into portfolios of similar characteristics. Fair values are based on observable market transactions, when available. When they are unavailable, fair values are estimated using valuation models incorporating a range of input assumptions. These assumptions may include: value estimates from third-party brokers reflecting over-the-counter trading activity; forward-looking discounted cash flow models, taking account of expected customer prepayment rates, using assumptions that HSBC believes are consistent with those that would be used by market participants in valuing such loans; recent origination pricing for similar loans; and trading inputs from other market participants including observed primary and secondary trades. From time to time, we may engage a third-party valuation specialist to measure the fair value of a pool of loans.

The fair value of loans reflects expected credit losses at the balance sheet date and estimates of market participants' expectations of credit losses over the life of the loans, and the fair value effect of repricing between origination and the balance sheet date. For credit-impaired loans, fair value is estimated by discounting the future cash flows over the time period they are expected to be recovered.

Financial investments

The fair values of listed financial investments are determined using bid market prices. The fair values of unlisted financial investments are determined using valuation techniques that incorporate the prices and future earnings streams of equivalent quoted securities.

Deposits by banks and customer accounts

The fair values of on-demand deposits are approximated by their carrying amount. For deposits with longer-term maturities, fair values are estimated using discounted cash flows, applying current rates offered for deposits of similar remaining maturities.

Debt securities in issue and subordinated liabilities

Fair values in debt securities in issue and subordinated liabilities are determined using quoted market prices at the balance sheet date where available, or by reference to quoted market prices for similar instruments.

Repurchase and reverse repurchase agreements – non-trading

Carrying amounts of repurchase and reverse repurchase agreements that are held on a non-trading basis provide approximate fair values. This is due to the fact that balances are generally short dated.

HSBC Holdings

The methods used by HSBC Holdings to determine fair values of financial instruments for the purposes of measurement and disclosure are described above.

Fair values of HSBC Holdings' financial instruments not carried at fair value on the balance sheet

	2024		2023	
	Carrying amount	**Fair value[1]**	Carrying amount	Fair value[1]
	$m	**$m**	$m	$m
Assets at 31 Dec				
Loans and advances to HSBC undertakings	**37,677**	**38,359**	27,354	27,878
Financial investments – at amortised cost	**10,328**	**10,335**	19,558	19,531
Liabilities at 31 Dec				
Debt securities in issue	**64,320**	**65,123**	65,239	65,172
Subordinated liabilities	**23,548**	**25,911**	24,439	26,651

1 Fair values (other than Financial investments which are Level 1) were determined using valuation techniques with observable inputs (Level 2).

14 Financial assets designated and otherwise mandatorily measured at fair value through profit or loss

	2024			2023		
	Designated at fair value	**Mandatorily measured at fair value**	**Total**	Designated at fair value	Mandatorily measured at fair value	Total
	$m	**$m**	**$m**	$m	$m	$m
Securities	**2,406**	**104,093**	**106,499**	2,353	101,152	103,505
– treasury and other eligible bills	**732**	**393**	**1,125**	695	724	1,419
– debt securities	**1,674**	**59,904**	**61,578**	1,658	60,045	61,703
– equity securities	**—**	**43,796**	**43,796**	—	40,383	40,383
Loans and advances to banks and customers	**951**	**6,120**	**7,071**	371	5,495	5,866
Other	**—**	**2,199**	**2,199**	—	1,272	1,272
At 31 Dec	**3,357**	**112,412**	**115,769**	2,724	107,919	110,643

15 Derivatives

Notional contract amounts and fair values of derivatives by product contract type held by HSBC

	Notional contract amount		Fair value – Assets			Fair value – Liabilities		
	Trading	Hedging	Trading	Hedging	Total	Trading	Hedging	Total
	$m	$m	$m	$m	$m	$m	$m	$m
Foreign exchange	**11,706,591**	**82,161**	**142,055**	**2,738**	**144,793**	**133,910**	**75**	**133,985**
Interest rate	**17,316,173**	**406,109**	**209,794**	**4,790**	**214,584**	**212,980**	**4,930**	**217,910**
Equities	**768,732**	**—**	**17,116**	**—**	**17,116**	**20,643**	**—**	**20,643**
Credit	**143,136**	**—**	**1,756**	**—**	**1,756**	**1,769**	**—**	**1,769**
Commodity and other	**118,180**	**—**	**3,134**	**—**	**3,134**	**2,887**	**—**	**2,887**
Gross total fair values	**30,052,812**	**488,270**	**373,855**	**7,528**	**381,383**	**372,189**	**5,005**	**377,194**
Offset (Note 31)					**(112,746)**			**(112,746)**
At 31 Dec 2024	**30,052,812**	**488,270**	**373,855**	**7,528**	**268,637**	**372,189**	**5,005**	**264,448**
Foreign exchange	9,463,768	63,547	99,014	935	99,949	99,949	780	100,729
Interest rate	14,853,397	361,312	223,534	5,119	228,653	225,443	4,080	229,523
Equities	677,149	—	14,427	—	14,427	17,603	—	17,603
Credit	153,606	—	1,351	—	1,351	1,861	—	1,861
Commodity and other	90,007	—	1,820	—	1,820	1,542	—	1,542
Gross total fair values	25,237,927	424,859	340,146	6,054	346,200	346,398	4,860	351,258
Offset (Note 31)					(116,486)			(116,486)
At 31 Dec 2023	25,237,927	424,859	340,146	6,054	229,714	346,398	4,860	234,772

The notional contract amounts of derivatives held for trading purposes and derivatives designated in hedge accounting relationships indicate the nominal value of transactions outstanding at the balance sheet date. They do not represent amounts at risk.

Notional contract amounts and fair values of derivatives by product contract type held by HSBC Holdings with subsidiaries

	Notional contract amount		Assets			Liabilities		
	Trading	Hedging	Trading	Hedging	Total	Trading	Hedging	Total
	$m	$m	$m	$m	$m	$m	$m	$m
Foreign exchange	**51,437**	**—**	**796**	**—**	**796**	**1,015**	**—**	**1,015**
Interest rate	**30,535**	**90,074**	**1,544**	**714**	**2,258**	**487**	**3,838**	**4,325**
At 31 Dec 2024	**81,972**	**90,074**	**2,340**	**714**	**3,054**	**1,502**	**3,838**	**5,340**
Foreign exchange	66,711	—	486	—	486	1,705	—	1,705
Interest rate	33,480	92,268	1,730	1,128	2,858	747	3,638	4,385
At 31 Dec 2023	100,191	92,268	2,216	1,128	3,344	2,452	3,638	6,090

Use of derivatives

For details regarding the use of derivatives, see page 218 under 'Market risk'.

Trading derivatives

Most of HSBC's derivative transactions relate to sales and trading activities. Sales activities include the structuring and marketing of derivative products to customers to enable them to take, transfer, modify or reduce current or expected risks. Trading activities include market-making and risk management. Market-making entails quoting bid and offer prices to other market participants for the purpose of generating revenue based on spread and volume. Risk management activity is undertaken to manage the risk arising from client transactions, with the principal purpose of retaining client margin. Other derivatives classified as held for trading include non-qualifying hedging derivatives.

Substantially all of HSBC Holdings' derivatives entered into with subsidiaries are managed in conjunction with financial liabilities.

Hedge accounting derivatives

HSBC applies hedge accounting to manage the following risks: interest rate and foreign exchange risks. Further details of how these risks arise and how they are managed by the Group can be found in the 'Risk review'.

Hedged risk components

HSBC designates a portion of cash flows of a financial instrument or a group of financial instruments for a specific interest rate or foreign currency risk component in a fair value or cash flow hedge. The designated risks and portions are either contractually specified or otherwise separately identifiable components of the financial instrument that are reliably measurable. Risk-free or benchmark interest rates generally are regarded as being both separately identifiable and reliably measurable, except for the Interest Rate Benchmark Reform Phase 2 transition where HSBC designates alternative benchmark rates as the hedged risk which may not have been separately identifiable upon initial designation, provided HSBC reasonably expects it will meet the requirement within 24 months from the first designation date. The designated risk components account for a significant portion of the overall changes in fair value or cash flows of the hedged items.

HSBC uses net investment hedges to hedge the structural foreign exchange risk related to net investments in foreign operations including subsidiaries and branches whose functional currencies are different from that of the parent. When hedging with foreign exchange forward contracts, the spot rate component of the foreign exchange risk is designated for an amount of net assets as the hedged risk.

Sources of hedge ineffectiveness may arise from basis risk, including but not limited to the discount rates used for calculating the fair value of derivatives, hedges using instruments with a non-zero fair value, and notional and timing differences between the hedged items and hedging instruments.

Fair value hedges

HSBC enters into fixed-for-floating interest rate swaps to manage the exposure to changes in fair value caused by movements in market interest rates on certain fixed-rate financial instruments that are not measured at fair value through profit or loss, including debt securities held and issued.

HSBC hedging instrument by hedged risk

	Hedging instrument				
		Carrying amount			
	Notional amount[1,2]	Assets	Liabilities	Balance sheet	Change in fair value[3]
Hedged risk	$m	$m	$m	presentation	$m
Interest rate[4]	**190,332**	**4,180**	**4,411**	**Derivatives**	**(449)**
At 31 Dec 2024	**190,332**	**4,180**	**4,411**		**(449)**
Interest rate[4]	172,985	3,729	2,965	Derivatives	(1,043)
At 31 Dec 2023	172,985	3,729	2,965		(1,043)

1 The notional contract amounts of derivatives designated in qualifying hedge accounting relationships indicate the nominal value of transactions outstanding at the balance sheet date. They do not represent amounts at risk.
2 The notional amount of non-dynamic fair value hedges is equal to $71,916m (2023: $62,480m), of which the weighted-average maturity date is March 2031 and the weighted-average swap rate is 3.24% (2023: 3.04%).
3 Used in effectiveness testing, which uses the full fair value change of the hedging instrument not excluding any component.
4 The hedged risk 'interest rate' includes inflation risk.

HSBC hedged item by hedged risk

	Hedged item						Ineffectiveness	
	Carrying amount		Accumulated fair value hedge adjustments included in carrying amount[1]					
	Assets	Liabilities	Assets	Liabilities	Balance sheet	Change in fair value[2]	Recognised in profit and loss	Profit and loss
Hedged risk	$m	$m	$m	$m	presentation	$m	$m	presentation
Interest rate[3]	**93,055**		**(2,701)**		**Financial investments - measured at fair value through other comprehensive income**	**(728)**	**(8)**	**Net income from financial instruments held for trading or managed on a fair value basis**
	492		**11**		**Financial investments - measured at amortised cost**	**(14)**		
	13,915		**(104)**	**—**	**Loans and advances to customers**	**16**		
	—		**—**		**Reverse repurchase agreements – non-trading**	**—**		
		72,576		**(1,800)**	**Debt securities in issue**	**1,110**		
		207		**—**	**Customer accounts**	**—**		
		1,205		**(266)**	**Subordinated liabilities**	**57**		
At 31 Dec 2024	**107,462**	**73,988**	**(2,794)**	**(2,066)**		**441**	**(8)**	

HSBC hedged item by hedged risk (continued)

	Hedged item						Ineffectiveness	
	Carrying amount		Accumulated fair value hedge adjustments included in carrying amount[1]			Change in fair value[2]	Recognised in profit and loss	Profit and loss presentation
	Assets	Liabilities	Assets	Liabilities				
Hedged risk	$m	$m	$m	$m	Balance sheet presentation	$m	$m	
Interest rate[3]	82,321		(2,282)		Financial investments - measured at fair value through other comprehensive income	2,053	5	Net income from financial instruments held for trading or managed on a fair value basis
	514		32		Financial investments - measured at amortised cost	32		
	4,701		(18)		Loans and advances to customers	122		
	—		—		Reverse repurchase agreements – non-trading	15		
		64,269		(2,147)	Debt securities in issue	(1,179)		
		—		—	Deposits by banks	—		
		—		—	Subordinated liabilities	5		
At 31 Dec 2023	87,536	64,269	(2,268)	(2,147)		1,048	5	

1 The accumulated amount of fair value hedge adjustments remaining in the statement of financial position for hedged items that have ceased to be adjusted for hedging gains and losses were liabilities of $311m (2023: $136m) for FVOCI assets and liabilities of $745m (2023: $1,256m) for debt issued.
2 Used in effectiveness testing, which comprise an amount attributable to the designated hedged risk that can be a risk component.
3 The hedged risk 'interest rate' includes inflation risk.

HSBC Holdings hedging instrument by hedged risk

	Hedging instrument				
		Carrying amount			
	Notional amount[1,2]	Assets	Liabilities	Balance sheet presentation	Change in fair value[3]
Hedged risk	**$m**	**$m**	**$m**		**$m**
Interest rate[4]	**90,074**	**714**	**3,838**	**Derivatives**	**(1,103)**
At 31 Dec 2024	**90,074**	**714**	**3,838**		**(1,103)**
Interest rate[4]	92,268	1,128	3,638	Derivatives	1,426
At 31 Dec 2023	92,268	1,128	3,638		1,426

1 The notional contract amounts of derivatives designated in qualifying hedge accounting relationships indicate the nominal value of transactions outstanding at the balance sheet date. They do not represent amounts at risk.
2 The notional amount of non-dynamic fair value hedges is equal to $90,074m (2023: $92,268m), of which the weighted-average maturity date is May 2030 and the weighted-average swap rate is 2.78% (2023: 2.46%). The majority of these hedges are internal to the Group.
3 Used in effectiveness testing, comprising the full fair value change of the hedging instrument not excluding any component.
4 The hedged risk 'interest rate' includes foreign exchange risk.

HSBC Holdings hedged item by hedged risk

	Hedged item						Ineffectiveness	
	Carrying amount		Accumulated fair value hedge adjustments included in carrying amount[1]			Change in fair value[2]	Recognised in profit and loss	Profit and loss presentation
	Assets	Liabilities	Assets	Liabilities	Balance sheet presentation			
Hedged risk	**$m**	**$m**	**$m**	**$m**		**$m**	**$m**	
Interest rate[3]		**78,402**		**(2,423)**	**Debt securities in issue**	**861**	**(9)**	**Net income from financial instruments held for trading or managed on a fair value basis**
	7,769		**(244)**		**Loans and advances to banks**	**233**		
At 31 Dec 2024	**7,769**	**78,402**	**(244)**	**(2,423)**		**1,094**	**(9)**	
Interest rate[3]		80,889		(2,971)	Debt securities in issue	(1,716)	29	Net income from financial instruments held for trading or managed on a fair value basis
	7,772		(490)		Loans and advances to banks	319		
At 31 Dec 2023	7,772	80,889	(490)	(2,971)		(1,397)	29	

1 The accumulated amount of fair value hedge adjustments remaining in the statement of financial position for hedged items that have ceased to be adjusted for hedging gains and losses were liabilities of $1,216m (2023: $1,299m) for debt issued.
2 Used in effectiveness testing, comprising amount attributable to the designated hedged risk that can be a risk component.
3 The hedged risk 'interest rate' includes foreign exchange risk.

For some debt securities held, HSBC manages interest rate risk in a dynamic risk management strategy. The assets in scope of this strategy are high-quality fixed-rate debt securities, which may be sold to meet liquidity and funding requirements.

The interest rate risk of the HSBC fixed-rate debt securities issued is managed in a non-dynamic risk management strategy.

Cash flow hedges

HSBC's cash flow hedging instruments consist principally of interest rate swaps and cross-currency swaps that are used to manage the variability in future interest cash flows of non-trading financial assets and liabilities, arising due to changes in market interest rates and foreign-currency basis.

HSBC applies macro cash flow hedging for interest rate risk exposures on portfolios of replenishing current and forecasted issuances of non-trading assets and liabilities that bear interest at variable rates, including rolling such instruments. The amounts and timing of future cash flows, representing both principal and interest flows, are projected for each portfolio of financial assets and liabilities on the basis of their contractual terms and other relevant factors, including estimates of prepayments and defaults. The aggregate cash flows representing both principal balances and interest cash flows across all portfolios are used to determine the effectiveness and ineffectiveness. Macro cash flow hedges are considered to be dynamic hedges.

HSBC also hedges the variability in future cash flows on foreign-denominated financial assets and liabilities arising due to changes in foreign exchange market rates with cross-currency swaps, which are considered dynamic hedges.

Hedging instrument by hedged risk

	Hedging instrument					Hedged item	Ineffectiveness	
		Carrying amount						
	Notional amount[1]	Assets	Liabilities	Balance sheet	Change in fair value[2]	Change in fair value[3]	Recognised in profit and loss	Profit and loss
Hedged risk	$m	$m	$m	presentation	$m	$m	$m	presentation
Foreign currency	**47,194**	**2,088**	**68**	**Derivatives**	**2,451**	**2,451**	**—**	**Net income from financial instruments held for trading or managed on a fair value basis**
Interest rate	**215,777**	**619**	**519**	**Derivatives**	**(2,954)**	**(2,964)**	**10**	
At 31 Dec 2024	**262,971**	**2,707**	**587**		**(503)**	**(513)**	**10**	
Foreign currency	29,772	935	257	Derivatives	977	977	—	Net income from financial instruments held for trading or managed on a fair value basis
Interest rate	188,327	1,390	1,116	Derivatives	1,542	1,512	30	
At 31 Dec 2023	218,099	2,325	1,373		2,519	2,489	30	

1 The notional contract amounts of derivatives designated in qualifying hedge accounting relationships indicate the nominal value of transactions outstanding at the balance sheet date. They do not represent amounts at risk.
2 Used in effectiveness testing, comprising the full fair value change of the hedging instrument not excluding any component.
3 Used in effectiveness assessment, comprising amount attributable to the designated hedged risk that can be a risk component.

Reconciliation of equity and analysis of other comprehensive income by risk type

	Interest rate	Foreign currency
	$m	$m
Cash flow hedging reserve at 1 Jan 2024	**(901)**	**(132)**
Fair value gains/(losses)	**(2,964)**	**2,451**
Fair value (gains)/losses reclassified from the cash flow hedge reserve to the income statement in respect of:		
Hedged items that have affected profit or loss[1]	**2,529**	**(2,430)**
Income taxes	**81**	**1**
Others	**199**	**87**
Cash flow hedging reserve at 31 Dec 2024	**(1,056)**	**(23)**
Cash flow hedging reserve at 1 Jan 2023	(3,387)	(421)
Fair value gains/(losses)	1,512	977
Fair value (gains)/losses reclassified from the cash flow hedge reserve to the income statement in respect of:		
Hedged items that have affected profit or loss[1]	2,196	(718)
Income taxes	(937)	(29)
Others	(285)	59
Cash flow hedging reserve at 31 Dec 2023	(901)	(132)

1 Hedged items that have affected profit or loss are primarily recorded within interest income.

Net investment hedges

The Group applies hedge accounting in respect of certain net investments in non-US dollar functional currency foreign operations for changes in spot exchange rates only. Hedging could be undertaken for Group structural exposure to changes in the US dollar to foreign currency exchange rates using forward foreign exchange contracts or by financing with foreign currency borrowings. An economic relationship exists between the hedged net investment and hedging instrument due to the shared foreign currency risk exposure. For further details of our structural foreign exchange exposures, see page 212.

The aggregate positions at the reporting date and the performance indicators of both live and de-designated hedges are summarised below.

Hedges of net investment in foreign operations

	Carrying amount					
	Derivative assets	Derivative liabilities	Nominal amount	Amounts recognised in OCI[1]	Change in fair value[2]	Hedge ineffectiveness recognised in income statement
Description of hedged risk	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
2024						
Pound sterling-denominated structural foreign exchange	**397**	**(1)**	**15,407**	**833**	**229**	**—**
Swiss franc-denominated structural foreign exchange	**10**	**—**	**556**	**89**	**40**	**—**
Hong Kong dollar-denominated structural foreign exchange	**1**	**(3)**	**5,844**	**(27)**	**(26)**	**—**
Other structural foreign exchange[3]	**242**	**(3)**	**13,160**	**907**	**499**	**—**
Total	**650**	**(7)**	**34,967**	**1,803**	**742**	**—**
2023						
Pound sterling-denominated structural foreign exchange		(404)	16,415	604	(843)	—
Swiss franc-denominated structural foreign exchange		(23)	526	49	(62)	—
Hong Kong dollar-denominated structural foreign exchange		—	5,792	—	2	—
Other structural foreign exchange[3]		(96)	11,042	477	102	—
Total	—	(523)	33,775	1,130	(801)	—

1 Amount recognised in OCI for Swiss franc includes $110m (2023: $110m) related to de-designated hedge.
2 Used in effectiveness assessment, comprising amount attributable to the designated hedged risk that can be a risk component.
3 Other currencies include Euro, New Taiwan dollar, Singapore dollar, Canadian dollar, Omani rial, South Korean won, UAE dirham, Indian rupee, Chinese renminbi, Kuwaiti dinar, Qatari riyal, Saudi riyal, Indonesian rupiah, Thai baht and Philippine peso.

16 Financial investments

Carrying amount of financial investments

	2024	2023
	$m	$m
Financial investments measured at fair value through other comprehensive income	**339,193**	294,437
– treasury and other eligible bills	**112,705**	102,438
– debt securities	**224,496**	190,119
– equity securities	**1,569**	1,447
– other instruments	**423**	433
Debt instruments measured at amortised cost	**153,973**	148,326
– treasury and other eligible bills	**22,148**	30,733
– debt securities	**131,825**	117,593
At 31 Dec	**493,166**	442,763

Equity instruments measured at fair value through other comprehensive income

	Fair value	Dividends recognised
Type of equity instruments	**$m**	**$m**
Investments required by central institutions	**620**	**29**
Business facilitation	**886**	**29**
Others	**63**	**2**
At 31 Dec 2024	**1,569**	**60**
Investments required by central institutions	609	27
Business facilitation	793	35
Others	45	2
At 31 Dec 2023	1,447	64

Weighted average yields of investment debt securities

	Up to 1 year	1 to 5 years	5 to 10 years	Over 10 years
	Yield %	Yield %	Yield %	Yield %
Debt securities measured at fair value through other comprehensive income				
US Treasury	**2.9**	**3.4**	**2.5**	**2.3**
US Government agencies	**0.8**	**—**	**3.1**	**3.1**
US Government-sponsored agencies	**1.7**	**3.5**	**1.6**	**1.8**
UK Government	**3.8**	**3.8**	**2.3**	**2.4**
Hong Kong Government	**—**	**1.9**	**2.0**	**—**
Other governments	**2.7**	**4.1**	**3.7**	**2.3**
Asset-backed securities	**3.4**	**3.0**	**5.4**	**4.3**
Corporate debt and other securities	**2.7**	**3.5**	**3.2**	**1.9**
Debt securities measured at amortised cost				
US Treasury	**3.5**	**3.8**	**3.8**	**2.1**
US Government agencies	**0.7**	**0.7**	**1.1**	**4.6**
US Government-sponsored agencies	**—**	**2.8**	**3.7**	**2.9**
UK Government	**3.5**	**2.9**	**2.8**	**—**
Hong Kong Government	**—**	**2.7**	**—**	**—**
Other governments	**2.8**	**4.1**	**5.2**	**—**
Asset-backed securities	**—**	**—**	**7.7**	**—**
Corporate debt and other securities	**2.7**	**2.9**	**3.2**	**4.8**

The maturity distributions of ABSs are presented in the above table on the basis of contractual maturity dates. The weighted average yield for each range of maturities is calculated by dividing the annualised interest income for the year ended 31 December 2024 by the book amount of debt securities at that date. The yields do not include the effect of related derivatives.

HSBC Holdings

HSBC Holdings carrying amount of financial investments

	2024	2023
	$m	$m
Debt instruments measured at amortised cost		
– treasury and other eligible bills	**9,556**	15,629
– debt securities	**772**	3,929
At 31 Dec	**10,328**	19,558

Weighted average yields of investment debt securities

	Up to 1 year	1 to 5 years	5 to 10 years	Over 10 years
	Yield %	Yield %	Yield %	Yield %
Debt securities measured at amortised cost				
US Treasury	**4.3**	**—**	**—**	**—**

The weighted average yield for each range of maturities is calculated by dividing the annualised interest income for the year ended 31 December 2024 by the book amount of debt securities at that date. The yields do not include the effect of related derivatives.

17 Assets pledged, collateral received and assets transferred

Assets pledged[1]

Financial assets pledged as collateral

	2024	2023
	$m	$m
Treasury bills and other eligible securities	**17,713**	20,504
Loans and advances to banks	**14,880**	13,636
Loans and advances to customers	**24,524**	27,490
Debt securities	**91,975**	88,367
Equity securities	**51,642**	40,280
Other	**63,386**	61,223
Assets pledged at 31 Dec	**264,120**	251,500

The value of assets pledged to secure liabilities may be greater than the book value of assets utilised as collateral. For example, in the case of securitisations and covered bonds, the amount of liabilities issued plus mandatory over-collateralisation is less than the book value of the pool of assets available for use as collateral. This is also the case where assets are placed with a custodian or a settlement agent that has a floating charge over all the assets placed to secure any liabilities under settlement accounts.

These transactions are conducted under terms that are usual and customary for collateralised transactions including, where relevant, standard securities lending and borrowing, repurchase agreements and derivative margining. HSBC places both cash and non-cash collateral in relation to derivative transactions.

Hong Kong currency notes in circulation are secured by the deposit of funds in respect of which the Hong Kong Government certificates of indebtedness are held.

Financial assets pledged as collateral which the counterparty has the right to sell or repledge

	2024	2023
	$m	$m
Trading assets	84,863	77,847
Financial investments	47,248	39,324
At 31 Dec	**132,111**	117,171

Collateral received[1]

The fair value of assets accepted as collateral relating primarily to standard securities lending, reverse repurchase agreements, swaps of securities and derivative margining that HSBC is permitted to sell or repledge in the absence of default was $515,267m (2023: $495,653m). The fair value of any such collateral sold or repledged was $293,460m (2023: $284,108m).

HSBC is obliged to return equivalent securities. These transactions are conducted under terms that are usual and customary to standard securities lending, reverse repurchase agreements and derivative margining.

Assets transferred[1]

The assets pledged include transfers to third parties that do not qualify for derecognition, including secured borrowings such as debt securities held by counterparties as collateral under repurchase agreements and equity securities lent under securities lending agreements, as well as swaps of equity and debt securities. For secured borrowings, the transferred asset collateral continues to be recognised in full while a related liability, reflecting the Group's obligation to repurchase the assets for a fixed price at a future date, is also recognised on the balance sheet.

Where securities are swapped, the transferred asset continues to be recognised in full. There is no associated liability as the non-cash collateral received is not recognised on the balance sheet. The Group is unable to use, sell or pledge the transferred assets for the duration of the transaction, and remains exposed to interest rate risk and credit risk on these pledged assets.

Transferred financial assets not qualifying for full derecognition and associated financial liabilities

	Carrying amount of:	
	Transferred assets	Associated liabilities
	$m	$m
At 31 Dec 2024		
Repurchase agreements	83,585	75,625
Securities lending agreements	58,232	4,361
At 31 Dec 2023		
Repurchase agreements	81,486	74,517
Securities lending agreements	46,663	3,826

1 Excludes assets classified as held for sale.

18 Interests in associates and joint ventures

Carrying amount of HSBC's interests in associates and joint ventures

	2024	2023
	$m	$m
Interests in associates	28,777	27,200
Interests in joint ventures	132	144
Interests in associates and joint ventures	**28,909**	27,344

Principal associates of HSBC

	2024		2023	
	Carrying amount	Fair value[1]	Carrying amount	Fair value[1]
	$m	$m	$m	$m
Bank of Communications Co., Limited	22,367	11,631	21,210	8,812
Saudi Awwal Bank	5,027	5,705	4,659	6,438

1 Principal associates are listed on recognised stock exchanges. The fair values are based on the quoted market prices of the shares held (Level 1 in the fair value hierarchy).

Principal associates of HSBC (continued)

	At 31 Dec 2024		
	Jurisdiction of incorporation and principal place of business	**Principal activity**	**HSBC's interest[1] %**
Bank of Communications Co., Limited	**Mainland China**	**Banking services**	**19.03**
Saudi Awwal Bank	**Saudi Arabia**	**Banking services**	**31.00**

1 There has been no percentage change in HSBC's shareholding interest in the principal associates when compared with 2023.

Share of profit in associates and joint ventures

	2024	2023
	$m	$m
Bank of Communications Co., Limited	**2,241**	2,250
Saudi Awwal Bank	**596**	538
Other associates and joint ventures	**75**	19
Share of profit in associates and joint ventures	**2,912**	2,807
Less: Impairment of interest in BoCom	**—**	(3,000)

A list of all associates and joint ventures is set out in Note 38.

Bank of Communications Co., Limited

The Group maintains a 19.03% interest in Bank of Communications Co., Limited ('BoCom'). The Group's investment in BoCom is classified as an associate. Significant influence in BoCom was established with consideration of all relevant factors, including representation on BoCom's Board of Directors and participation in a resource and experience sharing agreement ('RES'). Under the RES, HSBC staff have been seconded to assist in the maintenance of BoCom's financial and operating policies. Investments in associates are recognised using the equity method of accounting in accordance with IAS 28 'Investments in Associates and Joint Ventures', whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of associate's net assets. An impairment test is required if there is any indication of impairment or reversal.

At 31 December 2023, the Group performed an impairment test on the carrying amount, which resulted in an impairment of $3.0bn, as the recoverable amount as determined by a value in use ('VIU') calculation was lower than the carrying amount. No further impairment was required for the year ended 31 December 2024.

If the Group did not have significant influence in BoCom, the investment would be carried at fair value rather than the current carrying amount.

On 24 September 2024, the People's Bank of China, National Financial Regulatory Administration and China Securities Regulatory Commission announced several policies aimed at promoting growth and economic development. These included monetary stimulus, property market support and capital market strengthening measures, as well as measures to recapitalise the largest commercial banks. In the absence of further details on how the recapitalisation of the largest commercial banks may be enacted, there is no change to the impairment test result at 31 December 2024. As further details become available, the impairment test will be updated to reflect their impact and may result in a change to the carrying value of our investment in BoCom. These developments have the potential to impact on the Group's reported earnings, but are unlikely to have an impact on HSBC's capital or capital ratios.

We remain supportive of our relationship with BoCom and will consider any broader implications on the carrying value of our investment as further details become available.

Impairment testing

At 31 December 2024, the carrying amount of the investment was $22.4bn (2023: $21.2bn) with fair value of $11.6bn (2023: $8.8bn). The Group has concluded there is no indication of further impairment (or indication that an impairment may no longer exist or may have decreased) since 31 December 2023. As part of this assessment, the Group updated the VIU calculation which supported that there was no significant change to the 31 December 2023 impairment position. As a result, no additional impairment to the carrying amount (or reversal of impairment) was made at 31 December 2024.

Basis of recoverable amount

The VIU calculation uses discounted cash flow projections based on management's best estimates of future earnings available to ordinary shareholders prepared in accordance with IAS 36 'Impairment of Assets'. Those cash flows used estimates based on BoCom's current condition and so do not include estimated cash flows arising from uncommitted future actions that may affect the performance of the investment which will be considered at the relevant time should they arise. Significant management judgement is required in arriving at the best estimate.

The VIU may increase or decrease depending on the effect of changes to model inputs. The main model inputs are described below and are based on factors observed at period-end. The factors that could result in increases or reductions in the VIU include changes in BoCom's short-term performance, a change in regulatory capital requirements or revisions to the forecast of BoCom's future profitability.

There are two main components to the VIU calculation. The first component is management's best estimate of BoCom's earnings. Forecast earnings growth over the short to medium term continues to be lower than recent (within the last five years) actual growth, and reflects the impact of recent macroeconomic, policy and industry factors in mainland China. As a result of management's intent to continue to retain its investment for the long term, earnings beyond the short to medium term are extrapolated into perpetuity using a long-term growth rate to derive a terminal value, which comprises the majority of the VIU. The second component is the capital maintenance charge ('CMC'), which is management's forecast of the earnings that need to be withheld in order for BoCom to meet capital requirements over the forecast period, meaning that CMC is deducted when arriving at management's estimate of future earnings available to ordinary shareholders. The CMC reflects the revised capital requirements arising from revisions of the ratio of risk-weighted assets to total assets assumption. The principal inputs to the CMC calculation include estimates of asset growth, the ratio of risk-weighted assets to total assets and the expected capital requirements. An increase in the CMC as a result of a change to these principal inputs would reduce VIU. Additionally, management considers other qualitative factors, to ensure that the inputs to the VIU calculation remain appropriate.

Key assumptions in value in use calculation

We used a number of assumptions in our VIU calculation, in accordance with the requirements of IAS 36:

- Long-term profit growth rate: 3.00% (2023: 3.00%) for periods after 2028, which does not exceed forecast GDP growth in mainland China and is similar to forecasts by external analysts.
- Long-term asset growth rate: 3.25% (2023: 3.00%) for periods after 2028, which is the rate that assets are expected to grow to achieve long-term profit growth of 3.00%. The increase of long-term asset growth rate was supported by historical data, which is expected to continue.
- Discount rate: 8.53% (2023: 9.00%), which is based on a capital asset pricing model ('CAPM'), using market data. The discount rate used is within the range of 7.1% to 8.8% (2023: 7.9% to 9.7%) indicated by the CAPM, and decreased as a consequence of a market-driven reduction in the risk-free rate.
- Expected credit losses ('ECL') as a percentage of loans and advances to customers: ranges from 0.74% to 0.93% (2023: 0.80% to 0.97%) in the short to medium term, reflecting reported credit experience in mainland China. For periods after 2028, the ratio is 0.97% (2023: 0.97%), which is higher than BoCom's average ECL as a percentage of loans and advances to customers in recent years prior to the Covid-19 pandemic.
- Risk-weighted assets as a percentage of total assets: ranges from 62.0% to 62.5% (2023: 62.0% to 63.7%) in the short to medium term, reflecting higher risk-weights in the short term followed by an expected reversion to recent historical levels. For periods after 2028, the ratio is 62.0% (2023: 62.0%), which continues to be similar to BoCom's actual results in recent years.
- Loans and advances to customers growth rate: ranges from 7.5% to 9.5% (2023: 9.0% to 10.0%) in the short to medium term, which is similar to BoCom's actual results in recent years. Changes in the forecast growth rate of loans and advances to customers are likewise reflected in the forecast ECL.
- Operating income growth rate: ranges from 0.1% to 9.9% (2023: -0.4% to 9.7%) in the short to medium term, which is similar to BoCom's actual results in recent years, and is impacted by projections of net interest income in the short term as a consequence of recent macroeconomic, policy and industry factors in mainland China.
- Cost-income ratio: ranges from 34.6% to 39.8% (2023: 35.5% to 39.8%) in the short to medium term. These ratios are similar to BoCom's actual results in recent years.
- Long-term effective tax rate: 15.0% (2023: 15.0%) for periods after 2028, which is higher than the recent historical average, and aligned to the minimum tax rate as proposed by the OECD/Group of 20 ('G20') Inclusive Framework on Base Erosion and Profit Shifting.
- Capital requirements: capital adequacy ratio of 12.5% (2023: 12.5%) and tier 1 capital adequacy ratio of 9.5% (2023: 9.5%), based on BoCom's capital risk appetite and capital requirements respectively.

The changes in VIU would impact the carrying amount if there is an indication of further impairment (or indication that an impairment may no longer exist or may have decreased, to the extent of impairment loss previously recognised). The following table illustrates the impact on the carrying amount of reasonably possible changes to key assumptions used in the VIU calculation. This reflects the sensitivity of each key assumption on its own and it is possible that more than one favourable and/or unfavourable change may occur at the same time. The selected rates of reasonably possible changes to key assumptions are based on external analysts' forecasts, statutory requirements and other relevant external data sources, which can change period to period. Unless specified, favourable and unfavourable changes are consistently applied throughout short-to-medium and long-term forecast years, based on a straight-line average of the base case assumption.

Sensitivity of the carrying amount to the key VIU assumptions

	Favourable change		Unfavourable change	
		Reversal of impairment / VIU headroom		Impairment
	bps	$bn	bps	$bn
At 31 Dec 2024				
Long-term profit growth rate	**55**	**4.0**	**(96)**	**(5.4)**
Long-term asset growth rate	**(121)**	**8.6**	**30**	**(2.8)**
Discount rate	**(143)**	**5.4**	**287**	**(6.4)**
Expected credit losses as a percentage of loans and advances to customers	**2024 to 2028: 66 2029 onwards: 91**	**4.0**	**2024 to 2028: 108 2029 onwards: 104**	**(4.3)**
Risk-weighted assets as a percentage of total assets	**(132)**	**0.8**	**234**	**(1.7)**
Loans and advances to customers growth rate	**(217)**	**3.4**	**340**	**(6.1)**
Operating income growth rate	**76**	**2.7**	**(81)**	**(3.3)**
Cost-income ratio	**(190)**	**0.2**	**380**	**(7.1)**
Long-term effective tax rate	**(426)**	**1.6**	**1,000**	**(4.0)**
Capital requirements – capital adequacy ratio	**—**	**—**	**372**	**(14.3)**
Capital requirements – tier 1 capital adequacy ratio	**—**	**—**	**270**	**(6.7)**
At 31 Dec 2023				
Long-term profit growth rate	58	3.3	(79)	(3.4)
Long-term asset growth rate	(79)	4.5	58	(4.0)
Discount rate	(110)	4.5	280	(6.1)
Expected credit losses as a percentage of loans and advances to customers	2023 to 2027: 78 2028 onwards: 91	2.9	2023 to 2027: 120 2028 onwards: 104	(4.4)
Risk-weighted assets as a percentage of total assets	(150)	0.9	216	(1.6)
Loans and advances to customers growth rate	(213)	3.2	207	(2.9)
Operating income growth rate	57	2.6	(81)	(2.6)
Cost-income ratio	(212)	0.8	99	(2.9)
Long-term effective tax rate	(426)	1.6	1,000	(3.5)
Capital requirements – capital adequacy ratio	—	—	215	(7.5)
Capital requirements – tier 1 capital adequacy ratio	—	—	248	(3.7)

Considering the interrelationship of the changes set out in the table above, management estimates that the reasonably possible range of VIU is $13.5bn to $30.8bn (2023: $13.1bn to $28.8bn), acknowledging that the fair value of the Group's investment has ranged from $6.8bn to $11.6bn over the last five years as at the date of the impairment tests. The possible range of VIU is based on impacts set out in the table above arising from the favourable/unfavourable change in the earnings in the short to medium term, the expected credit losses as a percentage of loans and advances to customers, and a 50bps increase/decrease in the discount rate. All other long-term assumptions, and the basis of the CMC have been kept unchanged when determining the reasonably possible range of the VIU.

Selected financial information of BoCom

The statutory accounting reference date of BoCom is 31 December. For the year ended 31 December 2024, HSBC included the associate's results on the basis of the financial statements for the 12 months ended 30 September 2024, taking into account any known changes in the subsequent period from 1 October 2024 to 31 December 2024 that would have materially affected the results.

Selected balance sheet information of BoCom

	At 30 Sep 2024 $m	At 30 Sep 2023 $m
Cash and balances at central banks	**99,663**	112,800
Due from and placements with banks and other financial institutions	**122,607**	100,464
Loans and advances to customers	**1,128,603**	1,087,613
Other financial assets	**587,721**	587,949
Other assets	**61,086**	59,215
Total assets	**1,999,680**	1,948,041
Due to and placements from banks and other financial institutions	**326,742**	292,065
Deposits from customers	**1,195,590**	1,216,611
Other financial liabilities	**282,894**	251,246
Other liabilities	**38,082**	36,766
Total liabilities	**1,843,308**	1,796,698
Total equity	**156,372**	151,343

Reconciliation of BoCom's total shareholders' equity to the carrying amount in HSBC's consolidated financial statements

	At 30 Sep	
	2024	2023
	$m	$m
Equity attributable to shareholders	**154,748**	149,713
Other equity instruments	**(23,946)**	(24,616)
Equity attributable to shareholders less other equity instruments	**130,802**	125,097
The Group's share of equity[1]	**25,284**	24,210
Impairment[2]	**(2,917)**	(3,000)
Carrying amount	**22,367**	21,210

1 This balance includes goodwill originally arising on acquisition.
2 This balance includes the impact of foreign exchange movements on the $3bn impairment booked in the financial year ended 31 December 2023.

Selected income statement information of BoCom

	For the 12 months ended 30 Sep	
	2024	2023
	$m	$m
Net interest income	**23,180**	23,432
Net fee and commission income	**5,315**	6,221
Credit and impairment losses	**(7,410)**	(8,099)
Depreciation and amortisation	**(2,589)**	(2,560)
Tax expense	**(835)**	(1,007)
Profit for the year	**12,922**	13,211
Other comprehensive income	**1,361**	686
Total comprehensive income	**14,283**	13,897
Dividends received from BoCom	**745**	736

Saudi Awwal Bank

The Group's investment in Saudi Awwal Bank ('SAB') is classified as an associate. HSBC is the largest shareholder in SAB with a shareholding of 31%. Significant influence in SAB is established via representation on the Board of Directors. Investments in associates are recognised using the equity method of accounting in accordance with IAS 28, as described previously for BoCom.

Impairment testing

There were no indicators of impairment at 31 December 2024. The fair value of the Group's investment in SAB of $5.7bn was above the carrying amount of $5.0bn.

19 Investments in subsidiaries

Main subsidiaries of HSBC Holdings[1]

	At 31 Dec 2024		
	Place of incorporation or registration	HSBC's interest %	Share class
Europe			
HSBC Bank plc	England and Wales	100	£1 Ordinary, $0.01 Non-Cumulative Third Dollar Preference
HSBC UK Bank plc	England and Wales	100	£1 Ordinary
HSBC Continental Europe	France	99.99	€5 Actions
Asia			
Hang Seng Bank Limited[2,3]	Hong Kong	63.12	HK$5 Ordinary
HSBC Bank (China) Company Limited	People's Republic of China	100	CNY1 Ordinary
HSBC Bank Malaysia Berhad	Malaysia	100	Ordinary no par value
HSBC Life (International) Limited	Bermuda	100	HK$1 Ordinary
The Hongkong and Shanghai Banking Corporation Limited	Hong Kong	100	Ordinary no par value
Middle East, North Africa and Türkiye			
HSBC Bank Middle East Limited	United Arab Emirates	100	$1 Ordinary and $1 Preference shares
North America			
HSBC Bank USA, N.A.	US	100	$100 Common and $0.01 Preference
Latin America			
HSBC Mexico, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC	Mexico	99.99	MXN2 Ordinary

1 Main subsidiaries are either held directly or indirectly via intermediate holding companies. During 2024, we completed the sale of HSBC Bank Canada to the Royal Bank of Canada, therefore it is no longer an indirect subsidiary of HSBC Holdings. There has been no material percentage change in HSBC's shareholding for its existing main subsidiaries since 2023.
2 In addition to the strategic holding disclosed above, the Group held 0.06% (2023: 0.09%) shareholding as part of its trading books.
3 Based on the latest corporate substantial shareholding notice filed with Hong Kong Exchange and Clearing Limited on 21 June 2024, the Group's shareholding in Hang Seng Bank Limited on 18 June 2024 was 63.04%. Movements in our shareholding since 18 June 2024 are reflected in the above table.

Details of the debt, subordinated debt and preference shares issued by the main subsidiaries to parties external to the Group are included in Note 26 'Debt securities in issue' and Note 29 'Subordinated liabilities', respectively.

A list of all related undertakings is set out in Note 38. The principal countries and territories of operation are the same as the countries and territories of incorporation except for HSBC Life (International) Limited, which operates mainly in Hong Kong.

HSBC is structured as a network of regional banks and locally incorporated regulated banking entities. Each bank is separately capitalised in accordance with applicable prudential requirements and maintains a capital buffer consistent with the Group's risk appetite for the relevant country or region. HSBC's capital management process is incorporated in the financial resource plan, which is approved by the Board.

HSBC Holdings is the primary provider of equity capital to its subsidiaries and also provides them with non-equity capital where necessary. These investments are substantially funded by HSBC Holdings' issuance of equity and non-equity capital, and by profit retention.

As part of its capital management process, HSBC Holdings seeks to maintain a balance between the composition of its capital and its investment in subsidiaries. Subject to this, there is no current or foreseen impediment to HSBC Holdings' ability to provide funding for such investments. During 2024, consistent with the Group's capital plan, the Group's material subsidiaries did not experience any significant restrictions on paying dividends or repaying loans and advances. Also, there are no foreseen restrictions envisaged with regard to planned dividends or payments from material subsidiaries. However, the ability of subsidiaries to pay dividends or advance monies to HSBC Holdings depends on, among other things, their respective local regulatory capital and banking requirements, exchange controls, statutory reserves, and financial and operating performance.

The amount of guarantees by HSBC Holdings in favour of other Group entities is set out in Note 33.

Information on structured entities consolidated by HSBC where HSBC owns less than 50% of the voting rights is included in Note 20 'Structured entities'. In each of these cases, HSBC controls and consolidates an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Impairment testing of investments in subsidiaries

At each reporting period end, HSBC Holdings reviews investments in subsidiaries for indicators of impairment. An impairment is recognised when the carrying amount exceeds the recoverable amount for that investment. The recoverable amount is the higher of the investment's fair value less costs of disposal and its VIU, in accordance with the requirements of IAS 36. The VIU is calculated by discounting management's cash flow projections for the investment. The cash flows represent the free cash flows based on the subsidiary's binding capital requirements.

We used a number of assumptions in our VIU calculation, in accordance with the requirements of IAS 36:

– Management's judgement in estimating future cash flows: The cash flow projections for each investment are based on the latest approved plans, which include forecast capital available for distribution based on the capital requirements of the subsidiary, taking into account minimum and core capital requirements and factoring in reasonably possible uncertainties. For the impairment test as at 31 December 2024, cash flow projections until the end of 2029 were considered in line with our internal planning horizon. Our cash flow projections include known and observable climate-related opportunities and costs associated with our sustainable products and operating model.
– Long-term growth rates: The long-term growth rate is used to extrapolate the free cash flows in perpetuity because of the long-term perspective of the legal entity. The growth rate reflects long-term inflation for the country or territory within which the investment operates.

– Discount rates: The rate used to discount the cash flows is based on the cost of capital assigned to each investment, which is derived using a CAPM and market implied cost of equity. CAPM depends on a number of inputs reflecting financial and economic variables, including the risk-free rate and a premium to reflect the inherent risk of the business being evaluated. These variables are based on the market's assessment of the economic variables and management's judgement. The discount rates for each investment are refined to reflect the rates of inflation for the countries or territories within which the investment operates. In addition, for the purposes of testing investments for impairment, management supplements this process by comparing the discount rates derived using the internally generated CAPM, with cost of capital rates produced by external sources for businesses operating in similar markets. The impacts from climate risk are included to the extent that they are observable in discount rates and asset prices.

As at 31 December 2024, the carrying amount of HSBC Holdings' investments in subsidiaries was $152.3bn (2023: $159.5bn). The year-on-year reduction was predominantly due to the recognition of an $11.4bn impairment of HSBC Holdings' investment in HSBC Overseas Holdings (UK) Limited.

The recoverable amount of HSBC Overseas Holdings (UK) Limited is assessed as the aggregate of the recoverable amounts of its subsidiaries. During the year HSBC Overseas Holdings (UK) Limited sold its stake in its direct subsidiary HSBC Bank Canada to Royal Bank of Canada, and transferred HSBC Private Bank (Suisse) SA, its indirect subsidiary (via HSBC Private Banking Holdings (Suisse) SA), to HSBC Bank plc. Following these disposals HSBC Overseas Holdings (UK) Limited paid $12.1bn in dividend income to HSBC Holdings, which mainly drove the recognition of an $11.4bn impairment in its investment in HSBC Overseas Holdings (UK) Limited, offset by a higher recoverable amount of HSBC Overseas Holdings (UK) Limited's principal remaining subsidiary as at 31 December 2024, HSBC North America Holdings Inc, driven by higher projected profits and lower projected capital requirements. As at 31 December 2024, HSBC Holdings had recognised for HSBC Overseas Holdings (UK) Limited a cumulative impairment of $21.6bn (2023: $10.2bn), and a carrying amount of $14.0bn (2023: $25.8bn).

Impairment test results

Investments	Recoverable amount	Discount rate	Long-term growth rate
	$m	%	%
HSBC North America Holdings Inc.			
At 31 Dec 2024	**13,264**	**11.00**	**2.25**
At 31 Dec 2023	12,756	10.50	2.17

Sensitivities of key assumptions in calculating VIU

At 31 December 2024, the recoverable amount of HSBC Overseas Holdings (UK) Limited remained sensitive to reasonably possible changes in key assumptions impacting its principal subsidiary, HSBC North America Holdings Inc.

In making an estimate of reasonably possible changes to assumptions, management considers the available evidence in respect of each input to the model. These include the external range of observable discount rates, historical performance against forecast, and risks attached to the key assumptions underlying cash flow.

The following table presents a summary of the key assumptions underlying the most sensitive inputs to the model for HSBC North America Holdings Inc., the key risks attached to each, and details of a reasonably possible change to assumptions where, in the opinion of management, these could result in a change in VIU.

Reasonably possible changes in key assumptions

	Input	Key assumptions	Associated risks	Reasonably possible change
Investment				
HSBC North America Holdings Inc. (subsidiary of HSBC Overseas Holdings (UK) Limited)	Free cash flows projections	– Level of interest rates and yield curves. – Competitors' positions within the market.	– Strategic actions relating to revenue and costs are not achieved.	– Free cash flow projections decrease by 10%.
	Discount rate	– Discount rate used is a reasonable estimate of a suitable market rate for the profile of the business.	– External evidence arises to suggest that the rate used is not appropriate to the business.	– Discount rate decreases by 1%. – Discount rate increases by 1%.

Sensitivity of VIU to reasonably possible changes in key assumptions

In $bn (unless otherwise stated)	At 31 Dec 2024	At 31 Dec 2023
HSBC North America Holdings Inc.		
VIU	**13.3**	12.8
Impact on VIU		
100bps decrease in the discount rate – single variable[1]	**1.5**	1.6
100bps increase in the discount rate – single variable[1]	**(1.2)**	(1.2)
10% decrease in forecast profitability – single variable[1]	**(1.3)**	(1.3)

1 The recoverable amount of HSBC Overseas Holdings (UK) Limited represents the aggregate of recoverable amounts of the underlying subsidiaries. Single variable sensitivity analysis on a single subsidiary may therefore not be representative of the aggregate impact of the change in the variable.

Subsidiaries with significant non-controlling interests

	2024	2023
Hang Seng Bank Limited		
Proportion of ownership interests and voting rights held by non-controlling interests (%)[1]	**36.88**	37.86
Place of business	**Hong Kong**	Hong Kong
	$m	$m
Profit attributable to non-controlling interests	**905**	889
Accumulated non-controlling interests of the subsidiary	**6,879**	6,877
Dividends paid to non-controlling interests	**620**	490
Summarised financial information:		
– total assets	**229,069**	214,321
– total liabilities	**208,908**	194,621
– net operating income before changes in expected credit losses and other credit impairment charges	**5,249**	5,210
– profit for the year	**2,434**	2,356
– total comprehensive income for the year	**2,482**	2,723

1 This includes the Group's shareholding held under trading books 0.06% (2023: 0.09%).

20 Structured entities

HSBC is mainly involved with both consolidated and unconsolidated structured entities through the securitisation of financial assets, conduits and investment funds, established either by HSBC or a third party.

Consolidated structured entities

Total assets of HSBC's consolidated structured entities, split by entity type

	Conduits	Securitisations	HSBC managed funds	Other	Total
	$bn	$bn	$bn	$bn	$bn
At 31 Dec 2024	**2.4**	**7.0**	**7.2**	**1.8**	**18.4**
At 31 Dec 2023	3.6	7.8	5.5	8.2	25.1

Conduits

HSBC has established and manages two types of conduits: securities investment conduits ('SICs') and multi-seller conduits.

Securities investment conduits

The SICs purchase highly rated ABSs to facilitate tailored investment opportunities.

- At 31 December 2024, Solitaire, HSBC's principal SIC, held $0.7bn of ABSs (2023: $1.0bn). It is currently funded entirely by commercial paper ('CP') issued to HSBC. At 31 December 2024, HSBC held $1.0bn of CP (2023: $1.3bn).

Multi-seller conduit

HSBC's multi-seller conduit was established to provide access to flexible market-based sources of finance for its clients. Currently, HSBC bears risk equal to the transaction-specific facility offered to the multi-seller conduit, amounting to $5.2bn at 31 December 2024 (2023: $6.1bn). First loss protection is provided by the originator of the assets, and not by HSBC, through transaction-specific credit enhancements. A layer of loss protection is provided by HSBC in the form of a programme-wide enhancement facility.

Securitisations

HSBC uses structured entities to securitise customer loans and advances it originates in order to diversify its sources of funding for asset origination and capital efficiency purposes. The loans and advances are transferred by HSBC to the structured entities for cash or synthetically, and the structured entities issue debt securities to investors. Where synthetic securitisations are used, the credit risk associated with the loan portfolio of assets is transferred to the structured entities through loan portfolio financial guarantees.

HSBC managed funds

HSBC has established a number of money market and non-money market funds. Where it is deemed to be acting as principal rather than agent in its role as investment manager, HSBC controls these funds.

Other

HSBC has entered into a number of transactions in the normal course of business, which include asset and structured finance transactions where it has control of the structured entity. In addition, HSBC is deemed to control a number of third-party managed funds through its involvement as a principal in the funds.

Unconsolidated structured entities

The term 'unconsolidated structured entities' refers to all structured entities not controlled by HSBC. The Group enters into transactions with unconsolidated structured entities in the normal course of business to facilitate customer transactions and for specific investment opportunities.

Nature and risks associated with HSBC interests in unconsolidated structured entities

Total asset values of the entities ($m)	Securitisations	HSBC managed funds	Non-HSBC managed funds	Other	Total
0–500	**167**	**344**	**1,215**	**46**	**1,772**
500–2,000	**2**	**75**	**911**	**2**	**990**
2,000–5,000	**—**	**30**	**348**	**1**	**379**
5,000–25,000	**—**	**21**	**212**	**—**	**233**
25,000+	**—**	**2**	**33**	**—**	**35**
Number of entities at 31 Dec 2024	**169**	**472**	**2,719**	**49**	**3,409**
	$bn	**$bn**	**$bn**	**$bn**	**$bn**
Total assets in relation to HSBC's interests in the unconsolidated structured entities	**5.4**	**12.1**	**25.4**	**2.4**	**45.3**
– trading assets	**—**	**0.1**	**—**	**—**	**0.1**
– financial assets designated and otherwise mandatorily measured at fair value through profit or loss	**—**	**7.8**	**22.2**	**—**	**30.0**
– loans and advances to customers	**5.4**	**—**	**0.7**	**1.5**	**7.6**
– financial investments	**—**	**0.2**	**0.4**	**—**	**0.6**
– assets held for sale	**—**	**4.0**	**2.1**	**—**	**6.1**
– other assets	**—**	**—**	**—**	**0.9**	**0.9**
Total liabilities in relation to HSBC's interests in the unconsolidated structured entities	**—**	**—**	**—**	**0.4**	**0.4**
– other liabilities	**—**	**—**	**—**	**0.4**	**0.4**
Other off-balance sheet commitments	**—**	**1.0**	**8.1**	**1.3**	**10.4**
HSBC's maximum exposure at 31 Dec 2024	**5.4**	**13.1**	**33.5**	**3.3**	**55.3**
Total asset values of the entities ($m)					
0–500	120	337	1,271	42	1,770
500–2,000	4	96	1,069	3	1,172
2,000–5,000	—	39	418	—	457
5,000–25,000	—	24	217	—	241
25,000+	—	3	11	—	14
Number of entities at 31 Dec 2023	124	499	2,986	45	3,654
	$bn	$bn	$bn	$bn	$bn
Total assets in relation to HSBC's interests in the unconsolidated structured entities	3.2	13.9	20.7	3.3	41.1
– trading assets	—	0.6	—	—	0.6
– financial assets designated and otherwise mandatorily measured at fair value through profit or loss	—	12.6	19.7	—	32.3
– loans and advances to customers	3.2	—	0.6	2.5	6.3
– financial investments	—	0.7	0.4	—	1.1
– other assets	—	—	—	0.8	0.8
Total liabilities in relation to HSBC's interests in the unconsolidated structured entities	—	—	—	0.3	0.3
– other liabilities	—	—	—	0.3	0.3
Other off-balance sheet commitments	0.1	1.9	5.0	1.2	8.2
HSBC's maximum exposure at 31 Dec 2023	3.3	15.8	25.7	4.2	49.0

The maximum exposure to loss from HSBC's interests in unconsolidated structured entities represents the maximum loss it could incur as a result of its involvement with these entities regardless of the probability of the loss being incurred.

– For commitments, guarantees and written credit default swaps, the maximum exposure to loss is the notional amount of potential future losses.

– For retained and purchased investments and loans to unconsolidated structured entities, the maximum exposure to loss is the carrying amount of these interests at the balance sheet reporting date.

The maximum exposure to loss is stated gross of the effects of hedging and collateral arrangements that HSBC has entered into in order to mitigate the Group's exposure to loss.

Securitisations

HSBC has interests in unconsolidated securitisation vehicles through holding notes issued by these entities. In addition, HSBC has investments in ABSs issued by third-party structured entities.

HSBC managed funds

HSBC establishes and manages money market funds and non-money market investment funds to provide customers with investment opportunities. Further information on funds under management is provided on page 107.

HSBC, as fund manager, may be entitled to receive management and performance fees based on the assets under management. HSBC may also retain units in these funds.

Non-HSBC managed funds

HSBC purchases and holds units of third-party managed funds in order to facilitate business and meet customer needs.

Other

HSBC has established structured entities in the normal course of business, such as structured credit transactions for customers, to provide finance to public and private sector infrastructure projects, and for asset and structured finance transactions.

In addition to the interests disclosed above, HSBC enters into derivative contracts, reverse repos and stock borrowing transactions with structured entities. These interests arise in the normal course of business for the facilitation of third-party transactions and risk management solutions.

HSBC sponsored structured entities

The amount of assets transferred to and income received from such sponsored structured entities during 2024 and 2023 was not significant.

21 Goodwill and intangible assets

	2024	2023
	$m	$m
Goodwill	**4,118**	4,323
Other intangible assets[1]	**8,266**	8,164
At 31 Dec	**12,384**	12,487

1 Included within other intangible assets is internally generated software with a net carrying amount of $7,100m (2023: $6,895m). During the year, capitalisation of internally generated software was $2,476m (2023: $2,306m), impairment was $67m (2023: reversal impairment of $285m) and amortisation was $1,995m (2023: $1,877m).

Movement analysis of goodwill

	2024	2023
	$m	$m
Gross amount		
At 1 Jan	**19,560**	18,965
Exchange differences	**(962)**	523
Reclassified to held for sale and additions[1]	**28**	73
Other	**—**	(1)
At 31 Dec	**18,626**	19,560
Accumulated impairment losses		
At 1 Jan	**(15,237)**	(14,809)
Exchange differences	**716**	(428)
Reclassified to held for sale[1]	**13**	—
At 31 Dec	**(14,508)**	(15,237)
Net carrying amount at 31 Dec	**4,118**	4,323

1 Includes goodwill arising from acquisition of Silkroad, offset by goodwill reclassified to held for sale associated with sales of HSBC Bank Armenia, private banking business in Germany, and planned sale of HSBC Assurances Vie (France). For further details, see Note 23.

Goodwill

Impairment testing

The Group's impairment test in respect of goodwill allocated to each cash-generating unit ('CGU') is performed at 1 October each year. A review for indicators of impairment is undertaken at each subsequent quarter-end and at 31 December 2024. No indicators of impairment were identified as part of these reviews.

Basis of the recoverable amount

The recoverable amount of all CGUs to which goodwill has been allocated was equal to its value in use ('VIU') at each respective testing date. The VIU is calculated by discounting management's cash flow projections for the CGU. The key assumptions used in the VIU calculation for each individually significant CGU that is not impaired are discussed below.

Key assumptions in VIU calculation – significant CGUs at 1 October 2024[1]

	Carrying amount at 1 Oct 2024	**of which goodwill**	**Value in use at 1 Oct 2024**	**Discount rate**	**Growth rate beyond initial cash flow**	Carrying amount at 1 Oct 2023	of which goodwill	Value in use at 1 Oct 2023	Discount rate	Growth rate beyond initial cash flow projections
	$m	**$m**	**$m**	**%**	**%**	$m	$m	$m	%	%
HSBC UK Bank plc – WPB	**12,785**	**2,843**	**27,118**	**10.6**	**2.0**	11,167	2,597	27,933	10.4	2.0

1 For impacts arising from the revised organisational structure effective from 1 January 2025, see Note 1.2(a).

At 1 October 2024, aggregate goodwill of $1,493m (1 October 2023: $1,599m) had been allocated to CGUs that were not considered individually significant. The Group's CGUs do not carry on their balance sheets any significant intangible assets with indefinite useful lives, other than goodwill.

Management's judgement in estimating the cash flows of a CGU

The Group does not consider there to be a significant risk of a material adjustment to the carrying amount of goodwill in the next financial year, but does consider this to be an area that is inherently judgemental. The cash flow projections for each CGU are based on forecast profitability plans approved by the Board and minimum capital levels required to support the business operations of a CGU. The Board challenges and endorses planning assumptions in light of internal capital allocation decisions necessary to support our strategy, current market conditions and macroeconomic outlook. For the 1 October 2024 impairment test, cash flow projections until the end of 2029 were considered, in line with our internal planning horizon. Key assumptions underlying cash flow projections reflect management's outlook on interest rates and inflation, as well as business strategy, including the scale of investment in technology and automation. Our cash flow projections include known and observable climate-related opportunities and costs associated with our sustainable products and operating model. As required by IFRS Accounting Standards, estimates of future cash flows exclude estimated cash inflows or outflows that are expected to arise from restructuring initiatives before an entity has a constructive obligation to carry out the plan, and would therefore have recognised a provision for restructuring costs.

Discount rate

The rate used to discount the cash flows is based on the cost of equity assigned to each CGU, which is derived using a capital asset pricing model ('CAPM') and market implied cost of equity. CAPM depends on a number of inputs reflecting financial and economic variables, including the risk-free rate and a premium to reflect the inherent risk of the business being evaluated. These variables are based on the market's assessment of the economic variables and management's judgement. The discount rates for each CGU are refined to reflect the rates of inflation for the countries within which the CGU operates. In addition, for the purposes of testing goodwill for impairment, management supplements this process by comparing the discount rates derived using the internally generated CAPM, with the cost of equity rates produced by external sources for businesses operating in similar markets. The impacts of climate risk are included to the extent that they are observable in discount rates and asset prices.

Long-term growth rate

The long-term growth rate is used to extrapolate the cash flows in perpetuity because of the long-term perspective within the Group of business units making up the CGUs. These growth rates reflect inflation for the countries within which the CGU operates or from which it derives revenue.

Sensitivities of key assumptions in calculating VIU

At 1 October 2024, given the extent by which VIU exceeds carrying amount, the HSBC UK WPB CGU was not sensitive to reasonably possible adverse changes in key assumptions supporting the recoverable amount. In making an estimate of reasonably possible changes to assumptions, management considers the available evidence in respect of each input to the VIU calculation, such as the external range of discount rates observable, historical performance against forecast and risks attaching to the key assumptions underlying cash flow projections. None of the remaining CGUs are individually significant.

Other intangible assets

Impairment testing

Impairment of other intangible assets is assessed in accordance with our policy explained in Note 1.2(n) by comparing the net carrying amount of CGUs containing intangible assets with their recoverable amounts. Recoverable amounts are determined by calculating an estimated VIU or fair value, as appropriate, for each CGU. No significant impairment was recognised during the year.

Key assumptions in VIU calculation

The Group does not consider there to be a significant risk of a material adjustment to the carrying amount of other intangible assets in the next financial year, but does consider this to be an area that is inherently judgemental. We used a number of assumptions in our VIU calculation, in accordance with the requirements of IAS 36:

- Management's judgement in estimating future cash flows: We considered past business performance, current market conditions and our macroeconomic outlook to estimate future earnings. As required by IFRS Accounting Standards, estimates of future cash flows exclude estimated cash inflows or outflows that are expected to arise from restructuring initiatives before an entity has a constructive obligation to carry out the plan, and would therefore have recognised a provision for restructuring costs. For some businesses, this means that the benefit of certain strategic actions may not be included in the impairment assessment, including capital releases. Our cash flow projections include known and observable climate-related opportunities and costs associated with our sustainable products and operating model.
- Long-term growth rates: The long-term growth rate is used to extrapolate the cash flows in perpetuity because of the long-term perspective of the businesses within the Group.
- Discount rates: Rates are based on a combination of CAPM and market-implied calculations considering market data for the businesses and geographies in which the Group operates. The impacts of climate risk are included to the extent that they are observable in discount rates and asset prices.

Sensitivity of estimates relating to non-financial assets

As explained in Note 1.2(a), estimates of future cash flows for CGUs are made in the review of goodwill and non-financial assets for impairment. Non-financial assets include other intangible assets shown above, and owned property, plant and equipment and right-of-use assets (see Note 22). The most significant sources of estimation uncertainty are in respect of the goodwill balances disclosed above. There are no non-financial asset balances relating to individual CGUs which involve estimation uncertainty that represents a significant risk of resulting in a material adjustment to the results and financial position of the Group within the next financial year.

Non-financial assets are widely distributed across CGUs within the legal entities of the Group, including Corporate Centre assets that cannot be allocated to CGUs and are therefore tested for impairment at consolidated level. The recoverable amounts of other intangible assets, owned property, plant and equipment, and right-of-use assets cannot be lower than individual asset fair values less costs to dispose, where relevant. At 31 December 2024 none of the CGUs were sensitive to reasonably possible adverse changes in key assumptions supporting the recoverable amount. In making an estimate of reasonably possible changes to assumptions, management considers the available evidence in respect of each input to the VIU calculation, such as the external range of discount rates observable, historical performance against forecast and risks attaching to the key assumptions underlying cash flow projections.

22 Prepayments, accrued income and other assets

	2024 $m	2023 $m
Prepayments and accrued income	**13,781**	13,854
Settlement accounts and items in course of collection from other banks	**19,050**	39,195
Cash collateral and margin receivables	**59,488**	57,058
Bullion	**16,841**	13,701
Endorsements and acceptances	**8,093**	7,939
Insurance contract assets (Note 4)	**132**	252
Reinsurance contract assets	**4,798**	4,728
Employee benefit assets (Note 5)	**7,548**	7,750
Right-of-use assets	**2,205**	2,456
Owned property, plant and equipment	**9,407**	10,478
Other accounts	**11,397**	14,186
At 31 Dec[1]	**152,740**	171,597

1 Prepayments, accrued income and other assets include $109,336m (2023: $129,203m) of financial assets, the majority of which are measured at amortised cost.

23 Assets held for sale, liabilities of disposal groups held for sale and business acquisitions

	2024 $m	2023 $m
Held for sale at 31 Dec		
Disposal groups	**27,126**	115,836
Unallocated impairment losses[1]	**(31)**	(1,975)
Non-current assets held for sale	**139**	273
Assets held for sale	**27,234**	114,134
Liabilities of disposal groups held for sale	**29,011**	108,406

1 This represents impairment losses in excess of the carrying value of the non-current assets, excluded from the measurement scope of IFRS 5.

Disposal groups

France retail banking operations

On 1 January 2024, HSBC Continental Europe completed the sale of its retail banking business in France to CCF, a subsidiary of Promontoria MMB SAS ('My Money Group'). The sale also included HSBC Continental Europe's 100% ownership interest in HSBC SFH (France) and its 3% ownership interest in Crédit Logement.

Upon completion and in accordance with the terms of the sale, HSBC Continental Europe received a €0.1bn ($0.1bn) 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 €7.1bn ($7.4bn) at the time of the sale, consisting of home and certain other loans, 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), 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 WPB to Corporate Centre, with effect from 1 January 2024.

During the fourth quarter of 2024, we began the process of marketing the retained home and other loan portfolio for sale, which had a carrying value of €6.7bn ($6.9bn) at 31 December 2024. As a result, we reclassified the portfolio to a hold-to-collect-and-sell business model from 1 January 2025 and will measure it prospectively from the first quarter of 2025 at fair value through other comprehensive income. We expect to recognise an estimated $1bn 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, we entered into non-qualifying economic hedges, hedging interest rate risk on the portfolio and recognised a $0.1bn mark-to-market gain year-to-date.

Canada banking business

On 28 March 2024, HSBC Overseas Holdings (UK) Limited, a direct subsidiary of HSBC Holdings plc, completed the sale of HSBC Bank Canada to the Royal Bank of Canada.

The completion of the transaction resulted in a gain on sale of $4.8bn, inclusive of the recycling of $0.6bn in foreign currency translation reserve losses and $0.4bn in other reserves losses. The gain on sale also included $0.3bn in fair value gains recognised on the related foreign exchange hedges in the first quarter of 2024. There was no tax on the gain recognised at completion due to the substantial shareholding exemption rule in the UK.

Following the completion of this transaction, the Board approved a special dividend of $0.21 per share, which was paid in June 2024 alongside the first interim dividend.

Argentina business

On 6 December 2024, HSBC Latin America B.V. completed the sale of its business in Argentina to Grupo Financiero Galicia ('Galicia').

Galicia acquired all of HSBC Argentina's business covering banking, asset management and insurance, together with $100m of subordinated debt issued by HSBC Argentina and held by HSBC Latin America Holdings (UK) Limited for a base consideration of $550m. The consideration was adjusted for the results of the business and fair value gains or losses on HSBC Argentina's securities portfolios during the period between 31 December 2023 and 30 November 2024. HSBC received the purchase consideration in a combination of cash and Galicia's American Depositary Receipts ('ADRs'), with ADRs representing less than a 10% economic interest in Galicia. At 31 December 2024, the fair value of the ADRs received and held as fair value through profit and loss was $0.7bn.

For the year ended 31 December 2024, we recognised a $1.0bn pre-tax loss and we recycled $5.2bn foreign currency reserve and other reserve losses to the income statement on completion. There was no tax deduction on the loss recognised.

Other disposals

On 30 May 2024, HSBC Europe BV, a wholly-owned subsidiary of HSBC Bank plc, completed the sale of HSBC Bank (RR) (Limited Liability Company) to Expobank. Foreign currency translation reserve losses of $0.1bn were recognised in the income statement upon completion.

On 6 July 2024, The Hongkong and Shanghai Banking Corporation Limited (acting through its Mauritius branch) completed the sale of its Wealth and Personal Banking business in Mauritius to Absa Bank (Mauritius) Limited, a wholly-owned subsidiary of Absa Group Limited. The financial impact of the sale was not significant for the Group.

On 23 September 2024, HSBC Continental Europe, a wholly owned subsidiary of HSBC Bank plc, reached an agreement to sell its private banking business in Germany to BNP Paribas 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 $0.2bn, which will be recognised on completion.

On 25 September 2024, HSBC reached an agreement to transfer its business in South Africa to local lender FirstRand Bank Ltd and the disposal group met the held for sale criteria at 31 December 2024. The transaction, which is subject to regulatory and governmental approvals, is expected to complete in the second half of 2025. At closing, cumulative foreign currency translation reserves and other reserves will recycle to the income statement. At 31 December 2024, foreign currency translation reserve and other reserve losses stood at $0.2bn.

On 29 November 2024, HSBC Europe BV completed the sale of HSBC Bank Armenia to Ardshinbank with a year-to-date loss of $0.1bn recognised.

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 $24.2bn in assets and $23.4bn 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 $0.2bn 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 $0.1bn as at 31 December 2024.

At 31 December 2024, the major classes of assets and associated liabilities of disposal groups held for sale, excluding allocated impairment losses, were as follows:

	French Life Insurance Business	German Private Banking Business	South Africa[1]	Other	Total
	$m	$m	$m	$m	$m
Assets of disposal groups held for sale					
Cash and balances at central banks	—	**1,896**	—	—	**1,896**
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	**14,560**	—	—	—	**14,560**
Derivatives	**26**	—	**10**	—	**36**
Loans and advances to banks	**144**	—	—	—	**144**
Loans and advances to customers	—	**309**	**656**	—	**965**
Financial investments[2]	**8,500**	—	—	—	**8,500**
Goodwill	—	**5**	—	—	**5**
Prepayments, accrued income and other assets	**992**	**21**	**7**	—	**1,020**
Total assets at 31 Dec 2024	**24,222**	**2,231**	**673**	—	**27,126**
Liabilities of disposal groups held for sale					
Customer accounts	—	**2,085**	**3,294**	**20**	**5,399**
Financial liabilities designated at fair value	**11**	**119**	—	—	**130**
Derivatives	—	—	**19**	—	**19**
Insurance contract liabilities	**21,811**	—	—	—	**21,811**
Accruals, deferred income and other liabilities	**1,598**	**22**	**32**	—	**1,652**
Total liabilities at 31 Dec 2024	**23,420**	**2,226**	**3,345**	**20**	**29,011**
Expected date of completion	**Second half of 2025**	**Second half of 2025**	**Second half of 2025**		
Operating segment	**WPB**	**WPB**	**GBM and Corporate Centre**		

1 Under the financial terms of the sale of our South Africa business, HSBC Bank plc will transfer the business with a net asset value of $0.7bn for a book value less any provisions. The purchase price will be satisfied by the transfer of agreed liabilities of $3.3bn. Any required increase to the net asset value of the business to achieve this will be satisfied by the inclusion of additional cash. Based upon the net liabilities of the disposal group at 31 December 2024, HSBC would be expected to include a cash contribution of $2.6bn.

2 Represents financial investments measured at fair value through other comprehensive income.

At 31 December 2023, the major classes of assets and associated liabilities of disposal groups held for sale, excluding allocated impairment losses, were as follows:

	Canada	Retail banking operations in France	Other	Total
	$m	$m	$m	$m
Assets of disposal groups held for sale				
Cash and balances at central banks	5,370	226	—	5,596
Trading assets	2,465	—	—	2,465
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	15	49	—	64
Derivatives	528	—	—	528
Loans and advances to banks	154	10,333	—	10,487
Loans and advances to customers	56,129	16,902	254	73,285
Reverse repurchase agreements – non-trading	2,723	—	—	2,723
Financial investments[1]	16,978	33	—	17,011
Goodwill	225	—	—	225
Prepayments, accrued income and other assets	3,318	132	2	3,452
Total assets at 31 Dec 2023	87,905	27,675	256	115,836
Liabilities of disposal groups held for sale				
Trading liabilities	1,417	—	—	1,417
Deposits by banks	78	—	—	78
Customer accounts	63,001	22,307	642	85,950
Repurchase agreements – non-trading	2,768	—	—	2,768
Financial liabilities designated at fair value	—	2,370	—	2,370
Derivatives	608	7	—	615
Debt securities in issue	7,707	1,377	—	9,084
Subordinated liabilities	8	—	—	8
Accruals, deferred income and other liabilities	5,916	196	4	6,116
Total liabilities at 31 Dec 2023	81,503	26,257	646	108,406
Date of completion	28 March 2024	1 January 2024		
Operating segment	All global businesses	WPB		

1 Includes financial investments measured at fair value through other comprehensive income of $9.4bn and debt instruments measured at amortised cost of $7.6bn.

Business acquisitions

In October 2023, HSBC Global Asset Management Singapore Limited, a wholly-owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited, entered into an agreement to acquire 100% of the shares of Silkroad Property Partners Pte Ltd ('Silkroad') and for HSBC Global Asset Management Limited to acquire Silkroad's affiliated General Partner entities. Silkroad is a Singapore headquartered Asia-Pacific-focused, real estate investment manager. The acquisition was completed on 31 January 2024.

In October 2023, HSBC Bank (China) Company Limited, a wholly-owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited, entered into an agreement to acquire Citibank China's retail wealth management portfolio in mainland China. The portfolio comprises assets under management and deposits and the associated wealth customers. The acquisition was completed on 7 June 2024.

The financial impact of these business acquisitions was not significant for the Group.

24 Trading liabilities

	2024	2023
	$m	$m
Deposits by banks[1]	**7,671**	6,779
Customer accounts[1]	**10,709**	8,955
Other debt securities in issue (Note 26)	**73**	27
Other liabilities – net short positions in securities	**47,529**	57,389
At 31 Dec	**65,982**	73,150

1 'Deposits by banks' and 'Customer accounts' include repos, stock lending and other amounts.

25 Financial liabilities designated at fair value

HSBC

	2024	2023
	$m	$m
Deposits by banks and customer accounts[1]	23,773	21,043
Liabilities to customers under investment contracts	5,931	5,103
Debt securities in issue (Note 26)	99,706	103,803
Subordinated liabilities (Note 29)	9,317	11,477
At 31 Dec	**138,727**	141,426

1 Structured deposits placed at HSBC Bank USA are insured by the Federal Deposit Insurance Corporation, a US government agency, up to $250,000 per depositor.

The carrying amount of financial liabilities designated at fair value was $4,365m less than the contractual amount at maturity (2023: $4,421m less). The cumulative amount of change in fair value attributable to changes in credit risk was a loss of $1,655m (2023: loss of $1,286m).

HSBC Holdings

	2024	2023
	$m	$m
Debt securities in issue (Note 26)	33,268	35,189
Subordinated liabilities (Note 29)	8,314	8,449
At 31 Dec	**41,582**	43,638

The carrying amount of financial liabilities designated at fair value was $17m less than the contractual amount at maturity (2023: $246m less). The cumulative amount of change in fair value attributable to changes in credit risk was a loss of $540m (2023: $682m).

26 Debt securities in issue

HSBC

	2024	2023
	$m	$m
Bonds and medium-term notes	163,903	160,632
Other debt securities in issue	41,661	37,115
Total debt securities in issue	**205,564**	197,747
Included within:		
– trading liabilities (Note 24)	(73)	(27)
– financial liabilities designated at fair value (Note 25)	(99,706)	(103,803)
At 31 Dec	**105,785**	93,917

HSBC Holdings

	2024	2023
	$m	$m
Debt securities	97,588	100,428
Included within:		
– financial liabilities designated at fair value (Note 25)	(33,268)	(35,189)
At 31 Dec	**64,320**	65,239

27 Accruals, deferred income and other liabilities

	2024	2023
	$m	$m
Accruals and deferred income	16,277	16,814
Settlement accounts and items in course of transmission to other banks	24,692	35,718
Cash collateral and margin payables	58,040	56,832
Endorsements and acceptances	8,102	7,911
Employee benefit liabilities (Note 5)	1,017	1,160
Reinsurance contract liabilities	701	819
Lease liabilities	2,459	2,813
Other liabilities	19,052	21,834
At 31 Dec[1]	**130,340**	143,901

1 Accruals, deferred income and other liabilities include $122,051m (2023: $136,696m) of financial liabilities, the majority of which are measured at amortised cost.

28 Provisions

	Restructuring costs	Legal proceedings and regulatory matters	Customer remediation	Other provisions	Total
	$m	$m	$m	$m	$m
Provisions (excluding contractual commitments)					
At 1 Jan 2024	284	380	130	420	1,214
Additions	**181**	**205**	**36**	**203**	**625**
Amounts utilised	**(193)**	**(228)**	**(48)**	**(105)**	**(574)**
Unused amounts reversed	**(63)**	**(63)**	**(35)**	**(82)**	**(243)**
Exchange and other movements	**(10)**	**1**	**2**	**21**	**14**
At 31 Dec 2024	**199**	**295**	**85**	**457**	**1,036**
Contractual commitments[1]					
At 1 Jan 2024					527
Net change in expected credit loss provision and other movements					**161**
At 31 Dec 2024					**688**
Total provisions					
At 31 Dec 2023					1,741
At 31 Dec 2024					**1,724**
Provisions (excluding contractual commitments)					
At 1 Jan 2023	445	409	195	397	1,446
Additions	255	236	37	170	698
Amounts utilised	(288)	(231)	(69)	(68)	(656)
Unused amounts reversed	(149)	(30)	(41)	(95)	(315)
Exchange and other movements	21	(4)	8	16	41
At 31 Dec 2023	284	380	130	420	1,214
Contractual commitments[1]					
At 1 Jan 2023					512
Net change in expected credit loss provision and other movements					15
At 31 Dec 2023					527
Total provisions					
At 31 Dec 2022					1,958
At 31 Dec 2023					1,741

1 Contractual commitments include the expected credit loss provision in relation to off-balance sheet financial guarantee contracts and commitments where HSBC has become party to an irrevocable commitment, as defined under IFRS 9 'Financial Instruments'; and provisions for performance and other guarantee contracts.

Further details of 'Legal proceedings and regulatory matters' are set out in Note 35. Legal proceedings include civil court, arbitration or tribunal proceedings brought against HSBC companies (whether by way of claim or counterclaim); or civil disputes that may, if not settled, result in court, arbitration or tribunal proceedings. 'Regulatory matters' refers to investigations, reviews and other actions carried out by, or in response to, the actions of regulators or law enforcement agencies in connection with alleged wrongdoing by HSBC.

Customer remediation refers to HSBC's activities to compensate customers for losses or damages associated with a failure to comply with regulations or to treat customers fairly. Customer remediation is often initiated by HSBC in response to customer complaints and/or industry developments in sales practices, and is not necessarily initiated by regulatory action.

For further details of the impact of IFRS 9 on undrawn loan commitments and financial guarantees, presented in 'Contractual commitments', see Note 33. Further analysis of the movement in the expected credit loss provision is disclosed within the 'Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees' table on page 161.

Brazil PIS and COFINS tax matters

Beginning in the late 1990s, HSBC Bank Brasil S.A. – Banco Múltiplo ('HSBC Brazil') and other financial services firms brought legal proceedings in Brazil challenging the assessment of PIS and COFINS taxes, which are federal taxes imposed on gross revenues earned by legal entities in Brazil. The Supreme Court of Brazil selected three cases – one involving an insurer, in 2007, and two involving other banks, in 2011 – to set standards that would apply to all of these proceedings. In June 2023, the court ruled against the financial services firms in all three cases. The standards set by the court in this ruling have not yet been applied to HSBC Brazil's legacy cases, liability for which remained with HSBC after the sale of HSBC's operations in Brazil to Bradesco in 2016. There are many factors that may affect the range of outcomes and any resulting financial impact for HSBC. Based upon the information currently available, a provision was recognised in respect of one legacy case. The remaining additional tax liability subject to challenge on all legacy PIS and COFINS cases is up to $0.4bn. As at 31 December 2024, no provision has been booked for this amount.

29 Subordinated liabilities

HSBC's subordinated liabilities

	2024	2023
	$m	$m
At amortised cost	**25,958**	24,954
– subordinated liabilities	**25,080**	23,149
– preferred securities	**878**	1,805
Designated at fair value (Note 25)	**9,317**	11,477
– subordinated liabilities	**9,317**	11,477
– preferred securities	**—**	—
At 31 Dec	**35,275**	36,431
Issued by HSBC subsidiaries	**3,144**	4,154
Issued by HSBC Holdings	**32,131**	32,277

Subordinated liabilities rank behind senior obligations and generally count towards the capital base of HSBC. Capital securities may be called and redeemed by HSBC subject to prior notification to the PRA and, where relevant, the consent of the local banking regulator. If not redeemed at the first call date, coupons payable may reset or become floating rate based on relevant market rates. On subordinated liabilities other than floating rate notes, interest is payable at fixed rates of up to 8.201%.

The balance sheet amounts disclosed in the following table are presented on an IFRS basis and do not reflect the amount that the instruments contribute to regulatory capital, principally due to regulatory amortisation and regulatory eligibility limits.

HSBC's subordinated liabilities: subsidiaries

	2024	2023
	$m	$m
Additional tier 1 capital securities issued by HSBC subsidiaries[1]	**732**	1,672
Tier 2 securities issued by HSBC subsidiaries		
– Tier 2 securities issued by HSBC Bank plc	**715**	764
– Tier 2 securities issued by The Hongkong and Shanghai Banking Corporation Limited		—
– Tier 2 securities issued by HSBC Bank USA Inc	**223**	223
– Tier 2 securities issued by HSBC Bank USA N.A.	**1,431**	1,449
Securities issued by other HSBC subsidiaries	**43**	46
Subordinated liabilities issued by HSBC subsidiaries at 31 Dec	**3,144**	4,154

1 The $900m 10.176% security issued by HSBC Capital Funding (Dollar 1) L.P. was redeemed on 31 October 2024.

HSBC Holdings' subordinated liabilities

	2024	2023
	$m	$m
At amortised cost	**23,548**	24,439
Designated at fair value (Note 25)	**8,314**	8,449
At 31 Dec	**31,862**	32,888

HSBC Holdings' subordinated liabilities in issue

	2024	2023
	$m	$m
Tier 2 securities issued by HSBC Holdings		
Amounts owed to third parties	**31,862**	31,975
Amounts owed to HSBC undertakings[1]	**—**	913
Subordinated liabilities issued by HSBC Holdings at 31 Dec	**31,862**	32,888

1 The $900m 10.176% security issued by HSBC Holdings to HSBC Capital Funding (Dollar 1) L.P. was redeemed on 31 October 2024.

Guaranteed by HSBC Holdings or HSBC Bank plc

Capital securities guaranteed by HSBC Holdings or HSBC Bank plc were issued by the Jersey limited partnerships. The proceeds of these were lent to the respective guarantors by the limited partnerships in the form of subordinated notes. They qualified as additional tier 1 capital for HSBC under CRR II until 31 December 2021 by virtue of the application of grandfathering provisions. The capital securities guaranteed by HSBC Bank plc also qualified as additional tier 1 capital for HSBC Bank plc (on a solo and a consolidated basis) under CRR II until 31 December 2021 by virtue of the same grandfathering process. Since 31 December 2021, these securities have no longer qualified as regulatory capital for HSBC Holdings or HSBC Bank plc. On 31 October 2024, the capital securities guaranteed by HSBC Holdings were redeemed.

As at 31 December 2024 the preferred securities guaranteed by HSBC Bank plc are intended to provide investors with rights to income and capital distributions, as well as distributions upon liquidation of the issuer that are equivalent to the rights that they would have had if they had purchased non-cumulative perpetual preference shares of the issuer. There are limitations on the payment of distributions if such payments are prohibited under UK banking regulations or other requirements, if a payment would cause a breach of HSBC Bank plc's capital adequacy requirements, or if HSBC Bank plc has insufficient distributable reserves (as defined).

HSBC Bank plc have covenanted that, if prevented under certain circumstances from paying distributions on the preferred securities in full, they will not pay dividends or other distributions in respect of their ordinary shares, or repurchase or redeem their ordinary shares, until the distribution on the preferred securities has been paid in full.

If the preferred securities guaranteed by HSBC Bank plc are outstanding in November 2048, or if the total capital ratio of HSBC Bank plc (on a solo or consolidated basis) falls below the regulatory minimum required, or if the Directors expect it to do so in the near term, provided that proceedings have not been commenced for the liquidation, dissolution or winding up of HSBC Bank plc, the holders' interests in the preferred security guaranteed by HSBC Bank plc will be exchanged for interests in preference shares issued by HSBC Bank plc that have economic terms which are in all material respects equivalent to the preferred security and its guarantee.

Tier 2 securities

Tier 2 capital securities are either perpetual or dated subordinated securities on which there is an obligation to pay coupons. These capital securities are included within HSBC's regulatory capital base as tier 2 capital under CRR II, either as fully eligible capital or by virtue of the application of grandfathering provisions. In accordance with CRR II, the capital contribution of all tier 2 securities is amortised for regulatory purposes in their final five years before maturity.

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30 Maturity analysis of assets, liabilities and off-balance sheet commitments

The table on page 418 provides an analysis of consolidated total assets, liabilities and off-balance sheet commitments by residual contractual maturity at the balance sheet date. These balances are included in the maturity analysis as follows:

- Trading assets and liabilities (including trading derivatives but excluding reverse repos, repos and debt securities in issue) are included in the 'Due not more than 1 month' time bucket because trading balances are typically held for short periods of time.
- Financial assets and liabilities with no contractual maturity (such as equity securities) are included in the 'Due over 5 years' time bucket. Undated or perpetual instruments are classified based on the contractual notice period, which the counterparty of the instrument is entitled to give. Where there is no contractual notice period, undated or perpetual contracts are included in the 'Due over 5 years' time bucket.
- Non-financial assets and liabilities with no contractual maturity are included in the 'Due over 5 years' time bucket.
- Financial instruments included within assets and liabilities of disposal groups held for sale are classified on the basis of the contractual maturity of the underlying instruments and not on the basis of the disposal transaction.
- Liabilities under insurance contracts included in 'non-financial liabilities' are irrespective of contractual maturity included in the 'Due over 5 years' time bucket in the maturity table provided below. An analysis of the present value of expected future cash flows of insurance contract liabilities and contractual service margin is provided on page 373. Liabilities under investment contracts are classified in accordance with their contractual maturity. Undated investment contracts are included in the 'Due over 5 years' time bucket, although such contracts are subject to surrender and transfer options by the policyholders.
- Loan and other credit-related commitments are classified on the basis of the earliest date they can be drawn down.

HSBC

Maturity analysis of assets, liabilities and off-balance sheet commitments

	Due not more than 1 month	Due over 1 month but not more than 3 months	Due over 3 months but not more than 6 months	Due over 6 months but not more than 9 months	Due over 9 months but not more than 1 year	Due over 1 year but not more than 2 years	Due over 2 years but not more than 5 years	Due over 5 years	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m
Financial assets									
Cash and balances at central banks	267,674	—	—	—	—	—	—	—	267,674
Hong Kong Government certificates of indebtedness	42,293	—	—	—	—	—	—	—	42,293
Trading assets	311,277	1,374	679	337	774	401	—	—	314,842
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	6,329	1,497	1,218	810	1,570	4,010	11,503	88,832	115,769
Derivatives	264,689	401	709	377	164	364	524	1,409	268,637
Loans and advances to banks	69,778	16,300	3,871	4,264	2,922	2,276	2,236	392	102,039
Loans and advances to customers	135,250	69,955	53,557	36,945	38,985	89,061	176,645	330,260	930,658
– personal	45,221	10,236	7,634	6,705	6,197	19,683	53,434	295,588	444,698
– corporate and commercial	78,170	52,618	38,440	22,858	25,292	54,832	102,637	29,102	403,949
– financial	11,859	7,101	7,483	7,382	7,496	14,546	20,574	5,570	82,011
Reverse repurchase agreements – non-trading	179,590	36,552	15,054	3,715	6,659	7,400	3,579	—	252,549
Financial investments	35,780	74,850	50,650	15,907	20,465	54,125	143,870	97,519	493,166
Assets held for sale[1]	2,711	170	215	401	711	513	2,465	19,170	26,356
Accrued income and other financial assets	94,803	6,831	4,127	648	579	498	346	1,504	109,336
Financial assets at 31 Dec 2024	1,410,174	207,930	130,080	63,404	72,829	158,648	341,168	539,086	2,923,319
Non-financial assets	—	—	—	—	—	—	—	93,729	93,729
Total assets at 31 Dec 2024	1,410,174	207,930	130,080	63,404	72,829	158,648	341,168	632,815	3,017,048
Off-balance sheet commitments received									
Loan and other credit-related commitments	41,875	—	—	—	—	—	—	—	41,875
Financial liabilities									
Hong Kong currency notes in circulation	42,293	—	—	—	—	—	—	—	42,293
Deposits by banks	54,714	1,595	2,227	653	3,924	507	9,919	458	73,997
Customer accounts	1,382,204	168,423	58,928	19,062	17,389	6,482	2,353	114	1,654,955
– personal	640,031	111,341	41,429	13,429	11,109	3,983	1,981	—	823,303
– corporate and commercial	564,693	45,047	14,708	3,991	4,748	1,968	332	106	635,593
– financial	177,480	12,035	2,791	1,642	1,532	531	40	8	196,059
Repurchase agreements – non-trading	168,075	10,340	1,176	450	473	171	—	195	180,880
Trading liabilities	58,069	4,933	2,873	7	100	—	—	—	65,982
Financial liabilities designated at fair value	19,037	8,732	5,890	4,765	5,600	17,013	43,274	34,416	138,727
– debt securities in issue: covered bonds	—	—	—	—	—	—	—	—	—
– debt securities in issue: unsecured	8,431	4,148	3,557	2,885	4,362	14,660	38,259	22,866	99,168
– subordinated liabilities and preferred securities	—	—	—	1,011	—	886	1,871	5,548	9,316
– other	10,606	4,584	2,333	869	1,238	1,467	3,144	6,002	30,243
Derivatives	262,928	2	6	3	1	43	192	1,273	264,448
Debt securities in issue	5,761	10,915	10,330	7,332	7,239	14,724	22,311	27,173	105,785
– covered bonds	—	—	—	—	—	—	1,253	—	1,253
– otherwise secured	511	47	67	64	61	664	520	2,236	4,170
– unsecured	5,250	10,868	10,263	7,268	7,178	14,060	20,538	24,937	100,362
Liabilities of disposal groups held for sale[2]	5,356	223	42	2	107	—	—	1,448	7,178
Accruals and other financial liabilities	99,424	11,827	5,415	1,013	1,241	902	1,489	738	122,049
Subordinated liabilities	—	—	1,719	16	—	—	861	23,362	25,958
Total financial liabilities at 31 Dec 2024	2,097,861	216,990	88,606	33,303	36,074	39,842	80,399	89,177	2,682,252
Non-financial liabilities	—	—	—	—	—	—	—	142,523	142,523
Total liabilities at 31 Dec 2024	2,097,861	216,990	88,606	33,303	36,074	39,842	80,399	231,700	2,824,775
Off-balance sheet commitments given									
Loan and other credit-related commitments	861,181	74	12	85	49	6	57	114	861,578
– personal	253,522	—	—	—	—	—	—	—	253,522
– corporate and commercial	460,762	74	12	85	49	6	57	114	461,159
– financial	146,897	—	—	—	—	—	—	—	146,897

Maturity analysis of assets, liabilities and off-balance sheet commitments (continued)

	Due not more than 1 month	Due over 1 month but not more than 3 months	Due over 3 months but not more than 6 months	Due over 6 months but not more than 9 months	Due over 9 months but not more than 1 year	Due over 1 year but not more than 2 years	Due over 2 years but not more than 5 years	Due over 5 years	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m
Financial assets									
Cash and balances at central banks	285,868	—	—	—	—	—	—	—	285,868
Hong Kong Government certificates of indebtedness	42,024	—	—	—	—	—	—	—	42,024
Trading assets	284,865	2,010	637	363	555	165	564	—	289,159
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	5,530	697	821	753	581	4,839	11,917	85,505	110,643
Derivatives	227,343	138	134	71	35	383	570	1,040	229,714
Loans and advances to banks	76,524	18,662	6,487	2,689	3,281	2,756	2,328	175	112,902
Loans and advances to customers	142,803	66,425	52,218	40,135	36,323	94,206	175,381	331,044	938,535
– personal	44,105	9,558	6,960	6,422	6,127	19,606	54,365	297,512	444,655
– corporate and commercial	83,281	50,268	38,250	24,685	24,566	61,612	106,598	30,592	419,852
– financial	15,417	6,599	7,008	9,028	5,630	12,988	14,418	2,940	74,028
Reverse repurchase agreements – non-trading	164,826	43,893	23,840	6,708	5,126	6,113	1,711	—	252,217
Financial investments	48,969	69,816	44,493	16,348	18,603	46,124	106,117	92,293	442,763
Assets held for sale[1]	39,882	2,929	7,041	4,176	3,261	17,085	33,015	7,943	115,332
Accrued income and other financial assets	114,480	6,574	4,404	550	698	220	764	1,513	129,203
Financial assets at 31 Dec 2023	1,433,114	211,144	140,075	71,793	68,463	171,891	332,367	519,513	2,948,360
Non-financial assets	—	—	—	—	—	—	—	90,317	90,317
Total assets at 31 Dec 2023	1,433,114	211,144	140,075	71,793	68,463	171,891	332,367	609,830	3,038,677
Off-balance sheet commitments received									
Loan and other credit-related commitments	39,836	—	—	—	—	—	—	—	39,836
Financial liabilities									
Hong Kong currency notes in circulation	42,024	—	—	—	—	—	—	—	42,024
Deposits by banks	52,747	2,758	2,324	381	94	1,458	13,064	337	73,163
Customer accounts	1,343,858	138,117	78,611	20,832	17,724	7,785	4,616	104	1,611,647
– personal	621,112	84,909	61,286	14,794	12,465	5,507	2,742	2	802,817
– corporate and commercial	545,207	43,562	14,525	4,605	3,393	2,165	1,527	92	615,076
– financial	177,539	9,646	2,800	1,433	1,866	113	347	10	193,754
Repurchase agreements – non-trading	158,882	10,311	1,759	300	847	1	—	—	172,100
Trading liabilities	66,548	6,302	300	—	—	—	—	—	73,150
Financial liabilities designated at fair value	22,080	8,366	7,823	7,197	6,239	16,679	39,497	33,545	141,426
– debt securities in issue: covered bonds	—	—	—	—	—	—	—	—	—
– debt securities in issue: unsecured	10,383	2,760	5,748	6,225	5,390	14,090	34,757	23,898	103,251
– subordinated liabilities and preferred securities	—	1,995	—	—	—	1,471	3,429	4,581	11,476
– other	11,697	3,611	2,075	972	849	1,118	1,311	5,066	26,699
Derivatives	233,134	113	25	9	47	73	1,223	148	234,772
Debt securities in issue	6,891	6,664	10,816	6,896	6,427	6,317	27,452	22,454	93,917
– covered bonds	—	—	—	—	—	—	1,273	—	1,273
– otherwise secured	447	44	62	58	55	188	861	1,679	3,394
– unsecured	6,444	6,620	10,754	6,838	6,372	6,129	25,318	20,775	89,250
Liabilities of disposal groups held for sale[2]	69,868	5,231	5,479	6,728	6,541	4,730	7,918	1,511	108,006
Accruals and other financial liabilities	111,559	11,827	6,007	1,205	1,414	1,053	1,491	2,137	136,693
Subordinated liabilities	—	13	—	—	—	1,790	897	22,254	24,954
Total financial liabilities at 31 Dec 2023	2,107,591	189,702	113,144	43,548	39,333	39,886	96,158	82,490	2,711,852
Non-financial liabilities	—	—	—	—	—	—	—	134,215	134,215
Total liabilities at 31 Dec 2023	2,107,591	189,702	113,144	43,548	39,333	39,886	96,158	216,705	2,846,067
Off-balance sheet commitments given									
Loan and other credit-related commitments	895,140	95	126	72	171	439	807	300	897,150
– personal	256,272	21	30	46	107	279	745	192	257,692
– corporate and commercial	472,507	74	26	26	64	160	62	108	473,027
– financial	166,361	—	70	—	—	—	—	—	166,431

1 Unallocated impairment losses in relation to disposal groups of $0.03bn (2023: $2.0bn) and non-financial assets of $0.9bn (2023: $0.9bn) that are presented within assets held for sale on the balance sheet have been included within non-financial assets in the table above.

2 A total of $21.8bn (2023: $0.4bn) of non-financial liabilities that are presented within liabilities of disposal groups held for sale on the balance sheet have been included within non-financial liabilities in the table above.

HSBC Holdings

Maturity analysis of assets, liabilities and off-balance sheet commitments

	Due not more than 1 month $m	Due over 1 month but not more than 3 months $m	Due over 3 months but not more than 6 months $m	Due over 6 months but not more than 9 months $m	Due over 9 months but not more than 1 year $m	Due over 1 year but not more than 2 years $m	Due over 2 years but not more than 5 years $m	Due over 5 years $m	Total $m
Financial assets									
Cash at bank and in hand:									
– balances with HSBC undertakings	2,548	—	—	—	—	—	—	—	2,548
Financial assets with HSBC undertakings designated and otherwise mandatorily measured at fair value	—	—	—	—	—	5,835	31,547	23,904	61,286
Derivatives	2,339	—	24	—	—	243	162	286	3,054
Loans and advances to HSBC undertakings	8,500	—	120	—	13	1,640	6,739	20,665	37,677
Trading assets	709	—	—	—	—	—	—	—	709
Financial investments	6,141	4,187	—	—	—	—	—	—	10,328
Accrued income and other financial assets	2,719	856	292	203	11	—	—	—	4,081
Total financial assets at 31 Dec 2024	22,956	5,043	436	203	24	7,718	38,448	44,855	119,683
Non-financial assets	—	—	—	—	—	—	—	154,574	154,574
Total assets at 31 Dec 2024	22,956	5,043	436	203	24	7,718	38,448	199,429	274,257
Financial liabilities									
Amounts owed to HSBC undertakings	—	231	—	—	—	—	—	—	231
Financial liabilities designated at fair value	—	—	—	1,012	—	3,641	16,907	20,022	41,582
– debt securities in issue	—	—	—	—	—	2,755	15,036	15,476	33,267
– subordinated liabilities and preferred securities	—	—	—	1,012	—	886	1,871	4,546	8,315
Derivatives	1,502	89	144	44	45	209	794	2,513	5,340
Debt securities in issue	—	—	—	—	—	14,897	24,395	25,028	64,320
Accruals and other financial liabilities	351	1,713	831	129	31	—	—	20	3,075
Subordinated liabilities	—	—	1,541	—	—	—	836	21,171	23,548
Total financial liabilities 31 Dec 2024	1,853	2,033	2,516	1,185	76	18,747	42,932	68,754	138,096
Non-financial liabilities	—	—	—	—	—	—	—	22	22
Total liabilities at 31 Dec 2024	1,853	2,033	2,516	1,185	76	18,747	42,932	68,776	138,118
Financial assets									
Cash at bank and in hand:									
– balances with HSBC undertakings	7,029	—	—	—	—	—	—	—	7,029
Financial assets with HSBC undertakings designated and otherwise mandatorily measured at fair value	—	—	—	—	—	3,815	26,284	29,780	59,879
Derivatives	2,217	—	—	—	—	18	675	434	3,344
Loans and advances to HSBC undertakings	—	—	120	—	—	1,016	6,783	19,435	27,354
Financial investments	10,365	6,017	898	750	757	771	—	—	19,558
Accrued income and other financial assets	3,511	860	254	229	5	—	—	—	4,859
Total financial assets at 31 Dec 2023	23,122	6,877	1,272	979	762	5,620	33,742	49,649	122,023
Non-financial assets	—	—	—	—	—	—	—	163,146	163,146
Total assets at 31 Dec 2023	23,122	6,877	1,272	979	762	5,620	33,742	212,795	285,169
Financial liabilities									
Amounts owed to HSBC undertakings	—	168	—	—	—	—	—	—	168
Financial liabilities designated at fair value	—	—	—	—	—	5,287	19,604	18,747	43,638
– debt securities in issue	—	—	—	—	—	3,816	16,175	15,198	35,189
– subordinated liabilities and preferred securities	—	—	—	—	—	1,471	3,429	3,549	8,449
Derivatives	2,452	209	7	59	75	558	1,318	1,412	6,090
Debt securities in issue	—	—	816	2,158	—	4,920	33,735	23,610	65,239
Accruals and other financial liabilities	1,437	1,599	1,049	127	34	—	—	23	4,269
Subordinated liabilities	—	1,987	—	—	—	1,600	880	19,972	24,439
Total financial liabilities at 31 Dec 2023	3,889	3,963	1,872	2,344	109	12,365	55,537	63,764	143,843
Non-financial liabilities	—	—	—	—	—	—	—	20	20
Total liabilities at 31 Dec 2023	3,889	3,963	1,872	2,344	109	12,365	55,537	63,784	143,863

Contractual maturity of financial liabilities

The following table shows, on an undiscounted basis, all cash flows relating to principal and future coupon payments (except for trading liabilities and derivatives not treated as hedging derivatives). For this reason, balances in the following table do not agree directly with those in our consolidated balance sheet. Undiscounted cash flows payable in relation to hedging derivative liabilities are classified according to their contractual maturities. Trading liabilities and derivatives not treated as hedging derivatives are included in the 'Due not more than 1 month' time bucket and not by contractual maturity.

In addition, loan and other credit-related commitments and financial guarantees are generally not recognised on our balance sheet. The undiscounted cash flows potentially payable under loan and other credit-related commitments and financial guarantees are classified on the basis of the earliest date they can be called.

Cash flows payable by HSBC under financial liabilities by remaining contractual maturities

	Due not more than 1 month	Due over 1 month but not more than 3 months	Due over 3 months but not more than 1 year	Due over 1 year but not more than 5 years	Due over 5 years	Total
	$m	$m	$m	$m	$m	$m
Deposits by banks	**54,819**	**1,759**	**7,381**	**11,242**	**511**	**75,712**
Customer accounts	**1,382,666**	**171,917**	**97,667**	**10,089**	**113**	**1,662,452**
Repurchase agreements – non-trading	**168,633**	**10,425**	**2,195**	**188**	**196**	**181,637**
Trading liabilities	**65,982**	**—**	**—**	**—**	**—**	**65,982**
Financial liabilities designated at fair value	**19,139**	**9,042**	**18,462**	**70,587**	**45,767**	**162,997**
Derivatives	**262,014**	**531**	**1,008**	**2,034**	**2,765**	**268,352**
Debt securities in issue	**5,780**	**11,309**	**27,103**	**45,725**	**32,129**	**122,046**
Subordinated liabilities	**39**	**120**	**2,959**	**7,373**	**35,512**	**46,003**
Other financial liabilities[1]	**138,319**	**9,754**	**5,421**	**2,206**	**608**	**156,308**
	2,097,391	**214,857**	**162,196**	**149,444**	**117,601**	**2,741,489**
Loan and other credit-related commitments	**861,193**	**78**	**146**	**63**	**98**	**861,578**
Financial guarantees[2]	**16,998**	**—**	**—**	**—**	**—**	**16,998**
At 31 Dec 2024	**2,975,582**	**214,935**	**162,342**	**149,507**	**117,699**	**3,620,065**
Proportion of cash flows payable in period	**83%**	**6%**	**4%**	**4%**	**3%**	
Deposits by banks	52,938	2,898	3,304	17,123	362	76,625
Customer accounts	1,345,006	141,348	119,660	13,423	109	1,619,546
Repurchase agreements – non-trading	159,264	10,457	2,996	1	—	172,718
Trading liabilities	73,150	—	—	—	—	73,150
Financial liabilities designated at fair value	22,262	9,156	26,033	63,960	44,886	166,297
Derivatives	232,598	609	1,295	2,445	2,910	239,857
Debt securities in issue	6,837	7,407	24,117	43,513	27,119	108,993
Subordinated liabilities	39	135	1,465	9,020	34,920	45,579
Other financial liabilities[1]	149,904	9,752	5,943	2,555	2,109	170,263
	2,041,998	181,762	184,813	152,040	112,415	2,673,028
Loan and other credit-related commitments	895,156	95	371	1,437	91	897,150
Financial guarantees[2]	16,966	4	39	—	—	17,009
At 31 Dec 2023	2,954,120	181,861	185,223	153,477	112,506	3,587,187
Proportion of cash flows payable in period	83%	5%	5%	4%	3%	

1 Excludes financial liabilities of disposal groups.
2 Excludes performance guarantee contracts to which the impairment requirements in IFRS 9 are not applied.

HSBC Holdings

HSBC Holdings' primary sources of liquidity are dividends received from subsidiaries, interest on and repayment of intra-Group loans and securities, and interest earned on its own liquid funds. HSBC Holdings also raises funds in the debt capital markets to meet the Group's minimum requirement for own funds and eligible liabilities and maintain an appropriate liquidity buffer. HSBC Holdings uses this liquidity to meet its obligations, including interest and principal repayments on external debt liabilities, operating expenses and collateral on derivative transactions.

HSBC Holdings is also subject to contingent liquidity risk by virtue of credit-related commitments and guarantees and similar contracts issued relating to its subsidiaries. Such commitments and guarantees are only issued after due consideration of HSBC Holdings' ability to finance the commitments and guarantees and the likelihood of the need arising.

HSBC Holdings actively manages the cash flows from its subsidiaries to optimise the amount of cash held at the holding company level. During 2024, consistent with the Group's capital plan, the Group's material subsidiaries did not experience any significant restrictions on paying dividends or repaying loans and advances. Also, there are no foreseen restrictions envisaged with regard to planned dividends or payments from material subsidiaries. However, the ability of subsidiaries to pay dividends or advance monies to HSBC Holdings depends on, among other things, their respective local regulatory capital and banking requirements, exchange controls, statutory reserves, and financial and operating performance.

HSBC Holdings currently has sufficient liquidity to meet its present and forecast requirements.

The following table shows, on an undiscounted basis, all cash flows relating to principal and future coupon payments (except for trading liabilities and derivatives not treated as hedging derivatives). For this reason, balances in the following table do not agree directly with those in HSBC Holdings balance sheet. Undiscounted cash flows payable in relation to hedging derivative liabilities are classified according to their contractual maturities. Trading liabilities and derivatives not treated as hedging derivatives are included in the 'Due not more than 1 month' time bucket and not by contractual maturity.

In addition, loan and other credit-related commitments and financial guarantees are generally not recognised on our balance sheet. The undiscounted cash flows potentially payable under loan and other credit-related commitments and financial guarantees are classified on the basis of the earliest date they can be called.

Cash flows payable by HSBC Holdings under financial liabilities by remaining contractual maturities

	Due not more than 1 month	Due over 1 month but not more than 3 months	Due over 3 months but not more than 1 year	Due over 1 year but not more than 5 years	Due over 5 years	Total
	$m	$m	$m	$m	$m	$m
Amounts owed to HSBC undertakings	**—**	**231**	**—**	**—**	**—**	**231**
Financial liabilities designated at fair value	**2**	**133**	**2,254**	**26,335**	**26,788**	**55,512**
Derivatives	**669**	**202**	**1,344**	**2,591**	**1,658**	**6,464**
Debt securities in issue	**—**	**254**	**1,697**	**47,771**	**29,706**	**79,428**
Subordinated liabilities	**—**	**105**	**2,627**	**6,794**	**31,773**	**41,299**
Other financial liabilities	**351**	**1,735**	**991**	**—**	**20**	**3,097**
At 31 Dec 2024	**1,022**	**2,660**	**8,913**	**83,491**	**89,945**	**186,031**
Amounts owed to HSBC undertakings	—	168	—	—	—	168
Financial liabilities designated at fair value	23	405	1,437	31,050	25,610	58,525
Derivatives	1,244	556	1,651	2,227	726	6,404
Debt securities in issue	—	680	4,787	46,909	27,745	80,121
Subordinated liabilities	46	2,163	1,360	8,239	30,862	42,670
Other financial liabilities	1,436	1,620	1,210	—	23	4,289
At 31 Dec 2023	2,749	5,592	10,445	88,425	84,966	192,177

31 Offsetting of financial assets and financial liabilities

In the offsetting of financial assets and financial liabilities, the net amount is reported in the balance sheet when the offset criteria are met. This is achieved when there is a legally enforceable right to offset the recognised amounts and there is either an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

In the following table, the 'Amounts not set off in the balance sheet' include transactions where:

– the counterparty has an offsetting exposure with HSBC and a master netting or similar arrangement is in place with a right to set off only in the event of default, insolvency or bankruptcy, or the offset criteria are otherwise not satisfied; and

– cash and non-cash collateral (debt securities and equities) has been received/pledged for derivatives and reverse repurchase/repurchase, stock borrowing/lending and similar agreements to cover net exposure in the event of a default or other predetermined events.

The effect of over-collateralisation is excluded.

'Amounts not subject to enforceable netting agreements' include contracts executed in jurisdictions where the rights of offset may not be upheld under the local bankruptcy laws, and transactions where a legal opinion evidencing enforceability of the right of offset may not have been sought, or may have been unable to obtain.

For risk management purposes, the net amounts of loans and advances to customers are subject to limits, which are monitored and the relevant customer agreements are subject to review and updated, as necessary, to ensure the legal right to set off remains appropriate.

Offsetting of financial assets and financial liabilities

	Amounts subject to enforceable netting arrangements							
				Amounts not set off in the balance sheet				
	Gross amounts	Amounts offset	Net amounts in the balance sheet	Financial instruments, including non-cash collateral	Cash collateral	Net amount	Amounts not subject to enforceable netting arrangements[1]	Total
	$m	$m	$m	$m	$m	$m	$m	$m
Financial assets								
Derivatives (Note 15)[2]	**372,699**	**(112,746)**	**259,953**	**(230,133)**	**(22,730)**	**7,090**	**8,684**	**268,637**
Reverse repos, stock borrowing and similar agreements classified as:[3]								
– trading assets	**25,077**	**(637)**	**24,440**	**(24,428)**	**(10)**	**2**	**757**	**25,197**
– non-trading assets	**386,124**	**(154,133)**	**231,991**	**(230,584)**	**(332)**	**1,075**	**20,602**	**252,593**
Loans and advances to customers[4]	**34,582**	**(16,540)**	**18,042**	**(15,313)**	**(75)**	**2,654**	**4**	**18,046**
At 31 Dec 2024	**818,482**	**(284,056)**	**534,426**	**(500,458)**	**(23,147)**	**10,821**	**30,047**	**564,473**
Derivatives (Note 15)[2]	341,473	(116,486)	224,987	(198,743)	(22,926)	3,318	4,727	229,714
Reverse repos, stock borrowing and similar agreements classified as:[3]								
– trading assets	29,152	(602)	28,550	(28,513)	(34)	3	2,633	31,183
– non-trading assets	365,922	(135,210)	230,712	(230,240)	(80)	392	21,653	252,365
Loans and advances to customers[4]	34,173	(15,792)	18,381	(15,613)	(93)	2,675	2	18,383
At 31 Dec 2023	770,720	(268,090)	502,630	(473,109)	(23,133)	6,388	29,015	531,645
Financial liabilities								
Derivatives (Note 15)[2]	**369,287**	**(112,746)**	**256,541**	**(221,232)**	**(30,334)**	**4,975**	**7,907**	**264,448**
Repos, stock lending and similar agreements classified as:[3]								
– trading liabilities	**18,482**	**(157)**	**18,325**	**(18,326)**	**—**	**(1)**	**6**	**18,331**
– non-trading liabilities	**287,648**	**(154,613)**	**133,035**	**(131,719)**	**(164)**	**1,152**	**47,845**	**180,880**
Customer accounts[5]	**41,409**	**(16,540)**	**24,869**	**(15,313)**	**(75)**	**9,481**	**17**	**24,886**
At 31 Dec 2024	**716,826**	**(284,056)**	**432,770**	**(386,590)**	**(30,573)**	**15,607**	**55,775**	**488,545**
Derivatives (Note 15)[2]	344,799	(116,486)	228,313	(198,640)	(23,748)	5,925	6,459	234,772
Repos, stock lending and similar agreements classified as:[3]								
– trading liabilities	15,686	(172)	15,514	(15,453)	—	61	6	15,520
– non-trading liabilities	270,493	(135,640)	134,853	(134,095)	(669)	89	37,247	172,100
Customer accounts[5]	42,522	(15,792)	26,730	(15,613)	(93)	11,024	13	26,743
At 31 Dec 2023	673,500	(268,090)	405,410	(363,801)	(24,510)	17,099	43,725	449,135

1 These exposures continue to be secured by financial collateral, but we may not have sought or been able to obtain a legal opinion evidencing enforceability of the right of offset.
2 At 31 December 2024, the amount of cash margin received that had been offset against the gross derivatives assets was $5,303m (2023: $5,105m). The amount of cash margin paid that had been offset against the gross derivatives liabilities was $5,614m (2023: $7,142m).
3 For the amount of repos, reverse repos, stock lending, stock borrowing and similar agreements recognised on the balance sheet within 'Trading assets' of $25,197m (2023: $31,183m) and 'Trading liabilities' of $18,331m (2023: $15,520m), see the 'Funding sources and uses' table on page 209.
4 At 31 December 2024, the total amount of 'Loans and advances to customers' was $930,658m (2023: $938,535m), of which $18,042m (2023: $18,381m) was subject to offsetting.
5 At 31 December 2024, the total amount of 'Customer accounts' was $1,654,955m (2023: $1,611,647m), of which $24,869m (2023: $26,730m) was subject to offsetting.

32 Called up share capital and other equity instruments

Called up share capital and share premium

HSBC Holdings ordinary shares of $0.50 each, issued and fully paid

	2024		2023	
	Number	$m	Number	$m
At 1 Jan	**19,262,728,193**	**9,631**	20,293,607,410	10,147
Shares issued under HSBC employee share plans	**10,283,430**	**5**	10,778,479	5
Shares issued in lieu of dividends	**—**	**—**	—	—
Less: shares repurchased and cancelled	**1,326,061,041**	**663**	716,384,289	358
Less: treasury shares cancelled	**—**	**—**	325,273,407	163
At 31 Dec[1]	**17,946,950,582**	**8,973**	19,262,728,193	9,631

1 All HSBC Holdings ordinary shares in issue confer identical rights, including in respect of capital, dividends and voting.

HSBC Holdings share premium

	2024	2023
	$m	$m
At 31 Dec	**14,810**	14,738

Total called up share capital and share premium

	2024	2023
	$m	$m
At 31 Dec	**23,783**	24,369

HSBC Holdings non-cumulative preference share of £0.01

The one non-cumulative sterling preference share of £0.01 ('sterling preference share') has been in issue since 29 December 2010 and is held by a subsidiary of HSBC Holdings. Dividends are paid quarterly at the sole and absolute discretion of the Board. The sterling preference share carries no rights of conversion into ordinary shares of HSBC Holdings and no right to attend or vote at shareholder meetings of HSBC Holdings. These securities can be redeemed by HSBC Holdings at any time, subject to prior approval by the PRA.

Other equity instruments

HSBC Holdings has included two types of additional tier 1 capital securities in its tier 1 capital, including the contingent convertible securities described below. These are accounted for as equity because HSBC does not have an obligation to transfer cash or a variable number of its own ordinary shares to holders under any circumstances outside its control. See Note 29 for additional tier 1 securities accounted for as liabilities.

Additional tier 1 capital – contingent convertible securities

HSBC Holdings continues to issue contingent convertible securities that are included in its capital base as fully CRR II-compliant additional tier 1 capital securities on an end point basis. These securities are marketed principally and subsequently allotted to corporate investors and fund managers. The net proceeds of the issuances are typically used for HSBC Holdings' general corporate purposes and to further strengthen its capital base to meet requirements under CRR II. These securities bear a fixed rate of interest until their initial call dates. After the initial call dates, if they are not redeemed, the securities will bear interest at rates fixed periodically in advance for five-year periods based on credit spreads, fixed at issuance, above prevailing market rates. Interest on the contingent convertible securities will be due and payable only at the sole discretion of HSBC Holdings, and HSBC Holdings has sole and absolute discretion at all times to cancel for any reason (in whole or part) any interest payment that would otherwise be payable on any payment date. Distributions will not be paid if they are prohibited under UK banking regulations or if the Group has insufficient reserves or fails to meet the solvency conditions defined in the securities' terms.

The contingent convertible securities are undated and are repayable at the option of HSBC Holdings in whole typically at the initial call date or on any fifth anniversary after this date. In addition, the securities are repayable at the option of HSBC in whole for certain regulatory or tax reasons. Any repayments require the prior consent of the PRA. These securities rank pari passu with HSBC Holdings' sterling preference shares and therefore rank ahead of ordinary shares. The contingent convertible securities will be converted into fully paid ordinary shares of HSBC Holdings at a predetermined price, should HSBC's consolidated non-transitional CET1 ratio fall below 7.0%. Therefore, in accordance with the terms of the securities, if the non-transitional CET1 ratio breaches the 7.0% trigger, the securities will convert into ordinary shares at fixed contractual conversion prices in the issuance currencies of the relevant securities, subject to anti-dilution adjustments.

HSBC's additional tier 1 capital – contingent convertible securities in issue which are accounted for in equity

Original nominal amount (LCY)		First call date	2024 $m	2023 $m
$2,250m	6.375% Perpetual Subordinated Contingent Convertible Securities[1]	Sept 2024	—	2,250
$2,450m	6.375% Perpetual Subordinated Contingent Convertible Securities	Mar 2025	**2,450**	2,450
$3,000m	6.000% Perpetual Subordinated Contingent Convertible Securities	May 2027	**3,000**	3,000
$1,800m	6.500% Perpetual Subordinated Contingent Convertible Securities	Mar 2028	**1,800**	1,800
$1,500m	4.600% Perpetual Subordinated Contingent Convertible Securities[2]	Dec 2030	**1,500**	1,500
$1,000m	4.000% Perpetual Subordinated Contingent Convertible Securities[3]	Mar 2026	**1,000**	1,000
$1,000m	4.700% Perpetual Subordinated Contingent Convertible Securities[4]	Mar 2031	**1,000**	1,000
$2,000m	8.000% Perpetual Subordinated Contingent Convertible Securities[5]	Mar 2028	**1,980**	1,980
€1,250m	4.750% Perpetual Subordinated Contingent Convertible Securities	Jul 2029	**1,422**	1,422
£1,000m	5.875% Perpetual Subordinated Contingent Convertible Securities	Sept 2026	**1,301**	1,301
$1,350m	6.875% Perpetual Subordinated Contingent Convertible Securities[6]	Sept 2029	**1,337**	—
$1,150m	6.950% Perpetual Subordinated Contingent Convertible Securities[7]	Mar 2034	**1,138**	—
SGD1,500m	5.250% Perpetual Subordinated Contingent Convertible Securities[8]	Jun 2029	**1,096**	—
At 31 Dec			**19,024**	17,703

1 This security was called by HSBC Holdings on 23 July 2024 and redeemed and cancelled on 17 September 2024.
2 This security was issued by HSBC Holdings on 17 December 2020. The first call period commences six months prior to reset date of 17 June 2031.
3 This security was issued by HSBC Holdings on 9 March 2021. The first call period commences six months prior to reset date of 9 September 2026.
4 This security was issued by HSBC Holdings on 9 March 2021. The first call period commences six months prior to reset date of 9 September 2031.
5 This security was issued by HSBC Holdings on 7 March 2023. The first call period commences six months prior to reset date of 7 September 2028. This security has been accounted for net of directly attributable transaction costs.
6 This security was issued by HSBC Holdings on 11 September 2024. The first call period commences six months prior to reset date of 11 March 2030. This security has been accounted for net of directly attributable transaction costs.
7 This security was issued by HSBC Holdings on 11 September 2024. The first call period commences six months prior to reset date of 11 September 2034. This security has been accounted for net of directly attributable transaction costs.
8 This security was issued by HSBC Holdings on 14 June 2024. The first call period commences six months prior to reset date of 14 December 2039.

Shares under option

For details of the options outstanding to subscribe for HSBC Holdings ordinary shares under the HSBC Holdings Savings-Related Share Option Plan (UK), see Note 5.

Aggregate options outstanding under these plans

31 Dec 2024			31 Dec 2023		
Number of HSBC Holdings ordinary shares	**Usual period of exercise**	**Exercise price**	Number of HSBC Holdings ordinary shares	Usual period of exercise	Exercise price
75,335,399	**2023 to 2030**	**£2.6270–£5.4490**	83,993,678	2022 to 2029	£2.6270–5.4490

Maximum obligation to deliver HSBC Holdings ordinary shares

At 31 December 2024, the maximum obligation to deliver HSBC Holdings ordinary shares under all of the above option arrangements and the HSBC International Employee Share Purchase Plan, together with long-term incentive awards and deferred share awards granted under the HSBC Share Plan 2011, was 209,683,768 (2023: 208,539,316). The total number of shares at 31 December 2024 held by employee benefit trusts that may be used to satisfy such obligations to deliver HSBC Holdings ordinary shares was 9,305,925 (2023: 20,902,218).

33 Contingent liabilities, contractual commitments and guarantees

	HSBC		HSBC Holdings[1]	
	2024	2023	**2024**	2023
	$m	$m	**$m**	$m
Guarantees and other contingent liabilities:				
– financial guarantees	**16,998**	17,009	**—**	—
– performance and other guarantees	**92,723**	94,277	**7,327**	7,723
– other contingent liabilities	**298**	636	**—**	—
At 31 Dec	**110,019**	111,922	**7,327**	7,723
Commitments:[2]				
– documentary credits and short-term trade-related transactions	**7,096**	7,818	**—**	—
– forward asset purchases and forward deposits placed	**61,017**	78,535	**—**	—
– standby facilities, credit lines and other commitments to lend	**793,465**	810,797	**—**	—
At 31 Dec	**861,578**	897,150	**—**	—

1 Guarantees by HSBC Holdings are in favour of other Group entities. These include contracts that provide protection against credit risk on a specified exposure but do not meet the definition of financial guarantees.
2 Includes $619,367m of commitments at 31 December 2024 (31 December 2023: $661,015m), to which the impairment requirements in IFRS 9 are applied where HSBC has become party to an irrevocable commitment.

The preceding table discloses the nominal principal amounts of off-balance sheet liabilities and commitments for the Group, which represent the maximum amounts at risk should the contracts be fully drawn upon and the clients default. As a significant portion of guarantees and commitments are expected to expire without being drawn upon, the total of the nominal principal amounts is not indicative of future liquidity requirements. The expected credit loss provision relating to guarantees and commitments under IFRS 9 is disclosed in Note 28.

The majority of the guarantees have a term of less than one year, while guarantees with terms of more than one year are subject to HSBC's annual credit review process.

Contingent liabilities arising from legal proceedings, regulatory and other matters against Group companies are excluded from this note but are disclosed in Notes 28 and 35.

Financial Services Compensation Scheme

The Financial Services Compensation Scheme ('FSCS') provides compensation, up to certain limits, to eligible customers of financial services firms that are unable, or likely to be unable, to pay claims against them. The FSCS may impose a further levy on the Group to the extent the industry levies imposed to date are not sufficient to cover the compensation due to customers in any future possible collapse. The ultimate FSCS levy to the industry as a result of a collapse cannot be estimated reliably. It is dependent on various uncertain factors including the potential recovery of assets by the FSCS, changes in the level of protected products (including deposits and investments) and the population of FSCS members at the time.

Associates

HSBC's share of associates' contingent liabilities, contractual commitments and guarantees amounted to $74.5bn at 31 December 2024 (2023: $69.9bn). No matters arose where HSBC was severally liable.

34 Finance lease receivables

HSBC leases a variety of assets to third parties under finance leases, including transport assets (such as aircraft), property and general plant and machinery. At the end of lease terms, assets may be sold to third parties or leased for further terms. Rentals are calculated to recover the cost of assets less their residual value, and earn finance income.

The table below excludes finance lease receivables reclassified on the balance sheet to 'Assets held for sale' in accordance with IFRS 5. Net investment in finance leases of $1,595m was reclassified to 'Assets held for sale' in 2023 as a result of the sale of our banking business in Canada. There was no net investment in finance leases classified as held-for-sale at 31 December 2024.

	2024			2023		
	Total future minimum payments	Unearned finance income	Present value	Total future minimum payments	Unearned finance income	Present value
	$m	$m	$m	$m	$m	$m
Lease receivables:						
No later than one year	**2,331**	**(295)**	**2,036**	2,355	(308)	2,047
One to two years	**1,787**	**(226)**	**1,561**	1,954	(249)	1,705
Two to three years	**1,290**	**(171)**	**1,119**	1,380	(189)	1,191
Three to four years	**839**	**(134)**	**705**	930	(153)	777
Four to five years	**766**	**(147)**	**619**	593	(132)	461
Later than one year and no later than five years	**4,682**	**(678)**	**4,004**	4,857	(723)	4,134
Later than five years	**3,518**	**(639)**	**2,879**	4,116	(838)	3,278
At 31 Dec	**10,531**	**(1,612)**	**8,919**	11,328	(1,869)	9,459

35 Legal proceedings and regulatory matters

HSBC is party to legal proceedings and regulatory matters in a number of jurisdictions arising out of its normal business operations. Apart from the matters described below, HSBC considers that none of these matters are material. The recognition of provisions is determined in accordance with the accounting policies set out in Note 1. While the outcomes of legal proceedings and regulatory matters are inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of these matters as at 31 December 2024 (see Note 28). Where an individual provision is material, the fact that a provision has been made is stated and quantified, except to the extent that doing so would be seriously prejudicial. Any provision recognised does not constitute an admission of wrongdoing or legal liability. It is not practicable to provide an aggregate estimate of potential liability for our legal proceedings and regulatory matters as a class of contingent liabilities.

Bernard L. Madoff Investment Securities LLC

Various non-US HSBC companies provided custodial, administration and similar services to a number of funds incorporated outside the US whose assets were invested with Bernard L. Madoff Investment Securities LLC ('Madoff Securities'). Based on information provided by Madoff Securities as at 30 November 2008, the purported aggregate value of these funds was $8.4bn, including fictitious profits reported by Madoff. Based on information available to HSBC, the funds' actual transfers to Madoff Securities minus their actual withdrawals from Madoff Securities during the time HSBC serviced the funds are estimated to have totalled approximately $4bn. Various HSBC companies have been named as defendants in lawsuits arising out of Madoff Securities' fraud.

Trustee litigation: The Madoff Securities trustee (the 'Trustee') has brought lawsuits in the US against various HSBC companies and others seeking recovery of alleged transfers from Madoff Securities to the HSBC companies in the amount of $543m (plus interest), and these lawsuits remain pending in the US Bankruptcy Court for the Southern District of New York.

The Trustee has filed a claim against various HSBC companies in the High Court of England and Wales seeking recovery of alleged transfers from Madoff Securities to the HSBC companies. The claim has not yet been served and the amount claimed has not been specified.

Fairfield Funds litigation: Fairfield Sentry Limited, Fairfield Sigma Limited and Fairfield Lambda Limited (together, the 'Fairfield Funds') (in liquidation) have brought lawsuits in the US against various HSBC companies and others seeking recovery of alleged transfers from the Fairfield Funds to the HSBC companies (that acted as nominees for clients) in the amount of $382m (plus interest). Fairfield Funds' claims against most of the HSBC companies have been dismissed, but remain pending on appeal before the US Court of Appeals for the Second Circuit. Fairfield Funds' claims against HSBC Private Bank (Suisse) SA ('PBRS') and HSBC Securities Services Luxembourg ('HSSL') have not been dismissed and are ongoing before the US Bankruptcy Court for the Southern District of New York. PBRS and HSSL have appealed the decision not to dismiss them and these appeals are pending before the US Court of Appeals for the Second Circuit.

Herald Fund SPC ('Herald') litigation: HSSL and HSBC Bank plc are defending an action brought by Herald (in liquidation) before the Luxembourg District Court seeking restitution of securities and cash in the amount of $2.5bn (plus interest), or damages in the amount of $5.6bn (plus interest). In 2013, the Luxembourg District Court dismissed Herald's securities restitution claim and stayed the cash restitution and damages claims. In December 2024, the Luxembourg Court of Appeal reversed the Luxembourg District Court's dismissal and determined that Herald's claims for restitution of securities and cash were founded in principle. HSSL has appealed this decision. Herald's claim against HSBC Bank plc is pending.

Alpha Prime Fund Limited ('Alpha Prime') litigation: Various HSBC companies are defending a number of actions brought by Alpha Prime in the Luxembourg District Court seeking damages for alleged breach of contract and negligence in the amount of $1.16bn (plus interest). These matters are currently pending before the Luxembourg District Court.

In November 2024, Alpha Prime served various HSBC companies with a lawsuit filed in the Bermuda Supreme Court seeking damages for unspecified amounts for alleged breach of contract and negligence. This claim is currently stayed.

Senator Fund SPC ('Senator') litigation: HSSL and the Luxembourg branch of HSBC Bank plc are defending a number of actions brought by Senator before the Luxembourg District Court seeking restitution of securities in the amount of $625m (plus interest), or damages in the amount of $188m (plus interest). These matters are currently pending before the Luxembourg District Court.

Based on the facts currently known, it is not practicable at this time for HSBC to predict the resolution of these matters, including the timing or any possible impact on HSBC, which could be significant.

US Anti-Terrorism Act litigation

Since November 2014, a number of lawsuits have been filed in federal courts in the US against various HSBC companies and others on behalf of plaintiffs who are, or are related to, alleged victims of terrorist attacks in the Middle East. In each case, it is alleged that the defendants aided and abetted the unlawful conduct of various sanctioned parties in violation of the US Anti-Terrorism Act, or provided banking services to customers alleged to have connections to terrorism financing. Seven actions, which seek damages for unspecified amounts, remain pending and HSBC's motions to dismiss have been granted in three of these cases. These dismissals are subject to appeals and/or the plaintiffs re-pleading their claims. The four other actions are at an early stage.

Based on the facts currently known, it is not practicable at this time for HSBC to predict the resolution of these matters, including the timing or any possible impact on HSBC, which could be significant.

Interbank offered rates investigation and litigation

Euro interest rate derivatives: In December 2016, the European Commission ('EC') issued a decision finding that HSBC, among other banks, engaged in anti-competitive practices in connection with the pricing of euro interest rate derivatives, and the EC imposed a fine on HSBC based on a one-month infringement in 2007. The fine was annulled in 2019 and a lower fine was imposed in 2021, which has been paid. In January 2023, the European Court of Justice dismissed an appeal by HSBC and upheld the EC's findings on HSBC's liability. In November 2024, the General Court of the European Union rejected a separate appeal by HSBC concerning the amount of the fine. This matter is now closed.

US dollar Libor: Beginning in 2011, HSBC and other panel banks have been named as defendants in a number of individual and putative class action lawsuits filed in federal and state courts in the US with respect to the setting of US dollar Libor. The complaints assert claims under various US federal and state laws, including antitrust and racketeering laws and the Commodity Exchange Act ('US CEA'). HSBC has concluded class settlements with five groups of plaintiffs, and several class action lawsuits brought by other groups of plaintiffs have been voluntarily dismissed. Two individual US dollar Libor-related actions seeking damages from HSBC for unspecified amounts remain pending.

Based on the facts currently known, it is not practicable at this time for HSBC to predict the resolution of the pending matters, including the timing or any possible impact on HSBC, which could be significant.

Foreign exchange-related investigations and litigation

In December 2016, Brazil's Administrative Council of Economic Defense initiated an investigation into the onshore foreign exchange market and identified a number of banks, including HSBC, as subjects of its investigation, which remains ongoing. Lawsuits alleging foreign exchange-related misconduct remain pending against HSBC and other banks in courts in Brazil.

Since 2017, HSBC Bank plc, among other financial institutions, has been defending a complaint filed by the Competition Commission of South Africa before the South African Competition Tribunal for alleged anti-competitive behaviour in the South African foreign exchange market. In 2020, a revised complaint was filed which also named HSBC Bank USA N.A. ('HSBC Bank USA') as a defendant. In January 2024, the South African Competition Appeal Court dismissed HSBC Bank USA from the revised complaint but denied HSBC Bank plc's application to dismiss. Both the Competition Commission and HSBC Bank plc have appealed to the Constitutional Court of South Africa.

HSBC Bank plc and HSBC Holdings have reached a settlement with plaintiffs in Israel to resolve a class action filed in the local courts alleging foreign exchange-related misconduct. The settlement remains subject to court approval.

In February 2024, HSBC Bank plc and HSBC Holdings were joined to an existing claim brought in the UK Competition Appeals Tribunal against various other banks alleging historical anti-competitive behaviour in the foreign exchange market and seeking approximately £3bn in damages from all the defendants. This matter is at an early stage.

Based on the facts currently known, it is not practicable at this time for HSBC to predict the resolution of these matters, including the timing or any possible impact on HSBC, which could be significant.

Precious metals fix-related litigation

US litigation: HSBC and other members of The London Silver Market Fixing Limited are defending a class action pending in the US District Court for the Southern District of New York alleging that, from January 2007 to December 2013, the defendants conspired to manipulate the price of silver and silver derivatives for their collective benefit in violation of US antitrust laws, the US CEA and New York state law. In May 2023, this action, which seeks damages for unspecified amounts, was dismissed but remains pending on appeal.

HSBC and other members of The London Platinum and Palladium Fixing Company Limited have been defending a class action in the US District Court for the Southern District of New York alleging that, from January 2008 to November 2014, the defendants conspired to manipulate the price of platinum group metals and related financial products for their collective benefit in violation of US antitrust laws and the US CEA. In January 2025, the court approved a settlement reached with the plaintiffs to resolve this action. This matter is now closed.

Canada litigation: HSBC and other financial institutions are defending putative class actions filed in the Ontario and Quebec Superior Courts of Justice alleging that the defendants conspired to manipulate the price of silver, gold and related derivatives in violation of the Canadian Competition Act and common law. These actions each seek CA$1bn in damages plus CA$250m in punitive damages. Two of the actions are proceeding and the others have been stayed.

Based on the facts currently known, it is not practicable at this time for HSBC to predict the resolution of the pending matters, including the timing or any possible impact on HSBC, which could be significant.

Tax-related investigations

Since 2023, the French National Financial Prosecutor has been investigating a number of banks, including HSBC Continental Europe and the Paris branch of HSBC Bank plc, in connection with alleged tax fraud related to the dividend withholding tax treatment of certain trading activities. HSBC Bank plc and the German branch of HSBC Continental Europe also continue to cooperate with investigations by the German public prosecutor into numerous financial institutions and their employees, in connection with the dividend withholding tax treatment of certain trading activities.

Based on the facts currently known, it is not practicable at this time for HSBC to predict the resolution of these matters, including the timing or any possible impact on HSBC, which could be significant.

Gilts trading investigation and litigation

Since 2018, the UK Competition and Markets Authority has been investigating HSBC and four other banks for suspected anti-competitive conduct in relation to the historical trading of gilts and related derivatives. This matter is nearing conclusion. The impact on HSBC is not expected to be significant.

In June 2023, HSBC Bank plc and HSBC Securities (USA) Inc., among other banks, were named as defendants in a putative class action filed in the US District Court for the Southern District of New York by plaintiffs alleging anti-competitive conduct in the gilts market and seeking damages for unspecified amounts. Certain of the defendants, including HSBC Bank plc and HSBC Securities (USA) Inc., have reached a settlement with the plaintiffs to resolve this matter. The settlement remains subject to court approval. Based on the facts currently known, it is not practicable at this time for HSBC to predict the resolution of this matter, including the timing or any possible impact on HSBC, which could be significant.

Korean short selling indictment

In March 2024, the Korean Prosecutors' Office issued a criminal indictment against The Hongkong and Shanghai Banking Corporation Limited ('HBAP') and three current and former employees for breaching short selling rules under the Financial Investment Services and Capital Markets Act in connection with trades carried out between August 2021 and December 2021. In February 2025, the Korean court acquitted HBAP of all charges. The Korean Prosecutors' Office has the right to appeal this decision. Proceedings against the individual defendants have been suspended.

First Citizens litigation

In May 2023, First-Citizens Bank & Trust Company ('First Citizens') brought a lawsuit in the US District Court for the Northern District of California against various HSBC companies and seven US-based HSBC employees who had previously worked for Silicon Valley Bank ('SVB'). The lawsuit seeks $1bn in damages and alleges, among other things, that the various HSBC companies conspired with the individual defendants to solicit employees from First Citizens and that the individual defendants took confidential information belonging to SVB and/or First Citizens. In July 2024, the court dismissed several of First Citizens' claims and also dismissed certain defendants for lack of jurisdiction, but allowed limited discovery into whether some of these defendants may be subject to jurisdiction. The remaining claims are proceeding against certain defendants.

Based on the facts currently known, it is not practicable at this time for HSBC to predict the resolution of this matter, including the timing or any possible impact on HSBC, which could be significant.

US mortgage securitisation litigation

Beginning in 2014, a number of lawsuits were filed in various state and federal courts in the US against HSBC Bank USA, as a trustee of more than 280 mortgage securitisation trusts, seeking unspecified damages for losses in collateral value allegedly sustained by the trusts. Nearly all of these lawsuits have either been settled or dismissed; one action remains pending in a New York state court.

HSBC Bank USA and certain of its affiliates continue to defend a mortgage loan repurchase action seeking unspecified damages and specific performance brought by the trustee of a mortgage securitisation trust in New York state court.

Based on the facts currently known, it is not practicable at this time for HSBC to predict the resolution of these matters, including the timing or any possible impact on HSBC, which could be significant.

Mexican government bond litigation

HSBC Mexico S.A. and other banks are named as defendants in a consolidated putative class action pending in the US District Court for the Southern District of New York alleging anti-competitive conduct in the Mexican government bond market between 2010 and 2014 and seeking unspecified damages. In January 2025, the court denied the defendants' motion to dismiss the plaintiffs' third amended complaint, and this action is proceeding.

Based on the facts currently known, it is not practicable at this time for HSBC to predict the resolution of this matter, including the timing or any possible impact on HSBC, which could be significant.

Other regulatory investigations, reviews and litigation

HSBC Holdings and/or certain of its affiliates are also subject to a number of other enquiries and examinations, requests for information, investigations and reviews by various tax authorities, regulators, competition and law enforcement authorities, as well as legal proceedings including litigation, arbitration and other contentious proceedings, in connection with various matters arising out of their businesses and operations.

At the present time, HSBC does not expect the ultimate resolution of any of these matters to be material to the Group's financial position; however, given the uncertainties involved in legal proceedings and regulatory matters, there can be no assurance regarding the eventual outcome of a particular matter or matters.

36 Related party transactions

Related parties of the Group and HSBC Holdings include subsidiaries, associates, joint ventures, post-employment benefit plans for HSBC employees, Key Management Personnel ('KMP') as defined by IAS 24, close family members of KMP and entities that are controlled or jointly controlled by KMP or their close family members. KMP are defined as those persons having authority and responsibility for planning, directing and controlling the activities of HSBC Holdings. These individuals also constitute 'senior management' for the purposes of the Hong Kong Listing Rules. In applying IAS 24, it was determined that for this financial reporting period KMP included Directors, former Directors and senior management listed on pages 237 to 243 except for the roles of Group Chief Legal Officer, Group Head of Internal Audit, Group Chief Human Resources Officer, Group Chief Sustainability Officer, Group Chief Communications and Brand Officer, and Group Chief People & Governance Officer who do not meet the criteria for KMP as provided for in the standard.

Particulars of transactions with related parties are tabulated below. The disclosure of the year-end balance and the highest amounts outstanding during the year is considered to be the most meaningful information to represent the amount of the transactions and outstanding balances during the year.

Key Management Personnel

Details of Directors' remuneration and interests in shares are disclosed in the 'Directors' remuneration report' on pages 279 to 317. IAS 24 'Related Party Disclosures' requires the following additional information for key management compensation.

Compensation of Key Management Personnel

	2024	2023	2022
	$m	$m	$m
Short-term employee benefits	53	51	52
Post-employment benefits	1	1	1
Other long-term employee benefits	12	10	8
Share-based payments	29	29	26
Year ended 31 Dec	**95**	91	87

Shareholdings, options and other securities of Key Management Personnel

	2024	2023
	(000s)	(000s)
Number of options held over HSBC Holdings ordinary shares under employee share plans	20	32
Number of HSBC Holdings ordinary shares held beneficially and non-beneficially	17,455	20,409
Number of other HSBC securities held	228	228
At 31 Dec	**17,703**	20,669

Advances and credits, guarantees and deposit balances during the year with Key Management Personnel

	2024		2023	
	Balance at 31 Dec	Highest amounts outstanding during year	Balance at 31 Dec	Highest amounts outstanding during year
	$m	$m	$m	$m
Key Management Personnel				
Advances and credits[1]	9	12	11	16
Deposits	78	191	60	130

1 Advances and credits entered into by subsidiaries of HSBC Holdings plc during 2024 with Directors and former Directors, disclosed pursuant to section 413 of the Companies Act 2006, totalled $1.3m (2023: $2.6m).

Unless previously disclosed, there were no connected transactions during the reporting period that fell outside the exemptions provided by the Companies Act 2006, the UK Financial Conduct Authority's Listing Rules and the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited. The transactions conducted were in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with parties of a similar standing or, where applicable, with other employees. These transactions did not involve more than the normal risk of repayment or present other unfavourable features.

Associates and joint ventures

The Group provides certain banking and financial services to associates and joint ventures including loans, overdrafts, interest and non-interest bearing deposits and current accounts. Details of the interests in associates and joint ventures are given in Note 18.

Transactions and balances during the year with associates and joint ventures

	2024		2023	
	Highest balance during the year	Balance at 31 Dec	Highest balance during the year	Balance at 31 Dec
	$m	$m	$m	$m
Unsubordinated amounts due from joint ventures	104	72	98	94
Unsubordinated amounts due from associates	8,097	5,011	7,907	5,910
Amounts due to associates	2,992	1,844	3,002	1,668
Amounts due to joint ventures	101	85	95	61
Fair value of derivative assets with associates	919	763	1,514	795
Fair value of derivative liabilities with associates	3,718	2,641	4,388	2,962
Guarantees and commitments	569	577	503	331

The above outstanding balances arose in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with third-party counterparties.

Post-employment benefit plans

At 31 December 2024, $3.4bn (2023: $3.1bn) of HSBC post-employment benefit plan assets were under management by HSBC companies, earning management fees of $14m in 2024 (2023: $13m). At 31 December 2024, HSBC's post-employment benefit plans had placed deposits of $395m (2023: $402m) with its banking subsidiaries, earning interest payable to the schemes of $2m (2023: $2m). The above outstanding balances arose from the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with third-party counterparties.

The combined HSBC Bank (UK) Pension Scheme enters into swap transactions with HSBC to manage inflation and interest rate sensitivity of its liabilities and selected assets. At 31 December 2024, the gross notional value of the swaps was $6.4bn (2023: $7.1bn). These swaps had a positive fair value to the scheme of $0.4bn (2023: $0.5bn); and HSBC had delivered collateral of $0.4bn (2023: $0.6bn) to the scheme in respect of these arrangements. All swaps were executed at prevailing market rates and within standard market bid/offer spreads.

HSBC Holdings

Details of HSBC Holdings' subsidiaries are shown in Note 38.

Transactions and balances during the year with subsidiaries

	2024		2023	
	Highest balance during the year	**Balance at 31 Dec**	Highest balance during the year	Balance at 31 Dec
	$m	**$m**	$m	$m
Assets				
Cash and balances with HSBC undertakings	**9,342**	**2,548**	8,396	7,029
Financial assets with HSBC undertakings designated and otherwise mandatorily measured at fair value	**66,030**	**61,286**	60,309	59,879
Derivatives	**3,391**	**3,054**	4,010	3,344
Loans and advances to HSBC undertakings	**37,677**	**37,677**	28,213	27,354
Prepayments, accrued income and other assets	**7,108**	**4,216**	7,417	5,145
Investments in subsidiaries	**160,805**	**152,337**	167,542	159,478
Total related party assets at 31 Dec	**284,353**	**261,118**	275,887	262,229
Liabilities				
Amounts owed to HSBC undertakings	**231**	**231**	179	168
Derivatives	**7,944**	**5,340**	9,309	6,090
Accruals, deferred income and other liabilities	**399**	**194**	505	341
Subordinated liabilities	**1,202**	**—**	927	913
Total related party liabilities at 31 Dec	**9,776**	**5,765**	10,920	7,512
Guarantees and commitments	**7,440**	**7,327**	7,723	7,723

The above outstanding balances arose in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with third-party counterparties.

Some employees of HSBC Holdings are members of the HSBC Bank (UK) Pension Scheme, which is sponsored by a separate Group company. HSBC Holdings incurs a charge for these employees equal to the contributions paid into the scheme on their behalf. Disclosure in relation to the scheme is made in Note 5.

37 Events after the balance sheet date

A fourth interim dividend for 2024 of $0.36 per ordinary share (a distribution of approximately $6.4bn was approved by the Directors after 31 December 2024. On 19 February 2025, HSBC Holdings announced a share buy-back to purchase its ordinary shares up to a maximum consideration of $2.0bn, which is expected to commence shortly and complete by our first quarter 2025 results announcement. On 30 January 2025, HSBC Holdings called $1,750m 2.999% fixed rate/floating rate senior unsecured and $500m floating rate senior unsecured securities. These securities are expected to be redeemed and cancelled on 10 March 2025. On 7 February 2025, HSBC Holdings called $2,450m 6.375% perpetual subordinated contingent convertible securities which are expected to be redeemed and cancelled on 30 March 2025. The accounts were approved by the Board of Directors on 19 February 2025 and authorised for issue.

38 HSBC Holdings' subsidiaries, joint ventures and associates

In accordance with section 409 of the Companies Act 2006 a list of HSBC Holdings plc subsidiaries, joint ventures and associates, the registered office addresses and the effective percentages of equity owned at 31 December 2024 are disclosed below.

Unless otherwise stated, the share capital comprises ordinary or common shares that are held by Group subsidiaries. The ownership percentage is provided for each undertaking. The undertakings below are consolidated by HSBC unless otherwise indicated.

Subsidiaries

Subsidiaries	% of share class held by immediate parent company (or by the Group where this varies)		Footnotes
AI Nominees (UK) One Limited	100.00		12
AI Nominees (UK) Two Limited	100.00		12
Almacenadora Banpacifico S.A. (In Liquidation)	N/A		1, 13
Assetfinance December (F) Limited	100.00		14
Assetfinance December (H) Limited	100.00		12
Assetfinance December (P) Limited	100.00		12
Assetfinance December (R) Limited	100.00		12
Assetfinance June (A) Limited	100.00		12
Assetfinance June (D) Limited	100.00		14
Assetfinance March (B) Limited	100.00		15
Assetfinance March (D) Limited	100.00		14
Assetfinance March (F) Limited	100.00		12
Assetfinance September (F) Limited	100.00		12
Assetfinance September (G) Limited	100.00		14
B&Q Financial Services Limited	100.00		12
Banco HSBC S.A.	100.00		16
Banco Nominees (Guernsey) Limited	100.00		17
Banco Nominees 2 (Guernsey) Limited	100.00		17
Banco Nominees Limited	100.00		18
Beau Soleil Limited Partnership	N/A		1, 19
Beijing HSBC Real Estate Leasing Company Limited	N/A		1, 20
Beijing Miyun HSBC Rural Bank Company Limited	100.00		11, 21
BentallGreenOak China Real Estate Investments, L.P.	N/A		1, 22
Canada Crescent Nominees (UK) Limited (In Liquidation)	100.00		23
Canada Square Nominees (UK) Limited	100.00		12
Capco/Cove, Inc.	100.00		24
Card-Flo #3, Inc.	100.00		25
CC&H Holdings LLC	N/A		1, 26
CCF & Partners Asset Management Limited	100.00	(99.99)	12
Charterhouse Administrators (D.T.) Limited	100.00	(99.99)	12
Charterhouse Management Services Limited	100.00	(99.99)	12
Charterhouse Pensions Limited	100.00		12
Chongqing Dazu HSBC Rural Bank Company Limited	100.00		11, 28
Chongqing Fengdu HSBC Rural Bank Company Limited	100.00		11, 29
Chongqing Rongchang HSBC Rural Bank Company Limited	100.00		11, 30
CI 10 LP Inc	N/A		107
COIF Nominees Limited	N/A		1, 12
Corsair IV Financial Services Capital Partners - B L.P	N/A		1, 31
D9 LP Inc	N/A		107
Dalian Pulandian HSBC Rural Bank Company Limited	100.00		11, 32
Decision One Mortgage Company, LLC	N/A		1, 33
Dempar 1	100.00	(99.99)	5, 34
Desarrollo Turistico, S.A. de C.V. (In Liquidation)	100.00	(99.99)	13
Electronic Data Process México, S.A. de C.V.	100.00		35
ERISA Actions Europe N°2	N/A		1, 175
ERISA Actions Grandes Valeurs	N/A		1, 175
ERISA Opportunities	N/A		1, 175
Eton Corporate Services Limited	100.00		17
Flandres Contentieux S.A.	100.00	(99.99)	5, 34
Foncière Elysées	100.00	(99.99)	5, 34
Fujian Yongan HSBC Rural Bank Company Limited	100.00		11, 36
Fulcher Enterprises Company Limited	100.00	(63.12)	37
Fundacion HSBC, A.C.	100.00	(99.99)	2, 9, 13

Subsidiaries	% of share class held by immediate parent company (or by the Group where this varies)		Footnotes
Giller Ltd.	100.00		24
GPIF Co-Investment, LLC	N/A		1, 25
Griffin International Limited	100.00		12
Grupo Financiero HSBC, S. A. de C. V.	99.99		13
Guangdong Enping HSBC Rural Bank Company Limited	100.00		11, 38
Guangzhou HSBC Real Estate Company Ltd	100.00		11, 39
H5 LP Inc	N/A		107
H8 LP Inc	N/A		107
H9 LP Inc	N/A		107
Hang Seng (Nominee) Limited	100.00	(63.12)	37
Hang Seng Bank (China) Limited	100.00	(63.12)	11, 40
Hang Seng Bank (Trustee) Limited	100.00	(63.12)	37
Hang Seng Bank Limited	63.12		37
Hang Seng Bullion Company Limited	100.00	(63.12)	37
Hang Seng Credit Limited	100.00	(63.12)	37
Hang Seng Data Services Limited	100.00	(63.12)	37
Hang Seng Finance Limited	100.00	(63.12)	37
Hang Seng Financial Information Limited	100.00	(63.12)	37
Hang Seng Indexes (Netherlands) B.V.	N/A		1, 41
Hang Seng Indexes Company Limited	100.00	(63.12)	37
Hang Seng Insurance Company Limited	100.00	(63.12)	37
Hang Seng Investment Management Limited	100.00	(63.12)	37
Hang Seng Investment Services Limited	100.00	(63.12)	37
Hang Seng Japan Topix 100 Index ETF	66.43		19
Hang Seng Qianhai Fund Management Company Limited	70.00	(43.86)	11, 42
Hang Seng Real Estate Management Limited	100.00	(63.12)	37
Hang Seng Securities Limited	100.00	(63.12)	37
Hang Seng Security Management Limited	100.00	(63.12)	37
HASE Wealth Limited	N/A		137
Haseba Investment Company Limited	100.00	(63.12)	37
HBPH Corporation (In Dissolution)	99.99		43
HFC Bank Limited (In Liquidation)	100.00		44
High Time Investments Limited	100.00	(63.12)	37
HLF	100.00	(99.99)	5, 34
Honey Blue Enterprises Limited (亨京企業有限公司)	100.00		19
Honey Green Enterprises Ltd.	100.00		45
Honey Grey Enterprises Limited (亨穗企業有限公司)	100.00		19
Honey Silver Enterprises Limited	100.00		19
Household International Europe Limited (In Liquidation)	100.00		44
Household Pooling Corporation	100.00		47
Housing (USA) LLP	N/A		1, 25
HSBC (BGF) Investments Limited	100.00		12
HSBC (General Partner) Limited	100.00		3, 48
HSBC (Guernsey) GP PCC Limited	100.00		17
HSBC (Kuala Lumpur) Nominees Sdn Bhd	100.00		49
HSBC (Malaysia) Trustee Berhad	100.00		50
HSBC (Singapore) Nominees Pte Ltd	100.00		51
HSBC Actions Europe	50.66		175
HSBC Agency (India) Private Limited	100.00		52
HSBC Alternative Investments Limited	100.00		12
HSBC Amanah Malaysia Berhad	100.00		49
HSBC Americas Corporation (Delaware)	100.00		25
HSBC Asia Holdings B.V.	100.00		12
HSBC Asia Holdings Limited	100.00		3, 19
HSBC Asia Pacific Holdings (UK) Limited	100.00		6, 12
HSBC Asset Finance (UK) Limited	100.00		12
HSBC Asset Finance M.O.G. Holdings (UK) Limited	100.00		12
HSBC Asset Management (Fund Services UK) Limited	100.00		12

Subsidiaries	% of share class held by immediate parent company (or by the Group where this varies)		Footnotes
HSBC Asset Management (India) Private Limited	99.99		53
HSBC Asset Management (Japan) Limited	100.00		54
HSBC Assurances Vie (France)	100.00	(99.99)	5, 55
HSBC Australia Holdings Pty Limited	100.00		6, 56
HSBC BANK (CHILE)	100.00		57
HSBC Bank (China) Company Limited	100.00		11, 58
HSBC Bank (General Partner) Limited	100.00		48
HSBC Bank (Mauritius) Limited	100.00		59
HSBC Bank (Singapore) Limited	100.00		51
HSBC Bank (Taiwan) Limited	100.00		60
HSBC Bank (Uruguay) S.A.	100.00		61
HSBC Bank (Vietnam) Ltd.	100.00		62
HSBC Bank A.S.	100.00		63
HSBC Bank Australia Limited	100.00		56
HSBC Bank Bermuda Limited	100.00		18
HSBC Bank Capital Funding (Sterling 1) LP	N/A		1, 48
HSBC Bank Egypt S.A.E	94.54		64
HSBC Bank Malaysia Berhad	100.00		4, 49
HSBC Bank Malta p.l.c.	70.03		65
HSBC Bank Middle East Limited	100.00		4, 66
HSBC Bank Middle East Limited Representative Office Morocco SARL (In Liquidation)	100.00		67
HSBC Bank Pension Trust (UK) Limited	100.00		12
HSBC Bank plc	100.00		3, 4, 12
HSBC Bank USA, National Association	100.00		4, 68
HSBC Branch Nominee (UK) Limited	100.00		14
HSBC Brasil Holding S.A.	100.00		16
HSBC Broking Forex (Asia) Limited	100.00		19
HSBC Broking Futures (Asia) Limited	100.00		19
HSBC Broking Futures (Hong Kong) Limited	100.00		19
HSBC Broking Securities (Asia) Limited	100.00		19
HSBC Broking Securities (Hong Kong) Limited	100.00		19
HSBC Broking Services (Asia) Limited	100.00		19
HSBC Capital (USA), Inc.	100.00		25
HSBC Capital Funding (Dollar 1) L.P.	N/A		1, 48
HSBC Card Services Inc.	100.00		25
HSBC Casa de Bolsa, S.A. de C.V., Grupo Financiero HSBC	100.00	(99.99)	13
HSBC Cayman Limited	100.00		69
HSBC Cayman Services Limited	100.00		69
HSBC Client Holdings Nominee (UK) Limited	100.00		12
HSBC Client Nominee (Jersey) Limited	100.00		2, 70
HSBC Climate Tech Venture Capital Fund SCSp	87.15		177
HSBC Columbia Funding, LLC	N/A		125
HSBC Continental Europe	99.99		5, 34
HSBC Corporate Advisory (Malaysia) Sdn Bhd	100.00		49
HSBC Corporate Finance (Hong Kong) Limited	100.00		19
HSBC Corporate Secretary (UK) Limited	100.00		3, 12
HSBC Corporate Services (Shanghai) Co., Ltd.	N/A		1, 71
HSBC Corporate Trustee Company (UK) Limited	100.00		12
HSBC Custody Nominees (Australia) Limited	100.00		56
HSBC Custody Services (Guernsey) Limited	100.00		17
HSBC Daisy Investments (Mauritius) Limited	100.00		72
HSBC Diversified Loan Fund General Partner Sarl	N/A		1, 73
HSBC Diversified Loan SCSp-RAIF	N/A		73

Subsidiaries	% of share class held by immediate parent company (or by the Group where this varies)		Footnotes
HSBC Electronic Data Processing (Guangdong) Limited	100.00		11, 74
HSBC Electronic Data Processing (Malaysia) Sdn Bhd	100.00		75
HSBC Electronic Data Processing (Philippines), Inc.	99.99		76
HSBC Electronic Data Processing India Private Limited	100.00		77
HSBC Electronic Data Processing Lanka (Private) Limited	100.00		78
HSBC Electronic Data Service Delivery (Egypt) S.A.E	100.00		79
HSBC Equipment Finance (UK) Limited	100.00		14
HSBC Equity (UK) Limited	100.00		12
HSBC EURO Protect 80+	78.06		55
HSBC Europe B.V.	100.00		12
HSBC European Senior Direct Lending Fund 2023 RAIF SICAV-S.A.	43.00		91
HSBC Executor & Trustee Company (UK) Limited	100.00		14
HSBC Factoring (France)	100.00	(99.99)	5, 34
HSBC Finance (Netherlands)	100.00		3, 12
HSBC Finance Corporation	100.00		25
HSBC Finance Limited	100.00		12
HSBC Finance Transformation (UK) Limited	100.00		12
HSBC Financial Advisors Singapore Pte. Ltd.	100.00		2, 51
HSBC Financial Services (Lebanon) S.A.L	99.83		80
HSBC Financial Technology Venture Capital Fund SCSp	100.00		177
HSBC FinTech Services (Shanghai) Company Limited	N/A		1, 2, 81
HSBC Global Asset Management (Bermuda) Limited	100.00		4, 18
HSBC Global Asset Management (Deutschland) GmbH	100.00	(99.99)	7, 82
HSBC Global Asset Management (France)	100.00	(99.99)	5, 55
HSBC Global Asset Management (Hong Kong) Limited	100.00		83
HSBC Global Asset Management (Malta) Limited	100.00	(70.03)	84
HSBC Global Asset Management (México), S.A. de C.V., Sociedad Operadora de Fondos de Inversión, Grupo Financiero HSBC	100.00	(99.99)	13
HSBC Global Asset Management (Singapore) Limited	100.00		51
HSBC Global Asset Management (Switzerland) AG	100.00		5, 171
HSBC Global Asset Management (Taiwan) Limited	100.00		86
HSBC Global Asset Management (UK) Limited	100.00		12
HSBC Global Asset Management (USA) Inc.	100.00		87
HSBC Global Asset Management Holdings (Bahamas) Limited	100.00		88
HSBC Global Asset Management Limited	100.00		3, 12
HSBC Global Custody Nominee (UK) Limited	100.00		12
HSBC Global Custody Proprietary Nominee (UK) Limited	100.00		12
HSBC Global Funds ICAV - Digital Leaders Equity Fund	100.00		27
HSBC Global Funds ICAV - Euro Lower Carbon Government 10+ Year Bond UCITS ETF	100.00		27
HSBC Global Funds ICAV - Euro Lower Carbon Government 1-3 Year Bond UCITS ETF	100.00		27
HSBC Global Funds ICAV - Global Aggregate Bond ESG UCITS ETF	100.00		27

Subsidiaries	% of share class held by immediate parent company (or by the Group where this varies)		Footnotes
HSBC Global Funds ICAV - Global Equity Index Fund -ACEUR	N/A		1, 176
HSBC Global Funds ICAV - Japan Equity Index Fund	99.77		105
HSBC Global Infrastructure Debt Fund Feeder SCA SICAV-RAIF- Global Infrastructure Debt EUR	N/A		1, 91
HSBC GLOBAL INVESTMENT FUNDS - ASIA ESG BOND	93.03		129
HSBC Global Investment Funds – ESG Short Duration Credit Bond	74.22		129
HSBC GLOBAL INVESTMENT FUNDS - GLOBAL EMERGING MARKETS EQUITY	56.47		129
HSBC Global Investment Funds - Strategic Duration and Income Bond	100.00		129
HSBC Global Multi-asset Seeding course (Stable Type)	67.39		54
HSBC Global Services (Canada) Limited	100.00		89
HSBC Global Services (China) Holdings Limited	100.00		12
HSBC Global Services (Hong Kong) Limited	100.00		19
HSBC Global Services (UK) Limited	100.00		12
HSBC Global Services Limited	100.00		3, 12
HSBC Global Transition Infrastructure Debt Fund RAIF SICAV-S.A.	31.00		91
HSBC Group Management Services Limited	100.00		12
HSBC Group Nominees UK Limited	100.00		3, 12
HSBC Holdings B.V.	100.00		12
HSBC Horizon 2034 2036 A 3D	76.72		175
HSBC India Small Cap Equity Fund (QII)	40.38		54
HSBC Infrastructure Debt GP 1 S.à r.l.	N/A		1, 91
HSBC Infrastructure Debt GP 2 S.à r.l.	N/A		1, 91
HSBC Innovation Bank Limited	100.00		92
HSBC INSN (Non Operating) Pte. Ltd. (In Liquidation)	100.00		51
HSBC Institutional Trust Services (Asia) Limited	100.00		19
HSBC Institutional Trust Services (Bermuda) Limited	100.00		18
HSBC Institutional Trust Services (Mauritius) Limited	100.00		93
HSBC Institutional Trust Services (Singapore) Limited	100.00		51
HSBC Insurance (Asia) Limited	100.00		95
HSBC Insurance (Asia-Pacific) Holdings Limited	100.00		83
HSBC Insurance (Bermuda) Limited	100.00		96
HSBC Insurance Agency (USA) Inc.	100.00		97
HSBC Insurance Brokerage Company Limited	N/A		1,2, 98
HSBC Insurance Brokers Greater China Limited	100.00		83
HSBC Insurance SAC 1 (Bermuda) Limited	100.00		18
HSBC Insurance SAC 2 (Bermuda) Limited	100.00		18
HSBC Insurance Services Holdings Limited (In Liquidation)	100.00		23
HSBC International Finance Corporation (Delaware)	100.00		100
HSBC International Trustee (BVI) Limited	100.00		10, 101
HSBC International Trustee (Holdings) Pte. Limited	100.00		51
HSBC International Trustee Limited	100.00		102
HSBC Inversiones S.A.	100.00		57
HSBC InvestDirect (India) Private Limited	99.99		53
HSBC InvestDirect Financial Services (India) Limited	99.99		53
HSBC InvestDirect Sales & Marketing (India) Private Limited	98.99	(98.98)	103
HSBC InvestDirect Securities (India) Private Limited	99.99		53

Subsidiaries	% of share class held by immediate parent company (or by the Group where this varies)		Footnotes
HSBC Investment and Insurance Brokerage, Philippines Inc.	99.99		104
HSBC Investment Bank Holdings B.V.	100.00		12
HSBC Investment Bank Holdings Limited	100.00		12
HSBC Investment Company Limited	100.00		3, 12
HSBC Investment Funds (Hong Kong) Limited	100.00		83
HSBC Investment Funds (Luxembourg) SA	100.00		105
HSBC Invoice Finance (UK) Limited	100.00		14
HSBC Issuer Services Common Depositary Nominee (UK) Limited	100.00		12
HSBC Latin America B.V.	100.00		12
HSBC Latin America Holdings (UK) Limited	100.00		3, 12
HSBC Leasing (Asia) Limited	100.00		19
HSBC Legacy Partnership Limited	100.00		12
HSBC Life (Bermuda) Limited	100.00		18
HSBC Life (Cornell Centre) Limited	100.00		95
HSBC Life (Edwick Centre) Limited	100.00		95
HSBC Life (International) Limited	100.00		18
HSBC Life (Property) Limited	100.00		95
HSBC Life (Singapore) Pte. Ltd.	100.00		51
HSBC Life (Tsing Yi Industrial) Limited	100.00		95
HSBC Life (UK) Limited	100.00		12
HSBC Life (Workshop) Limited	100.00		95
HSBC Life Assurance (Malta) Ltd.	100.00	(70.03)	84
HSBC Life Insurance Company Limited	100.00		11, 106
HSBC LU Nominees Limited	100.00		12
HSBC Management (Guernsey) Limited	100.00		107
HSBC Markets (USA) Inc.	100.00		25
HSBC Marking Name Nominee (UK) Limited	100.00		12
HSBC Master Trust Trustee Limited (In Liquidation)	100.00		23
HSBC Mexico, S.A., Institucion de Banca Multiple, Grupo Financiero HSBC	99.99		13
HSBC Middle East Asset CO. LLC	100.00		108
HSBC Middle East Holdings B.V.	100.00		3, 4, 66
HSBC Middle East Leasing Partnership	N/A		1, 109
HSBC Middle East Securities L.L.C	100.00		110
HSBC Mix Dynamique	58.13		55
HSBC Mortgage Corporation (USA)	100.00		25
HSBC Multi-Asset Style Factors S	N/A		1, 175
HSBC Nominees (Asing) Sdn Bhd	100.00		49
HSBC Nominees (Hong Kong) Limited	100.00		19
HSBC Nominees (New Zealand) Limited	100.00		111
HSBC Nominees (Tempatan) Sdn Bhd	100.00		49
HSBC North America Holdings Inc.	100.00		4, 25
HSBC Operational Services GmbH	100.00	(99.99)	7, 82
HSBC Overseas Holdings (UK) Limited	100.00		3, 12
HSBC Overseas Investments Corporation (New York)	100.00		112
HSBC Overseas Nominee (UK) Limited	100.00		12
HSBC PB Corporate Services 1 Limited	100.00		113
HSBC PB Services (Suisse) SA	100.00		114
HSBC Pension Trust (Ireland) DAC	100.00		115
HSBC Pensiones, S.A. (In Liquidation)	100.00	(99.99)	13
HSBC PI Holdings (Mauritius) Limited	100.00		116
HSBC Portfolios – World Selection 5 (Part ACHEUR)	N/A		1, 105
HSBC Portfoy Yonetimi A.S.	100.00		117
HSBC Preferential LP (UK)	100.00		12
HSBC Private Bank (Luxembourg) S.A.	100.00	(99.99)	105
HSBC Private Bank (Suisse) SA	100.00		114
HSBC Private Bank (UK) Limited	100.00		12
HSBC Private Banking Holdings (Suisse) SA	100.00		114
HSBC Private Banking Nominee 3 (Jersey) Limited	100.00		113
HSBC Private Equity Investments (UK) Limited	100.00		12
HSBC Private Markets Management SARL	N/A		1, 2, 118

Subsidiaries	% of share class held by immediate parent company (or by the Group where this varies)		Footnotes
HSBC Private Trustee (Hong Kong) Limited	100.00		19
HSBC Professional Services (India) Private Limited	100.00		119
HSBC Property (UK) Limited	100.00		12
HSBC Property Funds (Holding) Limited	100.00		12
HSBC Provident Fund Trustee (Hong Kong) Limited	100.00		19
HSBC Qianhai Securities Limited	90.00		11, 120
HSBC RCF Partnership Fund RAIF SICAV-S.A.	11.00		175
HSBC Real Estate Leasing (France)	100.00	(99.99)	5, 34
HSBC REGIO Fund General Partner S.à r.l.	100.00		91
HSBC REIM (France)	100.00	(99.99)	5, 55
HSBC Responsible Investment Funds - SRI Balanced	64.14		55
HSBC Responsible Investment Funds - SRI Dynamic	72.79		55
HSBC Resposible Investment Funds - SRI Global Equity A	N/A		1, 175
HSBC Retirement Benefits Trustee (UK) Limited	100.00		3, 12
HSBC Retirement Services Limited (In Liquidation)	100.00		23
HSBC Saudi Arabia, Closed Joint Stock Company	100.00	(66.19)	121
HSBC Securities (Egypt) S.A.E. (In Liquidation)	100.00	(94.65)	122
HSBC Securities (Japan) Co., Ltd.	100.00		54
HSBC Securities (Singapore) Pte Limited	100.00		51
HSBC Securities (South Africa) (Pty) Limited	100.00		123
HSBC Securities (Taiwan) Corporation Limited	100.00		60
HSBC Securities (USA) Inc.	100.00		25
HSBC Securities and Capital Markets (India) Private Limited	99.99		6, 103
HSBC Securities Brokers (Asia) Limited	100.00		19
HSBC Securities Investments (Asia) Limited	100.00		19
HSBC Securities Services (Bermuda) Limited	100.00		18
HSBC Securities Services (Guernsey) Limited	100.00		17
HSBC Securities Services (Ireland) DAC	100.00		115
HSBC Securities Services (Luxembourg) S.A.	100.00		105
HSBC Securities Services Holdings (Ireland) DAC	100.00		115
HSBC Securities Services Nominees Limited	100.00		19
HSBC Seguros, S.A de C.V., Grupo Financiero HSBC	100.00	(99.99)	13
HSBC Select Dynamic	80.59		55
HSBC Select Equity	86.38		55
HSBC Select Flexible	63.93		55
HSBC Semfi Limited	75.00		12
HSBC Senior UK Direct Lending 2020 RAIF SICAV-S.A	N/A		91
HSBC Senior UK Direct Lending Fund II RAIF SICAV-S.A.	72.46		91
HSBC Service Company Germany GmbH	100.00	(99.99)	7, 82
HSBC Service Delivery (Polska) Sp. z o.o.	100.00		124
HSBC Services (France)	100.00	(99.99)	5, 34
HSBC Services Japan Limited	100.00		88
HSBC Services USA Inc.	100.00		125
HSBC Servicios Financieros, S.A. de C.V	100.00	(99.99)	13
HSBC Servicios, S.A. DE C.V., Grupo Financiero HSBC	100.00	(99.99)	13
HSBC SFT (C.I.) Limited	100.00		17
HSBC Singapore Dollar Liquidity Fund	76.37		51
HSBC Small Cap France	52.70		55
HSBC Software Development (Guangdong) Limited	100.00		11, 126
HSBC Software Development (India) Private Limited	100.00		127
HSBC Software Development (Malaysia) Sdn Bhd	100.00		75
HSBC Specialist Investments Limited	100.00		6, 12
HSBC Technology & Services (China) Limited (In Liquidation)	N/A		1, 128
HSBC Technology & Services (USA) Inc.	100.00		25
HSBC Transaction Services GmbH	100.00	(99.99)	7, 82
HSBC Trinkaus & Burkhardt (International) S.A.	100.00	(99.99)	129
HSBC Trinkaus & Burkhardt Gesellschaft fur Bankbeteiligungen mbH	100.00	(99.99)	82
HSBC Trinkaus & Burkhardt GmbH	100.00	(99.99)	7, 82
HSBC Trinkaus Family Office GmbH	100.00	(99.99)	7, 82
HSBC Trinkaus Real Estate GmbH	100.00	(99.99)	7, 82
HSBC Trust Company (Delaware), National Association	100.00		100
HSBC Trust Company (UK) Limited	100.00		12
HSBC Trustee (C.I.) Limited	100.00		113
HSBC Trustee (Cayman) Limited	100.00		69
HSBC Trustee (Guernsey) Limited	100.00		17
HSBC Trustee (Hong Kong) Limited	100.00		19
HSBC Trustee (Singapore) Limited	100.00		51
HSBC Trustees (India) Private Limited	99.99		103
HSBC UK Bank plc	100.00		3, 14
HSBC UK Client Nominee Limited	100.00		14
HSBC UK Covered Bonds LLP	N/A		1, 14
HSBC UK Societal Projects Limited	N/A		1, 14
HSBC USA Inc.	100.00		4, 112
HSBC Ventures USA Inc.	100.00		25
HSBC Violet Investments (Mauritius) Limited	100.00		72
HSBC Wealth Client Nominee Limited	100.00		14
HSBC World Equity Protect 80	98.87		55
HSBC Yatirim Menkul Degerler A.S.	100.00		63
HSI Asset Securitization Corporation	100.00		25
HSI International Limited	100.00	(63.12)	37
HSIL Investments Limited	100.00		12
Hubei Macheng HSBC Rural Bank Company Limited	100.00		11, 131
Hubei Suizhou Cengdu HSBC Rural Bank Company Limited	100.00		11, 132
Hubei Tianmen HSBC Rural Bank Company Limited	100.00		11, 133
Hunan Pingjiang HSBC Rural Bank Company Limited	100.00		11, 134
I3 LP Inc.	N/A		107
Imenson Limited	100.00	(63.12)	37
INHK PC LP Inc	100.00		17
INHK PE LP Inc	100.00		17
Inmobiliaria Bisa, S.A. de C.V.	99.99		13
Inmobiliaria Grufin, S.A. de C.V.	100.00	(99.99)	13
Inmobiliaria Guatusi, S.A. de C.V.	100.00	(99.99)	13
Internationale Kapitalanlagegesellschaft mit beschränkter Haftung	100.00	(99.99)	82
J6 LP Inc	N/A		107
James Capel (Nominees) Limited	100.00		12
James Capel (Taiwan) Nominees Limited	100.00		12
Keyser Ullmann Limited	100.00	(99.99)	12
L1 LP Inc	N/A		107
Lion Corporate Services Limited	100.00		19
Lion International Corporate Services Limited	100.00		135
Lion International Management Limited	100.00		135
Lion Management (Hong Kong) Limited	100.00		19
Lyndholme Limited	100.00		19
Marks and Spencer Financial Services plc	100.00		136
Marks and Spencer Unit Trust Management Limited	100.00		136
Midcorp Limited	100.00		12
Midland Bank (Branch Nominees) Limited	100.00		14

Subsidiaries	% of share class held by immediate parent company (or by the Group where this varies)		Footnotes
Midland Nominees Limited	100.00		14
MP Payments Group Limited	100.00		12
MP Payments Middle East AE L.L.C.	100.00		137
MP Payments Netherlands B.V.	100.00		138
MP Payments Operations Limited	100.00		12
MP Payments Singapore Pte. Ltd.	100.00		51
MP Payments UK Limited	100.00		12
P2 LP Inc	N/A		107
Prudential Client HSBC GIS Nominee (UK) Limited	100.00		12
PT Bank HSBC Indonesia	98.94		139
PT HSBC Sekuritas Indonesia	85.00		140
R/CLIP Corp.	100.00		25
Real Estate Collateral Management Company	100.00		25
Red Hexagon Energy Transition Asia GP S.à r.l.	100.00		2, 91
Republic Nominees Limited	100.00		17
RLUKREF Nominees (UK) One Limited	100.00		12
RLUKREF Nominees (UK) Two Limited	100.00		12
S.A.P.C. - Ufipro Recouvrement	99.99		9, 34
Saf Baiyun	100.00	(99.99)	5, 34
Saf Guangzhou	100.00	(99.99)	5, 34
SCI HSBC Assurances Immo	100.00	(99.99)	9, 55
SCPI Elysees Grand Large	98.50		175
Select INKA	N/A		1, 82
Serai Limited	100.00		19
SFM	100.00	(99.99)	5, 34
SFSS Nominees (Pty) Limited	100.00		123
Shandong Rongcheng HSBC Rural Bank Company Limited	100.00		11, 141
Shenzhen HSBC Development Company Ltd	100.00		11, 142
Sico Limited	100.00		143
SilkRoad Fund Management S.à.r.l	100.00		2, 144
Silkroad GP II Limited	100.00		2, 145
Silkroad GP II S.a.r.l.	100.00		2, 144
Silkroad GP Limited	100.00		2, 69
Silkroad GP SC S.a r.l	100.00		2, 146
Silkroad Property Partners K.K. (In Liquidation)	100.00		147
Silkroad Property Partners Limited	100.00		148
Silkroad Property Partners Management Consultancy Limited	N/A		1, 149
Silkroad Property Partners PTE. LTD.	100.00		150
SNC Les Oliviers D'Antibes	60.00	(59.99)	9, 55
SNCB/M6-2007 A	100.00	(99.99)	2, 5, 34
SNCB/M6-2007 B	100.00	(99.99)	2, 5, 34
SNCB/M6-2008 A	100.00	(99.99)	2, 5, 34
Société Française et Suisse	100.00	(99.99)	5, 34
Somers Dublin DAC	100.00	(99.99)	115
Somers Nominees (Far East) Limited	100.00		18
Sopingest	100.00	(99.99)	5, 34
South Yorkshire Light Rail Limited	100.00		12
St Cross Trustees Limited	100.00		14
Sun Hung Kai Development (Lujiazui III) Limited	100.00		11, 151
The Hongkong and Shanghai Banking Corporation Limited	100.00		19
Tooley Street View Limited	100.00		3, 12
Trinkaus Europa Immobilien-Fonds Nr.3 Objekt Utrecht Verwaltungs-GmbH	100.00	(99.99)	7, 82
Trinkaus Immobilien-Fonds Geschaeftsfuehrungs-GmbH	100.00	(99.99)	7, 82
Trinkaus Immobilien-Fonds Verwaltungs-GmbH	100.00	(99.99)	7, 82
Trinkaus Private Equity Management GmbH	100.00	(99.99)	7, 82
Trinkaus Private Equity Verwaltungs GmbH	100.00	(99.99)	7, 82
Turnsonic (Nominees) Limited	100.00		14
Valeurs Mobilières Elysées	100.00	(99.99)	5, 34

Subsidiaries	% of share class held by immediate parent company (or by the Group where this varies)		Footnotes
W4 LP Inc	N/A		107
WARDLEY LIMITED	100.00		19
Wayfoong Nominees Limited	100.00		19
Westminster House, LLC	N/A		1, 25
Woodex Limited	100.00		18
Yan Nin Development Company Limited	100.00	(63.12)	37

Joint ventures

The undertakings below are joint ventures and equity accounted.

Joint ventures	% of share class held by immediate parent company (or by the Group where this varies)		Footnotes
Climate Asset Management Limited	N/A		1,2, 152
Global Payments Technology México, S.A. de C.V.	50.00	(49.99)	2, 153
MK HoldCo Limited	50.32		2, 154
Pentagreen Capital Pte. Ltd	50.00		155
ProServe Bermuda Limited	50.00		156
The London Silver Market Fixing Limited	N/A		1,2, 157
Vaultex UK Limited	50.00		158

Non-Profit Foundation

The undertakings below are Non-Profit Foundation.

Non-Profit Foundation	% of share class held by immediate parent company (or by the Group where this varies)	Footnotes
HSBC Philanthropy Foundation Beijing	N/A	1, 175

Associates

The undertakings below are associates and equity accounted.

Associates	% of share class held by immediate parent company (or by the Group where this varies)		Footnotes
Bank of Communications Co., Ltd.	19.03		2, 159
Barrowgate Limited	24.64	(15.53)	160
BGF Group plc	24.62		161
Bud Financial Limited	4.50		4, 162
CANARA HSBC LIFE INSURANCE COMPANY LIMITED	26.00		163
Divido Financial Services Limited (In Administration)	7.85		164
Electronic Payment Services Company (Hong Kong) Limited	38.69		2, 19
Episode Six Inc.	5.69		4, 165
EPS Company (Hong Kong) Limited	38.69		19
HQLAX S.à r.l.	6.10		4, 90
HSBC Jintrust Fund Management Company Limited	49.00		2, 11, 166
HSBC UK Covered Bonds (LM) Limited	N/A		1,2, 167
Lightico Ltd	2.80		4, 85
LiquidityMatch LLC	N/A		1, 168
London Precious Metals Clearing Limited	30.00		2, 169
Marketnode PTE. Ltd.	12.60		4, 46
MENA Infrastructure Fund (GP) Ltd	33.33		170
Quantexa Limited	9.36		4, 99
Radiant Global Investors LLC	N/A		1, 2, 172
Saudi Awwal Bank	31.00		173
The London Gold Market Fixing Limited	N/A		1, 157
Threadneedle Software Holdings Limited	7.10		4, 174
Trade Information Network Limited	12.76		152
Trinkaus Europa Immobilien-Fonds Nr. 7 Frankfurt Mertonviertel KG	N/A		182
We Trade Innovation Designated Activity Company (In Liquidation)	9.88		2, 130

Footnotes for Note 38

Description of shares

1	Where an entity is governed by voting rights, HSBC consolidates when it holds – directly or indirectly – the necessary voting rights to pass resolutions by the governing body. In all other cases, the assessment of control is more complex and requires judgement of other factors, including having exposure to variability of returns, power to direct relevant activities, and whether power is held as an agent or principal. HSBC's consolidation policy is described in Note 1.2(a).
2	Management has determined that these undertakings are excluded from consolidation in the Group accounts as these entities do not meet the definition of subsidiaries in accordance with IFRS. HSBC's consolidation policy is described in Note 1.2(a).
3	Directly held by HSBC Holdings plc
4	Preference Shares
5	Actions
6	Redeemable Preference Shares
7	GmbH Anteil
8	Nominal Shares
9	Parts
10	Non-Participating Voting
11	Registered Capital Shares

Registered offices

12	8 Canada Square, London, United Kingdom, E14 5HQ
13	Paseo de la Reforma 347 Col. Cuauhtemoc, Mexico, 06500
14	1 Centenary Square, Birmingham, United Kingdom, B1 1HQ

Registered offices

15	5 Donegal Square South, Northern Ireland, Belfast, United Kingdom, BT1 5JP
16	1909 Avenida Presidente Juscelino Kubitschek, 19° andar, Torre Norte, São Paulo Corporate Towers, São Paulo, Brazil, 04551-903
17	Arnold House St Julians Avenue, St Peter Port, Guernsey, GY1 3NF
18	37 Front Street, Harbourview Centre, Ground Floor, Hamilton, Pembroke, Bermuda, HM 11
19	1 Queen's Road Central, Hong Kong
20	2401-55 24/F, Office Tower Two 1 Jianguomenwai Street, Chaoyang District, Beijing, China
21	First Floor, Xinhua Bookstore Xindong Road (SE of roundabout), Miyun District, Beijing, China
22	Oak House Hirzel Street, St Peter Port, Guernsey, GY1 2NP
23	c/o Teneo Financial Advisory Limited, The Colmore Building, 20 Colmore Circus, Queensway, Birmingham, United Kingdom, B4 6AT
24	239 Van Rensselaer Street,, Buffalo, New York, United States of America, 14210
25	c/o The Corporation Trust Company 1209 Orange Street, Wilmington, Delaware, United States of America, 19801
26	Corporation Service Company 251 Little Falls Drive, Wilmington, Delaware, United States of America, 19808
27	25/28 North Wall Quay, IFSC, Dublin 1, Leinster
28	No 1, Bei Huan East Road Dazu County, Chongqing, China
29	No 107 Ping Du Avenue (E), Sanhe Town, Fengdu County, Chongqing, China
30	No. 3, 5, 7, Haitang Erzhi Road Changyuan, Rongchang, Chongqing, China, 402460
31	c/o Walkers Corporate Services Limited, Walker House, 87 Mary Street, George Town, Grand Cayman, Cayman Islands, KY1-9005
32	First & Second Floor No.3 Nanshan Road, Pulandian, Dalian, Liaoning, China
33	160 Mine Lake CT, Ste 200, Raleigh, North Carolina, United States of America, 27615-6417
34	38 avenue Kléber, Paris, France, 75116
35	Avenida de las Granjas 972, Building A, Floor 2, Colonia Santa Bárbara, Alcaldía Azcapotzalco, Mexico City, Mexico, 02230
36	No. 1 1211 Yanjiang Zhong Road, Yongan, Fujian, China
37	83 Des Voeux Road Central, Hong Kong
38	No. 44 Xin Ping Road Central, Encheng, Enping, Guangdong, China, 529400
39	Room 311, Cheng Hui No. 2, Nan Sha Street, Nan Sha District, Guangzhou, Guangdong, China
40	34/F, 36/F and 46/F, Hang Seng Bank Tower 1000 Lujiazui Ring Road, Pilot Free Trade Zone, Shanghai, China, 200120
41	Gustav Mahlerplein 2 1082 MA, Amsterdam, Netherlands
42	1001 T2 Office Building, Qianhai Kerry Business Center, Qianhai Avenue, Nanshan Street, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen, Guangdong, China
43	Unit 1 GF The Commerical Complex Madrigal Avenue, Ayala Alabang Village, Muntinlupa City, Philippines, 1780
44	C/O Teneo Financial Advisory Limited The Colmore Building, 20 Colmore Circus, Queensway, Birmingham, United Kingdom, B4 6AT
45	Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands, VG1110
46	1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore, 098632
47	701 S CARSON ST STE 200, Carson City, Nevada, United States of America, 89701
48	HSBC House Esplanade, St. Helier, Jersey, JE4 8UB
49	Level 21 Menara IQ, Lingkaran TRX, Tun Razak Exchange, Kuala Lumpur, Malaysia, 55188
50	Level 19, Menara IQ, Lingkaran TRX, Tun Razak Exchange, Kuala Lumpur, Malaysia, 55188
51	10 Marina Boulevard #48-01 Marina Bay Financial Centre, Singapore, 018983
52	52/60, M G Road Fort, Mumbai, India, 400 001

Registered offices

53	9-11 Floors, NESCO IT Park Building No. 3 Western Express Highway, Goregaon (East), Mumbai, India, 400063
54	HSBC Building 11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo, Japan, 103-0027
55	Immeuble Cœur Défense 110 esplanade du Général de Gaulle, Courbevoie, France, 92400
56	Level 36, Tower 1, International Towers Sydney, 100 Barangaroo Avenue, Sydney, New South Wales, Australia, 2000
57	Isidora Goyenechea 2800 23rd floor, Las Condes, Santiago, Chile, 7550647
58	HSBC Building Shanghai ifc, 8 Century Avenue, Pudong, Shanghai, China, 200120
59	IconEbene, Level 5 Office 1 (West Wing), Rue de L'institut, Ebene, Mauritius
60	54F, 7 Xinyi Road Sec. 5 Xinyi district, Taipei, Taiwan
61	1266 Dr Luis Bonativa 1266 Piso 30 (Torre IV WTC), Montevideo, Uruguay, CP 11.000
62	Level 1, 2, 6 The Metropolitan, 235 Dong Khoi, Ben Nghe Ward, District 1, Ho Chi Minh, Vietnam
63	Esentepe Mah. Büyükdere Caddesi No.128 Şişli, Istanbul, Turkiye, 34394
64	306 Corniche El Nil Street, Maadi, Cairo, Egypt
65	116 Archbishop Street, Valletta, Malta, VLT1444
66	Unit 401, Level 4 Gate Precinct Building 2, Dubai International Financial Centre, P. O. Box 30444, Dubai, United Arab Emirates
67	Majer Consulting, Office 54/44, Building A1, Residence Ryad Anfa, Boulevard Omar El Khayam, Casa Finance City (CFC), Casablanca, Morocco
68	1800 Tysons Boulevard Suite 50, Tysons, Virginia, United States of America, 22102
69	P.O. Box 309 Ugland House, Grand Cayman, Cayman Islands, KY1-1104
70	HSBC House Esplanade, St. Helier, Jersey, JE1 1HS
71	Room 2703, 27F, Tower A, No.8 Century Avenue, China (Shanghai) Pilot Free Trade Zone, Shanghai, China, 200120
72	c/o Rogers Capital St. Louis Business Centre, Cnr Desroches & St Louis Streets, Port Louis, Mauritius
73	49 avenue J.F. Kennedy, Luxembourg, Luxembourg, 1855
74	4-17/F, Office Tower 2 TaiKoo Hui Development, No. 381 Tian He Road, Guangzhou, Guangdong, China
75	Suite 1005, 10th Floor, Wisma Hamzah Kwong, Hing No. 1, Leboh Ampang, Kuala Lumpur, Malaysia, 50100
76	Building C-1 UP Ayala Technohub, Commonwealth Avenue,, Diliman, Quezon City, Metro Manila, Philippines
77	HSBC House Plot No.8 Survey No.64 (Part), Hightec City Layout Madhapur, Hyderabad, India, 500081
78	Mireka City 324/9 Havelock Road, Colombo 05, Sri Lanka, 00500
79	Smart Village 28th Km Cairo- Alexandria Desert Road Building, Cairo, Egypt
80	Centre Ville 1341 Building - 4th Floor Patriarche Howayek Street, PO Box Riad El Solh, Lebanon, 9597
81	Room 405 Odd House Number of 859-863, Huanhu West 1st Road, Lingang New Area, China (Shanghai) Pilot Free Trade Zone, Shanghai, China, 201306
82	Hansaallee 3, Düsseldorf, Germany, 40549
83	HSBC Main Building 1 Queen's Road Central, Hong Kong
84	80 Mill Street, Qormi, Malta, QRM 3101
85	121 HaHashmonaim St., Tel Aviv, Israel, 6713328
86	36F., No. 68 Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City, Taiwan, 110419
87	452 Fifth Avenue, New York, United States of America, NY10018
88	Mareva House 4 George Street, Nassau, Bahamas
89	150 King Street West, Suite 200, Toronto, Ontario, Canada, M5H 1J9
90	9 rue du Laboratoire, Grand Duchy of Luxembourg, Luxembourg, L-1911

Registered offices

91	4, rue Peternelchen, Howald, Grand Duchy of Luxembourg, Luxembourg, L-2370
92	Alphabeta 14-18 Finsbury Square, London, United Kingdom, EC2A 1BR
93	IConEbene Rue de L'institut, Ebene, Mauritius
94	Meeting Room 18.R005, 18/F Fortune Financial Center No. 5 Dongsanhuan Zhong Road, Chaoyang District, Beijing, China, 100020
95	18th Floor Tower 1, HSBC Centre 1 Sham Mong Road, Kowloon, Hong Kong
96	37 Front Street, Harbourview Center, Ground Floor, Hamilton, Pembroke, Bermuda, HM 11
97	CT Corporation System 28 Liberty Street, New York, New York, United States of America, 10005
98	Unit 201, Floor 2, Building 3 No. 12, Anxiang Street, Shunyi District, Beijing, Beijing, China
99	C/O Company Secretarial Department, 280 Bishopsgate, London, United Kingdom, EC2M 4AG
100	300 Delaware Avenue Suite 1401, Wilmington, Delaware, United States of America, 19801
101	Woodbourne Hall, Road Town, Tortola, British Virgin Islands, P.O. Box 916
102	Craigmuir Chambers, Road Town Tortola, British Virgin Islands, VG1110
103	52/60 M G Road Fort, Mumbai, India, 400 001
104	5/F HSBC Centre 3058 Fifth Ave West, Bonifacio Global City, Taguig City, Philippines
105	18 Boulevard de Kockelscheuer, Luxembourg, Luxembourg, 1821
106	Unit 2002 of 20/F, Unit 2101 of 21/F HSBC Building, 8 Century Avenue, China (Shanghai) Pilot Free Trade Zone, Shanghai, China, 200120
107	Arnold House St Julians Avenue, St Peter Port, Guernsey, GY1 1WA
108	HSBC Tower, Downtown Dubai, P O Box 66, Dubai, United Arab Emirates
109	Unit 401, Level 4, Gate Precinct Building 2, Dubai International Financial Centre, P. O. Box 506553, Dubai, United Arab Emirates
110	Level 16, HSBC Tower, Downtown Dubai, P.O. Box 66, Dubai, United Arab Emirates
111	HSBC Tower, Level 21, 188 Quay Street, Auckland, New Zealand, 1010
112	The Corporation Trust Incorporated, 2405 York Road, Suite 201, Lutherville Timonium, Maryland, United States of America, 21093
113	HSBC House Esplanade, St. Helier, Jersey, JE1 1GT
114	9-17 Quai des Bergues, Geneva, Switzerland, 1201
115	1 Grand Canal Square, Grand Canal Harbour, Dublin 2, Ireland, D02 P820
116	6th floor HSBC Centre 18, Cybercity, Ebene, Mauritius, 72201
117	Esentepe Mah. Büyükdere Caddesi No.128, 34394, Şişli, Istanbul, Turkiye
118	5 rue Heienhaff, Senningerberg, Luxembourg, L-1736
119	52/60 M G Road, Fort, Mumbai, India, 400 001
120	Unit 2201, 22/F, Qianhai Chow Tai Fook Finance Tower (Phase I) No. 66 Shu Niu Avenue, Nanshan Subdistrict, the Shenzhen Qianhai Shenzhen-Hong Kong Cooperation Zone, the PRC, Shenzhen, China, 518054
121	HSBC Building 7267 Olaya - Al Murrooj, Riyadh, Saudi Arabia, 12283 - 2255
122	306 Corniche El Nil, HSBC Building, Maadi, Cairo, Egypt
123	1 Mutual Place, 107 Rivonia Road, Sandton, Gauteng, South Africa, 2196
124	Kapelanka 42A, Krakow, Poland, 30-347
125	C T Corporation System 820 Bear Tavern Road, West Trenton, New Jersey, United States of America, 08628
126	22/F, Tower 2, Taikoo Hui Building, No. 381 Tianhe Road, Tianhe District, Guangzhou, China
127	Business Bay, Wing 2 Tower B, Survey no 103, Hissa no. 2, Airport road, Yerwada, Pune, India, 411006

Registered offices

128	Room 3102, L31 HSBC Building, Shanghai ifc, 8 Century Avenue, China (Shanghai) Free Trade Zone, Shanghai, China, 200120
129	16 Boulevard d'Avranches, Luxembourg, L-1160
130	10 Earlsfort Terrace, Dublin, Ireland, D02 T380
131	No. 56 Yu Rong Street, Macheng, China, 438300
132	No. 205 Lie Shan Road Suizhou, Hubei, China
133	Building 3, Yin Zuo Di Jing Wan Tianmen New City, Tianmen, Hubei Province, China
134	RM101, 102 & 106 Sunshine Fairview, Sunshine Garden, Pedestrian Walkway, Pingjiang, China
135	Craigmuir Chambers, Road Town, Tortola, British Virgin Islands, VG1110
136	Kings Meadow Chester Business Park, Chester, United Kingdom, CH99 9FB
137	Level 15 HSBC Tower, Downtown Dubai, Dubai, United Arab Emirates, PO Box 66
138	De Entrée 201, Amsterdam, Netherlands, 1101 HG
139	World Trade Center 3, 9th Floor, Jalan Jendral Sudirman Kaveling 29-31, Karet, Setiabudi, South Jakarta, DKI Jakarta, Indonesia, 12920
140	5th Floor, World Trade Center 1, Jl. Jend. Sudirman Kav. 29-31, Jakarta, Indonesia, 12920
141	No.198-2 Chengshan Avenue (E), Rongcheng, China, 264300
142	Room 601, 6/F Phase 1 Qianhai Chow Tai Fook Finance Tower, 66 Shuniu Avenue, Nanshan Community, Qianhai Shenzhen-Hong Kong Corporation Zone, Shenzhen, Guangdong, China
143	Woodbourne Hall, Road Town, Tortola, British Virgin Islands, P.O. Box 3162
144	1 Côte d'Eich, Luxembourg, 1450
145	P.O. Box 3119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, Cayman Islands, KY1 – 1205
146	17 Boulevard F.W Raiffeisen, Luxembourg, 2411
147	Tokyo Club Building 11F, 3-2-6 Kasumigaseki, Chiyoda-ku, Tokyo, Japan
148	27/F, Alexandra House, 18 Chater Road Central, Hong Kong
149	Unit 2017, Floor 20, Tower 1 No.288, Shimen 1st Road, Jing An District, Shanghai, China, 200041
150	10 Collyer Quay, #10-01 Ocean Financial Centre, Singapore, Singapore, 049315
151	RM 2112, HSBC Building, Shanghai ifc No. 8 Century Road, Pudong, Shanghai, China, 200120
152	3 More London Riverside, London, United Kingdom, SE1 2AQ
153	296, floor 18, office A Paseo de la Reforma, Mexico City, Mexico, 06600
154	35 Ballards Lane, London, United Kingdom, N3 1XW
155	1 Raffles Quay #23-01, Singapore, 048583
156	c/o Mayfair Corporate Services Ltd., 26 Burnaby Street, Hamilton, Bermuda, HM11
157	27 Old Gloucester Street, London, United Kingdom, WC1N 3AX
158	All Saints Triangle Caledonian road, London, United Kingdom, N19UT
159	188 Yin Cheng Zhong Lu (Shanghai) Pilot Free Trade Zone, China
160	50/F, Lee Garden One, 33 Hysan Avenue, Hong Kong
161	13-15 York Buildings, London, United Kingdom, WC2N 6JU
162	167-169 Great Portland Street, 5th Floor, London, United Kingdom, W1W 5PF
163	8th Floor Unit No. 808-814, Ambadeep Building, Plot No. 14, Kasturba Gandhi Marg, New Delhi, India, 110001
164	C/O Interpath Ltd, 10 Fleet Place, London, United Kingdom, EC4M 7RB
165	251 Little Falls Drive, New Castle, Wilmington, United States of America, 19808
166	17F, HSBC Building, Shanghai ifc 8 Century Avenue, Pudong, Shanghai, China
167	10th Floor 5 Churchill Place, London, United Kingdom, E14 5HU
168	111 Town Square Place, Suite 840, Jersey City, New Jersey, United States of America, 07310

Registered offices

169	7th Floor, 62 Threadneedle Street, London, United Kingdom, EC2R 8HP
170	Unit 306,307, 308, Gate Village Building 05, Dubai International Financial Centre, Dubai, United Arab Emirates
171	Gartenstrasse 26, Zurich, Switzerland, 8002
172	4482 Deer Ridge Road, Danville, CA, Delaware, United States of America, 94506
173	7383 King Fahad Branch Rd, 2338 - Al Yasmeen Dist., Riyadh, Saudi Arabia, 13325
174	2nd Floor, Regis House, 45 King William Street, London, United Kingdom, EC4R 9AN
175	Coeur Défense - 110, esplanade du Général de Gaulle - La Défense 4 – 92400 Courbevoie
176	3 Dublin Landings, North Wall Quay, Dublin 1, Ireland
177	3, rue Jean Piret,L-2350 Luxembourg,Grand Duchy of Luxembourg

Shareholder information

Contents

This section gives important information for our shareholders, including contact information. It also includes an overview of key abbreviations and terminology used throughout the Annual Report and Accounts.

A glossary of terms used in the Annual Report and Accounts can be found in the Investors section of www.hsbc.com.

Fourth interim dividend for 2024

The Directors have approved a fourth interim dividend for 2024 of $0.36 per ordinary share. Information on the currencies in which shareholders may elect to have the cash dividend paid can be viewed at www.hsbc.com/investors. The interim dividend will be paid in cash. The timetable for the interim dividend is:

Announcement	**19 February 2025**
Shares quoted ex-dividend in London, Hong Kong and Bermuda	**6 March 2025**
American Depositary Shares ('ADS') quoted ex-dividend in New York	**7 March 2025**
Record date – London, Hong Kong, New York, Bermuda[1]	**7 March 2025**
Mailing of Annual Report and Accounts 2024 and/or Strategic Report 2024	**21 March 2025**
Final date for dividend election changes including Investor Centre electronic instructions and revocations of standing instructions for dividend elections	**10 April 2025**
Exchange rate determined for payment of dividends in pounds sterling and Hong Kong dollars	**14 April 2025**
Payment date	**25 April 2025**

1 Removals to and from the Overseas Branch register of shareholders in Hong Kong or Bermuda will not be permitted on this date.

Interim dividends for 2025

As previously communicated, we established and achieved a target dividend payout ratio of 50% of earnings per ordinary share ('EPS') for 2023 and 2024, excluding the special dividend. EPS for this purpose excludes material notable items and related impacts. Material notable items in 2023 and 2024 included the sale of our businesses in Canada and Argentina, the sale of our retail banking operations in France, the gain following the acquisition of SVB UK and the impairment of our investment in BoCom. We also exclude HSBC Bank Canada's financial results from the 30 June 2022 net asset reference date until completion on 29 March 2024, as the gain on sale recognised through a combination of the consolidation of HSBC Bank Canada's results in the Group's results since this date, and the remaining gain on sale was recognised at completion, inclusive of the recycling of related reserves and fair value gains on related hedges.

The Board has adopted a dividend policy designed to provide sustainable cash dividends, while retaining the flexibility to invest and grow the business in the future, supplemented by additional shareholder distributions, if appropriate. The Board has established a target dividend payout ratio of 50% for 2025, subject to meeting capital requirements.

Dividends are approved in US dollars and, at the election of the shareholder, paid in cash in one of, or in a combination of, US dollars, pounds sterling and Hong Kong dollars.

Other equity instruments

Additional tier 1 capital – contingent convertible securities

HSBC continues to issue contingent convertible securities that are included in its capital base as fully CRR II-compliant additional tier 1 capital securities. For further details on these securities, see Note 32 on the financial statements.

HSBC Holdings issued SGD1,500m 5.250% perpetual subordinated contingent convertible securities on 14 June 2024. In addition, HSBC Holdings issued US$1,350m 6.875% and US$1,150m 6.950% perpetual subordinated contingent convertible securities on 11 September 2024.

2024 Annual General Meeting

With the exception of the shareholder requisitioned Resolution 17, which the Board recommended that shareholders vote against, all resolutions considered at the 2024 AGM held at 11:00am on 3 May 2024 at InterContinental London O2, 1 Waterview Drive, London SE10 0TW, UK, were passed on a poll.

Earnings releases and interim results

First and third quarter results for 2025 will be released on 29 April 2025 and 28 October 2025, respectively. The interim results for the six months to 30 June 2025 will be issued on 30 July 2025.

Shareholder enquiries and communications

Enquiries

Any enquiries relating to shareholdings on the share register (for example, transfers of shares, changes of name or address, lost share certificates or dividend cheques) should be sent to the Registrars at the address given below. The Registrars offer an online facility, Investor Centre, which enables shareholders to manage their shareholding electronically.

Principal Register:	Computershare Investor Services PLC The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ, United Kingdom	Telephone: +44 (0) 370 702 0137 www.investorcentre.co.uk/contactus Investor Centre: www.investorcentre.co.uk
Hong Kong Overseas Branch Register:	Computershare Hong Kong Investor Services Limited Rooms 1712–1716, 17th Floor Hopewell Centre, 183 Queen's Road East, Hong Kong	Telephone: +852 2862 8555 hsbc.ecom@computershare.com.hk Investor Centre: www.investorcentre.com/hk
Bermuda Overseas Branch Register:	Investor Relations Team HSBC Bank Bermuda Limited, 37 Front Street, Hamilton, HM 11, Bermuda	hbbm.shareholder.services@hsbc.bm Investor Centre: www.investorcentre.com/bm
ADS Depositary:	The Bank of New York Mellon Shareowner Services, P.O. Box 43006, Providence RI 02940-3078, USA	Telephone (US): +1 877 283 5786 Telephone (International): +1 201 680 6825 shrrelations@cpushareownerservices.com

If your shareholding is not recorded directly on the share register, it is important to remember that your main contact for all matters relating to your investment remains the registered shareholder, or custodian or broker, who administers the investment on your behalf. This is the case even if you have elected to receive information rights directly from HSBC Holdings. Any changes or queries relating to your personal details and holding (including any administration of it) should be directed to your existing contact at your investment manager or custodian or broker. HSBC Holdings cannot guarantee dealing with matters directed to it in error.

Shareholders who wish to receive a hard copy of the Annual Report and Accounts 2024 should contact HSBC's Registrars. Please visit www.hsbc.com/investors/investor-contacts for further information. You can also download an online version of the report from www.hsbc.com.

Electronic communications

Shareholders may at any time choose to receive corporate communications in printed form or to receive notifications of their availability on HSBC's website. To receive notifications of the availability of a corporate communication on HSBC's website by email, or revoke or amend an instruction to receive such notifications by email, go to www.hsbc.com/investors/shareholder-information/manage-your-shareholding. If you received a notification of the availability of this document on HSBC's website and would like to receive a printed copy, or if you would like to receive future corporate communications in printed form, please write or send an email (quoting your shareholder reference number) to the appropriate Registrars at the address given above. Printed copies will be provided without charge.

Chinese translation

A Chinese translation of the Annual Report and Accounts 2024 will be available upon request after 21 March 2025 from the Registrars (contact details above). Please also contact the Registrars if you wish to receive Chinese translations of future documents, or if you have received a Chinese translation of this document and do not wish to receive them in future.

《2024 年報及賬目》備有中譯本，各界人士可於2025年3月21日之後，向上列股份登記處索閱。

閣下如欲於日後收取相關文件的中譯本，或已收到本文件的中譯本但不希望繼續收取有關譯本，均請聯絡股份登記處。

Stock symbols

HSBC Holdings ordinary shares trade under the following stock symbols:

London Stock Exchange	HSBA*	New York Stock Exchange (ADS)	HSBC
Hong Kong Stock Exchange	5	Bermuda Stock Exchange	HSBC.BH

* HSBC's Primary market

Investor relations

Enquiries relating to HSBC's strategy or operations may be directed to:

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Where more information about HSBC is available

The Annual Report and Accounts 2024 and other information on HSBC may be downloaded from HSBC's website: www.hsbc.com.

Reports, statements and information that HSBC Holdings files with the Securities and Exchange Commission are available at www.sec.gov. Investors can also request hard copies of these documents upon payment of a duplicating fee by writing to the SEC at the Office of Investor Education and Advocacy, 100 F Street N.E., Washington, DC 20549-0213 or by emailing PublicInfo@sec.gov. Investors should call the Commission at (1) 202 551 8090 if they require further assistance. Investors may also obtain the reports and other information that HSBC Holdings files at www.nyse.com (telephone number (1) 212 656 3000).

HM Treasury has transposed the requirements set out under CRD IV and issued the Capital Requirements Country-by-Country Reporting Regulations 2013. The legislation requires HSBC Holdings to publish additional information in respect of the year ended 31 December 2024 by 31 December 2025. This information will be available on HSBC's website: www.hsbc.com/tax.

Taxation of shares and dividends

Taxation – UK residents

The following is a summary, under current law (unless otherwise noted) and the current published practice of HM Revenue and Customs ('HMRC'), of certain UK tax considerations that are likely to be material to the ownership and disposition of HSBC Holdings ordinary shares. The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a holder of shares. In particular, the summary deals with shareholders who are resident solely in the UK for UK tax purposes and only with holders who hold the shares as investments and who are the beneficial owners of the shares, and does not address the tax treatment of certain classes of holders such as dealers in securities. Holders and prospective purchasers should consult their own advisers regarding the tax consequences of an investment in shares in light of their particular circumstances, including the effect of any national, state or local laws.

Taxation of dividends

Currently, no tax is withheld from dividends paid by HSBC Holdings.

UK resident individuals

UK resident individuals are generally entitled to a tax-free annual allowance in respect of dividends received. The amount of the allowance for the tax year beginning 6 April 2024 is £500. To the extent that dividend income received by an individual in the relevant tax year does not exceed the allowance, a nil tax rate will apply. Dividend income in excess of this allowance will be taxed at 8.75% for basic rate taxpayers, 33.75% for higher rate taxpayers and 39.35% for additional rate taxpayers.

UK resident companies

Shareholders that are within the charge to UK corporation tax should generally be entitled to an exemption from UK corporation tax on any dividends received from HSBC Holdings. However, the exemptions are not comprehensive and are subject to anti-avoidance rules.

If the conditions for exemption are not met or cease to be satisfied, or a shareholder within the charge to UK corporation tax elects for an otherwise exempt dividend to be taxable, the shareholder will be subject to UK corporation tax on dividends received from HSBC Holdings at the rate of corporation tax applicable to that shareholder.

Taxation of capital gains

The computation of the capital gains tax liability arising on disposals of shares in HSBC Holdings by shareholders subject to UK tax on capital gains can be complex, partly depending on whether, for example, the shares were purchased since April 1991, acquired in 1991 in exchange for shares in The Hongkong and Shanghai Banking Corporation Limited, or acquired subsequent to 1991 in exchange for shares in other companies.

For capital gains tax purposes, the acquisition cost for ordinary shares is adjusted to take account of subsequent rights and capitalisation issues. Any capital gain arising on a disposal of shares in HSBC Holdings by a UK company may also be adjusted to take account of indexation allowance if the shares were acquired before 1 January 2018, although the level of indexation allowance that is given in calculating the gain would be frozen at the value that would have been applied to a disposal of those shares in December 2017. If in doubt, shareholders are recommended to consult their professional advisers.

Stamp duty and stamp duty reserve tax

Transfers of shares by a written instrument of transfer generally will be subject to UK stamp duty at the rate of 0.5% of the consideration paid for the transfer (rounded up to the next £5), and such stamp duty is generally payable by the transferee. An agreement to transfer shares, or any interest therein, normally will give rise to a charge to stamp duty reserve tax at the rate of 0.5% of the consideration. However, provided an instrument of transfer of the shares is executed pursuant to the agreement and duly stamped before the date on which the stamp duty reserve tax becomes payable, under the current published practice of HMRC it will not be necessary to pay the stamp duty reserve tax, nor to apply for such tax to be cancelled. Stamp duty reserve tax is generally payable by the transferee.

Paperless transfers of shares within CREST, the UK's paperless share transfer system, are liable to stamp duty reserve tax at the rate of 0.5% of the consideration. In CREST transactions, the tax is calculated and payment made automatically. Deposits of shares into CREST generally will not be subject to stamp duty reserve tax, unless the transfer into CREST is itself for consideration.

Taxation – US residents

The following is a summary, under current law, of the principal UK tax and US federal income tax considerations that are likely to be material to the ownership and disposition of shares or American Depositary Shares ('ADSs') by a holder that is a US holder, as defined below, and who is not resident in the UK for UK tax purposes.

The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a holder of shares or ADSs. In particular, the summary deals only with US holders that hold shares or ADSs as capital assets, and does not address the tax treatment of holders that are subject to special tax rules. These include banks, tax-exempt entities, insurance companies, dealers in securities or currencies, persons that hold shares or ADSs as part of an integrated investment (including a 'straddle' or 'hedge') comprised of a share or ADS and one or more other positions, and persons that own directly or indirectly 10% or more (by vote or value) of the stock of HSBC Holdings. This discussion is based on laws, treaties, judicial decisions and regulatory interpretations in effect on the date hereof, all of which are subject to change.

For the purposes of this discussion, a 'US holder' is a beneficial holder that is a citizen or resident of the United States, a US domestic corporation or otherwise is subject to US federal income taxes on a net income basis in respect thereof.

Holders and prospective purchasers should consult their own advisers regarding the tax consequences of an investment in shares or ADSs in light of their particular circumstances, including the effect of any national, state or local laws.

Any US federal tax advice included in the Annual Report and Accounts 2024 is for informational purposes only. It was not intended or written to be used, and cannot be used, for the purpose of avoiding US federal tax penalties.

Taxation of dividends

Currently, no tax is withheld from dividends paid by HSBC Holdings. For US tax purposes, a US holder must include cash dividends paid on the shares or ADSs in ordinary income on the date that such holder or the ADS depositary receives them, translating dividends paid in UK pounds sterling into US dollars using the exchange rate in effect on the date of receipt. A US holder that elects to receive shares in lieu of a cash dividend must include in ordinary income the fair market value of such shares on the dividend payment date, and the tax basis of those shares will equal such fair market value.

Subject to certain exceptions for positions that are held for less than 61 days, and subject to a foreign corporation being considered a 'qualified foreign corporation' (which includes not being classified for US federal income tax purposes as a passive foreign investment company), certain dividends ('qualified dividends') received by an individual US holder generally will be subject to US taxation at preferential rates.

Based on the company's audited financial statements and relevant market and shareholder data, HSBC Holdings does not believe that it was a passive investment company for its 2024 taxable year and does not anticipate becoming a passive foreign investment company in 2025 or the foreseeable future. Accordingly, dividends paid on the shares or ADSs generally should be eligible for qualified dividends treatment.

Taxation of capital gains

Gains realised by a US holder on the sale or other disposition of shares or ADSs normally will not be subject to UK taxation unless at the time of the sale or other disposition the holder carries on a trade, profession or vocation in the UK through a branch or agency or permanent establishment and the shares or ADSs are or have been used, held or acquired for the purposes of such trade, profession, vocation, branch or agency or permanent establishment. Such gains will be included in income for US tax purposes, and will be long-term capital gains if the shares or ADSs were held for more than one year. A long-term capital gain realised by an individual US holder generally will be subject to US tax at preferential rates.

Inheritance tax

Shares or ADSs held by an individual whose domicile is determined to be the US for the purposes of the United States–United Kingdom Double Taxation Convention relating to estate and gift taxes (the 'Estate Tax Treaty') and who is not for such purposes a national of the UK will not, provided any US federal estate or gift tax chargeable has been paid, be subject to UK inheritance tax on the individual's death or on a lifetime transfer of shares or ADSs except in certain cases where the shares or ADSs (i) are comprised in a settlement (unless, at the time of the settlement, the settlor was domiciled in the US and was not a national of the UK), (ii) are part of the business property of a UK permanent establishment of an enterprise, or (iii) pertain to a UK fixed base of an individual used for the performance of independent personal services. In such cases, the Estate Tax Treaty generally provides a credit against US federal tax liability for the amount of any tax paid in the UK in a case where the shares or ADSs are subject to both UK inheritance tax and to US federal estate or gift tax.

Stamp duty and stamp duty reserve tax – ADSs

If shares are transferred to a clearance service or American Depositary Receipt ('ADR') issuer (which will include a transfer of shares to the depositary) UK stamp duty and/or stamp duty reserve tax will be payable unless the transfer is, or is treated as being, in the course of a capital raising arrangement. The stamp duty or stamp duty reserve tax is generally payable on the consideration for the transfer (or, if there is no consideration in money or money's worth, the value of the shares being transferred) and is payable at the aggregate rate of 1.5%.

The amount of stamp duty reserve tax payable on such a transfer will be reduced by any stamp duty paid in connection with the same transfer.

No stamp duty will be payable on the transfer of, or agreement to transfer, an ADS, provided that the ADR and any separate instrument of transfer or written agreement to transfer remain at all times outside the UK, and provided further that any such transfer or written agreement to transfer is not executed in the UK. No stamp duty reserve tax will be payable on a transfer of, or agreement to transfer, an ADS effected by the transfer of an ADR.

US information reporting and backup withholding tax

Distributions made on shares or ADSs and proceeds from the sale of shares or ADSs that are paid within the US, or through certain financial intermediaries to US holders, are subject to US information reporting and may be subject to a US 'backup' withholding tax. General exceptions to this rule happen when the US holder: establishes that it is a corporation (other than an S corporation) or other exempt holder; or provides a correct taxpayer identification number, certifies that no loss of exemption from backup withholding has occurred and otherwise complies with the applicable requirements of the backup withholding rules. Holders that are not US persons (as defined in the US Internal Revenue Code of 1986, as amended) generally are not subject to US information reporting or backup withholding tax, but may be required to comply with applicable certification procedures to establish that they are not US persons in order to avoid the application of such US information reporting requirements or backup withholding tax to payments received within the US or through certain financial intermediaries.

Approach to ESG reporting

The information set out in the ESG review on pages 41 to 84, taken together with other information relating to ESG issues included in this Annual Report and Accounts 2024, aims to provide key ESG information and data relevant to our operations for the year ended 31 December 2024. The data is compiled for the financial year 1 January to 31 December 2024 unless otherwise specified. Measurement techniques and calculations are explained next to data tables where necessary. There are no significant changes from the previous reporting period in terms of scope, boundary or measurement of our reporting of ESG matters. Where relevant, rationale is provided for any restatement of information or data that has been previously published.

How we decide what to measure

We listen to our stakeholders in a number of different ways, which we set out in more detail within the 'ESG overview' on page 16. We use the information they provide us to identify the issues that are most important to them and consequently also matter to our own business. Our ESG Committee and other relevant governance bodies regularly discuss the new and existing themes and issues that matter to our stakeholders. Our management team then uses this insight, alongside the framework of the ESG Guide (which refers to our obligations under the Environmental, Social and Governance Reporting Guide contained in Appendix C2 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited), and the UKLR 6.6.6R(8) of the Financial Conduct Authority's ('FCA') Listing Rules, Sections 414CA and 414CB of the UK Companies Act 2006, and other applicable laws and regulations to choose what we measure and publicly report in our ESG review. We will continue to develop and refine our reporting and disclosures on ESG matters in line with feedback received from our investors and other stakeholders, and in view of our obligations under the ESG Guide and the FCA's Listing Rules.

Under the ESG Guide, 'materiality' is considered to be the threshold at which ESG issues become sufficiently important to our investors and other stakeholders that they should be publicly reported. Our approach to materiality also considers disclosure standards and other applicable rules and regulations as part of our materiality assessment for specific ESG topics and relevant disclosures.

Given ongoing developments in the ESG regulatory environment across various jurisdictions in which we operate, combined with the relative immaturity of processes, systems, data quality and controls, our focus remains on supporting a globally consistent set of mandatory sustainability standards. We aim to continue to evolve our reporting to recognise market developments, such as the International Sustainability Standards Board ('ISSB') or the Corporate Sustainability Reporting Directive ('CSRD'), and support the efforts to harmonise the disclosures. In this Annual Report and Accounts 2024, we continue to report against the core World Economic Forum ('WEF'), Stakeholder Capitalism Metrics and Sustainability Accounting Standards Board ('SASB') metrics, and will continue to review our approach as the regulatory landscape evolves.

Consistent with the scope of financial information presented in our Annual Report and Accounts, the ESG review covers the operations of HSBC Holdings plc and its subsidiaries. Given the relative immaturity of ESG-related data and methodologies in general, we are on a journey towards improving completeness and robustness.

For further details of our material ESG topics, see 'Engaging with our stakeholders and our material ESG topics' on page 16.

Our reporting around ESG

We report on ESG matters throughout our Annual Report and Accounts 2024, including the 'ESG overview' section of the Strategic Report (pages 15 to 19), ESG review (pages 41 to 84), and the 'Climate risk' and 'Insights from climate scenario analysis' sections of the Risk review (pages 219 to 228). In addition, we have other supplementary materials, including our ESG Data Pack, which provides a more granular breakdown of ESG information.

Detailed data	Additional reports
ESG Data Pack 2024, including SASB Index 2024 and WEF Index 2024	UK Pay Gap Report 2024 Modern Slavery and Human Trafficking Statement 2024 Green Bond Report 2024 HSBC UN Sustainable Development Goals Bond Report 2024

For further details of our supplementary materials, see our ESG reporting centre at www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.

ESG Guide

We comply with the 'comply or explain' provisions in the ESG Guide, save for certain items, which we describe in more detail below:

– A1(b) on relevant laws/regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste, and on emissions: taking into account the nature of our business, we do not believe that there are relevant laws and regulations in these areas that have significant impacts on our operations. Nevertheless, we are fully compliant with our publication of information regarding scope 1 and 2 carbon emissions, while we only partially publish information on scope 3 carbon emissions, as the data required for that publication is not yet fully available.

– A1.3 on total hazardous waste produced, A1.4 on total non-hazardous waste produced: Taking into account the nature of our business, we do not consider hazardous waste to be a material issue for our stakeholders. As such, we report only on total waste produced, which includes hazardous and non-hazardous waste.

– A1.6 on handling hazardous and non-hazardous waste: Taking into account the nature of our business, we do not consider this to be a material issue for our stakeholders. Notwithstanding this, we continue to focus on the reduction and recycling of all waste. Building on the success of our previous operational environmental strategy, we are continuing to seek to identify key opportunities where we can lessen our wider environmental impact, including waste management. For further details, please see our ESG review on page 58.

– A2.4 on sourcing water issue and water efficiency target: Taking into account the nature of our business, we do not consider this to be a material issue for our stakeholders. Notwithstanding this, we have implemented measures to further reduce water consumption through the installation of flow restrictors, auto-taps and low or zero flush sanitary fittings and continue to track our water consumption.

– A2.5 on packaging material, B6(b) on issues related to health and safety and labelling relating to products and services provided, B6.1 on percentage of total products sold or shipped subject to recalls for safety and health reasons and B6.4 in recall procedures: Taking into account the nature of our business, we do not consider these to be material issues for our stakeholders.

This is aligned with the materiality reporting principle that is set out in the ESG Guide. See 'How we decide what to measure' for further information on how we determine what matters are material to our stakeholders.

Task Force on Climate-related Financial Disclosures ('TCFD') TCFD

As noted on page 18, we have considered our 'comply or explain' obligation under both UKLR 6.6.6(8) of the Financial Conduct Authority's ('FCA') Listing Rules and Sections 414CA and 414CB of the UK Companies Act 2006. We perform an assessment to ascertain the appropriate level of detail to be included in the climate-related financial disclosures that are set out in our Annual Report and Accounts, as part of considering what to measure and publicly report. Our assessment takes into account factors such as the level of our exposure to climate-related risks and opportunities, the scope and objectives of our climate-related strategy, transitional challenges, and the nature, size and complexity of our business. See 'How we decide what to measure' for further information.

We confirm that we have made disclosures consistent with 11 TCFD Recommendations and Recommended Disclosures, including its annexes and supplemental guidance, which we summarise in the table below:

Recommendation	Response	Disclosure location
Governance		
a) Describe the Board's oversight of climate-related risks and opportunities (Companies Act 2006 - Sections 414CA and 414CB 2A (a))		
Process, frequency and training	– The Board takes overall responsibility for ESG strategy, overseeing executive management in developing the approach, execution and associated reporting. ESG strategies were considered at eight Board meetings during the year.	Pages 74 and 253
	– Board members receive ESG-related training as part of their induction and ongoing development, and seek out further opportunities to build their skills and experience in this area.	Page 74
Sub-committee accountability, processes and frequency	– The Group Audit Committee ('GAC') considered ESG and climate reporting matters at six meetings during 2024. Furthermore, as an area of expanded assurance, the GAC, supported by the executive-level ESG Committee, provided close oversight of the disclosure risks in relation to sustainability and climate reporting, amid rising stakeholder expectations. The work will continue throughout 2025 in partnership with the Sustainability Working Group.	Page 264
	– The Group Risk Committee ('GRC') remained focused on climate risk and greenwashing risk. The GRC received reports on climate risk management and sustainability risk policies, while maintaining oversight of delivery plans and risk appetite breaches to help ensure that the Group continues to develop and maintains robust climate risk management capabilities. Reputation risk considerations have also formed part of these discussions. It considered climate risk at four meetings in 2024.	Pages 272 and 275
	– The diagram on page 74 provides an illustration of our ESG governance process, including how the Board's strategy on climate is cascaded and implemented throughout the organisation. It identifies examples of forums that manage both climate-related opportunities and risks, along with their responsibilities and the responsible chair.	Page 74
Examples of the Board and relevant Board committees taking climate into account	– The Board has overall responsibility for ESG strategy, overseeing executive management in developing the approach, execution, and associated reporting.	Page 251
	– We enhanced our ESG governance with the establishment of a new Sustainability Working Group ('SWG') of the HSBC Holdings Board. This working group has an initial remit to provide oversight and guidance in relation to the Group's sustainability activities, including the targets and timelines set out in the net zero transition plan, key sustainability risk policies and communication with key stakeholder groups.	Pages 22 and 74
	– In 2024, the Board oversaw the implementation of ESG strategy through regular dashboard reports and detailed updates including: review and approval of the net zero transition plan; deep dives on the sustainability execution programme; and updates on human rights.	Page 251
b) Describe management's role in assessing and managing climate-related risks and opportunities (Companies Act 2006 - Sections 414CA and 414CB 2A (a))		
Who manages climate-related risks and opportunities	– The Sustainability Working Group, established in 4Q24, oversees and provides guidance on the Group-wide medium and longer-term sustainability strategy. The ESG Committee has oversight of ESG strategy, policy, material commitments and external disclosure. It is co-chaired by the Group CEO and the Group Chief Sustainability Officer.	Page 220
	– The Group Chief Risk and Compliance Officer is the senior manager responsible for the management of climate risk under the UK Senior Managers Regime, holding overall accountability for the Group's climate risk programme.	Page 220
How management reports to the Board	– The Board delegates day-to-day management of the business and implementation of strategy to the Group CEO. During the year, the incumbent Group CEO was supported in his management of the Group by recommendations and advice from the Group Executive Committee ('GEC'), an executive forum comprising members of senior management that include chief executive officers of the global businesses and regions, as well as functional heads.	Page 247
	– During the year, the Board also oversaw the rationalisation of the ESG Committee and Sustainability Execution Committee into a single governance body (named the ESG Committee). These Board and executive level governance forums support senior management in the operationalisation of the Group's sustainability strategy, through the oversight of the sustainability execution programme. For further details see page 74.	Page 251
Processes used to inform management	– The Group Risk Management Meeting oversees the enterprise-wide management of all risks, including updates relating to the Group's climate risk profile and risk appetite, top and emerging climate risks, and key climate initiatives.	Page 74
Strategy		
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term (Companies Act 2006 - Sections 414CA and 414CB 2A (d))		
Processes used to determine material risks and opportunities	– When assessing our long-term scenarios, climate-related losses are expected to remain minimal in the short term and likely to increase in the medium and longer time horizon, driven by the transition to a net zero economy and greater physical risk impacts.	Page 224
	– Our models continue to incorporate a range of climate-specific metrics that could potentially impact our customers, including expected production volumes, revenue, costs and capital expenditure.	Page 224
Relevant short-, medium-, and long-term time horizons	– Our annual climate risk materiality assessment helps us to understand how climate risk may impact HSBC's risk taxonomy. The assessment considers short-term (up to 2026), medium-term (2027-2035) and long-term (2036-2050) periods.	Page 219

Task Force on Climate-related Financial Disclosures ('TCFD') continued

Recommendation	Response	Disclosure location
Transition or physical climate-related issues identified	– We aim to help our customers transition to net zero and a sustainable future by providing and facilitating between $750bn and $1tn of sustainable finance and investment by 2030. Our Sustainable Finance and Investment Data Dictionary 2024 includes a detailed definition of contributing activities.	Page 45
	– For transition risk, we have metrics in place to monitor the exposure of our wholesale corporate lending portfolio to six high transition risk sectors. As at 31 December 2024, the overall exposure to six high transition risk sectors was 18% of total gross carrying amount of wholesale loans and advances. Our relationship managers engage with our key wholesale customers, including those in higher transition risk sectors, through a transition engagement questionnaire ('TEQ'). In 2024, the TEQ was expanded to cover all geographies. The TEQ helps to gather information and assess our wholesale customers' business model alignment to a net zero transition and their exposure to physical and transition risks.	Page 221
	– The impact on our wholesale portfolios is demonstrated by the table on page 225 which shows the size of exposures by sector in 2024 and the cumulative change in ECL compared with a counterfactual scenario (expressed as a multiple). The size of our exposure in each sector is represented by our exposure at default ('EAD') relative to one another.	Page 225
	– The table on page 227 demonstrates the impact on our commercial real estate ('CRE') portfolio for specific markets, including the three biggest markets – Hong Kong, the UK and the US. This shows the increase in cumulative ECL over different time horizons, under each scenario, compared with a counterfactual scenario (expressed as a multiple).	Page 227
	– We measure the impacts of climate and weather events on our buildings on an ongoing basis using historical, current and scenario-modelled forecast data. In 2024, there were 40 major storms that had a minor impact on three of our buildings.	Page 228
Risks and opportunities by sector and/or geography	– For transition risk, we have metrics in place to monitor the exposure of our wholesale corporate lending portfolio to six high transition risk sectors. These are automotive, chemicals, construction, contracting & building materials, metals and mining, oil and gas, and power and utilities.	Page 221
	– Within our mortgage portfolios, properties or areas with potentially heightened physical risk are identified and assessed locally with exposure monitored using risk indicators. A reduction in property value, higher insurance costs and insurance availability are potential future negative financial impacts for properties with higher physical risk. Geographically, for the UK lending balances, our highest flood risk exposures are the Greater London and South-East regions.	Page 221
	– Development of clean power generation is critical to achieving net zero. We supported Abu Dhabi Future Energy Company (Masdar) towards its equity commitments on new greenfield projects in renewable energy and energy efficiency, by acting as joint lead manager and bookrunner in raising $1bn through its second green bond issuance.	Page 46
	– We aim to help our customers transition to net zero and a sustainable future by providing and facilitating between $750bn and $1tn of sustainable finance and investment by 2030. Additional detailed information on our sustainable finance and investment progress can be found in the ESG Data Pack.	Page 45
Concentrations of credit exposure to carbon-related assets (supplemental guidance for banks)	– We report our exposure to the six high transition risk sectors in the wholesale portfolio, which are automotive, chemicals, construction, contracting & building materials, metals and mining, oil and gas, and power and utilities. For details, see the ESG Data Pack.	Page 221
	– We monitor the energy performance certificate ('EPC') ratings of individual properties from A (highest efficiency) through to G (least efficient) as EPCs are commonly used as an indicator of transition risk in the UK mortgage book.	Page 221
Climate-related risks (transition and physical) in lending and other financial intermediary business activities (supplemental guidance for banks)	– Our material exposure to climate risk relates to wholesale and retail client financing activity within our banking portfolio.	Page 60
	– We are also exposed to climate risk in relation to asset ownership by our insurance business and employee pension plans.	Page 60
	– HSBC Asset Management recognises that climate-related risks may impact the operational and financial performance of investee companies. The impact of these risks will vary depending on characteristics such as asset class, sector, business model and geography. HSBC Asset Management continues to integrate climate analysis into its actively managed product offerings and seeks to assess climate-related risks that could impact investment performance, where applicable and relevant.	Page 60
	– Our relationship managers engage with our key wholesale customers, including those in higher transition risk sectors, through a transition engagement questionnaire ('TEQ'). In 2024, the TEQ was expanded to cover all geographies. The TEQ helps to gather information and assess our wholesale customers' business model alignment to a net zero transition and their exposure to physical and transition risks. We use the responses to the questionnaire to risk-assess our key wholesale customers.	Page 221
	– Under the Current Commitments scenario, our modelled outputs predict that ECL will not be more than 25% higher than the counterfactual scenario for any of the assessed sectors. The highest impacts are seen in the chemicals, construction and building materials, power and utilities and agriculture and soft commodities sectors. Greater climate risks would crystallise in the Below 2 Degrees scenario with its gradually increasing transition to net zero, driven by pockets of customers in higher-emitting sectors that are continuously exposed to larger climate-related losses.	Page 225
	– The UK is our largest mortgage market, and as of November 2024, made up 46.7% of our global mortgage portfolio. Our ESG Data Pack includes our climate risk exposures for this portfolio across regions. The maturity profile of the UK mortgage book shows that the average remaining contractual term in the UK is 21.8 years. This means our strategic approach to climate risk considers both present day risk and long-term forward-looking risk, given that customers may choose to remain with us over the lifespan of the loan. For the UK mortgage book, flood data is available for 93.7% of the mortgage book of which 0.9% is at a very high risk of flooding, with 2.7% of the book at a high risk of flooding.	Page 221

Task Force on Climate-related Financial Disclosures ('TCFD') continued

Recommendation	Response	Disclosure location
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning (Companies Act 2006 - Sections 414CA and 414CB 2A (e))		
Impact on strategy, business, and financial planning	– We aim to help our customers transition to net zero and a sustainable future by providing and facilitating between $750bn and $1tn of sustainable finance and investment by 2030.	Page 42
	– Climate scenario analysis supports our strategy by assessing our potential exposures to risks and vulnerabilities under a range of climate scenarios. It is one of the key tools used to support the evaluation of portfolios in line with our net zero ambition. Our 2024 scenarios considered the key regions in which we operate and were designed to assess the impact on our balance sheet across three distinct periods: short term up to 2026; medium term from 2027 to 2035; and long term from 2036 to 2050.	Page 223
	– From a financial and capital planning perspective, we use climate scenario analysis to support the Group's internal capital adequacy assessment process ('ICAAP') to understand the amount of capital the Group should hold to meet identified climate risks, including integration of climate impacts into the Group's internal stress testing exercises.	Page 223
	– We have assessed the impact of climate risk on our balance sheet and have concluded that no incremental adjustments were needed to capture climate impacts in our financial statements for the year ended 31 December 2024.	Page 43
	– We have used climate scenarios to inform our organisation's business, strategy and financial planning. In 2024, we continued to incorporate certain aspects of sustainable finance within our financial planning process.	
	– We do not fully disclose impacts from climate-related opportunities on financial planning and performance including on revenue, costs and the balance sheet, quantitative scenario analysis, detailed climate risk exposures for all sectors and geographies or physical risk metrics. This is due to transitional challenges in relation to data limitations, although nascent work is ongoing in these areas. We expect these data limitations to be addressed in the medium term as more reliable data becomes available and technology solutions are implemented.	
Impact on products and services	– We aim to help our customers transition to net zero and a sustainable future by providing and facilitating between $750bn and $1tn of sustainable finance and investment by 2030.	Page 45
	– Thermal coal mining: In 2021, absolute on-balance sheet financed emissions decreased by 71% to 1.38 Mt CO_2e relative to the re-baselined 2020 figure. In 2022, the absolute on-balance sheet financed emissions of our portfolio decreased by 69% to 1.44 Mt CO_2e relative to the re-baselined 2020 figure, and they rose by 4% from 2021 to 2022. The reduction from the 2020 re-baselined figure was due to strategic decisions and temporary factors, such as low loan drawdown levels.	Page 56
Impact on supply chain and/or value chain	– In 2024 we incorporated an additional supply chain data source to complement data from CDP (formerly the Carbon Disclosure Project). We continue to improve the measurement, quality and reporting of our supply chain emissions data to generate insights to drive targeted reduction activities.	Page 58
	– Our supply chain contributes c.81% of our operational emissions and is the area in which we face the most significant decarbonisation challenge. Many suppliers are still in the early phase of their decarbonisation journey. We have stepped up targeted efforts to support decarbonisation across our supply chain.	Page 58
	– We focus on building strategic partnerships that can help to create an enabling environment for mobilising finance, and support development and scaling-up of solutions for the net zero transition. In 2024 we donated approximately $9m in grant funding to help establish a portfolio of partnerships aligned to the strategic focus areas set out in our net zero transition plan: transitioning industry, catalysing the new economy, and decarbonising trade and supply chains. We are also supporting initiatives focused on driving progress on cross-cutting issues, such as nature and the just transition.	Page 47
	– As part of its stewardship activities, HSBC Asset Management engages on climate change issues with investee companies on a priority list, as defined in its Stewardship Plan.	Page 60
Impact on adaptation and mitigation activities	– In 2024 we achieved a 30.5% reduction in our energy consumption compared with 2019 (2023: 26.3%). This has been achieved through optimising the use of our real estate portfolio and carrying out a reduction in our office space and data centres. We continue to optimise our assets to ensure greater efficiency and capitalise on new energy technologies. In 2024 we increased our purchase of electricity from renewable sources to 75.4% from 58.4% in 2023. This included increasing our coverage of green tariffs in India and mainland China. Renewable electricity can help unlock our emissions reduction potential, and we aim to achieve 100% renewable electricity across our own operations by 2030.	Page 58
	– This forward-looking data along with historical data helps inform real estate planning. We will continue to enhance our understanding of how extreme weather events impact our buildings portfolio as climate risk assessment tools improve and evolve. We buy insurance for property damage and business interruption and consider insurance as a loss-mitigation strategy depending on its availability and price. We regularly review and enhance our building selection process and global engineering standards and will continue to assess historical claims data to help ensure our building selection and design standards address the potential impacts of climate change.	Page 228
Impact on operations	– We measure the impacts of climate and weather events on our buildings on an ongoing basis using historical, current and scenario-modelled forecast data. In 2024, there were 40 major storms that had a minor impact on three of our buildings. We use stress testing to evaluate the potential impact on our owned or leased premises. Our 2024 scenario stress test analysed how nine climate change-related hazards – comprising coastal flooding, fluvial flooding, pluvial flooding, soil movement due to drought, temperature extremes, water stress, wildfires, landslides and tropical cyclones – could impact 2,719 of our properties.	Page 228
Impact on investment in research and development	– Our five-year Climate Solutions Partnership with the World Resources Institute, WWF and over 50 local partners, continues to support nature-based solutions and energy transition in Asia. Since 2020, $105m in funding has been deployed to our NGO partners. The energy programmes have engaged companies across Asia to help set new standards in climate commitments for their industries and mobilised finance to support the uptake of renewables. The nature programmes supported the Asia Sustainable Palm Oil Links programme, focused on promoting sustainable palm oil production, consumption and trade across Asia, and the Nature-based Solutions Accelerator, which supported projects to reach investment readiness.	Page 47
	– We are a founding funder of the Just Transition Finance Lab, hosted at the LSE's Grantham Research Institute, which aims to accelerate solutions to achieve progress on climate and wider environmental goals through a people-centred approach. Since its launch in early 2024, the Lab has produced a range of outputs including: mapping just transition policies to a set of metrics, exploration of the role investors can play in facilitating a just transition in India, a case study of the coal-to-clean shift in Chile, and a detailed examination of the financial path to a just transition in the critical minerals sector.	Page 47

Task Force on Climate-related Financial Disclosures ('TCFD') continued

Recommendation	Response	Disclosure location
Impact on acquisitions or divestments	– Our mergers and acquisitions process considers potential climate and sustainability-related targets, net zero transition plans and climate strategy, and how this relates to HSBC.	Page 219
Impact on access to capital	– We have considered the impact of climate-related issues on our businesses, strategy and financial planning. Our access to capital may be impacted by reputational concerns as a result of climate action or inaction. In addition, if we are perceived to mislead stakeholders on our business activities or if we fail to achieve our stated net zero ambitions, we could potentially face reputational damage, impacting our revenue-generating ability and our access to capital markets. We expect to make the disclosure in the medium term as more data becomes available. To manage these risks we have integrated climate risk into our existing risk taxonomy, and incorporated it within the risk management framework through the policies and controls for the existing risks where appropriate.	
Transition plan to a low-carbon economy	– In 2020, we set an ambition to become a net zero bank by 2050. Since then, we have taken various actions across our organisation to support implementation as set out in our net zero transition plan. We continue to review both our transition plan and associated GHG targets to, where possible, ensure they remain consistent with assumptions used in our financial planning, including related financial approach for the implementation of the transition plan in the medium term (e.g. amount of capital and other expenditures supporting our decarbonisation strategy). The reference pathways we consider are global and we do not currently set GHG targets for individual countries or entities; however, we continue to explore the use of multiple climate-related scenarios to test achievability of the financed emissions targets and own operations ambition.	
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario (Companies Act 2006 - Sections 414CA and 414CB 2A (f))		
Embedding climate into scenario analysis	– Climate scenario analysis supports our strategy by assessing our potential exposures to risks and vulnerabilities under a range of climate scenarios. It is one of the key tools used to support the evaluation of portfolios in line with our net zero ambition.	Page 223
	– Our 2024 scenarios considered the key regions in which we operate and were designed to assess the impact on our balance sheet across three distinct periods: short term up to 2026; medium term from 2027 to 2035; and long term from 2036 to 2050.	Page 223
Key drivers of performance and how these have been taken into account	– The 2024 climate scenario analysis exercise was designed to examine the climate risks and vulnerabilities of corporate counterparties, across high transition risk sectors under climate scenarios of varying severity. Specifically, we measured the modelled effect on our projected ECL change over the short-, medium- and long-term horizons under each scenario. This was compared to a counterfactual scenario that excludes climate change impacts to isolate the climate only changes in ECL. Our analysis shows that over the longer term, we expect minimal losses to materialise when considering the Current Commitments scenario.	Pages 225 and 226
	– From a financial and capital planning perspective, we use climate scenario analysis to support the Group's internal capital adequacy assessment process ('ICAAP') to understand the amount of capital the Group should hold to meet identified climate risks, including integration of climate impacts into the Group's internal stress testing exercises.	Page 223
	– Climate scenario analysis also informs strategic planning by providing insights on the size and timing of financial impacts, and IFRS 9 loss provisioning to ensure climate risks are adequately provisioned for in our balance sheet, such as expected credit losses ('ECL').	Page 223
Scenarios used and how they factored in government policies	– Our scenarios are: Downside Physical Risk scenario, Severe Climate Stress scenario, Current Commitments scenario, Below 2 Degrees scenario and Delayed Transition Risk scenario.	Page 223
	– Our 2024 scenarios considered the key regions in which we operate and were designed to assess the impact on our balance sheet across three distinct periods: short term up to 2026; medium term from 2027 to 2035; and long term from 2036 to 2050.	Page 223
	– We have chosen these scenarios to provide a holistic view that supplements the Group's current and future strategic thinking. The 2024 climate scenarios are underpinned by well-established industry bodies such as Network for Greening Finance Phase IV, the Intergovernmental Panel on Climate Change ('IPCC') and International Energy Agency ('IEA'), which are further enriched for additional granularity, ensuring consistency with industry-recognised work, and reflecting the latest climate policy and economic outlook.	Page 223
	– The scenarios developed for climate scenario analysis are designed to examine HSBC's financial performance and capital resilience across a wide range of potential climate outcomes. They are sufficiently diverse to enable HSBC's key physical and transition risk vulnerabilities to be explored. To meet our global regulatory needs, we produced several climate stress tests for regulators around the world, including the Hong Kong Monetary Authority ('HKMA').	Page 223
How our strategies may change and adapt	– The analysis supports our approach to supporting our clients in the transition to net zero through assessing, where available, client level financial and credit risk metrics, and identifying where further analysis and climate risk focus is required.	Page 223
	– In our net zero transition plan published in January 2024 we committed to continually calibrate our approach to take into consideration the latest scientific methodologies, climate-related policies and developments in the real world given that our sector portfolios reflect progress in the regional economies where we operate. See page 15 for details.	Page 42
	– Our target-setting approach to date for on-balance sheet financed emissions and facilitated emissions, has been to utilise a single reference scenario – IEA's NZE 2021 – to underpin both energy supply-related sectors (oil and gas; power and utilities; and thermal coal mining), and our published targets for demand-side sectors in transport (aviation and automotive) and heavy industry (cement; and iron, steel and aluminium).	Page 48
	– We do not currently fully disclose the impacts of transition and physical risk quantitatively, due to transitional challenges including data limitations and evolving science and methodologies. In 2024, we disclosed the potential impairment impacts for our wholesale and commercial real estate portfolios in different climate scenarios. We also disclose our exposure to flooding in our retail mortgage book for specific markets. For our wholesale book, we disclose potential implications on our expected credit losses for 11 sectors under two scenarios. These are accompanied with a heat map, illustrating how we expect the potential risks to evolve over time under a variety of scenarios.	

Task Force on Climate-related Financial Disclosures (‘TCFD’) continued

Recommendation	Response	Disclosure location
Risk management		
a) Describe the organisation’s processes for identifying and assessing climate-related risks (Companies Act 2006 - Sections 414CA and 414CB 2A (b))		
Process	– The scenarios developed for climate scenario analysis are designed to examine HSBC’s financial performance and capital resilience across a wide range of potential climate outcomes. They are sufficiently diverse to enable HSBC’s key physical and transition risk vulnerabilities to be explored. We continue to enhance our climate scenario analysis exercises so that we can have a more comprehensive understanding of climate headwinds, risks and opportunities to support our strategic planning, actions and risk management.	Page 223
	– We continue to review policy implementation as we apply our sustainability risk policies in practice, and our operationalisation of such policies continues to be enhanced. We take a risk-based approach when identifying transactions and clients to which our sustainability risk policies apply and, where relevant, when reporting on relevant exposures, adopting approaches proportionate to risk and materiality.	Page 61
Integration into policies and procedures	– We continue to integrate climate risk into policies, processes and controls across many areas of our organisation, and we will continue to update these as our climate risk management capabilities mature over time.	Page 220
Consider climate-related risks in traditional banking industry risk categories (supplementary guidance for banks)	– We provide further details of how we have embedded the management of climate risk across key risk types, including wholesale credit risk, retail credit risk, treasury risk, traded risk, reputational risk, regulatory compliance risk, resilience risk, model risk, and financial reporting risk.	Page 221
b) Describe the organisation’s processes for managing climate-related risks (Companies Act 2006 - Sections 414CA and 414CB 2A (b))		
Process and how we make decisions	– The Group Risk Management Meeting and the Group Risk Committee receive regular updates on our climate risk profile and the progress of our climate risk programme.	Page 220
	– The Environmental Risk Steering Meeting (formerly the Environmental Risk Oversight Forum) provides oversight of environmental risk and the risk of greenwashing. Equivalent forums have been established at a regional level.	Page 220
c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation’s overall risk management framework (Companies Act 2006 - Sections 414CA and 414CB 2A (c))		
How we have aligned and integrated our approach	– Our climate risk approach is aligned to our Group-wide risk management framework and three lines of defence model, which sets out how we identify, assess and manage our risks.	Page 219
	– We continue to develop our approach and climate risk capabilities across our businesses, by prioritising sectors, portfolios and counterparties with the highest impacts, and recognise that this is a long-term iterative process.	Page 219
	– Our annual climate risk materiality assessment helps us to understand how climate risk may impact HSBC’s risk taxonomy.	Page 219
	– In addition to this assessment, we also consider climate risk in our emerging risk reporting and scenario analysis.	Page 219
How we take into account interconnections between entities and functions	– Our climate risk approach is aligned to our Group-wide risk management framework and three lines of defence model, which sets out how we identify, assess and manage our risks.	Page 219
	– Through our climate risk programme, we have made progress on embedding climate considerations throughout our organisation. We also developed risk metrics to monitor and manage exposures, and further enhanced our internal climate scenario analysis. We continue to implement our climate risk programme to complete our annual materiality assessment and make changes to our policies, processes and capabilities to better embed climate considerations throughout our organisation.	Page 130
	– This includes increasing coverage and incorporating more mature data, climate analytics, frameworks and tools, and responding to emerging industry best practice and climate-related regulations. This also necessitates reflecting on how climate risk continues to evolve in the real world, and improving how we embed climate risk factors into strategic planning, transactions and decision making across our businesses.	Page 219

Task Force on Climate-related Financial Disclosures ('TCFD') continued

Recommendation	Response	Disclosure location
Metrics and targets		
a) Disclose the metrics used by the organisation to assess climate-related risk and opportunities in line with its strategy and risk management process (Companies Act 2006 - Sections 414CA and 414CB 2A (h))		
Metrics used to assess the impact of climate-related risks on our loan portfolio	– We have metrics in place to monitor the exposure of our wholesale corporate lending portfolio to six high transition risk sectors. As at 31 December 2024, the overall exposure to the six high transition risk sectors was 18% of total gross carrying amount of wholesale loans and advances.	Page 221
	– The UK is our largest mortgage market, and as of November 2024, made up 46.7% of our global mortgage portfolio. Our ESG Data Pack includes our climate risk exposures for this portfolio across regions. The maturity profile of the UK mortgage book shows that the average remaining contractual term in the UK is 21.8 years. However, with some customers undertaking refinancing options during this term, the average term of the mortgage can be reduced to between five and eight years. For the UK mortgage book, flood data is available for 93.7% of the mortgage book of which 0.9% is at a very high risk of flooding, with 2.7% of the book at a high risk of flooding. We monitor the energy performance certificate ('EPC') ratings of individual properties from A (highest efficiency) through to G (least efficient) as EPCs are commonly used as an indicator of transition risk in the UK mortgage book.	Page 221
	– We have started to enhance our approach to managing net zero alignment risk in our wholesale portfolio, through developing portfolio steering capabilities and revenue assessments. While we have made progress, further work remains, including the need to develop additional metrics and tools to measure our exposure to climate-related risks.	Page 220
Metrics used to assess progress against opportunities	– Since 1 January 2020, we have provided and facilitated a cumulative $352.5bn of sustainable finance and $41.1bn of ESG and sustainable investing, as defined in our Sustainable Finance and Investment Data Dictionary 2024. This included 39% where the use of proceeds was dedicated to green financing, 12% to social financing, and 15% to other sustainable financing. It also included 24% of sustainability-linked financing and 10% of net new investment flows managed and distributed on behalf of investors.	Page 45
	– We do not currently fully disclose the proportion of revenue or proportion of assets, capital deployment or other business activities aligned with climate-related opportunities, including revenue from products and services designed for a low-carbon economy, forward-looking metrics consistent with our business or strategic planning time horizons. In relation to sustainable finance revenue and assets, we are disclosing certain elements. We expect the data and system limitations related to financial planning and performance, and climate-related opportunities metrics to be addressed in the medium term as more reliable data becomes available and technology solutions are implemented. We expect to further enhance this disclosure in the medium term.	
Board or senior management incentives	– To help us achieve our ESG ambitions, a number of measures are included in the annual incentive and long-term incentive scorecards of the Group CEO, Group CFO and Group Executives that underpin the ESG metrics in the table on page 17.	Page 17
Internal carbon price	– We do not currently disclose internal carbon prices due to transitional challenges, such as data challenges. However, we considered carbon prices as an input for our climate scenario analysis exercise. We expect to further enhance this disclosure in the medium term.	
Metrics used to assess the impact of climate risk on lending and financial intermediary business (supplemental guidance for banks)	– As part of our 2024 climate scenario analysis exercise, we completed a detailed retail mortgage risk assessment for the UK, US, Singapore and Malaysia. In our 2023 exercise we also assessed Hong Kong, Australia and mainland China. Our coverage represented 91% of the balances in our global retail mortgage portfolio, across the two exercises. For our Hong Kong portfolio, we completed a short- and long-term scenario analysis exercise during late 2023 and early 2024 at the request of the HKMA. Our analysis shows that over the longer term, we expect minimal losses to materialise when considering the Current Commitments scenario.	Page 226
	– The impact on our wholesale portfolios is demonstrated by the table on page 225 which shows the size of exposures by sector in 2024 and the cumulative change in ECL compared with a counterfactual scenario (expressed as a multiple). The size of our exposure in each sector is represented by our exposure at default ('EAD') relative to one another.	Page 225
	– We do not fully disclose metrics used to assess the impact of climate-related physical (chronic) and transition (policy and legal, technology and market) risks on retail lending, parts of wholesale lending and other financial intermediary business activities (specifically credit exposure, equity and debt holdings, or trading positions, broken down by industry, geography, credit quality and average tenor). We are aiming to develop the appropriate systems, data and processes to provide these disclosures in future years. We disclose the exposure to six, high-transition risk wholesale sectors as a proportion of total wholesale loans and advances and the flood risk exposure and Energy Performance Certificate ('EPC') breakdown for the UK retail mortgage portfolio.	

Task Force on Climate-related Financial Disclosures ('TCFD') continued

Recommendation	Response	Disclosure location
b) Disclose scope 1, scope 2 and, if appropriate, scope 3 greenhouse gas emissions and the related risks (Companies Act 2006 - Sections 414CA and 414CB 2A (h))		
Our own operations	– Our supply chain contributes c.81% of our operational emissions and is the area in which we face the most significant decarbonisation challenge. Many suppliers are still in the early phase of their decarbonisation journey. We have stepped up targeted efforts to support decarbonisation across our supply chain.	Page 58
	– We report GHG emissions associated with the energy used in our premises and employees' business travel and our supply chain in tonnes of CO2 equivalent. As more of our suppliers report their emissions, we should be able to include more accurate data and fewer industry averages in the calculation. We have applied a data quality score to the sources of data we used to determine counterparty emissions.	Page 59
Greenhouse gas emissions for lending and financial intermediary business (supplemental guidance for banks)	– Our analysis of financed emissions comprises 'on-balance sheet financed emissions' and 'facilitated emissions', which we distinguish where necessary in our reporting. Our on-balance sheet financed emissions include emissions related to on-balance sheet lending, such as project finance and direct lending. Our facilitated emissions include emissions related to financing we help clients to raise through capital markets activities. Our analysis covers financing from Global Banking and Markets, and Commercial Banking.	Page 48
	– HSBC Asset Management recognises that climate-related risks may impact the operational and financial performance of investee companies. The impact of these risks will vary depending on characteristics such as asset class, sector, business model and geography. HSBC Asset Management continues to integrate climate analysis into its actively managed product offerings and seeks to assess climate-related risks that could impact investment performance, where applicable and relevant.	Page 60
	– We currently disclose partial scope 3 greenhouse gas emissions. We currently focus on disclosing only four out of fifteen categories of scope 3 greenhouse gas emissions, including business travel, supply chain and financed emissions, following our internal materiality assessment. In relation to financed emissions, we publish on-balance sheet financed emissions for a number of sectors, covering 2.7% of our loans and advances to customers at 31 December 2023, as detailed on page 56. We also publish facilitated emissions for the oil and gas, and power and utilities sectors. Data quality of future disclosures on financed emissions and related risks are reliant on our customers publicly disclosing their greenhouse gas emissions, targets and plans, and related risks. We recognise the need to provide early transparency on climate disclosures but balance this with the recognition that existing data and reporting processes continue to require significant enhancements.	
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets (Companies Act 2006 - Sections 414CA and 414CB 2A (g))		
Details of targets set and whether they are absolute or intensity based	– We aim to help our customers transition to net zero and a sustainable future by providing and facilitating between $750bn and $1tn of sustainable finance and investment by 2030.	Page 45
	– We set interim 2030 financed emissions targets. However, we use different time horizons for climate risk management. For climate risk, we define short term as time periods up to 2026; medium term is between 2027 and 2035; and long term is between 2036 and 2050. For financed emissions we do not plan to set 2026 targets. In 2024, we disclose interim 2030 financed emissions targets for seven sectors comprising five on-balance sheet and two combined financed emissions targets, as we outline on page 52. We have set combined on-balance sheet financed emissions and facilitated emissions targets for two emissions-intensive sectors: oil and gas; and power and utilities; and report the combined progress for both sectors. In 2025, we plan to review our targets to consider the latest net zero-aligned scenarios available. For further details on the restatements and targets and progress of financed emissions, see 'Our approach to emissions re-baselines and restatements' and 'Targets and progress' on pages 51 and 52 respectively.	
	– We do not currently disclose a target for capital deployment. In relation to capital deployment, since 2015, we have issued more than $2bn of our own green bonds and structured green bonds with the capital invested into a variety of green projects, including: green buildings; and renewable energy and clean transportation projects. Following extensive internal and external review of HSBC's green issuance framework, we published the updated HSBC Green Financing Framework in October 2024. This Green Financing Framework forms part of our sustainability strategy and sets out our approach to allocating amounts equivalent to the net proceeds raised through certain instruments and transactions against financing for businesses and projects that meet certain eligibility criteria. See the HSBC Green Financing Framework at www.hsbc.com/investors/fixed-income-investors/green-financing-framework for further information.	
	– We do not currently disclose an internal carbon pricing target due to transitional challenges, such as developing the appropriate systems and processes, but we considered carbon prices as an input for our climate scenario analysis exercise. We expect to further enhance the disclosure in the medium term as more data becomes available.	
	– We do not currently disclose targets used to measure and manage physical risk. This is due to transitional challenges, including the data limitations of physical risk metrics. For retail, we do not use targets to measure and manage physical risk. In 2024, we continued to use an internally developed global 'soft trigger' monitoring and review process for physical risk exposure where a market reaches or exceeds a set threshold, as this ensures markets are actively considering their balance sheet risk exposure to peril events. We also consider physical and transition risk as an input for our climate scenario analysis exercise. We expect to further enhance our disclosures as our data, quantitative scenario analysis, risk metrics and physical risk targets evolve, and technology solutions are implemented in the medium term.	
	– We have described the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. However, taking into account the nature of our business, we do not consider water usage to be a material target for our business and, therefore, we have not included a target in this year's disclosure.	
Other key performance indicators used	– In 2024 we achieved a 30.5% reduction in our energy consumption compared with 2019 (2023: 26.3%).	Page 58
	– In 2024 we increased our purchase of electricity from renewable sources to 75.4% from 58.4% in 2023. This included increasing our coverage of green tariffs in India and mainland China. Renewable electricity can help unlock our emissions reduction potential, and we aim to achieve 100% renewable electricity across our own operations by 2030.	Page 58

Cautionary statement regarding forward-looking statements

This Annual Report and Accounts 2024 contains certain forward-looking statements with respect to HSBC's financial condition; results of operations and business, including the strategic priorities; financial, investment and capital targets; and ESG ambitions, targets and commitments described herein.

Statements that are not historical facts, including statements about HSBC'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. HSBC 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 periodic reports to the US Securities and Exchange Commission, summary financial statements to shareholders, offering circulars and prospectuses, press releases and other written materials, and in oral statements made by HSBC'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 we operate, such as new, continuing or deepening recessions, prolonged inflationary pressures and fluctuations in employment levels and the creditworthiness of customers beyond those factored into consensus forecasts; the Russia-Ukraine war and the conflict in the Middle East and their impact on global economies and the markets where HSBC operates, which could have a material adverse effect on (among other things) our financial condition, results of operations, prospects, liquidity, capital position and credit ratings; deviations from the market and economic assumptions that form the basis for our ECL measurements (including, without limitation, as a result of the Russia-Ukraine war and the conflict in the Middle East, inflationary pressures, commodity price changes, and ongoing developments in the commercial real estate sector in mainland China); potential changes in HSBC's dividend policy; changes and volatility in foreign exchange rates and interest rates levels, including the accounting impact resulting from financial reporting in respect of hyperinflationary economies; volatility in equity markets; lack of liquidity in wholesale funding or capital markets, which may affect our ability to meet our obligations under financing facilities or to fund new loans, investments and businesses; geopolitical tensions or diplomatic developments producing social instability or legal uncertainty, such as the Russia-Ukraine war or the conflict in the Middle East (including the resurgence, continuation or escalation thereof) and the related imposition of sanctions and trade restrictions, supply chain restrictions and disruptions, sustained increases in energy prices and key commodity prices, claims of human rights violations, diplomatic tensions between China and the US, which may extend to and involve other countries, and developments in Hong Kong and Taiwan, alongside other potential areas of tension, which may adversely affect HSBC by creating regulatory, reputational and market risks; the efficacy of government, customer, and HSBC'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 HSBC both directly and indirectly through our 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 us as a conduit for illegal activities without our knowledge; the discontinuation of certain key Ibors and the transition of the remaining legacy Ibor contracts to near risk-free benchmark rates, which continues to expose HSBC to some financial and non-financial risks; and price competition in the market segments we serve;
- changes in government policy and regulation, including trade and tariff policies, as well as monetary, interest rate and other policies of central banks and other regulatory authorities in the principal markets in which we operate and the consequences thereof (including, without limitation, actions taken as a result of changes in government following national elections in the markets where the Group operates); 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 HSBC, 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 UK's relationship with the EU, particularly with respect to the potential divergence of UK and EU law on the regulation of financial services; changes in government approach and regulatory treatment in relation to ESG disclosures and reporting requirements, and the current lack of a single standardised regulatory approach to ESG across all sectors and markets; changes in UK macroeconomic and fiscal policy, which may result in fluctuations in the value of the pound sterling; general changes in government policy (including, without limitation, actions taken as a result of changes in government following national elections in the markets where the Group operates) 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 HSBC, including our success in adequately identifying the risks we face, such as the incidence of loan losses or delinquency, and managing those risks (through account management, hedging and other techniques); our ability to achieve our financial, investment, capital and ESG ambitions, targets and commitments (including the positions set forth in our thermal coal phase-out policy and our energy policy and our targets to reduce our on-balance sheet financed emissions and, where applicable, facilitated emissions in our portfolio of selected high-emitting sectors), which may result in our failure to achieve any of the expected outcomes of our strategic priorities; evolving regulatory requirements and the development of new technologies, including artificial intelligence, affecting how we manage model risk; model limitations or failure, including, without limitation, the impact that high inflationary pressures and rising interest rates have had on the performance and usage of financial models, which may require us 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 we base our financial statements on; changes in our ability to meet the requirements of regulatory stress tests; a reduction in the credit ratings assigned to us or any of our subsidiaries, which could increase the cost or decrease the availability of our funding and affect our liquidity position and net interest margin; changes to the reliability and security of our data management, data privacy, information and technology

infrastructure, including threats from cyber-attacks, which may impact our 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; our dependence on loan payments and dividends from subsidiaries to meet our obligations; changes in our reporting frameworks and accounting standards, which have had and may continue to have a material impact on the way we prepare our financial statements; our ability to successfully execute planned strategic acquisitions and disposals; our success in adequately integrating acquired businesses into our business; our ability to successfully execute and implement the announced strategic reorganisation of the Group; changes in our ability to manage third-party, fraud, financial crime and reputational risks inherent in our 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 our ability to recruit and retain senior management and an inclusive and skilled workforce; and changes in our ability to develop sustainable finance and ESG-related products consistent with the evolving expectations of our regulators, and our capacity to measure the environmental and social impacts from our financing activity (including as a result of data limitations and changes in methodologies), which may affect our ability to achieve our ESG ambitions, targets and commitments, including our net zero ambition, our targets to reduce on-balance sheet financed emissions and, where applicable, facilitated emissions in our portfolio of selected high-emitting sectors and the positions set forth in our thermal coal phase-out policy and our energy policy, and increase the risk of greenwashing. Effective risk management depends on, among other things, our ability through stress testing and other techniques to prepare for events that cannot be captured by the statistical models it uses; our success in addressing operational, legal and regulatory, and litigation challenges; and other risks and uncertainties we identify in 'Top and emerging risks' on pages 131 to 136.

This Annual Report and Accounts 2024 contains a number of images, graphics, infographics, text boxes and illustrative case studies and credentials which aim to give a high-level overview of certain elements of our disclosures and to improve accessibility for readers. These images, graphics, infographics, text boxes and illustrative case studies and credentials are designed to be read within the context of the Annual Report and Accounts 2024 as a whole.

Additional cautionary statement regarding ESG data, metrics and forward-looking statements

The Annual Report and Accounts 2024 contains a number of forward-looking statements (as defined above) with respect to HSBC's ESG ambitions, targets, commitments, climate-related pathways, processes and plans, and the methodologies and scenarios we use, or intend to use, to assess our progress in relation to these ('ESG-related forward-looking statements').

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

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

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

- Climate change projection risk: this includes, for example, the evolution of climate change and its impacts, changes in the scientific assessment of climate change impacts, transition pathways and future risk exposure and limitations of climate scenario forecasts;
- ESG projection risk: ESG metrics are complex and are still subject to development. In addition, the scenarios employed in relation to them, and the models that analyse them have limitations that are sensitive to key assumptions and parameters, which are themselves subject to some uncertainty, and cannot fully capture all of the potential effects of climate, policy and technology-driven outcomes;
- Changes in the ESG regulatory landscape: this involves changes in government approach and regulatory treatment in relation to ESG disclosures and reporting requirements, and the current lack of a single standardised regulatory approach to ESG across all sectors and markets;
- Variation in reporting standards: ESG reporting standards are still developing and are not standardised or comparable across all sectors and markets, new reporting standards in relation to different ESG metrics are still emerging;
- Data availability, accuracy, verifiability and data gaps: our disclosures are limited by the availability of high quality data in some areas and our own ability to timely collect and process such data as required. Where data is not available for all sectors or consistently year on year, there may be an impact to our data quality scores. While we expect our data quality scores to improve over time, as companies continue to expand their disclosures to meet growing regulatory and stakeholder expectations, there may be unexpected fluctuations within sectors year on year, and/or differences between the data quality scores between sectors. Any such changes in the availability and quality of data over time, or our ability to collect and process such data, could result in revisions to reported data going forward, including on financed emissions, meaning that such data may not be reconcilable or comparable year-on year;

- Developing methodologies and scenarios: the methodologies and scenarios HSBC uses to assess financed emissions and set ESG-related targets may develop over time in line with market practice, regulation and/or developments in science, where applicable. Such developments could result in revisions to reported data, including on financed emissions or the classification of sustainable finance and investments, meaning that data outputs may not be reconcilable or comparable year-on year; and
- Risk management capabilities: global actions, including HSBC's own actions, may not be effective in transitioning to net zero and in managing relevant ESG risks, including in particular climate, nature-related and human rights risks, each of which can impact HSBC both directly and indirectly through our customers, and which may result in potential financial and non-financial impacts to HSBC. In particular:
- we may not be able to achieve our ESG ambitions, targets and commitments (including with respect to the positions set forth in our thermal coal phase-out policy and our energy policy, and our targets to reduce our on-balance sheet financed emissions and, where applicable, facilitated emissions in our portfolio of selected high-emitting sectors), which may result in our failure to achieve some or all of the expected outcomes of our strategic priorities; and
- we may not be able to develop sustainable finance and ESG-related products consistent with the evolving expectations of our regulators, and our capacity to measure the environmental and social impacts from our financing activity may diminish (including as a result of data and model limitations and changes in methodologies), which may affect our ability to achieve our ESG ambitions, targets and commitments, including our net zero ambition, our targets to reduce our on-balance sheet financed emissions and, where applicable, facilitated emissions in our portfolio of selected high-emitting sectors and the positions set forth in our thermal coal phase-out policy and energy policy, and increase the risk of greenwashing.

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

Written and/or oral ESG-related forward-looking statements may also be made in our periodic reports to the US Securities and Exchange Commission, summary financial statements to shareholders, proxy statements, offering circulars and prospectuses, press releases and other written materials, and in oral statements made by HSBC's Directors, officers or employees to third parties, including financial analysts.

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

Certain defined terms

Unless the context requires otherwise, 'HSBC Holdings' means HSBC Holdings plc and 'HSBC', the 'Group', 'we', 'us' and 'our' refer to HSBC Holdings together with its subsidiaries. Within this document the Hong Kong Special Administrative Region of the People's Republic of China is referred to as 'Hong Kong'.

When used in the terms 'shareholders' equity' and 'total shareholders' equity', 'shareholders' means holders of HSBC Holdings ordinary shares and those preference shares and capital securities issued by HSBC Holdings classified as equity. The abbreviations '$m', '$bn' and '$tn' represent millions, billions (thousands of millions) and trillions of US dollars, respectively.

Abbreviations

Currencies

£	British pound sterling
CA$	Canadian dollar
€	Euro
HK$	Hong Kong dollar
MXN	Mexican peso
RMB	Chinese renminbi
SGD	Singapore dollar
$	United States dollar

Abbreviations

1H24	First half of 2024
1Q24	First quarter of 2024
2Q24	Second quarter of 2024
3Q24	Third quarter of 2024
4Q24	Fourth quarter of 2024
9M24	Nine months of 2024

A

ABS[1]	Asset-backed security
ADR	American Depositary Receipt
ADS	American Depositary Share
AGM	Annual General Meeting
AI	Artificial intelligence
AIBL	Average interest-bearing liabilities
AIEA	Average interest-earning assets
ALCO	Asset and Liability Management Committee
AML	Anti-money laundering
AML DPA	Five-year deferred prosecution agreement with the US Department of Justice, entered into in December 2012
ANP	Annualised new business premium
ASEAN	Association of Southeast Asian Nations
AT1	Additional tier 1

B

Banking NII	Banking net interest income
Basel Committee	Basel Committee on Banking Supervision
Basel II[1]	2006 Basel Capital Accord
Basel III[1]	Basel Committee's reforms to strengthen global capital and liquidity rules
Basel 3.1	Outstanding measures to be implemented from the Basel III reforms
BEPS	Base Erosion and Profit Shifting
BGF	Business Growth Fund, an investment firm that provides growth capital for small and mid-sized businesses in the UK and Ireland
BoCom	Bank of Communications Co., Limited, one of China's largest banks
BoE	Bank of England
Bps[1]	Basis points. One basis point is equal to one-hundredth of a percentage point
BVI	British Virgin Islands

C

CAPM	Capital asset pricing model
CDS[1]	Credit default swap
CEA	Commodity Exchange Act (US)
CET1[1]	Common equity tier 1
CGUs	Cash-generating units
CIB	Corporate and Institutional Banking
CMB	Commercial Banking, a global business
CMC	Capital maintenance charge
CODM	Chief Operating Decision Maker
COSO	2013 Committee of Sponsoring Organizations of the Treadway Commission (US)
Corporate Centre	Corporate Centre comprises Central Treasury, our legacy businesses, interests in our associates and joint ventures, central stewardship costs and consolidation adjustments
CP[1]	Commercial paper
CRD IV[1]	Capital Requirements Regulation and Directive
CRR[1]	Customer risk rating
CRR II[1]	The regulatory requirements of the Capital Requirements Regulation and Directive, the CRR II regulation and the PRA Rulebook
CSA	Credit support annex
CSM	Contractual service margin
CVA[1]	Credit valuation adjustment

D

DECL	Disclosures about Expected Credit Losses
Deferred shares	Awards of deferred shares define the number of HSBC Holdings ordinary shares to which the employee will become entitled, generally between one and seven years from the date of the award, and normally subject to the individual remaining in employment
DPD	Days past due
DPF	Discretionary participation feature of insurance and investment contracts
DVA[1]	Debit valuation adjustment

E

EAD[1]	Exposure at default
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
ECL	Expected credit losses. In the income statement, ECL is recorded as a change in expected credit losses and other credit impairment charges. In the balance sheet, ECL is recorded as an allowance for financial instruments to which only the impairment requirements in IFRS 9 are applied
EEA	European Economic Area
Eonia	Euro Overnight Index Average
EPC	Energy performance certificate
EPS	Earnings per ordinary share
ESG	Environmental, social and governance
EU	European Union
Euribor	Euro interbank offered rate
EVE	Economic value of equity

F

FAST-Infra	Finance to Accelerate the Sustainable Transition-Infrastructure
FCA	Financial Conduct Authority (UK)
FDIC	Federal Deposit Insurance Corporation
FFVA	Funding fair value adjustment estimation methodology on derivative contracts
FPA	Fixed pay allowance
FRB	Federal Reserve Board (US)
FRC	Financial Reporting Council
FSCS	Financial Services Compensation Scheme
FTE	Full-time equivalent staff
FTSE	Financial Times Stock Exchange index
FVOCI[1]	Fair value through other comprehensive income
FX	Foreign exchange

G

GAAP	Generally accepted accounting principles
GAC	Group Audit Committee
GBM	Global Banking and Markets, a global business
GDP	Gross domestic product
GEC	Group Executive Committee
GHG	Greenhouse Gas
GMP	Guaranteed minimum pension
GPS	Global Payments Solutions, the business formerly known as Global Liquidity and Cash Management
GPSP	Group Performance Share Plan
GRC	Group Risk Committee

Group	HSBC Holdings together with its subsidiary undertakings
GTS	Global Trade Solutions, the business formerly known as Global Trade and Receivables Finance
H	
Hang Seng Bank	Hang Seng Bank Limited, one of Hong Kong's largest banks
HKEx	The Stock Exchange of Hong Kong Limited
HKMA	Hong Kong Monetary Authority
HMRC	HM Revenue and Customs
Holdings ALCO	HSBC Holdings Asset and Liability Management Committee
Hong Kong	Hong Kong Special Administrative Region of the People's Republic of China
HQLA	High-quality liquid assets
HSBC	HSBC Holdings together with its subsidiary undertakings
HSBC Bank plc	HSBC Bank plc, also known as the non-ring-fenced bank
HSBC Bank Middle East	HSBC Bank Middle East Limited
HSBC Bank USA	HSBC Bank USA, N.A., HSBC's retail bank in the US
HSBC Canada	The sub-group, HSBC Bank Canada, HSBC Trust Company Canada, HSBC Mortgage Corporation Canada and HSBC Securities Canada, consolidated for liquidity purposes
HSBC Continental Europe	HSBC Continental Europe
HSBC Finance	HSBC Finance Corporation, the US consumer finance company (formerly Household International, Inc.)
HSBC Holdings	HSBC Holdings plc, the parent company of HSBC
HSBC Private Bank (Suisse)	HSBC Private Bank (Suisse) SA, HSBC's private bank in Switzerland
HSBC UK	HSBC UK Bank plc, also known as the ring-fenced bank
HSBC USA	The sub-group, HSBC USA Inc (the holding company of HSBC Bank USA) and HSBC Bank USA, consolidated for liquidity purposes
HSI	HSBC Securities (USA) Inc.
HSSL	HSBC Securities Services (Luxembourg)
I	
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBE	Independent Board Evaluation
Ibor	Interbank offered rate
ICAAP	Internal capital adequacy assessment process
ICMA	International Capital Market Association
IEA	International Energy Agency
IFRS Accounting Standards	International Financial Reporting Standards as issued by the International Accounting Standards Board
ILAAP	Internal liquidity adequacy assessment process
IMA	Internal model approach
IMM	Internal model method
IRB[1]	Internal ratings-based
ISDA	International Swaps and Derivatives Association
ISSB	International Sustainability Standard Board
IVB	HSBC Innovation Banking
IWPB	International Wealth and Premier Banking
J	
JV	Joint venture
K	
KMP	Key Management Personnel
L	
LCR	Liquidity coverage ratio
LGBTQ+	Lesbian, gay, bisexual, transgender and queer. The plus sign denotes other non-mainstream groups on the spectrums of sexual orientation and gender identity
LGD[1]	Loss given default
Libor	London interbank offered rate
Long term	For our financial targets, we define long term as five to six years, commencing 1 January 2025
LTI	Long-term incentive
LTV[1]	Loan to value
M	
Mainland China	People's Republic of China excluding Hong Kong and Macau
Medium term	For our financial targets, we define medium term as three to four years, commencing 1 January 2025
MENAT	Middle East, North Africa and Türkiye
MREL	Minimum requirement for own funds and eligible liabilities
MRT[1]	Material Risk Taker
MSS	Markets and Securities Services, HSBC's capital markets and securities services businesses in Global Banking and Markets
N	
Net operating income	Net operating income before change in expected credit losses and other credit impairment charges
NGO	Non-governmental organisation
NII	Net interest income
NIM	Net interest margin
NPS	Net promoter score
NSFR	Net stable funding ratio
NYSE	New York Stock Exchange
O	
OCI	Other comprehensive income
OECD	Organisation of Economic Co-operation and Development
OTC[1]	Over-the-counter
P	
PBT	Profit before tax
PCAF	Partnership for Carbon Accounting Financials
PD[1]	Probability of default
Performance shares[1]	Awards of HSBC Holdings ordinary shares under employee share plans that are subject to corporate performance conditions
Ping An	Ping An Insurance (Group) Company of China, Ltd, the second-largest life insurer in the PRC
POCI	Purchased or originated credit-impaired financial assets
PRA	Prudential Regulation Authority (UK)
PRC	People's Republic of China
Principal plan	HSBC Bank (UK) Pension Scheme
PVIF	Present value of in-force long-term insurance business and long-term investment contracts with DPF
PwC	The member firms of the PwC network, including PricewaterhouseCoopers LLP
R	
RAS	Risk appetite statement
Repo[1]	Sale and repurchase transaction
Revenue	Net operating income before ECL
Reverse repo	Security purchased under commitments to sell
RNIV	Risk not in VaR
RoE	Return on average ordinary shareholders' equity
RoTE	Return on average tangible equity
RWA[1]	Risk-weighted asset
S	
SAB	Saudi Awwal Bank
SAPS	Self-administered pension scheme
SASB	Sustainability Accounting Standards Board
SBTi	Science Based Targets initiative
SDG	United Nation's Sustainable Development Goals
SEC	Securities and Exchange Commission (US)
ServCo group	Separately incorporated group of service companies established in response to UK ring-fencing requirements
Sibor	Singapore interbank offered rate
SIC	Securities investment conduit
SME	Small and medium-sized enterprise
Solitaire	Solitaire Funding Limited, a special purpose entity managed by HSBC
SPE[1]	Special purpose entity
SVB UK	Silicon Valley Bank UK Limited, now HSBC Innovation Bank Limited
T	
TCFD[1]	Task Force on Climate-related Financial Disclosures
THBFIX	Thai Baht Interest Rate Fixing
TNFD	Taskforce on Nature-related Financial Disclosures
TSR[1]	Total shareholder return
U	
UAE	United Arab Emirates
UK	United Kingdom

UN	United Nations
US	United States of America
V	
VaR[1]	Value at risk
VIU	Value in use
W	
WEF	World Economic Forum
WPB	Wealth and Personal Banking, a global business

1 A full definition is included in the glossary to the Annual Report and Accounts 2024 which is available at www.hsbc.com/investors.

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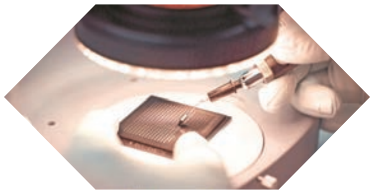









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