HSBC Continental Europe

1st Amendment of the Universal Registration Document and Interim Financial Report 2024

HSBC

Contents

Presentation of information

This amendment to the Universal Registration Document was filed on 31 July 2024 with the French financial markets authority *(Autorité des Marchés Financiers – AMF)*, as the competent authority under Regulation (EU) n°2017/1129, without prior approval in accordance with Article 9 of that Regulation.

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

All references to the 2023 Universal Registration Document refer to the 2023 Universal Registration Document and Annual Financial Report filed on 1 March 2024 with the AMF under reference number D.24-0076.

References to the 'HSBC Group' within this document mean HSBC Holdings plc together with its subsidiaries.

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Reference to the Universal Registration Document

This amendment to the Universal Registration Document refers to the 2023 Universal Registration Document and Annual Financial Report filed with the AMF on 1 March 2024 under reference number D.24-0076.

Cautionary statement regarding forward-looking statements

This amendment to the Universal Registration Document contains certain forward-looking statements with respect to the financial condition, Environmental, Social and Governance ('ESG') related matters, and the results of HSBC Group operations and businesses, including without limitation strategic priorities, financial, investment and capital targets, and HSBC Continental Europe's ability to contribute to the HSBC Group's ESG targets, commitments and ambitions described herein.

Statements that are not historical facts, including statements about the Group's beliefs and expectations, are forward-looking statements. Words such as 'expects', 'anticipates', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'potential' and 'reasonably possible', variations of these words and similar expressions are intended to identify forward-looking statements. These statements are based on current plans, estimates and projections, and therefore undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made. HSBC Continental Europe makes no commitment to revise or update any forward-looking statements to reflect events or circumstances occurring or existing after the date of any forward-looking statement.

Forward-looking statements involve inherent risks and uncertainties. Readers are informed that a number of factors, including ESG related factors, could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statements.

Highlights

	Half-year to	
	30 Jun 2024	30 Jun 2023[1,9]
For the period (€m)		
Net operating income before change in expected credit losses and other credit risk provisions in respect of continuing operations[2]	**1,672**	1,885
Profit/(loss) before tax in respect of continuing operations	**502**	743
Profit/(loss) for the year[3]	**370**	1,944
Profit/(loss) attributable to shareholders of the parent company[3]	**350**	1,933
At period end (€m)		
Total equity attributable to shareholders of the parent company	**12,528**	13,171
Total assets	**280,081**	287,404
Risk-weighted assets	**61,274**	58,634
Loans and advances to customers (net of impairment allowances)[4]	**52,628**	62,537
Customer accounts[4]	**100,708**	102,803
Capital ratios %		
Common Equity Tier 1	**15.1**	15.4
Tier 1	**17.5**	17.9
Total capital	**19.8**	20.5
Performance, efficiency and other ratios (annualised %)		
Annualised return on average ordinary shareholders' equity[3,5,6]	**5.4**	31.4
Pre-tax return on average risk-weighted assets[3,6]	**0.8**	4.4
Cost efficiency ratio in respect of continuing operations[7]	**68.9**	59.7
Liquidity Coverage Ratio ('LCR')[8]	**156**	159
Net Stable Funding Ratio ('NSFR')[8]	**136**	141

1 *In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the sale of the retail banking operations in France.*
2 *Net operating income before change in expected credit losses and other credit risk provisions is also referred to as revenue.*
3 *Balances are disclosed in respect of continuing and discontinued operations.*
4 *Loans and advances to customers and Customer accounts excludes loans and deposits classified as held for sale. Further the customer accounts comparatives as at 30 June 2023 have been represented by EUR 1.4 billion between deposits by banks and customer accounts following a customer classification error.*
5 *The return on average ordinary shareholders' equity is defined as profit attributable to the ordinary shareholders of the parent company divided by the average ordinary shareholders' equity.*
6 *Definitions and calculations of other alternative performance measures are included in our 'Reconciliation of alternative performance measures' on page 16.*
7 *Cost efficiency is defined as total operating expenses divided by net operating income before change in expected credit losses and other credit and other credit risk provisions.*
8 *LCR and NSFR are prepared in accordance with Capital Requirements Regulation ('CRR II') guidelines. The LCR is computed as a 12 month average and the NSFR as at period-end. The Jun 2023 comparative for NSFR has been restated accordingly. Additionally, the components of the LCR calculation have been represented to comply with EBA reporting requirements.*
9 *The comparatives for Capital ratios have been restated to align with countercyclical buffers for the relevant reporting period.*

Performance highlights

HSBC Continental Europe delivered a profit before tax of EUR 502 million for the first half of 2024, driven by wholesale banking revenues, coupled with low credit losses and continued cost discipline.

Net operating income before change in expected credit losses and other credit impairment charges was EUR 1,672 million, down from EUR 1,885 million in the first half of 2023, due to lower net interest income following the sale of retail banking operations in France. Wholesale revenues in Commercial Banking and Global Banking remained strong, with growth in Global Payment Solutions and Investment Banking, partly offset by lower lending volumes. Revenues in Markets and Securities Services were down compared to the first half of 2023, with lower client activity in Global Debt Markets in the context of a challenging market environment, partly offset by higher revenues in Equities and Securities Financing.

Change in expected credit losses and other credit impairment charges was a charge of EUR 18 million, compared with a charge of EUR 16 million in the first half of 2023. The cost of risk, at 7 basis points, remained low but was driven by provision releases that are not expected to re-occur in the second half of 2024.

Operating expenses were EUR 1,152 million, compared to EUR 1,126 million in the first half of 2023. Higher infrastructure and technology costs and the acquisition of HSBC Private Bank (Luxembourg) S.A. were partly offset by lower contributions to the Single Resolution Fund.

Profit after tax for the period was EUR 370 million, down from EUR 1,944 million in the first half of 2023 which included the reversal of the impairment previously recognised in relation to the sale of retail banking operations in France of EUR 1.9 billion pre-tax.

Presentation of activities and strategy

HSBC's purpose and ambition

The HSBC Group's purpose is 'Opening up a world of opportunity' with an ambition to be the preferred international finance partner for its clients.

HSBC Values

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

We value difference

Seeking out different perspectives.

We succeed together

Collaborating across boundaries.

We take responsibility

Holding ourselves accountable and taking the long view.

We get it done

Moving at pace and making things happen.

About HSBC Bank plc

With assets of GBP 714 billion at 30 June 2024, HSBC Bank plc is one of Europe's largest banking and financial services organisations. HSBC Bank plc employs around 11,100 people across our locations. HSBC Bank plc is the parent company of HSBC Continental Europe.

HSBC in Europe

Europe is an important part of the global economy, accounting for roughly 40 per cent of global trade and one-quarter of global Gross Domestic Product (UNCTAD, IMF 2023). In addition, Europe is the world's top exporter of services and second largest exporter of manufactured goods (UNCTAD, IMF 2023). HSBC Bank plc helps to facilitate trade within Europe and between Europe and other jurisdictions where the HSBC Group has a presence.

HSBC Bank plc is present in 19 markets. HSBC Bank plc is organised around the principal operating units detailed below, which represent the region to customers, regulators, employees and other stakeholders.

HSBC Bank plc is responsible for HSBC's European business, apart from UK retail and most UK commercial banking activity which, post ring-fencing, is managed by HSBC UK Bank plc.

HSBC Bank plc operates as one integrated business with two main hubs in London and Paris.

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

HSBC Continental Europe comprises the Paris hub, its EU branches (Belgium, Czech Republic, Germany, Ireland, Italy, Luxembourg, Netherlands, Poland, Spain and Sweden) and its subsidiaries in Malta and Luxembourg. HSBC Continental Europe is creating an integrated Continental European bank anchored in Paris to better serve our clients and simplify our organisation.

HSBC Bank plc's strategy

HSBC Bank plc's ambition is to be the leading international wholesale bank in Europe, complemented by a targeted Wealth and Personal Banking business, an efficient operating model and a robust control framework (see section 'Our Global Businesses' on page 6).

HSBC Bank plc exists to open up a world of opportunity for our customers by connecting them to international markets. Europe is the largest trading region in the world and Asia is Europe's biggest and fastest growing external trading partner (UNCTAD, IMF 2023). We are well positioned to capitalise on this opportunity and play a pivotal role for the HSBC Group.

The transformation announced in 2020 is essentially complete (see 'Focus' for more information). We continue to reposition for growth and are well placed to seek to deliver strong financial performance.

In 2024, inflationary pressures have started to ease which may lead to central bank interest rate cuts in 2024.

About HSBC Continental Europe

HSBC in Continental Europe

The European Union is home to some of the best performing, forward thinking companies, ranging from entrepreneurial start-ups to multinational corporates. The EU is also one of the world's largest trading blocs set in a dynamic market of approximately 450 million consumers. Europe's largest goods trade corridor is with Asia (Eurostat, 2023); and Europe–United States is the largest bilateral trade and investment relationship in the world (European Commission, 2023).

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

HSBC strategy implemented in Continental Europe

HSBC Continental Europe's strategic vision is based on the following key principles.

Focus

Be the leading international wholesale bank in Continental Europe complemented by a targeted wealth offering

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

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

HSBC Continental Europe also supports the European Union's ambition to be at the forefront of international efforts to fight climate change, becoming a market leader in sustainable financing, achieving net zero in the Group's operations and supply chain by 2030, and aligning the Group's financed emissions to the Paris Agreement goal to achieve net zero by 2050.

Sale of the retail banking operations in France

On 1 January 2024, HSBC Continental Europe completed the sale of its retail banking operations in France to CCF, a subsidiary of Promontoria MMB SAS ('My Money Group'). The sale also included HSBC Continental Europe's 100 per cent ownership interest in HSBC SFH (France) and its 3 per cent ownership interest in Crédit Logement.

Upon completion and in accordance with the terms of the sale, HSBC Continental Europe received a EUR 0.1 billion profit participation interest in the ultimate holding company of My Money Group. The associated impacts on initial recognition of this stake at fair value were recognised as part of the pre-tax loss on disposal in 2023, upon the reclassification of the disposal group as held for sale. In accordance with the terms of the sale, HSBC Continental Europe retained a portfolio of EUR 7.1 billion at the time of sale, consisting of home and certain other loans, in respect of which it may consider on-sale opportunities at a suitable time, and the CCF brand, which it licensed to the buyer under a long-term licence agreement. Additionally, HSBC Continental Europe's subsidiaries, HSBC Assurances Vie (France) and HSBC Global Asset Management (France), entered into distribution agreements with the buyer. The valuation of the retained loans may be substantially different in the event of a sale due to deal-specific factors, including funding costs and interest rates.

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

Planned sale of employee savings account keeping and custody activities.

On 14 May 2024, HSBC Continental Europe entered into a Memorandum of Understanding ('MoU'), with Natixis Interépargne, a subsidiary of Groupe BPCE, relating to employee savings' account keeping and custody services in France.

The potential transaction includes:

- the sale by HSBC Continental Europe, to Natixis Interépargne, of its subsidiary HSBC Epargne Entreprise;
- the conclusion of an agreement for the marketing of employee savings and retirement plans and services between HSBC Global Asset Management (France) and Natixis Interépargne;
- the voluntary transfer of staff dedicated to the employee savings' account keeping and custody services to the new account manager, Natixis Interépargne.

HSBC Global Asset Management (France), a subsidiary of HSBC Continental Europe, would retain the design and distribution of the employee savings and retirement offering, as well as the commercial relationship with clients, and would rely on Natixis Interépargne for the administration and custody of client savings accounts.

The MoU records the current status of the negotiations between the parties and is subject to the information and consultation processes of HSBC Continental Europe, HSBC Global Asset Management (France) and of Natixis Interépargne with their respective works councils. If, following the outcome of these processes, the parties were to decide to implement the potential transaction, they would enter into the requisite agreements.

The potential transaction is planned to complete by the end of 2024.

Digitise

In line with the Group's strategy, HSBC Continental Europe has continued to focus on the resilience and security of technology infrastructure through investment and the alignment of IT systems across Europe. In the first half of 2024 this has included progressing the ISO20022 compliance agenda. Other notable achievements include SEPA industry rulebook compliance changes. The rationalisation and simplification of the IT landscape following the sale of the French retail banking operations further supports HSBC Continental Europe's Technology Strategy whilst aiming to increase scalability and resilience for our customers.

HSBC Continental Europe has implemented a new tool to detect financial crime activity. The Dynamic Risk Assessment applies complex, predictive analytic models to customer behaviour to identify potential crime across a range of typologies, and replaces the historical rules-based/deterministic application of transactions.

Supporting an improved customer experience HSBC Continental Europe implemented SEPA Instant Credit Germany and has continued the rollout of e-statements in Belgium, Luxembourg and Spain, in addition to enhancing self-service capabilities available via HSBCnet.

Energise

HSBC Continental Europe remains committed to be a leading employer in Europe and to unlock the full potential of its people in support of its customers and strategy.

To achieve this ambition, HSBC Continental Europe aims to energise its people through active engagement and by encouraging a shared and positive culture where colleagues are empowered to apply HSBC Group's purpose and values in support of growth.

Inspire a dynamic culture

HSBC Continental Europe promotes a dynamic, inclusive and connected culture that enables its people to thrive. HSBC Continental Europe is committed to fostering a supportive environment focused on mental health and well-being, encouraging its employees to adopt alternative and more flexible ways of working that suit their needs. This has been recognised through the Top Employers Institute certification, which has been awarded to HSBC Continental Europe as an entity and 6 of its markets (France, Germany, Italy, Luxembourg, Poland and Spain). This certification rewards companies for excellence in their Human Resources ('HR') practices. HSBC Continental Europe has also been recognised with two LinkedIn top employer awards, in France and Poland. Furthermore, in France, HSBC Continental Europe is included in Capital's best employers in Finance.

Champion inclusion

HSBC Continental Europe has a strong commitment to increase diversity across its organisation (including an aspiration to achieve more than 35 per cent of female senior leadership by the end of 2025) by raising awareness of the importance of diversity through the Executive Committee and in its governance committees, as well as in its Diversity and Inclusion working groups, collaborating closely with its Employee Resource Groups ('ERG's). In 2024, HSBC Continental Europe has sought to capture the sentiment of colleagues in France and Germany regarding inclusion at HSBC Continental Europe, via a voluntary survey. In addition, several new ERG chapters have been created to foster greater understanding of diverse colleagues, as well as several diversity workshops held and inclusive leadership training offered.

Develop future skills

HSBC Continental Europe continues to equip its people with capabilities aligned to our strategic priorities, encouraging staff to use the integrated Degreed training platform and take time regularly to explore learning opportunities to support their self-development. This includes availability of several skills academies that are aligned with future skills, such as sustainability and digital, as well as people management. Employees are also encouraged to participate in broader career development events.

Transition

Europe is at the forefront of international efforts to fight climate change and is a world leader in sustainable finance. Europe is characterised by a deep and progressive Environmental, Social and Governance ('ESG')regulatory landscape, with a growing need to expand the risk management and disclosure beyond climate to environmental risks (e.g. biodiversity), as well as the social and governance aspects of ESG.

One of the Group's strategic pillars is to support the transition to a net zero global economy.

The transition to net zero is one of the biggest challenges of our generation. Success will require governments, customers and finance providers to work together. The Group's global footprint means that many of its clients operate in high-emitting sectors and regions that face the greatest challenge in reducing emissions. This means that the Group's transition will be challenging but is an opportunity to make an impact.

The HSBC Group is progressing with the implementation of our net zero transition plan, which was published in January this year. The implementation plan sets out how we are embedding net zero: into the way that we support our customers, into the way that we operate as an organisation and into how we partner externally in support of systemic change.

Support our customers

We continue to scale and innovate in our sustainable finance and investment products and services to support our customers' transitions, and we continue to complete transition plan assessments and engage with our customers on net zero. As part of our ambition to support customers in their transition to net zero and a sustainable future, the HSBC Group aims to provide and facilitate USD750bn to USD1tn of sustainable finance and investments by 2030. In the first half of the year, HSBC Continental Europe provided and facilitated USD12.14bn of sustainable finance and investments, bringing our cumulative amount since 1 January 2020 to USD113.37bn.

The HSBC Group continues to work on scaling and evolving its net zero capabilities across the bank, which includes embedding net zero into our culture. The HSBC Group has supported the development of sustainability upskilling, including embedding education on its net zero strategy into core training within across the bank, and continues to deliver our Net Zero in Practice series. These are live briefings from climate experts from across the HSBC Group covering technologies that our employees need expertise in as part of our role in financing the transition.

Become a net zero bank in our financed emissions by 2050 and in our own operations and supply chain by 2030

Embedding net zero across the business is an ongoing process. HSBC Continental Europe is part of the HSBC Group's bank-wide three-year sustainability execution programme underway to enable the delivery of the sustainability agenda, focused on our net zero ambition and regulatory requirements. The priorities of the programme include financed emissions measurement and embedding sustainable financing and investing, design and implementation of new business initiatives and business models, execution of the climate risk programme and policies, ESG data and infrastructure build and disclosures, sustainability capability and culture, and financial planning and monitoring.

Aligned to the commitment to become a net zero bank in its operations and supply chain by 2030, the Group has the ambition to reduce its energy consumption by 50 per cent by 2030 and to achieve 100 per cent renewable power across its operations by 2030. HSBC Continental Europe continues to focus its actions on four objectives: reduce its Greenhouse Gas ('GHG') emissions, including those related to business travel, improve energy efficiency and reduce production of non-recycled waste and paper consumption.

The HSBC Group also continues to work with the public sector, industry, civil society and peers to help shape effective policies, regulations and standards, and to help develop insights and learning. Within HSBC Continental Europe, in the first half of 2024, HSBC Malta launched 'Maximising Energy Efficiency Through Building Renovation'– a collaborative research project with the Malta Chamber of Commerce and the University of Malta. This is a 3-year study which lays the groundwork to support the transformative shift required in the building and construction sector to achieve Malta's climate targets.

Our Global Businesses

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

Global Banking and Markets ('GBM')

Markets and Securities Services ('MSS')

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

The business offers clients a range of products and services across asset classes and geographies, through dedicated sales, trading, research and digital and data (Quants) teams.

We provide corporate and institutional clients with access to products and services in Foreign Exchange (Cash and Derivatives), Global Debt Markets (Primary Fixed Income, Market Making and Structured products), Equities (Cash and Derivatives including Warrants) and Securities Financing (Fixed Income Repo, Equity Finance and Client Clearing).

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

The MSS Continental European business plays a key role in providing cross-asset services, bridging emerging and developed markets, and collaborating with other global businesses to provide clients across the Group with bespoke products and solutions that support their growth and net zero ambitions.

MSS in HSBC Continental Europe is the Group's strategic platform for euro-denominated rates products, with its Treasury Securities expertise and primary dealer position in the debt markets. It has also built extensive risk management capacities, in particular for Equities products in European stocks.

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

Global Banking ('GB')

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

GB provides a comprehensive suite of services including leverage and acquisition financing, advisory, equity and debt capital markets, issuer services, trade services and global payment services. Operating across HSBC Continental Europe's markets, Global Banking teams take a client-centric approach bringing together relationship and product expertise to deliver financial solutions customised to suit clients' growth ambitions and financial objectives. GB works closely with its business partners in all business lines, to provide a range of products and seamless services to meet the needs of the wholesale clients.

GB in HSBC Continental Europe operates as an integral part of the global business and contributes significant revenues to other regions through its client base in Continental Europe, and in turn receives business from HSBC's clients in other regions.

In Continental Europe, GB's objective is to be a leading bank in transaction banking and a key partner to our clients for advisory, financing and capital markets transactions.

GBM Other

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

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

Commercial Banking ('CMB')

Commercial Banking has a clear strategy to be the leading international corporate bank in Europe. HSBC Continental Europe connects European customers to the Group's international network of relationship managers and product specialists to support their growth ambitions globally. HSBC Continental Europe also supports global multinationals with growing their European subsidiaries through specialist subsidiary relationship managers and product specialists. Commercial Banking contributes significant revenues to other regions, particularly Asia, through our European client base, and draws benefit from the client network managed outside Europe.

HSBC's products range from bespoke lending solutions to global treasury and trade solutions tailored to clients' requirements, supported by expertise in markets and investment banking products through our collaboration with Global Banking and Markets. Global Payments Solutions and Global Trade teams also provide treasury and trade finance solutions to Global Banking clients. HSBC Continental Europe is expanding the services and products provided to customers with sustainable finance solutions to help meet their net zero ambitions.

Wealth and Personal Banking ('WPB')

WPB supports customers across HSBC Continental Europe with their financial needs through Wealth Management, Insurance, Asset Management, and Private Banking. In addition, HSBC Continental Europe provides Retail Banking services in Malta.through its subsidiary HSBC Malta p.l.c.

Following the sale on 1 January 2024 of its retail banking operations in France, HSBC Continental Europe continues to support clients in France with their financial needs through a focused proposition in Insurance, Asset Management and Private Banking.

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

HSBC Continental Europe offers a range of insurance products through its subsidiaries in France and Malta; and asset management services to its clients in France, Germany, Malta, Belgium Spain, Greece, Italy, Luxembourg, Netherlands, Portugal, Switzerland, Austria and Nordics through its subsidiaries in France, Germany, Malta.

The Insurance business in France, HSBC Assurances Vie (France), offers a wide range of insurance solutions and services designed to meet the needs of individuals, professionals, and businesses in terms of life insurance, retirement savings, credit protection insurance and personal protection. Following the sale of the French retail banking operations on 1 January 2024, HSBC Assurances Vie (France) distributes its products primarily through CCF, following the signature of a long-term distribution agreement.

HSBC Continental Europe has Asset Management businesses in France, Germany and Malta which work to unlock sustainable investment opportunities for investors. Managing assets for a range of clients, from large institutional investors to commercial and corporate clients, financial intermediaries, retail and private banking clients. Following the sale of the French retail banking business to CCF on 1 January 2024, CCF is a distributor of the HSBC Continental Europe's Asset Management products in France.

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

Geopolitical, economic and regulatory background and outlook

Economic background

Global

Global inflation has continued to trend down in the first half of 2024. This has mainly been driven by food and manufactured goods, reflecting the fading effects of the previous energy shocks and the normalisation in global supply chains. In contrast, services inflation has remained relatively sticky. It reflected the persistently rapid rise in unit labour costs, due to robust wage growth and weak productivity gains.

Against that backdrop, global growth has been relatively steady. It has been primarily consumer-led, driven by an improvement in real wage growth as price inflation has slowed by more than that of wages, offsetting some slowdown in employment.

Progress on inflation has allowed several central banks in Europe to start cutting their interest rates in the first half of the year: the Swiss National Bank in March, the Swedish central bank ('Riksbank') in May and the European Central Bank ('ECB') in June.

In contrast, in the US, the Federal Reserve ('Fed') has not yet started to ease its monetary policy, keeping its Fed Funds target rate unchanged in the first half of 2024. This prudence may be explained by a series of upside surprises on inflation in the first quarter of the year, mainly due to the stickiness of services prices. Excluding food and energy, inflation stood at 3.8 per cent year-on-year in March, little changed compared to December 2023 (3.9 per cent).

US economic growth has shown signs of moderation since the start of the year, even if the underlying momentum has remained relatively robust. Consumer spending has been a bit less dynamic, in line with softer employment growth. Labour market conditions have however remained reasonably robust: the unemployment rate edged up to 4.1 per cent in June (from 3.7 per cent at the end of 2023), which is still very low relative to historical standards.

In Japan, the Bank of Japan ('BoJ') raised its policy rate in March for the first time in 17 years, exiting the negative interest rate policy put in place in 2016. This shift was justified by encouraging signs on wages, which reinforced the confidence of the BoJ in reaching its medium-term inflation target of 2 per cent and avoiding a return to deflation. However, since that move, the BoJ has remained quite prudent and refrained from taking other major steps towards a tighter monetary policy.

In mainland China, there was positive growth momentum at the start of the year, with GDP reaching 5.3 per cent year-on-year in the first quarter, on track to meet the government growth target of 'around 5 per cent' for this year. However, GDP growth has receded to 4.7 percent year-on-year in the second quarter, on the back of softer consumer spending. More generally, the property sector has remained a major drag on economic activity, with residential property sales and property investment still being down by respectively 26.9 per cent and 10.1 per cent year-to-date in June.

Eurozone

The Eurozone economy returned to growth in the first quarter of the year, with GDP rising 0.3 per cent quarter-on-quarter. This marked the end of a long period of stagnation, as GDP grew by only 0.1 per cent between the third quarter of 2022 and the fourth quarter of 2023. The improvement seen at the start of 2024 was mainly led by net exports.

Consumer spending remained sluggish, in spite of rising real wages. Inflation has continued to recede steadily since the start of the year, falling to 2.5 per cent in June from 2.9 per cent at the end of 2023. In the same period, inflation excluding food, alcohol, tobacco and energy declined to 2.9 per cent from 3.4 per cent. Wage growth has remained elevated, reflecting the strong dependence of wage demands on past inflation. However, this improvement in households' purchasing power has not resulted into a strong pickup in consumer spending so far, as savings rates have remained high.

Leading indicators, including the PMI surveys, have signalled growth in the second quarter, on the back of solid activity in the services sector. The manufacturing sector has remained much weaker, but there are signs of improvement in recent months.

At the country-level, the growth momentum has been especially strong in Spain while it has been more moderate in France and Italy. The German economy, a significant laggard in 2023, has started 2024 on a firmer foot with GDP rising by 0.2 per cent in the first quarter.

However, this rise reflected in part a strong weather-related bounce in construction activity. More generally, leading indicators on industrial activity have remained disappointing so far, in spite of the signs of firmer external demand.

Regarding monetary policy, the ECB cut its key policy rates by 25 basis points in June (with the deposit rate falling to 3.75 per cent), the first rate cut since September 2019. This decision was justified by the signs of progress on inflation and by the fact that monetary conditions were judged restrictive. However, the ECB removed an explicit easing bias towards possible further cuts in the future and said that it would remain fully data dependent. Several members have in particular expressed some concerns on the recent stickiness in services inflation.

Fiscal policy could also be a source of concerns for the ECB. The European Commission ('EC') proposed on 19 June to open an 'Excessive Deficit Procedure' ('EDP') for seven EU countries, including France and Italy. The concerned countries could be eventually subject to financial sanctions, if they don't respect the adjustment paths recommended by the EC. However, the surprise snap legislative elections held in France on 30 June and 7 July and the resulting 'hung parliament' are a source of complications for the Commission, given the increasing risks of fiscal slippage for the country.

Economic outlook

Inflation and central banks' actions

Global inflation is expected to continue to recede in the rest of the year, but only at a gradual pace. Looking ahead, the drop in inflation will hinge more on the services sector, requiring further moderation in unit labour costs growth.

Against that backdrop, HSBC economists expect the ECB to cut its policy rates by 25 basis points every other meeting until the deposit rate reaches 2.5 per cent in September 2025. It would imply two other rate cuts this year, in September and December. However, the stickiness of services inflation suggests that risks are inclined towards a slower pace of easing.

In the US, inflation has shown more encouraging signs since March, falling to 3.3 per cent in June for the core measure (excluding food and energy), from 3.8 per cent in March. This should open the door to a first rate cut of 25 basis points in September.

HSBC economists do not expect another rate cut by the Fed this year. However, they forecast 75 basis points of rate cuts in 2025, with a rate cut of 25 basis points in each of the three first quarters.

Other major central banks are also expected to cut rates gradually in the coming months. HSBC economists expect that the Bank of England ('BoE') will start to cut its policy rate ('Bank rate') by 25 basis points in November and follow in cutting policy rates by 25 basis points each quarter next year, taking the Bank rate to 4.00 per cent by end-2025.

The Bank of Japan ('BoJ') should remain the main exception. HSBC economists expect the BoJ to raise its policy rate by 25 basis points to 0.25 per cent in the third quarter of the year followed by two other rate hikes of 25 basis points next year, in the first and the third quarters.

Growth risks

The central scenario of HSBC economists remains relatively benign but is subject to numerous downside risks. In Europe, recent political developments in France have raised risks of fiscal slippage and budget confrontation with the European Commission. This could have far-reaching market implications, not only in France but also across the EU given the tendency of France to set the bar for other countries in terms of fiscal rules.

A 'global trade war' is another significant downside risk to monitor. In the US, many polls and betting odds are pointing to a presidential victory on 5 November for Donald Trump, who has promised a range of protectionist measures should he win. These would be in addition to the broadening of trade tariffs already being announced around the world.

Western 'de-risking' from mainland China is a bigger risk for the EU given it is a much more trade-dependent region but it could also exacerbate some divisions between EU member states given their different trade structures. Germany, Hungary and Sweden have already opposed the latest increase in tariffs on imports of China's electric vehicles ('EVs'), in the knowledge that they are likely to be most affected in the event of any retaliatory action. And the proposals expected to be revealed soon in the 'Draghi report' on how to improve the EU's competitiveness will likely involve further tariffs and subsidies.

Regulatory developments

The Basel III Reforms

In Europe, the final version of the Capital Requirements Regulation, known as CRR III, was published in June 2024. The CRR III amends the rules for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor in accordance with the Basel 3 Reforms. The implementation date for the majority of the requirements remains 1 January 2025, with an output floor transitional period of five years. However, the market risk rules have been delayed by one-year until 1 January 2026.

The EU's package includes rules related to the management of ESG risks in Pillar 1 that are additional to the Basel Reforms. There is also a requirement for banks to have transition plans, to be included in Pillar 2. Furthermore, the package amends the requirement for management bodies to develop and monitor the implementation of specific plans, quantifiable targets and processes to monitor and address the financial risks from ESG factors.

Beyond the implementation of the CRR III requirements, the CRD VI aims to align the minimum requirements applicable to third-country banks accessing the EU market and strengthen supervisory powers.

Interest Rate Risk in the Banking Book ('IRRBB')

In July 2024, the Basel Committee on Banking Supervision finalised the targeted adjustments to its standard on IRRBB. The adjustments are part of Basel's periodic review to update the calibration of the interest rate shock factors used in the standard and are specifically aimed at addressing challenges with changes in interest rate regimes. These proposals are expected to be implemented by 1 January 2026 and may further constrain the permitted sensitivities to interest rate risk in the banking book.

Capital Buffers

In July 2024, the Haut Conseil de Stabilité Financière maintained the French countercyclical buffer rate at 1 per cent.

HSBC Continental Europe Consolidated Results

Use of alternative performance measures

HSBC Continental Europe reported results are prepared in accordance with International Financial Reporting Standards ('IFRS Accounting Standards') as detailed in the Condensed Financial Statements starting on page 40.

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

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

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

Summary consolidated income statement

	Half-year to	
	30 Jun 2024 €m	30 Jun 2023[1] €m
Continuing operations		
Net interest income	**941**	1,173
Net fee income	**594**	585
Net income from financial instruments held for trading or managed on a fair value basis	**114**	61
Net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit and loss	**384**	670
Changes in fair value of designated debt and related derivatives	**3**	—
Changes in fair value of other financial instruments mandatorily measured at fair value through profit and loss	**17**	12
Gains/(losses) on disposals of financial investments	**(3)**	(5)
Insurance finance income/(expense)	**(467)**	(683)
Insurance service result	**62**	63
Gains/(losses) recognised on assets held for sale	**(11)**	(3)
Other operating income	**38**	12
Total operating income	**1,672**	1,885
Net operating income before change in expected credit losses and other credit impairment charges[2]	**1,672**	1,885
Change in expected credit losses and other credit impairment charges	**(18)**	(16)
Net operating income	**1,654**	1,869
Total operating expenses	**(1,152)**	(1,126)
Operating profit/(loss)	**502**	743
Share of profit/(loss) in associates and joint ventures	**—**	—
Profit/(loss) before tax	**502**	743
Tax expense	**(132)**	(187)
Profit/(loss) after tax in respect of continuing operations	**370**	556
Profit/(loss) after tax in respect of discontinued operations	**—**	1,388
Profit/(loss) for the period	**370**	1,944
– attributable to shareholders of the parent company	**350**	1,933
– attributable to non-controlling interests in respect of continuing operations	**20**	11
– attributable to non-controlling interests in respect of discontinued operations	**—**	—

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

Reported performance

Net interest income was EUR 941 million in the first half of 2024, down from EUR 1,173 million in the first half of 2023. The decrease is primarily driven by lower net interest income following the sale of retail banking operations in France and lower margins on corporate deposits. These were partly offset by increased interest income on balances held at central banks, increased volumes of Securities Financing transactions, bonds and related derivatives.

Net fee income was EUR 594 million in the first half of 2024, up from EUR 585 million in the first half of 2023 driven by the acquisition of HSBC Private Bank (Luxembourg) S.A. and movements in contractual service margin as a result of the sale of the retail bank in France, partly offset by a decrease in client activity in Markets and Securities Services.

Net income from financial instruments held for trading or managed on a fair value basis was EUR 114 million in the first half of 2024, up from EUR 61 million in the first half of 2023. The increase reflected market volatility and changes in interest rates on derivatives, notably in Insurance Manufacturing, partly offset by lower interest income on trading positions in Markets and Securities Services.

Net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit and loss was EUR 384 million in the first half of 2024, down from EUR 670 million in the first half of 2023. This reflected the unfavourable change in the market value of assets held by the insurance company on behalf of its customers.

Changes in fair value of designated debt and related derivatives were EUR 3 million in the first half of 2024, up from nil in the first half of 2023.

Changes in fair value of other financial instruments mandatorily measured at fair value through profit and loss were EUR 17 million in the first half of 2024, compared to EUR 12 million in the first half of 2023.

Losses on disposal of financial investments were EUR 3 million in the first half of 2024, compared to EUR 5 million in the first half of 2023.

Insurance finance expense was EUR 467 million in the first half of 2024, down from EUR 683 million in the first half of 2023, reflecting the movements in fair value that are attributable to policyholders and partly offsets unfavourable movements on the net income from assets and liabilities of the insurance businesses, including related derivatives, measured at fair value through profit and loss.

Insurance service result was EUR 62 million in the first half of 2024, down from EUR 63 million in the first half of 2023.

Losses recognised on Assets held for sale were EUR 11 million in the first half of 2024 following the classification of HSBC Epargne Entreprise as held for sale.

Other operating income was EUR 38 million in the first half of 2024, up from EUR 12 million in the first half of 2023.

Net operating income before change in expected credit losses and other credit impairment charges was EUR 1,672 million in the first half of 2024, down from EUR 1,885 million in the first half of 2023.

Change in expected credit losses and other credit impairment charges was a net charge of EUR 18 million in the first half of 2024, compared to a net charge of EUR 16 million in the first half of 2023.

Operating expenses were EUR 1,152 million, compared to EUR 1,126 million in the first half of 2023. Higher infrastructure and technology costs and the acquisition of HSBC Private Bank (Luxembourg) S.A. were partly offset by lower contributions to the Single Resolution Fund.

Profit before tax was EUR 502 million in the first half of 2024, down from EUR 743 million for the first half of 2023.

Profit attributable to shareholders of the parent company was EUR 350 million in the first half of 2024.

Profit/(loss) for the period by global business (continuing operations)[1]

	Wealth and Personal Banking	Commercial Banking	Markets and Securities Services	Global Banking	GBM Other	Corporate Centre	Total
	Half-year to 30 Jun 2024						
	€m	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**
Net operating income before change in expected credit losses and other credit risk provisions	**290**	**693**	**400**	**392**	**7**	**(110)**	**1,672**
– *of which: net interest income/(expense)*	***202***	***494***	***113***	***203***	***13***	***(84)***	***941***
Change in expected credit losses and other credit impairment charges	**5**	**(30)**	**—**	**10**	**1**	**(4)**	**(18)**
Net operating income	**295**	**663**	**400**	**402**	**8**	**(114)**	**1,654**
Total operating expenses	**(204)**	**(319)**	**(361)**	**(214)**	**(11)**	**(43)**	**(1,152)**
Operating profit/(loss)	**91**	**344**	**39**	**188**	**(3)**	**(157)**	**502**
Share of profit/(loss) in associates and joint ventures	**—**	**—**			**—**	**—**	**—**
Profit/(loss) before tax	**91**	**344**	**39**	**188**	**(3)**	**(157)**	**502**
	Half-year to 30 Jun 2023						
Net operating income before change in expected credit losses and other credit risk provisions	313	712	433	369	8	50	1,885
– *of which: net interest income/(expense)*	*280*	*530*	*105*	*211*	*6*	*41*	*1,173*
Change in expected credit losses and other credit impairment charges	8	22	1	(48)	1	—	(16)
Net operating income	321	734	434	321	9	50	1,869
Total operating expenses	(185)	(290)	(394)	(189)	(17)	(51)	(1,126)
Operating profit/(loss)	136	444	40	132	(8)	(1)	743
Share of profit in associates and joint ventures	—	—	—	—	—	—	—
Profit/(loss) before tax	136	444	40	132	(8)	(1)	743

1 *In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the sale of the retail banking operations in France.*

Wealth and Personal Banking ('WPB')

Profit before tax was EUR 91 million in the first half of 2024, down from EUR 136 million in June 2023.

Net operating income before change in expected credit losses and other credit risk provisions was EUR 290 million in the first half of 2024, down compared to EUR 313 million in June 2023. This included a EUR 11 million charge due to the planned sale of HSBC Epargne Entreprise. The remaining variance was driven by lower net interest income following the sale of retail banking operations in France together with the impact of the sale of the branch operations in Greece, partly offset by the acquisition of HSBC Private Bank (Luxembourg) S.A. and the transfer of the retained mortgages from Wealth and Personal Banking to Corporate Centre in 2024 following the sale of the retail banking operations in France.

Change in expected credit losses and other credit impairment charges was a net release of EUR 5 million compared with a net release of EUR 8 million in June 2023.

Operating expenses were EUR 204 million in June 2024 compared to EUR 185 million in June 2023, driven by the impact of the acquisition of HSBC Private Bank (Luxembourg) S.A. partly offset by the impact of the sale of the branch operations in Greece.

Loans and advances to customers were EUR 4.4 billion at 30 June 2024, compared to EUR 11.6 billion at 31 December 2023 due to the reclassification of the portfolio of retail retained loans from Wealth and Personal Banking to Corporate Centre in 2024.

Total Wealth Balances (including third party Assets under Management in Asset Management) were EUR 171.5 billion in June 2024 increasing by EUR 16.6 billion compared to December 2023 driven by higher net flows and favourable market conditions.

Customers accounts were EUR 9.4 billion at 30 June 2024, stable compared to EUR 9.5 billion at 31 December 2023.

Commercial Banking ('CMB')

Profit before tax was EUR 344 million in the first half of 2024, down from EUR 444 million in the first half of 2023.

Net operating income before change in expected credit losses and other credit risk provisions was EUR 693 million in the first half of 2024, compared to EUR 712 million in the first half of 2023. Interest income on deposits has reduced due to changes in the product mix, partly offset by increased lending volumes.

Change in expected credit losses and other credit impairment charges was a net charge of EUR 30 million, compared with a net release of EUR 22 million in the first half of 2023. The change was driven by stage 3 provisions.

Operating expenses were EUR 319 million for the first half of 2024, up from EUR 290 million in the first half of 2023 due to the non-recurrence of impairment releases booked in 2023.

Loans and advances to customers were EUR 26.1 billion at 30 June 2024, increasing by EUR 1.4 billion compared to 31 December 2023.

Customers accounts were EUR 40.9 billion at 30 June 2024, increasing by EUR 1.5 billion from EUR 39.4 billion at 31 December 2023.

Markets and Securities Services ('MSS')

Profit before tax was EUR 39 million in the first half of 2024, compared to EUR 40 million in the first half of 2023.

Net operating income before change in expected credit losses and other credit risk provisions was EUR 400 million in the first half of 2024, down from EUR 433 million in the first half of 2023. The reduction was driven by lower revenues in Global Debt Markets from reduced client activity. This reduction was partly offset by higher revenues from Securities Financing and Equity Derivatives.

Operating expenses were EUR 361 million in the first half of 2024, compared to EUR 394 million in the first half of 2023, driven by a lower contribution to single resolution fund.

Customer accounts decreased by EUR 2.3 billion compared to 31 December 2023 to reach EUR 15.1 billion as at 30 June 2024 driven by a decrease in Securities Services customers deposits.

Global Banking ('GB')

Profit before tax was EUR 188 million in the first half of 2024, up compared to EUR 132 million in the first half of 2023.

Net operating income before change in expected credit losses and other credit risk provisions was EUR 392 million, increasing from EUR 369 million in the first half of 2023, primarily driven by increased volumes in Global Payment Solutions and higher Investment Banking revenues, partly offset by a reduction in lending volumes.

Change in expected credit losses and other credit impairment charges was a net release of EUR 10 million compared with a charge of EUR 48 million in the first half of 2023.

Operating expenses were EUR 214 million in the first half of 2024, up compared to EUR 189 million in the first half of 2023, due to the non-recurrence of impairment releases booked in 2023.

Loans and advances to customers were EUR 13.0 billion at June 2024, decreasing by EUR 0.1 billion from 31 December 2023.

Customers accounts were EUR 31.8 billion as at 30 June 2024, increasing by EUR 7.3 billion from 31 December 2023 coming from business growth.

GBM Other

Loss before tax was EUR 3 million in the first half of 2024, compared to a loss of EUR 8 million in the first half of 2023.

Net operating income before change in expected credit losses and other credit risk provisions was EUR 7 million in the first half of 2024, compared to EUR 8 million in the first half of 2023. The decrease was mainly driven by lower Principal Investments revenues.

Operating expenses were EUR 11 million decreasing from EUR 17 million for the first half year of 2023 coming from lower allocated charges.

Corporate Centre

Loss before tax was EUR 157 million in the first half of 2024, compared to a loss of EUR 1 million in the first half of 2023.

Net operating income before change in expected credit losses and other credit risk provisions was a loss of EUR 110 million for the first half of 2024, compared with EUR 50 million in the first half of 2023, associated with the transfer of a portfolio of home loans from Wealth and Personal Banking to Corporate Centre in 2024 following the sale of the retail banking operations in France.

Operating expenses were EUR 43 million for the first half of 2024 compared to EUR 51 million in the first half of 2023.

Revenue by country (continuing operations)

	Wealth and Personal Banking	Commercial Banking	Markets and Securities Services	Global Banking	GBM Other	Corporate Centre	Total
	Half-year to 30 Jun 2024						
	€m	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**
France	**107**	**283**	**70**	**278**	**(15)**	**(111)**	**612**
Germany	**64**	**152**	**237**	**49**	**10**	**—**	**512**
EEA Branches	**—**	**217**	**91**	**64**	**12**	**1**	**385**
Malta and Other Countries[1]	**119**	**41**	**2**	**1**	**—**	**—**	**163**
Revenue[2]	**290**	**693**	**400**	**392**	**7**	**(110)**	**1,672**
	Half year to 30 Jun 2023[3]						
France	156	297	138	234	(2)	51	874
Germany	63	150	207	58	10	—	488
EEA Branches	16	235	86	77	—	(1)	413
Malta and Other Countries[1]	78	30	2	—	—	—	110
Revenue[2]	313	712	433	369	8	50	1,885

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

Review of business position

Summary consolidated balance sheet

	30 Jun 2024	31 Dec 2023
	€m	€m
Total assets	**280,081**	282,977
Cash and balances at central banks	**59,076**	56,894
Trading assets	**23,322**	17,249
Financial assets designated and otherwise mandatorily measured at fair value through profit and loss	**14,787**	13,590
Derivatives	**41,874**	45,522
Loans and advances to banks	**5,902**	5,816
Loans and advances to customers	**52,628**	50,127
Reverse repurchase agreements – non-trading	**28,296**	24,490
Financial investments	**25,624**	22,608
Other assets	**28,556**	23,470
Assets held for sale	**14**	23,211
Total liabilities	**267,373**	270,469
Deposits by banks[1]	**10,618**	10,261
Customer accounts[1]	**100,708**	93,890
Repurchase agreements – non-trading	**16,512**	11,153
Trading liabilities	**23,721**	19,877
Financial liabilities designated at fair value	**9,354**	9,696
Derivatives	**39,127**	43,630
Debt securities in issue	**16,217**	12,909
Insurance contract liabilities	**21,183**	21,035
Other liabilities	**29,872**	24,201
Liabilities of disposal groups held for sale	**61**	23,817
Total equity	**12,708**	12,508
Total shareholders' equity	**12,528**	12,342
Non-controlling interests	**180**	166

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

Balance sheet information

	Wealth and Personal Banking	Commercial Banking	Markets and Securities Services	Global Banking	GBM Other	Corporate Centre	Total
	€m	€m	€m	€m	€m	€m	€m
As at 30 Jun 2024							
Loans and advances to customers	**4,438**	**26,145**	**2,195**	**12,959**	**(39)**	**6,930**	**52,628**
Loans and advances to customers classified as held for sale	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Customers accounts	**9,397**	**40,853**	**15,145**	**31,774**	**3,950**	**(411)**	**100,708**
Customer accounts classified as held for sale	**—**	**—**	**40**	**—**	**—**	**—**	**40**
As at 31 Dec 2023							
Loans and advances to customers	11,556	24,789	656	13,018	84	24	50,127
Loans and advances to customers classified as held for sale	12,691	—	—	—	—	—	12,691
Customers accounts[1]	9,463	39,438	17,350	24,504	3,379	(244)	93,890
Customer accounts classified as held for sale	20,058	—	109	—	—	—	20,167

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

HSBC Continental Europe's consolidated balance sheet had total assets of EUR 280.1 billion at 30 June 2024, compared to EUR 283.0 billion at 31 December 2023.

Assets

- Trading assets increased from EUR 17.2 billion to EUR 23.3 billion reflecting increased client activity in trading bonds and equities.
- Derivatives decreased from EUR 45.5 billion to EUR 41.9 billion as a result of mark-to-market movements notably on foreign exchange contracts and interest rate swaps.
- Loans and advances to customers increased from EUR 50.1 billion to EUR 52.6 billion at 30 June 2024, driven by money market placements and overdrafts in France, Germany and Ireland.
- Reverse repurchase agreements - non-trading increased from EUR 24.5 billion to EUR 28.3 billion at 30 June 2024, reflecting increased lending to clients.
- Financial investments increased from EUR 22.6 billion to EUR 25.6 billion at 30 June 2024 driven by purchases of government bonds.
- Assets held for sale decreased compared to EUR 23.2 billion in 2023 driven by the completion of the sale of the retail banking operations in France.

Liabilities

- Customer accounts increased from EUR 93.9 billion to EUR 100.7 billion during the first half of the year due to a short term deposit by a single customer, partly offset by funds withdrawal, notably in Germany.
- Repurchase agreements – non-trading increased from EUR 11.2 billion to EUR 16.5 billion at 30 June 2024, reflecting increased positions with banks.
- Trading liabilities were EUR 23.7 billion at 30 June 2024, up from EUR 19.9 billion at 31 December 2023 coming from volume effect on trading bonds.
- Derivatives decreased from EUR 43.6 billion to EUR 39.1 billion as a result of mark-to-market movements on foreign exchange contracts and interest rate swaps.
- Liabilities of disposal groups held for sale decreased from EUR 23.8 billion in 2023 due to the completion of the sale of retail banking operations in France.

Equity

Shareholders' equity stood at EUR 12.5 billion, up from EUR 12.3 billion in December 2023.

The CET1 (Common Equity Tier 1) ratio was 15.1 per cent at 30 June 2024 and the total capital ratio was 19.8 per cent.

Liquidity and funding

At 30 June 2024, the average short-term Liquidity Coverage Ratio ('LCR') was 156 per cent and the long-term Net Stable Funding Ratio ('NSFR') computed in respect of CRR II guidelines was 136 per cent.

Additional disclosure on Treasury risk is available on page 36.

Average number of persons employed by HSBC Continental Europe

	Half-year to	
	30 Jun 2024	30 Jun 2023
Wealth and Personal Banking[1]	**1,405**	4,596
Commercial Banking	**1,378**	1,594
Markets & Securities Services	**1,516**	1,572
Global Banking	**409**	414
Global Banking and Markets Other	**5**	6
Corporate Centre	**18**	19
Support Functions & Others[2]	**2,906**	3,378
Total[3]	**7,637**	11,579

1 *The decrease relates to the sale of the retail banking operations in France on 1 January 2024.*
2 *Including pre-retirement ('CFCS') and expatriates.*
3 *Permanent contracts ('CDI') and fixed terms contracts ('CDD') within HSBC Continental Europe (including the European branches) and its subsidiaries.*

Reconciliation of alternative performance measures

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

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

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

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

	Half-year ended	
	30 Jun 2024 €m	30 Jun 2023[1] €m
Profit		
Profit/(loss) before tax in respect of continuing operations	**502**	743
Profit/(loss) before tax in respect of discontinued operation	**—**	1,844
Profit/(loss) before tax	**502**	2,587
Profit/(loss) attributable to the ordinary shareholders of the parent company	**297[2]**	1,933
Equity		
Average ordinary shareholders' equity	**10,953[2]**	12,313
Risk-weighted assets	**—**	
Average risk-weighted assets	**60,292**	58,968
Ratio		
Return on average ordinary shareholders' equity (annualised)	**5.4**	31.4
Pre-tax return on average risk-weighted assets	**0.8**	4.4

1 *In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the sale of the retail banking operations in France.*
2 *This excludes amounts attributable to non-controlling interests and holders of other equity instruments (additional tier 1 capital).*

Credit ratings

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

	Standard & Poor's	Moody's	Fitch Ratings
Long term – Senior preferred debt	A+	A1	AA -
Outlook	Stable	Stable	Stable
Short-term rating	A-1	P-1	F1+

There were no changes to HSBC Continental Europe's ratings during the first half of 2024.

Annual review meetings with rating agencies were held in April and May 2024.

Risks

Key highlights

Principal Regulatory Ratios (Unaudited)[1]

	At	
	30 Jun 2024	31 Dec 2023
	%	%
Capital Ratios		
Common equity tier 1	**15.1**	15.7
Total tier 1	**17.5**	18.2
Total capital	**19.8**	20.7
Leverage Ratio	**4.3**	4.2
Liquidity Ratios		
Liquidity Coverage Ratio	**156**	158
Net Stable Funding Ratio	**136**	141

Risk-Weighted Assets – by Risk Type (Unaudited)[1]

	RWAs		Capital required	
	30 June 2024	31 Dec 2023	**30 June 2024**	31 Dec 2023
	€m	€m	**€m**	€m
Credit Risk	**43,457**	44,055	**3,548**	3,525
Counterparty Credit Risk	**6,451**	5,280	**517**	422
Market Risk	**5,178**	3,992	**415**	320
Operational Risk	**6,188**	6,188	**495**	495
Total Risk-Weighted Assets	**61,274**	59,515	**4,975**	4,762

1 *Comparatives for CET1 Capital have been restated to correct the treatment of AT1 dividends.*

Risk factors

HSBC Continental Europe has identified a series of risk factors that cover the broad range of risks its businesses are exposed to. A number of the risk factors have the potential to have a material adverse effect on its business, prospects, financial condition, capital position, reputation, results of operations and/or its customers. A summary of these are presented below:

1 - Macroeconomic and geopolitical risks	2 - Prudential, regulatory and legal risks to the business model of HSBC Continental Europe	3 - Risks related to HSBC Continental Europe's operations	4 - Risks related to HSBC Continental Europe's governance and internal control	5 - Risks related to HSBC Continental Europe's business	6 - Risks related to HSBC Continental Europe's financial statements
1.1 Current macroeconomic environment risk	2.1 Changing regulatory and legal landscape risk	3.1 Model risk	4.1 Data management risk	5.1 Credit quality risk	6.1 Financial statements risk
1.2 Liquidity risk	2.2 Tax risk	3.2 Information technology systems risk	4.2 Strategy risk	5.2 Counterparty credit risk	
1.3 Market risk		3.3 Cyber-security risk	4.3 Data Privacy risk	5.3 People risk	
1.4 Environmental, Social and Governance risk		3.4 Third party risk	4.4 Financial crime risk	5.4 Insurance risk	
			4.5 Risk management		

1 Macroeconomic and geopolitical risks

1.1 Current economic and market conditions may adversely affect HSBC Continental Europe's results.
Probability: Very Likely/Impact: High.

HSBC Continental Europe's earnings are affected by both global and local economic and market conditions. Uncertain economic conditions and at times volatile markets can create a challenging operating environment for financial institutions.

In particular, HSBC Continental Europe has faced and may continue to face the following challenges to its operations and operating model in connection with these factors:

- Economic uncertainty: Economic weaknesses and higher interest rates could (among other things) cause asset prices and payment patterns to be adversely affected, leading to greater than expected increases in delinquencies, default rates and Expected Credit Losses ('ECL') and other credit impairment charges. Economic uncertainty could also be driven by the current political situation in France.
- Geopolitical risks: Geopolitical risks remain elevated. Economic forecasts are assumed to reflect the impact from the Russia-Ukraine and Israel-Hamas wars, but there is significant uncertainty around their duration. A broadening of the conflicts in particular, has the potential to disrupt the global economy and may pose challenges for HSBC Continental Europe's customers and its business. In terms of the crisis in the Middle East and the situation in the Suez Canal (10 per cent of global trade), this may impact the supply chain and negatively affect the business model of some HSBC Continental Europe customers especially those in Global Banking with cross border strategies, and these are therefore being closely monitored;
- Credit demand: There could be further adverse impacts on HSBC Continental Europe's income due to lower lending transaction volumes and lower wealth and insurance manufacturing revenue due to market volatility weaknesses;
- Market conditions: The bank's ability to borrow from other financial institutions or to engage in funding transactions may be adversely affected by market disruption;
- Other economic factors: Inflation, interest rates and the impact of geopolitical risks have significantly changed the operating environment for many companies and sectors. While impairment estimates attempt to capture the effects of these in the aggregate, credit losses on specific exposures, with specific idiosyncratic features may not be fully captured in ECL estimates;
- Any downturn could negatively impact the bank's Risk-Weighted Assets and capital position, increase ECL and lead to potential liquidity stress due to, among other factors, increased customer drawdowns;
- The combined pressure of sustained higher inflation and higher interest rates may affect the ability of HSBC Continental Europe's customers to repay debt and their credit rating. Despite expected reductions, interest rates in Europe, are nevertheless likely to remain high in 2024, which could slow the growth of the economies in which HSBC Continental Europe operates and affect its credit portfolio. As a result, refinancing risk is being closely monitored; and
- HSBC Continental Europe's financial models have been impacted by the effects of higher inflation and of significant increases in interest rates in many countries. This is particularly the case for IFRS 9 expected credit loss models, traded risk models and models used for asset/liability management. This requires enhanced monitoring, the use of overlays and, in some cases, the recalibration of the models.

HSBC Continental Europe continually assesses the impact of geopolitical and macroeconomic events.

See also sections 'Economic background' on page 8 and 'Economic Outlook' on page 8 for additional details.

Significant uncertainties remain in assessing the duration and impact of the current macroeconomic environment.

1.2 HSBC Continental Europe may lose access to its liquidity or funding sources, which are essential to its businesses.
Probability: Unlikely/Impact: High.

HSBC Continental Europe's ability to borrow on a secured or unsecured basis, and the cost of doing so, can be affected by increases in interest rates or credit spreads, the availability of credit, regulatory requirements relating to liquidity or the market perceptions of risk relating to the wider HSBC Group, HSBC Continental Europe specifically or the banking sector.

Current accounts and savings deposits payable on demand or at short notice form a significant part of the Bank's funding and HSBC Continental Europe places considerable importance on maintaining their stability. For deposits, stability relies on investor confidence in HSBC Continental Europe's capital strength and liquidity, and on comparable and transparent pricing.

Deposits have historically been a stable source of funding, even in times of economic crisis, but under an extreme scenario this may not be the case.

HSBC Continental Europe also accesses wholesale markets in order to secure funding to align asset and liability balances, maturities and currencies, and to contribute to the financing of its lending and market activities. Non-favourable macroeconomic developments, market disruptions or regulatory developments may increase the funding costs or challenge the ability of HSBC Continental Europe to raise funds to support or expand its businesses.

If the Bank were unable to raise funds through deposits and/or in the capital markets, its liquidity position could be adversely affected. In such an extreme scenario, it could be unable to meet deposit withdrawals on demand or at their contractual maturity, to repay maturing debt, or to meet its obligations under committed financing facilities and insurance contracts or to fund new loans or investments. The Bank may need to liquidate unencumbered assets to meet its liabilities.

In a time of reduced liquidity, HSBC Continental Europe may be unable to sell some of its assets, or it may need to sell assets at reduced prices, which in either case could materially adversely affect its business, prospects, financial condition, and results of operations. It is difficult to predict with any degree of accuracy changes in access to funds, and the extent of the potential consequences.

Nevertheless, a number of mitigating actions and procedures – including business actions and participation in the central bank refinancing operations are in place in HSBC Continental Europe, through its Contingency Funding Plan in order to address a potential liquidity crisis. This will materially reduce the impact of this risk in case of materialisation.

HSBC Continental Europe undertakes liquidity stress testing to test if its risk appetite is adequate, to validate that it can continue to operate under various stress scenarios that involve an analysis of the relevant probable or severe area of risk to HSBC Continental Europe, and to confirm that the stress assumptions within the Liquidity Coverage Ratio scenario are appropriate and conservative enough for the Group's business.

HSBC Continental Europe continues to rely on its daily internal stress test metric, complementing the Liquidity Coverage Ratio ('LCR'), for the operational day-to-day management of the Bank's liquidity position. Moreover, several other different stress tests are run of varying durations and nature, the assumptions and results of which are reviewed by the Asset, Liability, and Capital Management Committee ('ALCO') and presented through the Internal Liquidity Adequacy Assessment Process to the Board.

1.3 Market fluctuations may reduce HSBC Continental Europe's income or the value of its portfolios.
Probability: Likely/Impact: Medium.

HSBC Continental Europe businesses are inherently subject to risks in financial markets and in the wider economy, including changes in, and increased volatility of, interest rates, inflation rates, credit spreads, foreign exchange rates, equity and bond prices, and the risk that customers act inconsistently with HSBC Continental Europe's business, pricing, and hedging assumptions.

Market pricing can be volatile and ongoing market movements could significantly affect a number of key areas. For example, banking and trading activities are subject to interest rate risk, foreign exchange risk, inflation risk and credit spread risk.

Changes in interest rate levels, interbank spreads over official rates and yield curves affect the interest rate spread realised between lending and borrowing costs. The risks of market volatility or changes in margin levels remain high.

Competitive pressures on fixed rates or product terms for existing loans and deposits sometimes restrict ability to change interest rates applying to customers in response to changes in wholesale market rates.

HSBC Continental Europe's insurance businesses are exposed to the risk that market fluctuations may cause mismatches to occur between product liabilities and the investment assets that back them. Market risks can affect our insurance products in a number of ways depending upon the product and associated contract. For example, mismatches between assets and liability yields and maturities give rise to interest rate risk. Some of these risks are borne directly by the customer and some are borne by the insurance businesses, with their excess capital invested in the markets. Moreover, some insurance contracts involve guarantees and options that increase in value in adverse investment markets. There is a risk that the insurance businesses could bear some of the cost of such guarantees and options. The performance of the investment markets could thus have a direct effect upon the value embedded in the insurance and investment contracts and our operating results, financial condition and prospects.

See also section 'Market risks in the first half of 2024' on page 39.

As at 30 June 2024, Market Risk RWAs were EUR 5.2 billion of which EUR 99 million were under the standardised approach and EUR 5.1 billion under the Internal Model Approach ('IMA').

1.4 HSBC Continental Europe is subject to financial and non-financial risks associated with Environmental, Social and Governance related matters, such as climate risk, nature-related risk, and human rights risk.
Probability: Likely/Impact: Medium.

ESG related matters such as climate change, society's impact on nature and human rights issues brings risks to HSBC Continental Europe's business and customers in addition to the wider society. If the Bank fails to meet evolving regulatory expectations or requirements relating to these matters, this could have regulatory compliance and reputational impacts.

Climate and nature-related risks could have both financial and non-financial impacts that may arise as a consequence of climate change, compromise of natural system and the move to a greener economy. These risks can impact HSBC Continental Europe either directly or indirectly through its customers. Transition risk can arise from the move to a low-carbon economy, such as through policy, regulatory and technological changes. Physical risk can arise through increasing severity and/or frequency of severe weather or other climatic events, such as rising sea levels and flooding and chronic shifts in weather patterns, which could affect HSBC Continental Europe's ability to conduct its day-to-day operations.

HSBC Continental Europe seeks to manage climate risk across all its businesses in line with the Group-wide risk management framework and is incorporating climate considerations within its traditional risk types. Nature-related risk management has followed the same approach since the beginning of the year.

For further details related to ESG Risk management including climate and nature-related risk management, see pages 180-187 of the HSBC Continental Europe 2023 Universal Registration Document.

HSBC Continental Europe's climate risk assessment shows that the following are the most likely ways in which climate risk may materialise: credit and trading losses, impact from physical risk on HSBC Continental Europe's own operations and clients property value with consequences on mortgage payments, operational risk, regulatory compliance conduct and reputational risks.

HSBC Continental Europe also faces increased reputational, legal and regulatory risks as progress is made towards the Group's net zero ambition, with stakeholders likely to place greater focus on HSBC actions including in HSBC Continental Europe, such as the development of climate-related policies, disclosures; financing and investment decisions relating to HSBC's ambition.

Climate risk may also have an impact on model risk, as the uncertain impacts of climate change as well as data and methodology limitations present challenges to creating reliable and accurate model outputs.

HSBC Continental Europe may be exposed to climate related litigation risks, either directly if stakeholders think that the Bank does not adequately manage climate risks or indirectly if clients and customers are themselves the subject of litigation, potentially resulting in the reevaluation of their assets.

In addition, there is increasing evidence that a number of nature-related risks beyond climate change - which include risks that can be represented more broadly by impact and dependency on nature – can and will have significant economic impact. These risks arise when the provision of natural services such as water availability, air quality, and soil quality is compromised by overpopulation, urban development, natural habitat and ecosystem loss or degradation arising from the economic activity and other environmental stresses beyond climate change. They can manifest in a variety of ways, including through macroeconomic, market, credit, reputational, legal and regulatory risks, for both HSBC Continental Europe and its customers.

HSBC's human rights risk approach covers all aspects of internationally recognised human rights and is guided by the UN Guiding Principles on Business and Human Rights ('UNGPs') and the OECD Guidelines for Multinational Enterprises. HSBC Continental Europe human rights risk management is also guided by 'Duty of Care' law. For further details refer to the section on page 109 – Duty of Care in the HSBC Continental Europe 2023 Universal Registration Document.

The key human rights risks that currently may impact HSBC Continental Europe include discrimination, in particular with respect to the Bank's employees and customers, and modern slavery specifically for the bank's supply chains and those of its customers. Failure to manage these risks may result in negative impacts on HSBC Continental Europe's employees (both in terms of hiring and retention), business and reputation. Such failure could also lead to legal and regulatory breaches, and this could have reputational, legal and financial consequences for HSBC Continental Europe.

In order to track and report on HSBC Continental Europe progress against its ESG-related ambitions, HSBC commitments and targets, the Bank relies on internal and, where appropriate and available, external data sources, guided by certain industry standards. While ESG-related reporting has improved over time, data remains of limited quality and consistency exposing the bank to the risk of using incomplete and inaccurate data and models which could result in sub-optimal decision making. Methodologies, data and industry standards that HSBC have used may develop over time, in line with market practice, regulation and/or developments in science, where applicable. Any such developments in methodologies, and changes in the availability and quality of data over time could have a negative impact of the quality of data use for ESG monitoring, including on financed emissions, meaning that such data may not be reconcilable or comparable year-on-year.

If any of the above risks materialise, this could have financial and non-financial impacts for HSBC which could, in turn, have a material adverse effect on its business, financial condition, results of operations, reputation, regulatory requirements, prospects and strategy.

2 Prudential, regulatory and legal risks to the business model of HSBC Continental Europe

2.1 HSBC Continental Europe's business operates in a rapidly changing legal and regulatory context which increases the risk of non-compliance, at least temporarily.

Probability: Very Likely/Impact: High.

HSBC Continental Europe's businesses are subject to ongoing regulation and the associated regulatory risks, including the effects of changes in the laws, regulations, policies, and voluntary codes of practice in the markets in which it operates. Many of these changes have an effect beyond the country in which they are enacted.

In recent years, regulators and governments have increasingly focused on reforming both the prudential regulation of the financial services industry and the ways in which the business of financial services is conducted. Accordingly, the risk factor probability has been increased. The measures taken include enhanced capital, liquidity and funding requirements, the separation or prohibition of certain activities by banks, changes in the operation of capital markets activities, the introduction of tax levies and transaction taxes and changes in compensation practices. With regard to conduct, there is a focus on customers and markets, payments and e-money and, ESG, including governance and operational resilience. This is all set against increased geopolitical tensions which may limit the development of consistent regulatory requirements, and the evolving regulatory response to the banking turmoil in 2023.

Specific areas where regulatory change and increased supervisory expectations could have a material effect on HSBC Continental Europe's business, financial condition, results of operations, prospects, capital position, reputation and strategy include, but are not limited to those listed below, grouped around prudential and non-prudential themes.

Prudential and related issues

- Implementation of the Basel Committee's reforms to the prudential framework which include changes to the RWA approaches to credit risk, market risk, operational risk, counterparty risk and credit valuation adjustments and the application of RWA floors;
- Increased supervisory expectations arising from expanding and increasingly complex regulatory reporting obligations, including expectations on data integrity and associated governance and controls;
- Changes to the prudential framework following the bank failures in 2023, for example in relation to liquidity or interest rate risk in the banking book ('IRRBB');
- Requirements flowing from arrangements for the resolution strategy of the Group and its individual operating entities that may have different effects in different countries;
- Financial effects of climate risk and other ESG related changes being incorporated within the global prudential framework, including physical risks from climate change and the transition risks resulting from a shift to a low carbon economy;
- Increasing regulatory expectations and requirements (for example, the EU's Digital Operational Resilience Act) relating to various aspects of operational resilience, including an increasing focus on the response of institutions to operational disruptions; and
- Reviews of regulatory frameworks applicable to the wholesale financial markets, in particular the reforms and other changes to the securitisation requirements.

Non-prudential and related issues

- Increasing focus by regulators, international bodies and other policy makers, heightened by cost-of-living pressures, on how we conduct business, particularly around the delivery of fair outcomes for customers, promoting effective competition and ensuring the orderly and transparent operation of financial markets;
- Supervisory and regulatory change focus on technology adoption and digital delivery, underpinned by customer protection, including the use of digital assets and currencies and wider financial technology risks e.g the EU's markets in Crypto-Assets Regulation, which introduces a framework for regulating crypto-assets;
- Increasing regulatory expectations and requirements around the use of artificial intelligence ('AI') for example, the EU's proposed AI law;
- Continuing supervisory and regulatory change focus globally on payment services and related infrastructure, including 'Open Banking' and 'Open Finance' initiatives in the UK and EU and changes concerning operational resilience and cyber security;
- Ongoing expectations with respect to managing emerging financial crime risks;
- Implementation of conduct and other measures as a result of regulators' focus on organisational culture, employee behaviour, whistleblowing and diversity and inclusion;
- Requirements regarding remuneration arrangements and senior management accountability;
- Changes in national or supra-national requirements regarding the ability to outsource the provision of services and resources offshore or to transfer material risk to financial institutions located in other countries;

- Increasing regulatory expectations of firms in relation to ESG-related governance, risk management and disclosure frameworks (e.g. the EU Corporate Sustainability Reporting Directive), particularly relating to climate change, transition plans, greenwashing and supply chain due diligence; and
- Regulatory focus on policies and controls related to the unauthorised use by employees of electronic communications on non-business platforms.

2.2 HSBC Continental Europe and its subsidiaries and branches are subject to tax-related risks in the countries in which they are established.

Probability: Likely/Impact: Medium

HSBC Continental Europe and its subsidiaries and branches are subject to the substance and interpretation of tax laws in all countries in which they are established and are subject to routine reviews and audits by tax authorities in relation thereto.

The Bank's interpretation or application of these tax laws may differ from those of the relevant tax authorities and HSBC Continental Europe and its branches and subsidiaries record provisions for potential tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities. The amounts ultimately paid may differ materially from the amounts set aside in such provisions depending on the ultimate resolution of such matters.

Due to major restructuring in 2022 in HSBC Continental Europe's scope as well as the recent transfer of activities from HSBC Trinkaus & Burkhardt GmbH into the Germany branch of HSBC Continental Europe, transfer pricing risk has increased for the Bank. HSBC Continental Europe ensures compliance with the relevant transfer pricing rules to mitigate the tax risk. However, transfer pricing remains a subject of particular focus by the tax authorities highlighted by the recent reforms which will further strengthen the tax authorities' powers. This requires monitoring in view of the practice of the tax authorities to systematically verify the principles applied by international groups carrying out intra-Group transactions.

In March 2023, the French National Prosecutor announced an investigation into a number of banks, including HSBC Continental Europe and HSBC Bank plc, Paris Branch, in connection with alleged tax fraud related to the dividend withholding tax treatment of certain trading activities. See Note 9 for additional information (section Tax-related investigations). Based on the facts currently known, it is not practicable at this time for HSBC to predict the resolution of these matters, including the timing or any possible impact on HSBC, which could be significant.

Moreover, tax rules are becoming increasingly complex, so in addition to local rules, HSBC Continental Europe as are other banks is facing the challenge of an additional body of international rules implemented or to be implemented in the future years, creating potential additional risks.

On 20 June 2023, legislation was substantively enacted in the UK, the jurisdiction of HSBC Continental Europe's ultimate parent entity, HSBC Holdings plc, to introduce the 'Pillar Two' global minimum tax model rules of the OECD's Inclusive Framework on Base Erosion and Profit Shifting ('BEPS'), with effect from 1 January 2024. At the year-end 2023, legislation was also enacted in France to implement the model rules, as well as a qualified domestic minimum top-up tax, with effect from 1 January 2024.

Under these rules, a top-up tax liability arises where the effective tax rate of the Group's operations in France, calculated based on principles set out in the OECD's Pillar Two model rules, is below 15 per cent.

Based on the forecasts as of 30 June 2024, no top-up tax liabilities are expected to arise in France nor in other location where HSBC Continental Europe operates as a result of the effective tax rates being above 15 per cent, except in Ireland where the effective tax rate is below this minimum level of taxation. As a result, HSBC Continental Europe is expecting financial consequences in Ireland.

The final effective tax rates will be calculated based on fiscal year 2024 IFRS results of the French consolidated Group. Moreover, this new tax regulation will lead to a new tax filling requirement in 2026, for which HSBC Continental Europe is working closely with its ultimate parent company, HSBC Holdings plc, on the definition and analysis of the reporting scope, the definition of the options locally and the quality of the data, so as to ensure that the first filling will be successfully performed in accordance with OECD and national law requirements.

3 Risks related to HSBC Continental Europe's operations

3.1 HSBC Continental Europe could incur losses or be required to hold additional capital as a result of model limitations or weaknesses.

Probability: Very Likely/Impact: High.

HSBC Continental Europe uses models for a range of purposes in managing its business, including regulatory capital calculations, financial reporting, in particular calculation of Expected Credit Losses on an IFRS 9 basis, fair value measurement of some financial instruments, credit approvals, stress testing, financial crime and fraud risk management.

HSBC could face adverse consequences as a result of decisions that may lead to actions by management based on models that are poorly developed, implemented or used, or as a result of the modelled outcome being misunderstood or the use of such information for purposes for which it was not designed or by limitations arising from the uncertainty inherent in predicting or estimating future outcomes.

Regulatory scrutiny and supervisory concerns over banks' use of models is considerable, particularly the internal models used in the calculation of regulatory capital. Recent regulatory inspections have identified deficiencies in internal models used for own funds calculations. Remediation is on-going; until it is finalized limitations are expected to be imposed on HSBC Continental Europe for the calculation of Risk Weighted Assets based on internal models.

Evolving regulatory requirements and organisational changes have resulted in a plan to rationalise the model landscape, which poses execution challenges.

Risks arising from the use of models could have a material adverse effect on HSBC Continental Europe's business, financial condition, results of operations, prospects, capital position and reputation.

The economic consequences of higher global inflation and significant increases in interest rates have impacted the reliability of model outputs beyond how IFRS 9 models have been built and calibrated to operate.

Consequently, IFRS 9 models under the current economic conditions may generate outputs that do not accurately assess the actual level of credit quality in all cases. In order to calculate more realistic valuation of assets, compensating controls, such as post model management adjustments based on expert judgement may be required. Such compensating controls require a significant degree of management judgment and assumptions. There is a risk that future actual results/ performance may differ from such judgments and assumptions. Significant increases in global inflation and interest rates have also impacted the reliability and accuracy of both credit and market risk models. This has required increased monitoring of the models and recalibration of some of the models. Longer term, the models are likely to require redevelopment to take into account the effects of changes in rates and financial markets.

For details concerning risk weighted assets as at 30 June 2024 – see table: Overview of risk weighted exposure amounts in the HSBC Continental Europe Pillar 3 document. These numbers are for a large part computed using internal models.

Likewise, models are used to infer the fair value of some financial instruments, such as over-the-counter derivatives ('OTC'), whose price cannot be directly observed on trading platforms: in these cases, models compute a fair value by leveraging the prices of similar observable financial instruments. These may be based on observable inputs only ('Level 2' fair value accounting) or, in some cases, on some unobservable inputs that have to be prudently estimated ('Level 3' fair value accounting).

For details concerning fair values of financial instruments carried at fair value as at 30 June 2024 – see Note 4 on page 51.

The adoption of more sophisticated modelling approaches including artificial intelligence related risks and technology by both HSBC Continental Europe and the financial services industry could also lead to increased model risk.

HSBC Continental Europe's commitment to changes to business activities due to climate and sustainability challenges will also have an impact on model risk going forward. Models will play an important role in risk management and financial reporting of climate related risks. Challenges such as uncertainty of the long-dated impacts of climate change and lack of robust and high quality climate related data present challenges to creating reliable and accurate model outputs for these models.

3.2 HSBC Continental Europe's operations are highly dependent on its information technology systems.
Probability: Likely/Impact: High.

HSBC Continental Europe operates in an extensive and complex technology landscape, which must remain resilient in order to support customers, the Group and markets globally. Risks arise where technology is not understood, maintained, or developed appropriately.

The reliability and security of HSBC Continental Europe's information technology infrastructure is crucial to the bank's operations and the provision of financial services to its customers and protecting the HSBC brand.

The effective functioning of HSBC Continental Europe's payment systems, financial control, risk management, credit analysis and reporting, accounting, customer service and other information technology systems, as well as the communication networks with the main data processing centres, are important to HSBC Continental Europe's operations.

Critical system failure, extended service unavailability or a material breach of data security, particularly of confidential customer data, could compromise HSBC Continental Europe's ability to serve its customers. This could lead to breaches of regulations and could cause long-term damage to its business and brand that could have a material adverse effect on its business, financial condition, results of operations, prospects and reputation.

In 2024, IT incidents with third parties were reported to local regulators. See also Risk Factor: HSBC Continental Europe's operations utilise third party and intra-Group suppliers and service providers which may be exposed to risks that HSBC Continental Europe may not be aware of. HSBC is continuing to invest in strengthening the resilience of its technology infrastructure and the further alignment of IT systems across HSBC Continental Europe, ensuring an appropriate and consistent control environment across the IT landscape.

Operational losses related to information technology amounted for EUR 0.04 million in the first half of 2024 (EUR 0.04m in the first half of 2023).

3.3 HSBC Continental Europe remains susceptible to a wide range of cyber security risks that impact and/or are facilitated by technology.
Probability: Likely/Impact: High.

The threat of cyber-attacks remains a concern for HSBC Continental Europe, as it does across the entire financial sector. As cyber-attacks continue to evolve, failure to protect HSBC Continental Europe's operations may result in disruption for its customers, manipulation of data or financial loss. This could have an adverse impact on its customers and reputation.

Adversaries attempt to achieve their objectives by compromising HSBC and related third party systems. They use techniques that include malware (including ransomware), exploitation of both known and unpublished (zero-day) vulnerabilities in software, phishing emails, distributed denial of service, as well as potentially physical compromise of premises, or coercion of staff. Customers may also be subject to these constantly evolving cyber-attack techniques. HSBC Continental Europe, like other financial institutions, experiences numerous attempts to compromise its cyber security. The Bank expects to continue to be the target of such attacks in the future.

Cyber security risks will continue to increase, due to continued increase of services delivered over the internet; increasing reliance on internet-based products, applications and data storage; and an increased use of hybrid working models by HSBC's employees, contractors, third party service providers and their sub-contractors.

A failure in HSBC's adherence to its cyber security policies, procedures or controls, employee wrongdoing, or human, governance or technological error could also compromise HSBC Continental Europe's ability to defend against cyber-attacks. Should any of these cyber security risks materialise, they could have a material adverse effect on its customers, business, financial condition, results of operations, prospects and reputation.

There have been no material cyber-related breaches that impacted HSBC Continental Europe customers or operations in the first half of 2024 due to controls in place despite numerous attacks being observed on a daily basis. However, the risk remains that future cyber-related attacks, either directly or via one of its suppliers, will have a material adverse effect on HSBC Continental Europe's business, financial condition, results of operations, prospects and reputation.

3.4 HSBC Continental Europe's operations utilise third party and intra-Group suppliers and service providers which may be exposed to risks that HSBC Continental Europe may not be aware of.
Probability: Likely/Impact: Medium.

In line with HSBC Continental Europe's outsourcing strategy, there is reliance on external and intra-Group third parties to supply goods and services. The activities outsourced are diverse and relate, for example, to reporting, risk management and securities custody. Digital Business Services, which supports all Global Businesses and Global Functions, is the function with the highest number of material outsourced services, mainly concerning intra-Group services. Internal service providers are located on different continents which helps ensure business continuity between the different locations. Among the branches and subsidiaries of HSBC Continental Europe, France (including the French subsidiaries) is the country that outsources the most material services, followed by Malta and Luxembourg.

Regulators have increased their scrutiny regarding the use of third party providers by financial institutions and subcontractors including aspects of how outsourcing decisions and key relationships are managed, particularly for material services. Risks arising from the use of third parties and from supply chains, such as risks related to operational incidents, financial stability, cyber-attacks and geopolitical tension are particularly important and challenging to manage. The threat of cyber-attacks on our providers and supply chain remains a concern for HSBC Continental Europe, as it does across the entire financial sector as cyber events may result in disruption for customers or impact the data shared.

The inadequate management of third party risk could impact our ability to meet strategic, regulatory and client expectations for all Global Businesses and Global Functions within HSBC Continental Europe.

Any outsourcing of a material service needs to be validated in the HSBC Continental Europe Risk Management Meeting and then notified to regulators.

During the first half of 2024, HSBC Continental Europe continued to work on the improvement on its Third-Party Management, on automation and standardisation of the process with HSBC Group, covering the outsourcing register, the materiality and risk assessments, and regulatory notification.

From a regulatory perspective, HSBC Continental Europe has focused on the enhancement of its Third-Party Risk Management Framework, to comply with the latest regulatory requirements such as the ongoing implementation of the Digital Operational Resilience Act ('DORA').

4 Risks related to HSBC Continental Europe's governance and internal control

4.1 HSBC data management may not be robust enough to support the increasing data volume and evolving regulations.

Probability: Very Likely/Impact: High.

HSBC Continental Europe's processes rely on large volumes of data from a number of different systems and sources. If data governance including retention and deletion, data quality and data architecture policies and procedures are not sufficiently robust, manual interventions, adjustments and reconciliations may be required to reduce the risk of error in reporting to the regulators and to senior management. Inadequate policies and processes may also affect the ability to use data within HSBC Continental Europe to serve customers more effectively and/or improve the product offering. This could have a material adverse effect on the Bank's business, prospects, financial results and reputation.

HSBC Continental Europe did not suffer any significant data-related incidents linked to increasing data volumes or evolving regulations in the first half of 2024.

Over recent years, the regulatory expectations related to data management and data architecture have increased considerably. Primarily driven by BCBS239 - Principles for effective risk data aggregation and risk reporting which sought to strengthen banks' risk data aggregation capabilities and internal risk reporting practices. BCBS239 has for objective to enhance the risk management and decision making processes at banks.

4.2 The delivery of HSBC Continental Europe's strategic actions is subject to execution risk which could impact the expected benefits of its strategic initiatives.

Probability: Likely/Impact: Medium.

HSBC Continental Europe has a clear and focused strategy that is consistent with the HSBC Group's strategy: building the leading international wholesale bank in Continental Europe.

Within this framework, the strategy in Continental Europe is to focus on customers that value the HSBC network, leveraging its strengths in transaction banking, trade, capital markets and financing, with targeted wealth and personal banking services. Key to achieving

HSBC Continental Europe's strategy is to increase the cross-business and cross-border synergies between the HSBC Group's different entities across the globe, while ensuring an efficient operating model across HSBC Continental Europe's operations.

HSBC Continental Europe continues to adapt its operating model, implementing a number of programmes in support of the activities of HSBC Continental Europe while ensuring compliance with regulatory requirements. Please refer to 'HSBC strategy implemented in Continental Europe' on page 4. The development and implementation of HSBC Continental Europe's strategy requires difficult, subjective and complex judgements, including forecasts of economic conditions in Continental Europe but also in other parts of the world. HSBC Continental Europe could fail to correctly identify the relevant factors in making decisions as to capital deployment and cost reduction.

Robust management of critical time-sensitive and resource intensive projects is required to effectively deliver HSBC Continental Europe's strategic priorities. The cumulative impact of the collective change initiatives in progress within HSBC Continental Europe has been significant and has had a direct impact on HSBC Continental Europe's employees.

The global economic outlook also continues to remain uncertain, particularly with regard to the impact of higher inflation, changes in legislation and geopolitical tensions, and could therefore impact the way HSBC Continental Europe operates and executes its transformation programmes.

The failure to successfully deliver key strategic actions or other regulatory programmes could have a significant impact on HSBC Continental Europe's financial condition, profitability and prospects, as well as wider implications on its customers, operational resilience, reputation and regulatory requirements. Execution risk linked to ongoing projects is being managed and tracked by a dedicated committee.

4.3 The increasing volume of personal data processing activities and of cross-border data transfers may lead to significant data privacy breaches.

Probability: Likely/Impact: Medium.

Business processes rely on large volumes of personal data which are increasingly processed in non-EU jurisdictions so as to fulfil operational requirements. Whilst the offshoring of personal data processing activities has notable benefits, it also considerably increases the risk that the personal data in question will be processed in a manner which is incompatible with the high standards imposed by the General Data Protection Regulation ('GDPR') and the Schrems II judgment. Whilst no significant incident relating to cross-border personal data processing activities occurred in the first half of 2024, the Schrems II and GDPR risks will remain topical in the second half of 2024.

4.4 Third parties may use HSBC Continental Europe as a conduit for illegal activities without its knowledge.
Probability: Likely/Impact: Medium.

HSBC Continental Europe is required to comply with applicable financial crime laws and regulations, and has adopted various policies, procedures and controls aimed at preventing the exploitation of HSBC's products and services for criminal activity.

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

A major focus of European, UK and US government policy relating to financial institutions in recent years has been preventing, detecting and deterring money laundering and enforcing compliance with economic sanctions.

European, including French regulators, remain strongly focused on anti-money laundering and combating the financing of terrorism (AML/CFT) and, more recently, Anti Bribery & Corruption ('AB&C'), fraud prevention and tax evasion matters within the banking industry.

In recent years, a substantial rise in the volume of new regulations has been experienced, impacting the Bank's operational processes, along with increasing levels of compliance risk as regulators and other authorities pursue reviews and investigations into the Bank's activities. In line with the Group's heightened standards and organisation, HSBC Continental Europe has continued to improve its financial crime compliance and regulatory compliance framework.

Sanctions and trade restrictions are complex, in particular with the significant sanctions and trade restrictions against Russia. In December 2023, the US established a new secondary sanctions regime, providing itself broad discretion to impose severe sanctions on non-US banks that are knowingly or even unknowingly engaged in certain transactions or services involving Russia's military-industrial base. This creates challenges associated with the detection or prevention of third-party activities beyond HSBC's control. The imposition of such sanctions against any non-US HSBC entity could result in significant adverse commercial, operational and reputational consequences for HSBC.

HSBC Continental Europe remains close to regulators and industry bodies as well as Group compliance and sanctions specialists to navigate and manage this complex environment.

Google Cloud in 2023 officially launched an anti-money laundering artificial intelligence capability, which HSBC co-developed, that has the potential to transform how financial crime is tackled across the industry. This solution, known at HSBC as the Dynamic Risk Assessment, has been deployed in France and Malta.

In order to ensure the effectiveness of its policies, mandatory training must be followed by all HSBC Continental Europe employees.

See note 9 for details concerning any tax related investigations. Based on the facts currently known, it is not practicable at this time for HSBC to predict the resolution of these matters, including the timing or any possible impact on HSBC, which could be significant.

4.5 HSBC Continental Europe's risk management measures may not be successful.
Probability: Likely/Impact: Medium.

Risk management is an integral part of HSBC Continental Europe's activities. Risk represents the exposure to uncertainty and the resulting variability of return. Specifically, risk equates to the adverse effect on profitability or financial condition arising from different sources of uncertainty, including but non exhaustively credit risk, market risk, non-traded market risk, operational risk, insurance risk, concentration risk, liquidity and funding risk, litigation risk, reputational risk, strategic risk, pension risk and regulatory risk.

To manage its risks, HSBC Continental Europe uses a range of risk tools amongst which:

- The Risk Map which is an integrated risk management tool used to assess, monitor and report current risk profile, including Risk Drivers and Top Risks. It provides a point-in-time view of the enterprise-wide risk profile across both financial and non-financial risks in line with HSBC's risk taxonomy and identified Thematic Issues. A Risk Driver is an issue or event that may cause risk to be outside of acceptable levels and a Top Risk is a Risk Driver that we are managing, which if not managed and mitigated has the potential to have a material impact; and
- The Risk Appetite Statement, which sets out the level and types of risks that HSBC Continental Europe is willing to take in order to achieve its strategic objectives.

While HSBC Continental Europe employs a broad and diversified set of risk monitoring and mitigation techniques, such methods and the judgements that accompany their application cannot anticipate every unfavourable event or the specifics and timing of every outcome. Failure to manage risks appropriately could have a material adverse effect on the businesses, financial condition, results of operations, prospects, capital position, strategy and reputation of the bank.

5 Risks related to HSBC Continental Europe's business

5.1 Risks concerning borrower credit quality are inherent in HSBC Continental Europe's businesses.
Probability: Likely/Impact: High.

Risks arising from changes in credit quality and the recoverability of loans and amounts due from borrowers and counterparties (e.g. reinsurers and counterparties in derivative transactions) are inherent in a wide range of HSBC Continental Europe's businesses.

Adverse changes in the credit quality of HSBC Continental Europe's borrowers and counterparties arising from a general deterioration in economic conditions or systemic risks in the financial systems, including uncertainties caused by the Russia-Ukraine and Israel-Hamas wars could reduce the recoverability and value of HSBC Continental Europe's assets, and result in increased credit losses.

HSBC Continental Europe estimates and recognises ECLs in its credit exposure. This process, which is critical to HSBC Continental Europe's results and financial condition, requires difficult, subjective and complex judgements, including forecasts of how the economic and geopolitical conditions, including the impact of sanctions, and sector specific risks, might impair the ability of its borrowers to repay their loans and the ability of other counterparties to meet their obligations.

This assessment considers multiple alternative forward-looking economic conditions (including Gross Domestic Product ('GDP') estimates) and incorporates this into the ECL estimates to meet the measurement objective of IFRS 9.

As is the case with any such assessments, HSBC Continental Europe may fail to estimate accurately the effect of factors that are identified or fail to identify relevant factors. Further, the information HSBC Continental Europe uses to assess the creditworthiness of its counterparties may be inaccurate or incorrect.

Any failure by HSBC Continental Europe to accurately estimate the ability of its counterparties to meet their obligations could have a material adverse effect on its business, financial condition, results of operations and prospects.

The level of any material adverse effect will depend on the number of borrowers and the size of the exposures involved.

HSBC Continental Europe also continues to make use of its risk identification and portfolio management processes, including an early warning system to identify and monitor the most vulnerable customers.

Refinancing risk and liquidity remain the key points of attention for the wholesale portfolio, in the current/recent higher rate and slower GDP growth environment. Extensive refinancing reviews and deep dive sector reviews have been undertaken to identify any vulnerable counterparties in order to establish specific actions where required.

A rolling program of sector reviews is in place. A refresh of the Refinancing Risk Review initiative is underway.

Single name and sector concentrations are within appetite.

As part of the sale of the France Retail Banking activities, HSBC Continental Europe retained a portfolio of EUR 7.1 billion of home loans which was originally part of the sale. This portfolio is circa 95 per cent secured by Credit Logement and has reduced to EUR 6.9 billion as at the end of June 2024.

For details concerning RWAs as at 30 June 2024 – see table: Overview of risk weighted exposure amounts in the HSBC Continental Europe Pillar 3 document.

Change in expected credit losses and other credit impairment charges ('ECL') was a net charge of EUR (18) million in the first half of 2024 compared to a net charge of EUR (16) million provision in the first half of 2023, The change was primarily driven by stage 3 provisions.

5.2 HSBC Continental Europe has significant exposure to counterparty risk.

Probability: Likely/Impact: High.

HSBC Continental Europe is exposed to counterparties that are involved in virtually all major industries, and HSBC Continental Europe routinely executes transactions with counterparties in financial services, including central clearing counterparties, commercial banks, investment banks, mutual funds, and other institutional clients. Many of these transactions expose HSBC Continental Europe to credit risk in the event of default by a counterparty or client.

HSBC Continental Europe's ability to engage in routine transactions to fund its operations and manage its risks could be materially adversely affected by the actions and commercial soundness of other financial services institutions. Financial institutions are necessarily interdependent because of trading, clearing, counterparty or other relationships. Consequently, a default by, or decline in market confidence in, individual institutions, or anxiety about the financial services industry generally, can lead to further individual and/or systemic difficulties, defaults and losses.

Mandatory central clearing of OTC derivatives, including under the EU's European Market Infrastructure Regulation, poses risks to HSBC Continental Europe. As a clearing member, HSBC Continental Europe is required to underwrite losses incurred at a central counterparty by the default of other clearing members and their clients. Increased moves towards central clearing brings with it a further element of interconnectedness between clearing members and clients that HSBC Continental Europe believes may increase rather than reduce its exposure to systemic risk. At the same time, HSBC Continental Europe's ability to manage such risk itself will be reduced because control has been largely outsourced to central counterparties, and it is unclear at present how, at a time of stress, regulators and resolution authorities will intervene.

Where bilateral counterparty risk has been mitigated by taking collateral, credit risk for HSBC Continental Europe may remain high if the collateral held cannot be realised or has to be liquidated at prices that are insufficient to recover the full amount of the transaction's exposure. There is a risk that collateral cannot be realised, including situations where this arises by change of law that may influence HSBC Continental Europe's ability to foreclose on collateral or otherwise enforce contractual rights.

Liquidity and concentration of the underlying market exposure or collateral along with their potential correlation with the credit quality of the counterparty (wrong way risk) are part of the keystones of counterparty credit risk.

HSBC Continental Europe also has credit exposure arising from mitigants, such as credit default swaps, and other credit derivatives, each of which is carried at fair value. The risk of default by counterparties to credit default swaps and other credit derivatives used as mitigants affects the fair value of these instruments depending on the valuation and the perceived credit risk of the underlying instrument against which protection has been purchased.

Any such adjustments or fair value changes may have a material adverse effect on the financial condition and results of operations of HSBC Continental Europe.

As part of the counterparty credit risk management, any particular market event (for instance the French parliament dissolution impact), dynamics of the portfolio are closely monitored. Stress testing is also a management tool used to revisit the HSBC Continental Europe portfolio. Risk management actions focused on the collateral disputes and the failed payments with strong communication to senior Markets and Securities Services stakeholders.

As at 30 June 2024, Counterparty Risk RWAs were EUR 6.45 billion compared to EUR 5.28 billion as at 31 December 2023. See also RWAs as at 30 June 2024 – table: Overview of risk weighted exposure amounts in the HSBC Continental Europe Pillar 3 document.

5.3 HSBC Continental Europe is exposed to capacity and capability risk resulting from elevated attrition and talent retention challenges.

Probability: Likely/Impact: High.

HSBC Continental Europe, as other banks, faces several challenges which impact its ability to attract and retain the best talent, such as

- The need to stay agile and continuously adapt to the rapidly changing environment and skill requirements;
- The evolving regulatory landscape; and
- The increased pressure resulting from the current geopolitical crisis.

While the successful completion of HSBC Continental Europe's European transformation activities has led to a decrease of its People risk and challenges, HSBC Continental Europe continues to focus on maintaining a fair ability to attract, retain, develop, and motivate employees, senior executives, and key talent.

Challenges in capacity and capability have a direct correlation with increased workloads, high turnover rates, and well-being concerns.

The workload resulting from multiple restructuring projects has reduced as we progressed with their execution, however it continues to strain the workforce in certain markets, leading to retention issues, while being impacted by heightened competition over specific skills and expertise.

Various initiatives have been set to enhance employees' engagement, convey a common and positive culture and enable growth in the first half of 2024, resulting in some improvements in HSBC Continental Europe's key indicators. As illustrations:

- HSBC Continental Europe's attrition rate has been on a downward trend since December 2022; however, it remains under close monitoring in certain businesses and/or areas where it could potentially lead to capacity and capability challenges. As of 31 December 2023, the overall annualised voluntary attrition rate stood at 7.5 per cent, stable versus last year. It decreased to 4.8 per cent at the end of June 2024; and
- HSBC Group has set itself clear and transparent gender equality targets on the proportion of women in senior executive positions. At the end of June 2024, 28.1 per cent of the senior positions within the group are held by female leaders, compared to 27.6 per cent at December 2023.

5.4 HSBC Continental Europe's insurance businesses are subject to risks relating to insurance lapse risk and changes in insurance customer behaviour.

Probability: Likely/Impact: High.

HSBC Continental Europe provides various life insurance products. The cost of claims and benefits can be influenced by many factors, including mortality and morbidity rates, lapse and surrender rates and, if the policy has a savings element, the performance of assets to support the liabilities. Unfavourable developments in any of these factors could materially adversely affect HSBC Continental Europe's business, financial condition, results of operations and prospects.

In the current situation the main financial risk for HSBC Assurances Vie (France) consists in a reduction in inflows and an increase in lapses. The risk increased in 2023 due to rising interest rates and lower inflows impacted by the project to sale the France retail network.

Reductions in inflows and increase in lapses from HSBC Assurances Vie (France) customers could result in negative net new money and liquidity risk. Moreover, in case of important level of negative net new money with the current level of interest rates, HSBC Assurances Vie (France) could have to sell a part of its bond portfolio and thus realise a part of its unrealised losses.

Mitigating actions are already in place in HSBC Assurances Vie (France) as these risks were already identified previously. A competitive profit-sharing rate was delivered end of 2023 and commercial campaigns were launched to accelerate the resumption of the commercial activity. As a result, the commercial performance recovered rapidly over the second quarter of 2024 and the level of gross written premium over the first half of 2024 is higher than it was in the first half of 2023.

The part of cash and of short-term investments of the HSBC Assurances Vie (France) portfolio were also managed accordingly and all the liquidity indicators remained within risk appetite over the first half of 2024.

HSBC Life Assurance (Malta) Ltd is also exposed to lapse risk, particularly to a one-event mass lapse. Lapses on the Protection business could be driven by the economic environment thus impacting HSBC Life Assurance (Malta) Ltd customer's behaviour toward allocating wealth toward insurance. The unit-linked book is more sensitive to the volatility of the market and low return. Mass lapses on this profitable business would reduce the expected profit.

There is also exposure to lower lapses on policies where the premium no longer covers the cost of the risk, in particular for the old policies and those with a long maturity.

6 Risks related to HSBC Continental Europe's financial statements

6.1 HSBC Continental Europe's financial statements are based in part on judgements, estimates and assumptions that are subject to uncertainty.

Probability: Unlikely/Impact: Medium.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, particularly those involving the use of complex models, actual results reported in future periods could differ from those on which management's estimates are based.

Estimates, judgements, assumptions and models are continually evaluated, and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the prevailing circumstances.

The impacts of revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Accounting policies deemed critical to our results and financial position are those that involve a high degree of uncertainty and have a material impact on the financial statements. In the first half of 2024 these included expected credit losses, impairment of goodwill and non-financial assets, measurement of financial instruments, deferred tax assets, provisions, impairment of interests in associates, or in investments in subsidiaries.

The valuation of financial instruments measured at fair value can be subjective, in particular where models are used that include unobservable inputs. Given the uncertainty and subjectivity associated with measuring such instruments, future outcomes may differ materially from those assumed using information available at the reporting date.

The effect of these differences on the future results of operations and the future financial position of HSBC Continental Europe could be material. If the judgement, estimates and assumptions HSBC Continental Europe used in preparing its consolidated financial statements are subsequently found to be materially different from those assumed using information available at the reporting date, this could affect its business, prospects, financial condition and results of operations.

The measurement of expected credit losses requires the selection and calibration of complex models and the use of estimates and assumptions to incorporate relevant information about past events, current conditions and forecasts of economic conditions. In addition, significant judgement is involved in determining what is considered to be significant increases in credit risk and what the point of initial recognition is for revolving facilities.

The assessment of whether goodwill and non-financial assets are impaired, and the measurement of any impairment, involves the application of judgement in determining key assumptions, including discount rates, estimated cash flows for the periods for which detailed cash flows are available and projecting the long-term pattern of sustainable cash flows thereafter. The recognition and measurement of deferred tax assets involves significant judgement regarding the probability and sufficiency of future taxable profits, taking into account the future reversal of existing taxable temporary differences and tax planning strategies, including corporate reorganisations.

The recognition and measurement of provisions involve significant judgements due to the high degree of uncertainty in determining whether a present obligation exists, and in estimating the probability and amount of any outflows that may arise.

The assessment of the held for sale criteria involves significant judgement with regards to classifying a sale as highly probable and the anticipated timing for the sale to complete. The calculation of the fair value less cost to sell as well as any related impairment loss is subject to accounting estimates.

Risk overview/Top and emerging risks

HSBC Continental Europe uses a Top and emerging risks process to provide a forward looking view of issues with the potential to threaten the execution of its strategy or operations over the medium to long term. HSBC Continental Europe proactively assess the internal and external risk environment, as well as review the themes identified for any risks that may require escalation. The bank updates its top and emerging risks as necessary. The current top risks are as follows:

Risk	Trend versus 31Dec23	Description
Externally driven		
Macroeconomic and geopolitical risk	▲	HSBC Continental Europe continually assesses the impact of macroeconomic and geopolitical events on its business and exposures and takes steps to mitigate them, where required and possible, to help ensure that HSBC Continental Europe remains within its risk appetite. Geopolitical tensions including the ongoing Russia-Ukraine and Israel-Hamas wars, created a more complicated business environment. The significant number of elections and in particular those in France, UK and in the US are noteworthy. Any impacts resulting from these on the markets, HSBC Continental Europe's customers and HSBC Continental Europe itself are monitored closely and managed accordingly. Despite expected reductions, interest rates in Europe, are nevertheless likely to remain high in 2024, which could slow the growth of the economies in which HSBC Continental Europe operates and affect its credit portfolio.
Technology and cyber security risk (Resilience Risk)	▶	HSBC Continental Europe faces a risk of service disruption or loss of data resulting from technology failures or malicious activities by internal or external threats. The bank operates a continuous improvement programme to help protect its technology operations and counter a fast-evolving cyber threat environment.
Evolving regulatory environment risk	▶	The regulatory and compliance risk environment remains complex, given heightened geopolitical tensions and the consequent macroeconomic impacts. HSBC Continental Europe monitors regulatory developments closely and engages with regulators, as appropriate, to help ensure new regulatory requirements are implemented effectively and in a timely way. There continues to be an intense regulatory focus on ESG matters, including the implementation of CRD VI, and on 'green' products. Regulatory scrutiny of financial institutions, may result in new or additional regulatory or capital requirements impacting HSBC Continental Europe in the short to medium term.
Financial crime risk	▲	HSBC Continental Europe is exposed to financial crime risk from its customers, staff and third-parties engaging in criminal activity. The financial crime risk environment continues to evolve, due to increasingly complex geopolitical challenges, the macroeconomic outlook, evolving sanctions regulations, rapid technological developments, national data privacy requirements and the increasing sophistication of fraud. As a result, HSBC Continental Europe will continue to face the possibility of regulatory enforcement and reputational risk.
Environmental, social and governance ('ESG') risks	▶	HSBC Continental Europe is subject to ESG risks relating to climate change, nature and human rights. These risks have remained high owing to the pace and volume of regulatory developments globally, and 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 costs, including adverse reputational consequences.
Internally driven		
People risk	▼	HSBC Continental Europe has completed material transformation activities in 2023 and in the first half of 2024. Capacity and capability challenges resulting from elevated workloads during the transition into the new operating model, combined with employment practices and relations risks continue to be managed and mitigated through the ongoing engagement with employee representative bodies and regulators. These challenges and risks have drastically reduced in the first half of 2024. Strong oversight continues to be maintained over people management (including attrition levels monitoring) and the ability to attract, retain, develop, motivate employees, senior executives, and key talents. Attrition levels have been on a downward trend over the past quarters. This has resulted in more effective workforce planning and management. Failure to manage the risks may lead to potential regulatory sanctions or legal claims, and potential impacts on the delivery of business plans.
Model risk	▶	HSBC Continental Europe uses 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. HSBC Continental Europe continues to strengthen its internal processes governing regulatory capital models and dialogue with regulators to ensure that its deliverables meet their expectations.
Tax risk	▲	Tax rules are becoming increasingly complex. In addition to local rules, a body of international rules is being implemented, making tax authorities more demanding in their application. Transfer pricing remains a key area of focus as well as the new Pillar 2 tax regulation (new tax filling requirement in 2026).

Risk	Trend versus 31Dec23	Description
Internally driven (continued)		
Execution risk (Resilience Risk)	▶	Failure to effectively prioritise, manage and/or deliver transformation impacts HSBC Continental Europe's ability to achieve its strategic objectives and meet regulatory requirements. Given the complexity, scale and pace of strategic and regulatory change, HSBC Continental Europe must continue to monitor, manage and oversee change execution risk to ensure its change portfolio and initiatives continue to deliver the right outcomes for its customers, people, regulators, investors and communities.
Data risk (Resilience Risk)	▲	HSBC Continental Europe uses data to serve its customers and run its operations, often in real-time within digital experiences and processes. If the data is not accurate and timely, HSBC Continental Europe's ability to serve customers, operate with resilience or meet regulatory requirements could be impacted. HSBC Continental Europe needs to ensure that non-public data is kept confidential, and that it complies with the regulations that govern data privacy and cross-border movement of data. In order to address regulatory expectations a programme has been setup to mitigate control gaps.
Third party risk (Resilience Risk)	▶	HSBC Continental Europe procures services and goods from a range of third parties. It is critical that HSBC Continental Europe have appropriate risk management policies, processes and practices in place for the selection and governance of third parties and their supply networks, particularly for key activities that could affect its operational resilience. Any deficiency in the management of risks associated with its third parties could affect its ability to support its customers and meet regulatory expectations.

▲ Risk has heightened during the first half of 2024

▶ Risk remains at the same level during the first half of 2024

▼ Risk has decreased during the first half of 2024

Managing risks

HSBC Continental Europe uses a comprehensive risk management framework across the organisation and across all risk types, underpinned by the HSBC Group's culture and values. This framework outlines the key principles, policies and practices that the Bank employs in managing material risks, both financial and non-financial.

Difficult economic conditions in the European Union ('EU') continue to impact HSBC Continental Europe's customers and its organisation across the first half of 2024. Although a fall in energy prices and other commodity prices has facilitated a decrease in inflation towards the ECB's target rate, interest rates across the region in the medium term are likely to remain materially higher than in recent years. Economic growth in the EU remains relatively muted and there continues to be uncertainty and downside risks that could impact the pace and sustainability of the economic recovery across HSBC Continental Europe's key markets.

There continue to be ongoing impacts of the Russia-Ukraine and Israel-Hamas wars. Both could have significant global economic and political consequences with impacts across the region. The Israel Hamas war had led to renewed volatility in energy prices, and attacks on commercial shipping in the Red Sea and the countermeasures taken to improve security have disrupted supply chains These developments have the potential to halt or reverse the recent decline in inflation, particularly in Europe.

HSBC Continental Europe is monitoring the impacts and continues to respond to the complex, novel and evolving sanctions and trade restrictions that in particular, the US, the UK and the EU, as well as other countries have imposed on Russia. In response to such sanctions and trade restrictions, as well as asset flight, Russia has implemented certain countermeasures.

In December 2023, the US established a new secondary sanctions regime, providing itself broad discretion to impose severe sanctions on non-US banks that are knowingly or even unknowingly engaged in certain transactions or services involving Russia's military-industrial base. The broad scope of the discretionary powers embedded in the regime creates challenges associated with the detection or prevention of third-party activities beyond HSBC's control. Additionally, the imposition of such sanctions against any non-US HSBC entity could result in significant adverse commercial, operational and reputational consequences for HSBC.

Further sanctions, for instance focusing on sanctions evasion by parties in third countries, and Russian countermeasures may adversely impact the group, its customers and the markets in which the group operates by creating regulatory, reputational and market risks.

HSBC Continental Europe continues to focus on improving 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 its Board and key stakeholders.

Risk appetite

HSBC Continental Europe's defines its desired forward-looking risk profile, via its risk appetite which also informs the strategic and financial planning process. The risk appetite provides an objective baseline to guide strategic decision making, helping to ensure that planned business activities provide an appropriate balance of return for the risk assumed, while remaining within acceptable risk levels. The risk appetite supports senior management in allocating capital, funding and liquidity optimally to finance growth, while monitoring exposure to non-financial risks.

Capital and liquidity remain at the core of HSBC Continental Europe's risk appetite framework, with forward-looking statements informed by stress testing.

HSBC Continental Europe continues to develop and expand its climate risk appetite in 2024.

Key developments in the first half of 2024

In the first half of 2024, HSBC Continental Europe continued to undertake a number of initiatives to enhance its approach to the management of risk and enhance the control environment, taking into account the external events: the evolution of the geopolitical environment, the uncertain macroeconomic environment – inflation, higher interest rates, slower GDP growth, and internal events mainly related to the Bank's transformation programme.

In addition, HSBC Continental Europe has sought to improve its risk management in the following areas:

- The enhancement of the climate risk programme to further embed climate considerations throughout the firm and the development of new and more granular climate risk metrics;
- Implementation of a new governance framework concerning the home loans portfolio (EUR 7.1billion as of 31 December 2023) retained by HSBC Continental Europe which was originally part of the retail banking operation in France sale;
- Enhancements to the Risk Management Framework concerning Financial risk;
- Changes in the credit risk organisation made in May 2024 to ensure full alignment with the European Banking Authority ('EBA') guidelines on internal governance to ensure that teams performing operationally tasks need to be fully independent from teams that perform risk management activities in the sense of control functions;
- Continued focus on HSBC Continental Europe's technology and cybersecurity controls to improve the resilience and security of its technology services in response to the heightened external threat environment;
- By deploying industry leading technology and advanced analytics capabilities to improve its ability to identify suspicious activities and prevent financial crime;
- HSBC Continental Europe continues to make progress with its comprehensive regulatory reporting programme in seeking to strengthen its processes,improve consistency and enhance controls across regulatory reports;
- Continued improvement in HSBC Continental Europe's Third-Party Management concerning automation and standardisation of the process, the outsourcing register, the materiality and risk assessments, and the regulatory notifications; and
- The enhancement of the Third-Party Risk Management Framework, to comply with the latest regulatory requirement such as the ongoing implementation of the Digital Operational Resilience Act.

Credit Risk

Credit risk profile

Credit risk is the risk of financial loss if a customer or counterparty fails to meet a payment obligation under a contract.

It arises principally from direct lending, trade finance and leasing business, but also from off-balance sheet products such as guarantees and credit derivatives, and from the holdings of debt securities.

There were no material changes to the policies and practices for the management of credit risk in the first half of 2024. A summary of our current policies and practices for the management of credit risk is set out in 'Credit risk management' of the Universal Registration Document 2023.

Summary of credit risk

The following tables detail the impairment requirements by type of product and counterparty.

Measurement uncertainty and sensitivity analysis of ECL estimates

The recognition and measurement of ECL involves the use of significant judgement and estimation. We form multiple economic scenarios based on economic forecasts, apply these assumptions to credit risk models to estimate future credit losses, and probability-weight the results to determine an unbiased ECL estimate. Management judgemental adjustments are used to address late-breaking events, data and model limitations, model deficiencies and expert credit judgements.

Methodology

Four economic scenarios are used to capture the current economic environment and to articulate management's view of the range of potential outcomes. Scenarios produced to calculate ECL are aligned to HSBC's top and emerging risks.

Three of these scenarios are drawn from consensus forecasts and distributional estimates. The Central scenario is deemed the 'most likely' scenario, and usually attracts the largest probability weighting, while the Downside 1 and Upside scenarios represent the tails of the distribution which are less likely to occur. The Central scenario is created using the average of a panel of external forecasters. Upside and Downside 1 scenarios are created with reference to distributions for select markets that capture forecasters' views of the entire range of outcomes.

The fourth scenario, Downside 2, is designed to represent management's view of severe downside risks. It is a globally consistent narrative-driven scenario that explores more extreme economic outcomes than those captured by the consensus scenarios.

The consensus Downside 1 and the consensus Upside scenarios are each constructed to be consistent with a 10 per cent probability. The Downside 2 is constructed with a 5 per cent probability. The Central scenario is assigned the remaining 75 per cent. This weighting scheme is deemed appropriate for the unbiased estimation of ECL in most circumstances. However, management may depart from this probability-based scenario weighting approach when the economic outlook is determined to be particularly uncertain and risks are elevated.

In the second quarter of 2024, the assigned scenario weights were consistent with their calibrated probabilities, the same as in the fourth quarter of 2023. Economic forecasts for the Central scenario improved modestly, and the dispersion within consensus forecast panels remained low. Risks, including the increased policy risks relating to the outcome of elections across key markets and elevated geopolitical tensions, were deemed to be reflected in the Downside scenarios.

Summary of financial instruments to which the impairment requirements in IFRS 9 are applied

	At 30 Jun 2024		At 31 Dec 2023	
	Gross carrying/ nominal amount	**Provision for ECL[1]**	Gross carrying/ nominal amount	Provision for ECL[1]
	€m	**€m**	€m	€m
Loans and advances to customers at amortised cost[2]	**53,360**	**(732)**	50,885	(758)
Loans and advances to banks at amortised cost	**5,902**	**—**	5,816	—
Other financial assets measured at amortised cost	**115,685**	**—**	103,294	—
– cash and balances at central banks	**59,076**	**—**	56,894	—
– items in the course of collection from other banks	**207**	**—**	273	—
– reverse repurchase agreements – non trading	**28,296**	**—**	24,490	—
– financial investments[3]	**3,085**	**—**	1,747	—
– prepayments, accrued income and other assets[4]	**25,021**	**—**	19,890	—
Assets held for sale[5]	**—**	**—**	24,994	(74)
Total gross carrying amount on balance sheet	**174,947**	**(732)**	184,989	(832)
Loans and other credit-related commitments	**119,755**	**(20)**	106,159	(24)
Financial guarantees[6]	**1,755**	**(7)**	1,552	(7)
Total nominal amount off-balance sheet[7]	**121,510**	**(27)**	107,711	(31)
Total nominal amount on-balance sheet and off-balance sheet	**296,457**	**(759)**	292,700	(863)

	Fair value	**Memorandum allowance for ECL[8]**	Fair value	Memorandum allowance for ECL[8]
	€m	**€m**	€m	€m
Debt instruments measured at Fair Value through Other Comprehensive Income ('FVOCI')	**22,509**	**(5)**	20,832	(5)

1 *The total ECL is recognised in the loss allowance for the financial asset unless the total ECL exceeds the gross carrying amount of the financial asset, in which case the ECL is recognised as a provision.*
2 *As part of the sale of the retail banking operations in France, HSBC Continental Europe retained a portfolio of EUR 7.1 billion at the time of sale consisting of home and certain other loans, of which EUR 6.7 billion guaranteed by Crédit Logement. This portfolio has reduced to EUR 6.9 billion as at 30 June 2024, of which EUR 6.5 billion are guaranteed by Crédit Logement.*
3 *Includes only financial investments measured at amortised cost. 'Financial investments' as presented within the consolidated balance sheet on page 43 includes financial assets measured at amortised cost and debt and equity instruments measured at fair value through other comprehensive income.*
4 *Includes only those financial instruments which are subject to the impairment requirements of IFRS 9. 'Prepayments, accrued income and other assets' as presented within the consolidated balance sheet on page 43 includes both financial and non-financial assets.*
5 *The comparatives includes EUR 9.5 billion guaranteed by Crédit Logement classified as held for sale as at 31 December 2023, the sale has been completed. For further details on gross carrying amounts and allowances for ECL related to assets held for sale, see 'Assets held for sale' on page 155 in Universal Registration Document and Annual Financial Report 2023.*
6 *Excludes performance guarantee contracts to which the impairment requirements of IFRS 9 are not applied.*
7 *Represents the maximum amount at risk should the contracts be fully drawn upon and clients default.*
8 *Debt instruments measured at FVOCI continue to be measured at fair value with the allowance for ECL as a memorandum item. Change in ECL is recognised in 'Change in expected credit losses and other credit impairment charges' in the income statement.*

Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage by industry sector at 30 June 2024

	Gross carrying/nominal amount[1]					Provision for ECL					ECL coverage %				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	%	%	%	%	%
Loans and advances to customers at amortised cost	46,905	4,701	1,752	2	53,360	(47)	(73)	(612)	—	(732)	0.1	1.6	34.9	—	1.4
– personal[2]	10,217	243	99	—	10,559	(6)	(8)	(31)	—	(45)	0.1	3.3	31.3	—	0.4
– corporate and commercial	28,790	4,385	1,634	2	34,811	(38)	(64)	(567)	—	(669)	0.1	1.5	34.7	—	1.9
– non-bank financial institutions	7,898	73	19	—	7,990	(3)	(1)	(14)	—	(18)	—	1.4	73.7	—	0.2
Loans and advances to banks at amortised cost	5,777	125	—	—	5,902	—	—	—	—	—	—	—	—	—	—
Other financial assets measured at amortised cost	115,638	32	15	—	115,685	—	—	—	—	—	—	—	—	—	—
Assets held for sale	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Loan and other credit-related commitments	116,060	3,542	153	—	119,755	(9)	(8)	(3)	—	(20)	—	0.2	2.0	—	—
– personal	422	2	—	—	424	—	—	—	—	—	—	—	—	—	—
– corporate and commercial	51,246	3,397	153	—	54,796	(8)	(8)	(3)	—	(19)	—	0.2	2.0	—	—
– financial	64,392	143	—	—	64,535	(1)	—	—	—	(1)	—	—	—	—	—
Financial guarantees[3]	1,674	25	56	—	1,755	(1)	(1)	(5)	—	(7)	0.1	4.0	8.9	—	0.4
– personal	27	—	—	—	27	—	—	—	—	—	—	—	—	—	—
– corporate and commercial	836	24	56	—	916	(1)	(1)	(5)	—	(7)	0.1	4.2	8.9	—	0.8
– financial	811	1	—	—	812	—	—	—	—	—	—	—	—	—	—
At 30 Jun 2024	**286,054**	**8,425**	**1,976**	**2**	**296,457**	**(57)**	**(82)**	**(620)**	**—**	**(759)**	**—**	**1.0**	**31.4**	**—**	**0.3**

1 Represents the maximum amount at risk should the contracts be fully drawn upon and clients default.

2 As part of the sale of the retail banking operations in France, HSBC Continental Europe retained a portfolio of EUR 7.1 billion at the time of sale consisting of home and certain other loans, of which EUR 6.7 billion guaranteed by Crédit Logement. This portfolio has reduced to EUR 6.9 billion as at 30 June 2024, of which EUR 6.5 billion are guaranteed by Crédit Logement.

3 Excludes performance guarantee contracts to which the impairment requirements of IFRS 9 are not applied.

Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when they are 30 days past due and are transferred from stage 1 to stage 2.

The table below presents the breakdown of stage 2 financial assets between those less than 30 and more than 30 days past due and therefore presents those financial assets classified as stage 2 due to ageing (30 days past due) and those identified at an earlier stage (less than 30 days past due).

Past due financial instruments are those loans where customers have failed to make payments in accordance with the contractual terms of their facilities.

Stage 2 days past due analysis at 30 June 2024

	Gross carrying amount			Provision for ECL			ECL coverage %		
	Stage 2	*of which: 1 to 29 DPD*[1,2]	*of which: 30 and > DPD*[1,2]	Stage 2	*of which: 1 to 29 DPD*[1,2]	*of which: 30 and > DPD*[1,2]	Stage 2	*of which: 1 to 29 DPD*[1,2]	*of which: 30 and > DPD*[1,2]
	€m	*€m*	*€m*	€m	*€m*	*€m*	%	*%*	*%*
Loans and advances to customers at amortised cost:	**4,701**	***216***	***304***	**(73)**	***(3)***	**—**	**1.6**	***1.4***	**—**
– personal	**243**	***50***	***10***	**(8)**	***(1)***	**—**	**3.3**	***2.0***	**—**
– corporate and commercial	**4,385**	***166***	***294***	**(64)**	***(2)***	**—**	**1.5**	***1.2***	**—**
– non-bank financial institutions	**73**	**—**	**—**	**(1)**	**—**	**—**	**1.4**	**—**	**—**
Loans and advances to banks at amortised cost	**125**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Other financial assets measured at amortised cost	**32**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Assets held for sale	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**

1 *Days past due ('DPD'), amounts presented above are on contractual basis.*
2 *Up-to-date accounts in stage 2 are not shown in amounts presented above.*

Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage by industry sector at 31 December 2023

	Gross carrying/nominal amount[1]					Provision for ECL					ECL coverage %				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	%	%	%	%	%
Loans and advances to customers at amortised cost	44,138	5,088	1,651	8	50,885	(53)	(81)	(624)	—	(758)	0.1	1.6	37.8	—	1.5
– personal[2]	10,129	526	97	—	10,752	(9)	(10)	(28)	—	(47)	0.1	1.9	28.9	—	0.4
– corporate and commercial	28,007	4,401	1,526	8	33,942	(42)	(67)	(584)	—	(693)	0.1	1.5	38.3	—	2.0
– non-bank financial institutions	6,002	161	28	—	6,191	(2)	(4)	(12)	—	(18)	—	2.5	42.9	—	0.3
Loans and advances to banks at amortised cost	5,712	104	—	—	5,816	—	—	—	—	—	—	—	—	—	—
Other financial assets measured at amortised cost	103,246	35	13	—	103,294	—	—	—	—	—	—	—	—	—	—
Assets Held for sale[3,4]	23,739	1,075	180	—	24,994	(3)	(8)	(63)	—	(74)	—	0.7	35.0	—	0.3
Loan and other credit-related commitments	103,028	2,947	184	—	106,159	(8)	(9)	(7)	—	(24)	—	0.3	3.8	—	—
– personal	898	29	2	—	929	—	—	—	—	—	—	—	—	—	—
– corporate and commercial	49,962	2,767	172	—	52,901	(8)	(8)	(7)	—	(23)	—	0.3	4.1	—	—
– financial	52,168	151	10	—	52,329	—	(1)	—	—	(1)	—	0.7	—	—	—
Financial guarantees[5]	1,432	67	53	—	1,552	(1)	(1)	(5)	—	(7)	0.1	1.5	9.4	—	0.5
– personal	37	—	—	—	37	—	—	—	—	—	—	—	—	—	—
– corporate and commercial	613	66	53	—	732	(1)	(1)	(5)	—	(7)	0.2	1.5	9.4	—	1.0
– financial	782	1	—	—	783	—	—	—	—	—	—	—	—	—	—
31 Dec 2023	281,295	9,316	2,081	8	292,700	(65)	(99)	(699)	—	(863)	—	1.1	33.6	—	0.3

1 *Represents the maximum amount at risk should the contracts be fully drawn down and customers default.*
2 *As part of the sale of the retail banking operations in France, HSBC Continental Europe retained a portfolio of EUR 7.1 billion at the time of sale consisting of home and certain other loans, of which EUR 6.7 billion guaranteed by Crédit Logement. This portfolio has reduced to EUR 6.9 billion as at 30 June 2024, of which EUR 6.5 billion are guaranteed by Crédit Logement.*
3 *of which EUR 9.5 billion guaranteed by Crédit Logement classified as held for sale as at 31 December 2023.*
4 *For further details on gross carrying amounts and allowances for ECL related to assets held for sale, see 'Assets held for sale' on page 155 in Universal Registration Document and Annual Financial Report 2023.*
5 *Excludes performance guarantee contracts to which the impairment requirements of IFRS 9 are not applied.*

Stage 2 days past due analysis at 31 December 2023

	Gross carrying amount			Provision for ECL			ECL coverage %		
	Stage 2	*of which: 1 to 29 DPD[1]*	*of which: 30 and > DPD[1]*	Stage 2	*of which: 1 to 29 DPD[1]*	*of which: 30 and > DPD[1]*	Stage 2	*of which: 1 to 29 DPD[1]*	*of which: 30 and > DPD[1]*
	€m	*€m*	*€m*	€m	*€m*	*€m*	%	*%*	*%*
Loans and advances to customers at amortised cost	5,088	*76*	*245*	(81)	*(2)*	*(1)*	1.6	*2.6*	*0.4*
– personal	526	*18*	*5*	(10)	*(1)*	*(1)*	1.9	*5.6*	*20.0*
– corporate and commercial	4,401	*58*	*236*	(67)	*(1)*	—	1.5	*1.7*	—
– non-bank financial institutions	161	—	*4*	(4)	—	—	2.5	—	—
Loans and advances to banks at amortised cost	104	—	*12*	—	—	—	—	—	—
Other financial assets measured at amortised cost	35	—	—	—	—	—	—	—	—
Assets held for sale[2]	1,075	*16*	*11*	(8)	—	*(0.3)*	0.7	—	—

1 Days past due ('DPD'). amounts presented above are on contractual basis.
2 For further details on gross carrying amounts and allowances for ECL related to assets held for sale, see 'Assets held for sale' on page 155 in Universal Registration Document and Annual Financial Report 2023.

Stage 2 Decomposition at 30 June 2024

The following disclosure presents the stage 2 decomposition of gross carrying amount and allowances for ECL for loans and advances to customers.

The table below discloses the reason why an exposure moved into stage 2, and thus presented a significant increase in credit risk since origination.

The Quantitative classification shows when the relevant reporting date Probability of Default ('PD') measures exceeds the defined quantitative thresholds for retail and wholesale exposures, as set out in Note 1.2 'Summary of material accounting policies', on page 198 of the 2023 Universal Registration Document.

The Qualitative classification primarily accounts for CRR deterioration, watch & worry and retail management judgemental adjustments.

For further details on our approach to the assessment of significant increase in credit risk, see Note 1.2 'Summary of material accounting policies' on page 198 of the Universal Registration Document 2023.

Stage 2 Decomposition at 30 June 2024

	Gross carrying value				**Provision for ECL**				
Loans and advances to customers	**Personal**	**Corporate and commercial**	**Non-bank financial institutions**	**Total**	**Personal**	**Corporate and commercial**	**Non-bank financial institutions**	**Total**	**ECL Coverage % Total**
	€m	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**%**
Quantitative	**236**	**1,619**	**5**	**1,860**	**(8)**	**(34)**	**—**	**(42)**	**2.3**
Qualitative	**6**	**2,488**	**68**	**2,562**	**—**	**(30)**	**(1)**	**(31)**	**1.2**
30 days past due backstop	**1**	**278**	**—**	**279**	**—**	**—**	**—**	**—**	**—**
Total stage 2	**243**	**4,385**	**73**	**4,701**	**(8)**	**(64)**	**(1)**	**(73)**	**1.6**

Stage 2 Decomposition at 31 December 2023

	Gross carrying value				Provision for ECL				
Loans and advances to customers	Personal	Corporate and commercial	Non-bank financial institutions	Total	Personal	Corporate and commercial	Non-bank financial institutions	Total	ECL Coverage % Total
	€m	€m	€m	€m	€m	€m	€m	€m	%
Quantitative	471	1,956	39	2,466	(5)	(39)	(2)	(46)	1.9
Qualitative	55	2,208	117	2,380	(5)	(28)	(2)	(35)	1.5
30 days past due backstop	—	237	5	242	—	—	—	—	—
Total stage 2	526	4,401	161	5,088	(10)	(67)	(4)	(81)	1.6

Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees[1]

	Non-credit impaired				Credit impaired					
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying/ nominal amount	Provision for ECL	Gross carrying/ nominal amount	Provision for ECL	Gross carrying/ nominal amount	Provision for ECL	Gross carrying/ nominal amount	Provision for ECL	Gross carrying/ nominal amount	Provision for ECL
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
At 1 Jan 2024	113,743	(61)	8,206	(91)	1,889	(637)	7	—	123,845	(789)
Transfers of financial instruments	(756)	(12)	594	17	162	(5)	—	—	—	—
– transfers from stage 1 to stage 2	(2,997)	4	2,997	(4)	—	—	—	—	—	—
– transfers from stage 2 to stage 1	2,224	(16)	(2,224)	16	—	—	—	—	—	—
– transfers to stage 3	(53)	—	(220)	6	273	(6)	—	—	—	—
– transfers from stage 3	70	—	41	(1)	(111)	1	—	—	—	—
Net remeasurement of ECL arising from transfer of stage	—	9	—	(9)	—	—	—	—	—	—
New financial assets originated or purchased	14,014	(6)	—	—	—	—	—	—	14,014	(6)
Asset derecognised (including final repayments)	(6,289)	1	(568)	1	(132)	20	—	—	(6,989)	22
Changes to risk parameters – further lending/repayments	(2,073)	7	162	13	86	90	(6)	—	(1,831)	110
Changes to risk parameters – credit quality	—	4	—	(13)	—	(125)	—	—	—	(134)
Changes to model used for ECL calculation	—	—	—	—	—	—	—	—	—	—
Assets written off	—	—	—	—	(38)	38	—	—	(38)	38
Credit-related modifications that resulted in derecognition	—	—	—	—	—	—	—	—	—	—
Foreign exchange	4	—	4	—	(5)	1	—	—	3	1
Others	477	—	(7)	—	—	—	—	—	470	—
Assets held for sale	—	—	—	—	—	—	—	—	—	—
At 30 Jun 2024	119,120	(58)	8,391	(82)	1,962	(618)	1	—	129,474	(758)
ECL release/(charge) for the period		15		(8)		(15)		—		(8)
Add: Recoveries										—
Add/(less): Others										(8)
Total ECL release/(charge) for the period										(16)

	At 30 Jun 2024		
	Gross carrying/ nominal amount	Provision for ECL	ECL release/ (charge)
	€m	€m	€m
As above	129,474	(758)	(16)
Other financial assets measured at amortised cost	115,685	—	—
Assets held for sale	—	—	—
Non-trading reverse purchase agreement commitments	51,304	—	—
Performance and other guarantees not considered for IFRS 9			(2)
Summary of financial instruments to which the impairment requirements in IFRS 9 are applied/Summary consolidated income statement	296,463	(758)	(18)
Debt instruments measured at FVOCI	22,509	(5)	—
Total Provision for ECL/total income statement Provision for ECL charge for the period	318,972	(763)	(18)

1 *Excludes performance guarantee contracts to which the impairment requirements in IFRS 9 are not applied.*

Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees[1] (continued)

	Non-credit impaired				Credit impaired					
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying/ nominal amount	Provision for ECL	Gross carrying/ nominal amount	Provision for ECL	Gross carrying/ nominal amount	Provision for ECL	Gross carrying/ nominal amount	Provision for ECL	Gross carrying/ nominal amount	Provision for ECL
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
At 1 Jan 2023	102,710	(40)	13,075	(142)	1,888	(697)	2	—	117,675	(879)
Transfers of financial instruments	915	(38)	(1,583)	77	668	(39)	—	—	—	—
– transfers from stage 1 to stage 2	(6,694)	7	6,694	(7)	—	—	—	—	—	—
– transfers from stage 2 to stage 1	7,871	(44)	(7,871)	44	—	—	—	—	—	—
– transfers to stage 3	(281)	—	(471)	41	752	(41)	—	—	—	—
– transfers from stage 3	19	(1)	65	(1)	(84)	2	—	—	—	—
Net remeasurement of ECL arising from transfer of stage	—	33	—	(12)	—	—	—	—	—	21
New financial assets originated or purchased	25,408	(15)	—	—	—	—	6	—	25,414	(15)
Asset derecognised (including final repayments)	(18,678)	2	(1,741)	7	(256)	43	—	—	(20,675)	52
Changes to risk parameters – further lending/repayments	5,816	6	(2,961)	(19)	(233)	44	(1)	—	2,621	31
Changes to risk parameters – credit quality	—	(5)	—	6	—	(223)	—	—	—	(222)
Changes to model used for the provision for ECL calculation	—	—	—	—	—	—	—	—	—	—
Assets written off	—	—	—	—	(238)	238	—	—	(238)	238
Credit-related modifications that resulted in derecognition	—	—	—	—	(6)	—	—	—	(6)	—
Foreign exchange	62	—	3	—	(5)	1	—	—	60	1
Others[2]	291	(1)	287	—	27	(4)	—	—	605	(5)
Assets classified as held for sale[3]	(2,781)	(3)	1,126	(8)	44	—	—	—	(1,611)	(11)
At 31 Dec 2023	113,743	(61)	8,206	(91)	1,889	(637)	7	—	123,845	(789)
ECL release/(charge) for the period		21		(18)		(136)		—		(133)
Add: Recoveries										3
Add/(less): Others										(4)
Total ECL release/(charge) for the period										(134)

	At 31 Dec 2023		
	Gross carrying/ nominal amount	Allowance for ECL	ECL release/ (charge)
	€m	€m	€m
As above	123,845	(789)	(134)
Other financial assets measured at amortised cost	103,294	—	—
Assets held for sale[4]	24,994	(74)	—
Non-trading reverse purchase agreement commitments	40,567	—	—
Performance and other guarantees to which IFRS 9 is not applied			(13)
Summary of financial instruments to which the impairment requirements of IFRS 9 are applied/Summary consolidated income statement	292,700	(863)	(147)
Debt instruments measured at FVOCI	20,832	(5)	6
Total allowance for ECL/total income statement ECL charge for the period	313,532	(868)	(141)

1 *Excludes performance guarantee contracts to which the impairment requirements in IFRS 9 are not applied.*
2 *Others- includes contribution related to the acquisition of HSBC Private Bank (Luxembourg) S.A. on 2 November 2023.*
3 *Includes re-classification to held for sale related to retail banking operations in France.*
4 *For further details on gross carrying amounts and allowances for ECL related to assets held for sale, see 'Assets held for sale' on page 155 in Universal Registration Document and Annual Financial Report 2023.*

Treasury risk

Overview

Treasury risk is the risk of having insufficient capital, liquidity or funding resources to meet financial obligations and satisfy regulatory requirements. Treasury risk also includes the risk to our earnings or capital due to structural foreign exchange exposures and changes in market interest rates.

Treasury risk arises from changes to the respective resources and risk profiles driven by customer behaviour, management decisions or the external environment.

Approach and policy

Our objective in the management of treasury risk is to maintain appropriate levels of capital, liquidity, 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, taking into account the regulatory, economic and commercial environment. We aim to maintain a strong capital and liquidity base to support the risks inherent in our business and invest in accordance with our strategy, meeting regulatory requirements at all times.

Our policy is underpinned by our risk management framework, our Internal Capital Adequacy Assessment Process ('ICAAP') and our Internal Liquidity Adequacy Assessment Process ('ILAAP'). The risk framework incorporates a number of measures aligned to our assessment of risks for both internal and regulatory purposes.

These risks include credit, market, operational, pensions, structural foreign exchange and interest rate risk in the banking book.

The ECB is the supervisor of the bank and sets capital requirements and receives information on the capital and liquidity adequacy.

Governance

Capital, liquidity, funding, interest rate risk in the banking book and non-trading book foreign exchange risk are the responsibility of the HSBC Continental Europe Executive Committee and are overseen by the HSBC Continental Europe Board. Treasury risks are managed through the HSBC Continental Europe Asset Liability and Capital Management Committee ('ALCO').

A summary of our current policies and practices regarding the management of treasury risk is set out on pages 156 to 164 of the Universal Registration Document 2023.

Pillar 3 market discipline

Pillar 3 of the Basel regulatory framework is related to market discipline and aims to make financial services firms more transparent by requiring publication of wide-ranging information on their risks, capital and management.

For further details, refer to HSBC Continental Europe's Pillar 3 disclosures, which are available at ww.hsbc.com/investors.

Capital

Overview

HSBC Continental Europe's objective in managing its capital is to maintain appropriate levels of capital to support its business strategy and meet regulatory and stress testing-related requirements.

A summary of HSBC Continental Europe's policies and practices regarding capital management, measurement and allocation is provided on page 158 of the Universal Registration Document 2023.

Regulatory Requirements

The minimum capital requirement under Pillar 2 ('P2R') for HSBC Continental Europe on a consolidated basis has decreased from 3.4 per cent in 2023 to 3 per cent in 2024. Under the Capital Requirements Directive ('CRD'), the P2R should be held in the form of 56.25 per cent of CET1 and 75 per cent of Tier 1, as a minimum.

The average countercyclical capital buffer ('CCyB') has increased from 0.6 per cent at the end of 2023 to 0.9 per cent at the end of June 2024. During first half 2024, the French CCyB increased from 0.5 per cent to 1 per cent from January 2024, the Dutch CCyB increased from 1 per cent to 2 per cent from 31 May 2024, the Belgian CCyB increased from nil to 0.5 per cent from 1 April 2024 and the Irish CCyB increased from 1 per cent to 1.5 per cent from 7 June 2024 as previously announced by their respective authorities.

At the end of June 2024, HSBC Continental Europe is required to meet on a consolidated basis a minimum total capital ratio of at least 14.6 per cent vs. 14.8 per cent at the end of 2023. The Overall Capital Requirement ('OCR') is composed of the 8 per cent minimum capital in respect of article 92.1 of the 575/2013 Regulation, the 2.5 per cent for the Capital Conservation buffer ('CCB') in respect of article 129 of the 2013/36 Directive, the 0.9 per cent Countercyclical buffer ('CCyB') mentioned above, the 0.25 per cent Other Systemically Important Institution buffer ('O-SII') in force since 1 January 2022 as per the decision from the ACPR and the 3 per cent Pillar 2 requirement mentioned above.

As at 30 June 2024, the requirement in respect of Common equity tier 1 is 9.8 per cent, excluding Pillar 2 Guidance ('P2G').

Regulatory developments

Refer to Regulatory Environment section on page 9.

Key capital, liquidity and funding numbers (Unaudited)[1]

	At		
	30 Jun 2024 €m	31 Dec 2023 €m	30 Jun 2023 €m
Available own funds (amounts)			
Common Equity Tier 1 ('CET1') capital	**9,264**	9,373	9,042
Tier 1 capital	**10,701**	10,819	10,487
Total capital	**12,104**	12,305	12,030
Risk-weighted exposure amounts			
Total risk-weighted exposure amount	**61,274**	59,515	58,634
Capital ratios (as a percentage of risk-weighted exposure amount) (%)			
Common Equity Tier 1 ratio	**15.1**	15.7	15.4
Tier 1 ratio	**17.5**	18.2	17.9
Total capital ratio	**19.8**	20.7	20.5
Leverage ratio			
Total exposure measure	**251,262**	257,480	242,826
Leverage ratio (%)	**4.3**	4.2	4.3
Liquidity Coverage Ratio ('LCR')[2]			
Total high-quality liquid assets ('HQLA') (Weighted value-average)	**76,475**	76,282	66,383
Cash outflows – Total weighted value	**81,040**	78,490	67,001
Cash inflows – Total weighted value	**31,891**	30,152	25,335
Total net cash outflows (adjusted value)	**49,148**	48,339	41,666
Liquidity coverage ratio (%)	**156**	158	159
Net Stable Funding Ratio ('NSFR')			
Total available stable funding	**84,027**	81,311	99,689
Total required stable funding	**61,774**	57,468	70,484
NSFR ratio (%)	**136**	141	141

1 *Comparatives for CET1 Capital have been restated to correct the treatment of AT1 dividends and align to countercyclical buffers relevant for the period.*
2 *These values and ratios are disclosed as averages in line with CRR reporting requirements.*

Composition of regulatory own funds (Unaudited)[1]

	30 Jun 2024 €m	31 Dec 2023 €m
Common equity tier 1 ('CET1') capital: instruments and reserves		
Capital instruments and the related share premium accounts	**6,327**	6,327
– share premium account	**5,264**	5,264
Retained earnings	**2,963**	2,133
Accumulated other comprehensive income (and other reserves)	**1,455**	1,566
Transitional adjustments due to additional minority interests	**79**	90
Independently reviewed interim net profits net of any foreseeable charge or dividend	**350**	883
Common equity tier 1 capital before regulatory adjustments	**10,825**	10,999
Total regulatory adjustments to Common Equity Tier 1 ('CET1')	**(1,561)**	(1,625)
Common Equity Tier 1 ('CET1') capital	**9,264**	9,373
Additional tier 1 capital before regulatory adjustments	**1,437**	1,445
Total regulatory adjustments to Additional Tier 1 ('AT1') capital	**—**	—
Additional Tier 1 ('AT1') capital	**1,437**	1,445
Tier 1 capital (T1 = CET1 + AT1)	**10,701**	10,819
Tier 2 capital before regulatory adjustments	**1,824**	1,906
Total regulatory adjustments to tier 2 capital	**(420)**	(420)
Tier 2 capital	**1,404**	1,486
Total capital (TC = T1 + T2)	**12,104**	12,305
Total risk-weighted assets	**61,274**	59,515

1 *Comparatives for CET1 Capital have been restated to correct the treatment of AT1 dividends.*

HSBC Continental Europe's common equity Tier 1 capital has remained broadly unchanged during the first half of 2024. HSBC Continental Europe's reported profit for the period of EUR 350 million has not been verified for inclusion in CET1.

Risk-Weighted Assets – by Risk Type (Unaudited)

	RWAs		Capital required	
	June 2024	Dec 2023	**June 2024**	Dec 2023
	€m	€m	**€m**	€m
Credit Risk	**43,457**	44,055	**3,548**	3,525
Counterparty Credit Risk	**6,451**	5,280	**517**	422
Market Risk	**5,178**	3,992	**415**	320
Operational Risk	**6,188**	6,188	**495**	495
Total Risk-Weighted Assets	**61,274**	59,515	**4,975**	4,762

RWA movement by global business by key driver (Unaudited)

	Total RWA	
	1 Jan 2024 to 30 Jun 2024	1 Jan 2023 to 31 Dec 2023
	€m	€m
RWAs at 1 January	**59,515**	58,561
Asset size	**(52)**	(741)
Asset quality	**97**	583
Model updates	**1,714**	—
Methodology and policy	**—**	1,116
Foreign exchange movement	**—**	(4.00)
Total RWA movement	**1,759**	954
RWAs at the end of reporting period	**61,274**	59,515
RWAs by global business		
Markets & Securities Services	**13,313**	12,033
Global Banking	**13,213**	10,587
Global Banking and Markets Others	**735**	691
Commercial Banking	**24,365**	23,952
Wealth and Personal Banking	**5,125**	9,847
Corporate Centre	**4,523**	2,405

Leverage Ratio at 30 June (Unaudited)

	At	
	30 Jun 2024	31 Dec 2023
	€m	€m
Tier 1 Capital	**10,701**	10,819
Leverage Exposure	**251,262**	257,480
Leverage ratio %	**4.3**	4.2

Liquidity and funding risk management

Liquidity and funding risk management framework

Liquidity risk is the risk that HSBC Continental Europe does not have sufficient financial resources to meet its obligations as they fall due, or will have to access such resources at excessive cost. The risk arises from mismatches in the timing of cash flows or when the funding needed for illiquid asset positions cannot be obtained at the expected terms as and when required.

HSBC Group has an internal liquidity and funding risk management framework which aims to allow it to withstand liquidity stresses. It is designed to be adaptable to changing business models, markets and regulations. The management of liquidity and funding is undertaken in compliance with the HSBC Group's framework and with practices and limits set through by the RMM and approved by the Board.

We aim to ensure that management has oversight of our liquidity and funding risks through robust governance, 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.

The Group requires operating entities 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 robust 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 validation of risk tolerance and the setting of risk appetite. It also assesses the capability to manage liquidity and funding effectively. These metrics are set and managed locally but are subject to robust global review and challenge to ensure consistency of approach and application of the HSBC Group's policies and controls.

The Liquidity Coverage Ratio, the Internal Liquidity Metric and the Net Stable Funding Ratio are key components of the Liquidity and Funding Risk Framework.

Interest-rate risks in the banking book

Banking net interest income sensitivity

Banking Net Interest Income ('NII') Sensitivity analyses the sensitivity of our banking net interest income to interest rate shocks. This metric, which was introduced in the 2023 Universal Registration Document, includes the sensitivity arising from trading book assets funded by banking book liabilities, 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.

An immediate interest rate rise of 100 basis points would increase projected NII for the 12 months to 30 June 2025 by EUR 134 million and banking NII by EUR 117 million. An immediate interest rate fall of 100 basis points would decrease projected NII for the 12 months to 30 June 2025 by EUR 130 million and banking NII by EUR 112 million.

The sensitivity of Banking NII for 12 months as at 30 June 2024 decreased by EUR 46 million in the plus 100 basis points parallel shock and increased by EUR 48 million in the minus 100 basis points parallel shock, when compared with 31 December 2023.

The sensitivities above represent a hypothetical simulation of the base case income, 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, and interests 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 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 per cent pass-on assumption for major entities on certain interest-bearing deposits. Our pass-through asset 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.

Market risks

Market risks in the first half of 2024

Inflation and the monetary policy response have been the main drivers of the markets movements and volatility in the first half of 2024. The rates sell off in the last months of 2023 has been off set in the early days of 2024. A sticky inflation led the market to revise the number of rate cuts anticipated and where the terminal rate would land at the end of the year. Therefore interest rates rose in the first six months with a 10y EUR benchmark close to 2.8 percent versus 2.5 percent at end of year. The political context in Europe - and in France especially – following the European elections in June triggered additional volatility with a flight to quality towards German bonds. Credit spreads widened on France by 30 basis points while spreads on periphery countries ended the semester mostly flat after performing in the first months of the semester. The 10y German/ French spread reached levels last seen in 2012. In that context the equity markets remained resilient. European and US indexes broke records in the first half of the year. The political stress in France stopped the momentum in June in Europe. The CAC40 is flat on the half year.

Value at Risk ('VaR')

Trading portfolios

Value at Risk of the trading portfolio

Trading VaR predominantly resides within Markets and Securities Services. The Total VaR has been broadly in line with strict control of RWA consumption targets.

HSBC Continental Europe Total trading VaR by risk type

	Foreign exchange	Interest rate	Equity	Credit spread	Commodity	Portfolio diversification	Total
	€m	€m	€m	€m	€m	€m	€m
Balance at 30 Jun 2024	**0.74**	**4.77**	**2.08**	**1.15**	**0.07**	**(2.07)**	**6.74**
Average	**0.69**	**6.30**	**2.48**	**1.18**	**0.05**	**(3.04)**	**7.61**
Maximum	**1.11**	**11.11**	**4.16**	**1.86**	**0.14**	**(4.41)**	**12.94**
Balance at 31 Dec 2023	0.84	4.61	1.88	0.60	0.04	(2.71)	5.26
Average	0.98	5.98	2.16	1.14	0.07	(3.34)	6.92
Maximum	1.92	9.56	3.87	2.07	0.25	(6.58)	11.79

Non-trading portfolios

Value at Risk of the non-trading portfolio

Non-trading VaR is driven mainly by the High Liquid Asset Buffer exposures.

HSBC Continental Europe Total non-trading VaR by risk type

	Foreign exchange	Interest rate	Equity	Credit spread	Portfolio diversification	Total
	€m	€m	€m	€m	€m	€m
Balance at 30 Jun 2024	**0.02**	**11.68**	**0.39**	**12.24**	**(4.41)**	**19.92**
Average	**0.02**	**11.06**	**0.23**	**12.26**	**(6.02)**	**17.55**
Maximum	**0.17**	**14.70**	**0.50**	**14.07**	**(9.15)**	**20.55**
Balance at 31 Dec 2023	0.02	12.19	0.03	10.48	(6.46)	16.25
Average	0.01	9.50	0.03	9.83	(5.14)	14.22
Maximum	0.05	13.58	0.10	14.93	(8.07)	18.03

Condensed financial statements

Contents

Notes on the condensed financial statements

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Consolidated income statement

	Notes	Half-year to 30 Jun 2024 €m	30 Jun 2023[1] €m
Continuing operations			
Net interest income		**941**	1,173
– interest income		**4,388**	3,260
– interest expense		**(3,447)**	(2,087)
Net fee income	3	**594**	585
– fee income		**869**	875
– fee expense		**(275)**	(290)
Net income/(expense) from financial instruments held for trading or managed on a fair value basis		**114**	61
Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit and loss		**384**	670
Changes in fair value of designated debt and related derivatives		**3**	—
Changes in fair value of other financial instruments mandatorily measured at fair value through profit and loss		**17**	12
Gains less losses from financial investments		**(3)**	(5)
Insurance finance income/(expense)		**(467)**	(683)
Insurance service result		**62**	63
– insurance service revenue		**120**	124
– insurance service expense		**(58)**	(61)
Gains/(losses) recognised on assets held for sale		**(11)**	(3)
Other operating income		**38**	12
Total operating income		**1,672**	1,885
Net operating income before change in expected credit losses and other credit impairment charges		**1,672**	1,885
Change in expected credit losses and other credit impairment charges		**(18)**	(16)
Net operating income		**1,654**	1,869
– employee compensation and benefits		**(519)**	(472)
– general and administrative expenses		**(599)**	(662)
– depreciation and impairment of property, plant and equipment and right of use assets		**(19)**	17
– amortisation and impairment of intangible assets and goodwill impairment		**(15)**	(9)
Total operating expenses		**(1,152)**	(1,126)
Operating profit/(loss)		**502**	743
Share of profit/(loss) in associates and joint ventures		**—**	—
Profit/(loss) before tax		**502**	743
Tax expense		**(132)**	(187)
Profit/(loss) after tax in respect of continuing operations		**370**	556
Profit/(loss) after tax in respect of discontinued operations		**—**	1,388
Profit/(loss) for the period		**370**	1,944
Attributable to:			
– shareholders of the parent company		**350**	1,933
– non-controlling interests in respect of continuing operations		**20**	11
– non-controlling interests in respect of discontinued operations		**—**	—

1 *In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the sale of the retail banking operations in France.*

Consolidated statement of comprehensive income

	Half-year to	
	30 Jun 2024	30 Jun 2023[1]
	€m	€m
Profit/(loss) for the period from continuing operations	**370**	556
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:	**10**	112
– fair value gains/(losses)	**13**	159
– fair value losses/(gains) transferred to the income statement on disposal	**2**	—
– expected credit losses recognised in income statement	**—**	(5)
– income taxes	**(5)**	(42)
Cash flow hedges:	**(122)**	(25)
– fair value gains/(losses)	**(164)**	(35)
– fair value gains/(losses) reclassified to the income statement	**—**	2
– income taxes	**42**	8
Finance income/(expenses) from insurance contracts	**15**	(94)
– before income taxes	**20**	(127)
– income taxes	**(5)**	33
Exchange differences and other	**3**	8
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit asset/liability:	**8**	(16)
– before income taxes	**11**	(23)
– income taxes	**(3)**	7
Changes in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk:	**(18)**	(58)
– before income taxes	**(25)**	(78)
– income taxes	**7**	20
Equity instruments designated at fair value through other comprehensive income:	**(1)**	(1)
– fair value gains/(losses)	**(1)**	(1)
– income taxes	**—**	—
Other comprehensive income/(expense) for the period, net of tax	**(105)**	(74)
Total comprehensive income/(expense) for the period from continuing operations	**265**	482
Total comprehensive income/(expense) for the period from discontinued operations	**—**	1,391
Attributable to:		
– shareholders of the parent company	**245**	1,861
– non-controlling interests in respect of continuing operations	**20**	12
– non-controlling interests in respect of discontinued operations	**—**	—
Total comprehensive income/(expense) for the period	**265**	1,873

1 *In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the sale of the retail banking operations in France.*

Consolidated balance sheet

		At	
		30 Jun	31 Dec
		2024	2023
	Notes	**€m**	€m
Assets			
Cash and balances at central banks		**59,076**	56,894
Items in the course of collection from other banks		**207**	273
Trading assets		**23,322**	17,249
Financial assets designated and otherwise mandatorily measured at fair value through profit and loss		**14,787**	13,590
Derivatives		**41,874**	45,522
Loans and advances to banks[1]		**5,902**	5,816
Loans and advances to customers[1]		**52,628**	50,127
Reverse repurchase agreements – non-trading		**28,296**	24,490
Financial investments		**25,624**	22,608
Asset held for sale	*10*	**14**	23,211
Prepayments, accrued income and other assets		**26,611**	21,453
Current tax assets		**605**	599
Interests in associates and joint ventures		**—**	—
Goodwill and intangible assets	*6*	**199**	188
Deferred tax assets		**936**	957
Total assets		**280,081**	282,977
Liabilities			
Deposits by banks[2]		**10,618**	10,261
Customer accounts[2]		**100,708**	93,890
Repurchase agreements – non-trading		**16,512**	11,153
Items in the course of transmission to other banks		**328**	320
Trading liabilities		**23,721**	19,877
Financial liabilities designated at fair value		**9,354**	9,696
Derivatives		**39,127**	43,630
Debt securities in issue		**16,217**	12,909
Accruals, deferred income and other liabilities		**27,253**	21,469
Liabilities of disposal groups held for sale	*10*	**61**	23,817
Current tax liabilities		**251**	211
Insurance contract liabilities		**21,183**	21,035
Provisions	*7*	**186**	245
Deferred tax liabilities		**3**	5
Subordinated liabilities		**1,851**	1,951
Total liabilities		**267,373**	270,469
Equity			
Called up share capital		**1,062**	1,062
Share premium account		**5,264**	5,264
Other equity instruments	*2*	**1,433**	1,433
Other reserves		**1,385**	1,480
Retained earnings		**3,384**	3,103
Total Shareholders' equity		**12,528**	12,342
Non-controlling interests		**180**	166
Total equity		**12,708**	12,508
Total liabilities and equity		**280,081**	282,977

1 *The loans and advances to banks and customers include expected credit losses provided under IFRS 9. Further analysis of the expected credit loss is disclosed in the table 'Summary of financial instruments to which the impairment requirements in IFRS 9 are applied' under section 'Credit Risk'.*
2 *Following a customer classification error, the comparatives as at 31 December 2023 have been represented by EUR 1.4 billion between Deposits by Banks and Customer Accounts.*

Consolidated statement of changes in equity

	Called-up share capital and share premium	Other equity instruments	Retained earnings	Other reserves: Financial assets at FVOCI Reserve	Other reserves: Cash flow hedging reserve	Other reserves: Foreign exchange reserve	Other reserves: Merger and other reserves	Other reserves: Insurance finance reserve	Total share-holders' equity	Non-controlling interests	Total equity
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
At 1 Jan 2024	**6,326**	**1,433**	**3,103**	**(763)**	**(63)**	**(6)**	**1,603**	**709**	**12,342**	**166**	**12,508**
Profit/(loss) for the period	—	—	350	—	—	—	—	—	350	20	370
Other comprehensive income (net of tax)	—	—	(10)	8	(122)	4	—	15	(105)	—	(105)
– debt instruments at fair value through other comprehensive income	—	—	—	10	—	—	—	—	10	—	10
– equity instruments designated at fair value through other comprehensive income	—	—	—	(1)	—	—	—	—	(1)	—	(1)
– cash flow hedges	—	—	—	—	(122)	—	—	—	(122)	—	(122)
– re-measurement of defined benefit asset/ liability	—	—	8	—	—	—	—	—	8	—	8
– changes in fair value of financial liabilities designated at fair value due to movement in own credit risk	—	—	(18)	—	—	—	—	—	(18)	—	(18)
– insurance finance income/(expense) recognised in other comprehensive income	—	—	—	—	—	—	—	15	15	—	15
– exchange differences	—	—	—	(1)	—	4	—	—	3	—	3
Total comprehensive income/expense for the period	—	—	340	8	(122)	4	—	15	245	20	265
Capital securities issued during the period	—	—	—	—	—	—	—	—	—	—	—
Dividends to shareholders[1]	—	—	(53)	—	—	—	—	—	(53)	(6)	(59)
Other movements	—	—	(6)	(4)	—	—	4	—	(6)	—	(6)
Total Others	—	—	(59)	(4)	—	—	4	—	(59)	(6)	(65)
At 30 Jun 2024	**6,326**	**1,433**	**3,384**	**(759)**	**(185)**	**(2)**	**1,607**	**724**	**12,528**	**180**	**12,708**

1 *Dividends corresponds to the coupon payment on other equity instrument (additional tier 1 capital) amounting to EUR 53 million.*

Consolidated statement of changes in equity (continued)[1]

				Other reserves							
	Called-up share capital and share premium	Other equity instruments	Retained earnings	Financial assets at FVOCI Reserve	Cash flow hedging reserve	Foreign exchange reserve	Merger and other reserves	Insurance finance reserve	Total share-holders' equity	Non-controlling interests	Total equity
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
At 1 Jan 2023	6,326	1,433	2,338	(1,136)	(231)	(13)	1,592	1,049	11,358	146	11,504
Profit/(loss) for the period from continuing operations	—	—	545	—	—	—	—	—	545	11	556
Other comprehensive income (net of tax)	—	—	(74)	110	(25)	8	—	(94)	(75)	1	(74)
– debt instruments at fair value through other comprehensive income	—	—	—	111	—	—	—	—	111	1	112
– equity instruments designated at fair value through other comprehensive income	—	—	—	(1)	—	—	—	—	(1)	—	(1)
– cash flow hedges	—	—	—	—	(25)	—	—	—	(25)	—	(25)
– re-measurement of defined benefit asset/liability	—	—	(16)	—	—	—	—	—	(16)	—	(16)
– changes in fair value of financial liabilities designated at fair value due to movement in own credit risk	—	—	(58)	—	—	—	—	—	(58)	—	(58)
– insurance finance income/ (expense) recognised in other comprehensive income	—	—	—	—	—	—	—	(94)	(94)	—	(94)
– exchange differences	—	—	—	—	—	8	—	—	8	—	8
Total comprehensive income/ expense for the period from continuing operations	—	—	471	110	(25)	8	—	(94)	470	12	482
Total comprehensive income/ (expense) for the period from discontinued operations	—	—	1,391	—	—	—	—	—	1,391	—	1,391
Capital securities issued during the period	—	—	—	—	—	—	—	—	—	—	—
Dividends to shareholders[2]	—	—	(48)	—	—	—	—	—	(48)	(4)	(52)
Other movements[3]	—	—	(12)	—	—	—	12	—	—	—	—
Total Others	—	—	(60)	—	—	—	12	—	(48)	(4)	(52)
At 30 Jun 2023	6,326	1,433	4,140	(1,026)	(256)	(5)	1,604	955	13,171	154	13,325

1 *In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the sale of the retail banking operations in France.*
2 *Dividends corresponds to the coupon payment on other equity instrument (additional tier 1 capital) amounting to EUR 48 million.*
3 *Other movements include allocation of profit for mandatory legal reserve EUR 11 million.*

Consolidated statement of changes in equity (continued)[1]

				Other reserves							
	Called-up share capital and share premium	Other equity instruments	Retained earnings	Financial assets at FVOCI Reserve	Cash flow hedging reserve	Foreign exchange reserve	Merger and other reserves	Insurance finance reserve	Total share-holders' equity	Non-controlling interests	Total equity
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
At 1 Jul 2023	6,326	1,433	4,140	(1,026)	(256)	(5)	1,604	955	13,171	154	13,325
Profit/(loss) for the period from continuing operations	—	—	518	—	—	—	—	—	518	14	532
Other comprehensive income (net of tax)	—	—	(13)	266	193	(1)	—	(246)	199	2	201
– debt instruments at fair value through other comprehensive income	—	—	—	267	—	—	—	—	267	2	269
– equity instruments designated at fair value through other comprehensive income	—	—	—	(1)	—	—	—	—	(1)	—	(1)
– cash flow hedges	—	—	—	—	193	—	—	—	193	—	193
– re-measurement of defined benefit asset/liability	—	—	(4)	—	—	—	—	—	(4)	—	(4)
– changes in fair value of financial liabilities designated at fair value due to movement in own credit risk	—	—	(9)	—	—	—	—	—	(9)	—	(9)
– insurance finance income/(expense) recognised in other comprehensive income	—	—	—	—	—	—	—	(246)	(246)	—	(246)
– exchange differences	—	—	—	—	—	(1)	—	—	(1)	—	(1)
Total comprehensive income/expense for the period from continuing operations	—	—	505	266	193	(1)	—	(246)	717	16	733
Total comprehensive income/expense for the period from discontinued operations	—	—	(1,565)	—	—	—	—	—	(1,565)	—	(1,565)
Capital securities issued during the period	—	—	—	—	—	—	—	—	—	—	—
Dividends to shareholders[2]	—	—	(30)	—	—	—	—	—	(30)	(4)	(34)
Other movements[3]	—	—	53	(3)	—	—	(1)	—	49	—	49
Total Others	—	—	23	(3)	—	—	(1)	—	19	(4)	15
At 31 Dec 2023	6,326	1,433	3,103	(763)	(63)	(6)	1,603	709	12,342	166	12,508

1 *In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the sale of the retail banking operations in France.*
2 *Dividends corresponds to coupon payment on other equity instrument (AT1 capital) amounting to EUR 30 million.*
3 *Other movements include EUR 51 million capital contribution related to the acquisition of HSBC Private Bank (Luxembourg) S.A. on 2 November 2023.*

Consolidated statement of cash flows

	Half-year to	
	30 Jun 2024	30 Jun 2023[1]
	€m	€m
Continuing operations		
Profit/(loss) before tax	**502**	743
Adjustments for non-cash items:		
– depreciation, amortisation and impairment of property plant and equipment, right of use and intangibles	**34**	(8)
– net gain from investing activities	**10**	6
– share of profits in associates and joint ventures	**—**	—
– change in expected credit losses gross of recoveries and other credit impairment changes	**11**	16
– provisions including pensions	**(3)**	4
– share-based payment expense	**10**	7
– other non-cash items included in profit before tax	**(33)**	(11)
– elimination of exchange differences	**(78)**	58
– Changes in operating assets	**(17,192)**	(4,164)
– Changes in operating liabilities	**21,075**	5,661
– tax paid	**(109)**	—
Net cash from operating activities	**4,227**	2,312
Purchase of financial investments	**(5,213)**	(3,123)
Proceeds from the sale and maturity of financial investments	**1,817**	2,716
Net cash flow from the purchase and sale of property, plant and equipment	**(4)**	(5)
Net investment in intangible assets	**(25)**	(16)
Net cash flow on disposal/acquisition of subsidiaries, businesses, associates and joint ventures[2]	**(9,925)**	—
Net cash from investing activities	**(13,350)**	(428)
Issue of ordinary share capital and other equity instruments	**—**	—
Subordinated loan capital repaid	**(100)**	(10)
Dividends paid to shareholders of the parent company	**(53)**	(48)
Dividends paid to non-controlling interests	**(6)**	(4)
Net cash from financing activities	**(159)**	(62)
Net cash from discontinued operations	**—**	1
Net increase/(decrease) in cash and cash equivalents	**(9,282)**	1,823
Cash and cash equivalents at beginning of the period	**95,623**	88,749
Exchange differences in respect of cash and cash equivalents	**(68)**	(20)
Cash and cash equivalents at the end of the period	**86,273**	90,552

1 *In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the sale of the retail banking operations in France.*
2 *Represents the sale of the retail banking operations in France on 1 January 2024.*

Notes on the condensed financial statements

1 Basis of preparation and material accounting policies

HSBC Continental Europe is an entity domiciled in France. The HSBC Continental Europe condensed consolidated financial statements for the half-year up to 30 June 2024 contain the financial statements of HSBC Continental Europe, its subsidiaries and interests in jointly controlled entities and affiliates.

The consolidated financial statements of HSBC Continental Europe for the financial year 2023 are available upon request from the HSBC Continental Europe registered office at 38, avenue Kléber – 75116 Paris or on the website www.hsbc.fr

These interim condensed consolidated financial statements were approved by the Board of Directors on 30 July 2024.

(a) Compliance with International Financial Reporting Standards

The interim condensed consolidated financial statements of HSBC Continental Europe have been prepared in accordance with IAS 34 Interim Financial Reporting ('IAS 34') as issued by the International Accounting Standards Board ('IASB') and as endorsed by the European Union ('EU'). They do not include all the information disclosed in the annual financial statements and should be read in conjunction with the HSBC Continental Europe Universal Registration Document 2023.

At 30 June 2024, there were no unendorsed standards effective for the half-year to 30 June 2024 affecting these interim consolidated financial statements, and there was no difference between IFRS Accounting Standards endorsed by the EU and IFRS Accounting Standards issued by the IASB in terms of their application to HSBC Continental Europe.

Standards applied during the half-year to 30 June 2024

There were no new standards or amendments to standards that had an effect on these interim condensed consolidated financial statements.

(b) Use of estimates and judgements

Management believes that the critical estimates and judgements applicable to the group are those that relate to impairment of amortised cost and FVOCI financial assets, the valuation of financial instruments, deferred tax assets, provisions for liabilities and non-current assets held for sale. There were no material changes in the current period to any of the critical estimates and judgements disclosed in 2023, which are stated on pages 198 to 210 of the Universal Registration Document 2023.

(c) Composition of HSBC Continental Europe

In the first half of 2024 the sale of the retail banking operations in France completed.

There were no other material changes in the composition of HSBC Continental Europe in the half-year to 30 June 2024. For further details of future business disposals see Note 12 Changes in scope of consolidation during the first half-year of 2024 and Note 10 'Assets held for sale and liabilities of disposal groups held for sale'.

(d) Future accounting developments

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 HSBC 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 a company's financial performance. It will replace IAS 1 'Presentation of Financial Statements' but carries over many requirements from this 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 might have a significant impact on presenting information in the financial statements, in particular the income statement. The HSBC Group is currently assessing any impacts as well as data readiness before developing a more detailed implementation plan.

(e) Going concern

The financial statements are prepared on a going concern basis as the Directors are satisfied that HSBC Continental Europe has 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, cash flows, capital requirements and capital resources.

These considerations include stressed scenarios, as well as considering potential impacts from other top and emerging risks, and the related impact on profitability, capital and liquidity.

(f) Accounting policies

The accounting policies adopted by HSBC Continental Europe for these interim condensed consolidated financial statements are consistent with those described in Note 1 on the financial statements of the Universal Registration Document 2023, as are the methods of computation.

(g) Significant events during the first half-year

Business disposals

For details on business disposals refer to Note 10 'Assets held for sale, liabilities of disposal groups held for sale and discontinued operations'.

Sale of the retail banking operations in France

On 1 January 2024, HSBC Continental Europe completed the sale of its retail banking operations in France to CCF, a subsidiary of Promontoria MMB SAS ('My Money Group'). The sale also included HSBC Continental Europe's 100 per cent ownership interest in HSBC SFH (France) and its 3 per cent ownership interest in Crédit Logement.

Upon completion and in accordance with the terms of the sale, HSBC Continental Europe received a EUR 0.1 billion profit participation interest in the ultimate holding company of My Money Group. The associated impacts on initial recognition of this stake at fair value were recognised as part of the pre-tax loss on disposal in 2023, upon the reclassification of the disposal group as held for sale. In accordance with the terms of the sale, HSBC Continental Europe retained a portfolio of EUR 7.1 billion at the time of sale, consisting of home and certain other loans, in respect of which it may consider on-sale opportunities at a suitable time, and the CCF brand, which it licensed to the buyer under a long-term licence agreement. Additionally, HSBC Continental Europe's subsidiaries, HSBC Assurances Vie (France) and HSBC Global Asset Management (France), have entered into distribution agreements with the buyer.

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

Planned sale of the hedge fund administration business operations in HSBC Continental Europe

On 21 November 2023, HSBC entered into an exclusive agreement with BNP Paribas to transfer all HSBC's hedge fund administration business to BNP Paribas entities in several markets, including Hong Kong, Singapore, Ireland, and Luxembourg. As at 31 December 2023, the business was classified as held for sale in accordance with IFRS 5. Completion of the sale transaction is currently expected to finalise in the second half of 2024.

Planned sale of employee savings account keeping and custody activities

On 14 May 2024, HSBC Continental Europe entered into a Memorandum of Understanding ('MoU'), with Natixis Interépargne, a subsidiary of Groupe BPCE, relating to employee savings' account keeping and custody services in France.

The potential transaction includes:

- the sale by HSBC Continental Europe, to Natixis Interépargne, of its subsidiary HSBC Epargne Entreprise;
- the conclusion of an agreement for the marketing of employee savings and retirement plans and services between HSBC Global Asset Management (France) and Natixis Interépargne;
- the voluntary transfer of staff dedicated to the employee savings' account keeping and custody services to the new account manager, Natixis Interépargne.

HSBC Global Asset Management (France), a subsidiary of HSBC Continental Europe, would retain the design and distribution of the employee savings and retirement offering, as well as the commercial relationship with clients, and would rely on Natixis Interépargne for the administration and custody of client savings accounts.

The MoU records the current status of the negotiations between the parties and is subject to the information and consultation processes of HSBC Continental Europe, HSBC Global Asset Management (France) and of Natixis Interépargne with their respective works councils. If, following the outcome of these processes, the parties were to decide to implement the potential transaction, they would enter into the requisite agreements.

The potential transaction is planned to complete by the end of 2024.

Issuances and repayments

In January 2024, HSBC Continental Europe redeemed a Tier 2 Loan at the first call date five years before maturity for EUR 400 million and issued a new Tier 2 loan to HSBC Bank plc with maturity of eleven years for a notional amount of EUR 400 million.

In March 2024, HSBC Continental Europe redeemed a Tier 2 Loan at the fourth call date almost four years before maturity for EUR 300 million and issued a new Tier 2 loan to HSBC Bank plc with maturity of eleven years for a notional amount of EUR 300 million.

In March 2024, HSBC Continental Europe issued Senior Non Preferred Notes with maturity of seven years for a notional amount of EUR 500 million.

In May 2024 HSBC Continental Europe repaid EUR 1 billion of senior preferred debt issued in May 2019.

In June 2024, HSBC Continental Europe redeemed a Tier 2 Loan at the first call date five years before maturity for EUR 100 million.

In June 2024, HSBC Continental Europe issued Senior Non Preferred Notes with maturity of seven years for a notional amount of EUR 800 million.

Funding through Targeted Long-Term Refinancing Operation ('TLTROs')

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

(h) Presentation of information

Information related to results by business segments ('IFRS 8') are disclosed in the management report on pages 10 to 16. Disclosures concerning the nature and extent of risks relating to financial instruments are in risk section on pages 29 to 35. These form an integral part of these condensed financial statements.

2 Dividends

There was no interim dividend distribution for the 2024 financial year during the first half of 2024.

The Combined General Meeting held on 25 March 2024 approved the recommendation of the Board of Directors, on 20 February 2024, not to distribute a dividend in respect of the year 2023.

Earnings and dividends per share

	Half-year to					
	30 Jun 2024			30 Jun 2023[1]		
	Profit/(loss) €m	**Number of shares (million)**	**Per share €**	Profit/(loss) €m	Number of shares (million)	Per share €
Basic earnings per share	**350**	**212**	**1.65**	1,933	212	9.10
Diluted earnings per share	**350**	**212**	**1.65**	1,933	212	9.10
– Basic/Diluted earnings per ordinary share in respect of continuing operations	**350**	**212**	**1.65**	545	212	2.57
– Basic/Diluted earnings per ordinary share in respect of discontinued operations	**—**	**212**	**—**	1,388	212	6.53
Dividends per share[2]			**—**			—

1 *In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the sale of the retail banking operations in France.*
2 *Coupons paid on other equity instruments are not included in the calculation of the dividends per share.*

Basic earnings per ordinary share were calculated by dividing the profit/(loss) attributable to ordinary shareholders of the parent company of EUR 350 million by the weighted average number of ordinary shares outstanding, excluding own shares held, of 212,466,555 (first half of 2023: profit of EUR 1,933 million and 212,466,555 weighted average number of shares).

Diluted earnings per share were calculated by dividing the basic earnings, which require no adjustment for the dilutive effects of potential ordinary shares (including share options outstanding not yet exercised), by the weighted average number of ordinary shares outstanding, excluding own shares held, plus the weighted average number of ordinary shares that would be issued on ordinary conversion of all the potential dilutive ordinary shares of 212,466,555 (first half of 2023: 212,466,555 shares).

At 30 June 2024, no potentially dilutive ordinary share has been issued.

Other equity instruments

Total coupons on capital instruments classified as equity

		Six months ended	
	First call date	**30 Jun 2024 €m**	30 Jun 2023 €m
Perpetual subordinated capital securities			
– EUR 200 million issued at 5.73%	May 2022	**6**	6
– EUR 300 million issued at 6.45%[1]	March 2023	**10**	6
– EUR 250 million issued at 3.46%	December 2024	**4**	4
– EUR 250 million issued at 3M Euribor + 4.06%	March 2027	**10**	9
– EUR 235 million issued at 5Y Euro Swap Rate + 5.55%	January 2022	**13**	13
– EUR 200 million issued at 5.039%	January 2025	**10**	10
Total		**53**	48

1 *On 28 March 2023, the interest on the EUR 300 million perpetual subordinated security issued on 28 March 2018 at 4.00 per cent was revised to 6.45 per cent. The instrument is callable on any date after the first call date.*

3 Net fee income

Net fee income (continuing operations)

	Half-year to	
	30 Jun 2024	30 Jun 2023[1]
	€m	€m
Account services	**81**	81
Funds under management	**184**	191
Cards	**8**	7
Credit facilities	**126**	110
Broking income	**125**	110
Unit trusts	**—**	—
Imports/exports	**7**	8
Remittances	**43**	43
Underwriting	**88**	84
Global custody	**50**	51
Insurance agency commission	**3**	1
Other[2]	**154**	189
Fee income	**869**	875
Less: fee expense	**(275)**	(290)
Net Fee income	**594**	585
Global business		
Wealth and Personal Banking	**109**	67
Commercial Banking	**177**	178
Markets and Securities Services	**125**	158
Global Banking	**199**	167
GBM Other	**(10)**	21
Corporate Centre	**(6)**	(6)

1 *In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the sale of the retail banking operations in France.*
2 *Other includes intercompany fees and third party fees not included in other categories.*

4 Fair values of financial instruments carried at fair value

The accounting policies, control framework, and the hierarchy used to determine fair values are consistent with those applied for the Universal Registration Document 2023.

Breakdown of financial instruments recorded at fair value by level of fair value measurement

Financial instruments carried at fair value and bases of valuation

	At 30 Jun 2024				At 31 Dec 2023			
	Level 1 – quoted market price	**Level 2 – using observable inputs**	**Level 3 – with significant non-observable inputs**	**Total**	Level 1 – quoted market price	Level 2 – using observable inputs	Level 3 – with significant non-observable inputs	Total
	€m	**€m**	**€m**	**€m**	€m	€m	€m	€m
Assets								
Trading assets	**22,065**	**1,094**	**163**	**23,322**	16,040	969	240	17,249
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	**4,539**	**7,704**	**2,544**	**14,787**	4,269	7,149	2,172	13,590
Derivatives	**524**	**41,132**	**218**	**41,874**	341	45,003	178	45,522
Financial investments	**12,614**	**9,318**	**605**	**22,537**	10,733	9,331	797	20,861
Assets held for sale	**—**	**—**	**8**	**8**	—	—	69	69
Liabilities								
Trading liabilities	**23,439**	**282**	**—**	**23,721**	18,944	933	—	19,877
Financial liabilities designated at fair value	**160**	**7,790**	**1,404**	**9,354**	155	8,018	1,523	9,696
Derivatives	**698**	**38,106**	**323**	**39,127**	531	42,843	256	43,630
Liabilities of disposal groups held for sale	**—**	**—**	**—**	**—**	—	2,145	—	2,145

Transfers between Level 1 and Level 2 fair values

	Assets				Liabilities		
	Financial Investments	Trading assets	Designated and otherwise mandatorily measured at fair value through profit or loss	Derivatives	Trading Liabilities	Designated at fair value	Derivatives
	€m	€m	€m	€m	€m	€m	€m
At 30 Jun 2024							
Transfers from Level 1 to Level 2	**—**	**3**	**—**	**—**	**22**	**—**	**—**
Transfers from Level 2 to Level 1	**—**	**1**	**—**	**—**	**23**	**—**	**—**
At 31 Dec 2023							
Transfers from Level 1 to Level 2	29	2	—	—	—	—	—
Transfers from Level 2 to Level 1	140	98	—	—	40	—	—

Transfers between levels of the fair value hierarchy are deemed to occur at the end of each quarterly reporting period. Transfers into and out of levels of the fair value hierarchy are primarily attributable to observability of valuation inputs and price transparency.

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 Assets	Trading liabilities	Designated at fair value	Derivatives	Total liabilities
	€m	€m	€m	€m	€m	€m	€m	€m	€m
At 30 Jun 2024									
Private equity including strategic investments	**14**	**1**	**1,974**	**—**	**1,989**	**—**	**1**	**—**	**1**
Structured notes	**—**	**—**	**—**	**—**	**—**	**—**	**1,389**	**—**	**1,389**
Derivatives	**—**	**—**	**—**	**218**	**218**	**—**	**—**	**323**	**323**
Other portfolios	**591**	**162**	**570**	**—**	**1,323**	**—**	**14**	**—**	**14**
Total	**605**	**163**	**2,544**	**218**	**3,530**	**—**	**1,404**	**323**	**1,727**
At 31 Dec 2023									
Private equity including strategic investments	13	1	1,918	—	1,932	—	523	—	523
Structured notes	—	—	—	—	—	—	984	—	984
Derivatives	—	—	—	178	178	—	—	256	256
Other portfolios	784	239	254	—	1,277	—	16	—	16
Total	797	240	2,172	178	3,387	—	1,523	256	1,779

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	**797**	**240**	**2,172**	**178**	**—**	**1,523**	**256**
Total gains/(losses) recognised in profit or loss	**—**	**(2)**	**(49)**	**45**	**—**	**197**	**103**
– net income/(expense) from financial instruments held for trading or managed on a fair value basis	**—**	**(2)**	**—**	**45**	**—**	**—**	**103**
– net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	**—**	**—**	**(51)**	**—**	**—**	**—**	**—**
– changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	**—**	**—**	**2**	**—**	**—**	**197**	**—**
– gains less losses from financial investments at fair value through other comprehensive income	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total gains/(losses) recognised in other comprehensive income	**(19)**	**—**	**—**	**—**	**—**	**—**	**—**
– financial investments: fair value gains/(losses)	**(19)**	**—**	**—**	**—**	**—**	**—**	**—**
– exchange differences	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Purchases	**126**	**6**	**187**	**—**	**—**	**—**	**—**
New issuances	**—**	**—**	**—**	**—**	**—**	**545**	**—**
Sales	**—**	**(27)**	**(1)**	**—**	**—**	**—**	**—**
Settlement and Other movements	**(246)**	**(11)**	**237**	**(42)**	**—**	**(725)**	**(71)**
Transfer out	**(53)**	**(44)**	**(7)**	**(14)**	**—**	**(345)**	**(15)**
Transfer in	**—**	**1**	**5**	**51**	**—**	**209**	**50**
At 30 Jun 2024	**605**	**163**	**2,544**	**218**		**1,404**	**323**
Unrealised gains/(losses) recognised in profit or loss relating to assets and liabilities held at 30 Jun 2024	**—**	**(2)**	**(32)**	**41**	**—**	**(99)**	**(122)**
– trading income/(expense) excluding net interest income	**—**	**(2)**	**—**	**41**	**—**	**—**	**(122)**
– net income/(expense) from other financial instruments designated at fair value	**—**		**(32)**	**—**	**—**	**(99)**	**—**
At 1 Jan 2023	1,262	654	2,242	194	14	1,484	377
Total gains/(losses) recognised in profit or loss	—	(7)	(64)	14	4	59	(10)
– net income/(expense) from financial instruments held for trading or managed on a fair value basis	—	(7)	—	14	4	—	(10)
– changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	—	—	(64)	—	—	59	—
– gains less losses from financial investments at fair value through other comprehensive income	—	—	—	—	—	—	—
Total gains/(losses) recognised in other comprehensive income	38	—	—	—	—	—	—
– financial investments: fair value gains/(losses)	38	—	—	—	—	—	—
– exchange differences	—	—	—	—	—	—	—
Purchases	54	164	28	—	—	—	—
New issuances	—	—	—	—	2	128	—
Sales	(85)	(214)	(1)	—	—	(2)	—
Settlements	—	(8)	43	(8)	(1)	(872)	(48)
Transfer out	(81)	(1)	(39)	(14)	—	(7)	(27)
Transfer in	128	1	—	9	—	17	1
At 30 Jun 2023	1,316	589	2,209	195	19	807	293
Unrealised gains/(losses) recognised in profit or loss relating to assets and liabilities held at 30 Jun 2023	—	(7)	(64)	72	(3)	(42)	15
– trading income/(expense) excluding net interest income	—	(7)	—	72	(3)	—	15
– net income/(expense) from other financial instruments designated at fair value	—	—	(64)	—	—	(42)	—

Movement in Level 3 financial instruments (continued)

	Assets				Liabilities		
	Financial Investments	Trading assets	Designated and otherwise mandatorily measured at fair value through profit or loss	Derivatives	Trading liabilities	Designated at fair value	Derivatives
	€m	€m	€m	€m	€m	€m	€m
At 1 Jul 2023	1,316	589	2,209	195	19	807	293
Total gains/(losses) recognised in profit or loss	(3)	4	(20)	261	—	(5)	176
– net income/(expense) from financial instruments held for trading or managed on a fair value basis	—	4	—	261	—	—	176
– changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	—	—	(20)	—	—	(5)	—
– gains less losses from financial investments at fair value through other comprehensive income	(3)	—	—	—	—	—	—
Total gains/(losses) recognised in other comprehensive income	(6)	—	—	—	—	—	—
– financial investments: fair value gains/(losses)	(6)	—	—	—	—	—	—
– exchange differences	—	—	—	—	—	—	—
Purchases	5	(77)	50	—	—	—	—
New issuances	—	2	—	—	—	400	—
Sales	(98)	(242)	(24)	—	—	—	—
Settlements	(25)	—	(43)	(308)	(19)	553	(216)
Transfer out	(392)	(81)	—	(16)	—	(236)	(28)
Transfer in	—	45	—	46	—	4	31
At 31 Dec 2023	797	240	2,172	178	—	1,523	256
Unrealised gains/(losses) recognised in profit or loss relating to and liabilities held at 31 Dec 2023	—	(1)	(85)	54	—	(43)	(15)
– trading income/(expense) excluding net interest income	—	(1)	—	54	—	—	(15)
– net income/(expense) from other financial instruments designated at fair value	—	—	(85)	—	—	(43)	—

Effects of changes in significant unobservable assumptions to reasonably possible alternatives

Sensitivity of Level 3 fair values to reasonably possible alternative assumptions

	At 30 Jun 2024				At 31 Dec 2023			
	Reflected in profit or loss		Reflected in other comprehensive Income		Reflected in profit or loss		Reflected in other comprehensive Income	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
	€m	€m	€m	€m	€m	€m	€m	€m
Derivatives/trading assets/trading liabilities[1]	**9**	**(9)**	**—**	**—**	6	(6)	—	—
Financial assets and liabilities designated and otherwise mandatorily measured at fair value	**134**	**(130)**	**—**	**—**	110	(110)	—	—
Financial investments	**—**	**—**	**2**	**(5)**	—	—	17	(20)
Total	**143**	**(139)**	**2**	**(5)**	116	(116)	17	(20)

1 *Derivatives, trading assets and trading liabilities are presented as one category to reflect the manner in which these financial instruments are risk-managed.*

Sensitivity of Level 3 fair values to reasonably possible alternative assumptions by instrument type

	Reflected in profit or loss		Reflected in other comprehensive income	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
	€m	€m	€m	€m
At 30 Jun 2024				
Private equity investments including strategic investments	**132**	**(128)**	**1**	**(1)**
Structured notes	**2**	**(2)**	**—**	**—**
Derivatives	**7**	**(7)**	**—**	**—**
Other portfolios	**2**	**(2)**	**1**	**(4)**
Total	**143**	**(139)**	**2**	**(5)**
At 31 Dec 2023				
Private equity investments including strategic investments	103	(103)	1	(1)
Structured notes	1	(1)	—	—
Derivatives	4	(4)	—	—
Other portfolios	8	(8)	16	(19)
Total	116	(116)	17	(20)

The sensitivity analysis 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 per cent confidence interval. Methodologies take account of the nature of the valuation technique employed, as well as the availability and reliability of observable proxy and historical data.

When the fair value of a financial instrument is affected by more than one unobservable assumption, the above table reflects the most favourable or most unfavourable change by varying the assumptions individually.

Quantitative information about significant unobservable input in Level 3 valuations

	Fair value[1]				Full range of inputs	
	Assets	Liabilities	Valuation technique	Key unobservable inputs	Lower	Higher
	€m	€m			%	%
At 30 Jun 2024						
Private equity including strategic investments	**1,989**	**1**	**See notes below[4]**	**See notes below[4]**	**n/a**	**n/a**
Asset-backed securities	**—**	**—**				
– CLO/CDO[2]	**—**	**—**	**Market proxy**	**Bid quotes**	**n/a**	**n/a**
– other ABSs	**—**	**—**				
Structured notes	**—**	**1,389**				
– equity-linked notes	**—**	**1,050**	**Model – Option model**	**Equity volatility**	**8**	**50**
			Model – Option model	**Equity Correlation**	**27**	**96**
– FX-linked notes	**—**	**—**	**Model – Option model**	**FX volatility**	**—**	**—**
– other	**—**	**339**				
Derivatives	**218**	**323**				
Interest rate derivatives	**151**	**191**				
– securitisation swaps	**3**	**—**	**Model – DCF[3]**	**Prepayment rate**	**5**	**10**
– long-dated swaptions	**—**	**—**	**Model – Option model**	**IR volatility**	**—**	**—**
– other	**148**	**191**				
Foreign exchange derivatives	**23**	**23**				
– foreign exchange options	**21**	**21**	**Model – Option model**	**FX volatility**	**2**	**14**
– foreign exchange other	**2**	**2**				
Equity derivatives	**42**	**98**				
– long-dated single stock options	**—**	**—**	**Model – Option model**	**Equity volatility**	**—**	**—**
– other	**42**	**98**				
Credit derivatives	**2**	**11**				
– other	**2**	**11**				
Other portfolios	**1,323**	**14**				
– Bonds	**595**	**—**	**Market proxy**	**Mid quotes**	**—**	**—**
– Other	**728**	**14**				
Total Level 3	**3,530**	**1,727**				
At 31 Dec 2023						
Private equity including strategic investments	1,932	523	See notes below[4]	See notes below[4]	n/a	n/a
Asset-backed securities	—	—				
– CLO/CDO[2]	—	—	Market proxy	Bid quotes	n/a	n/a
– other ABSs	—	—				
Structured notes	—	984				
– equity-linked notes	—	641	Model – Option model	Equity volatility	8	35
			Model – Option model	Equity Correlation	46	97
– FX-linked notes	—	—	Model – Option model	FX volatility	—	—
– other	—	343				
Derivatives	178	256				
Interest rate derivatives	134	166				
– securitisation swaps	3	3	Model – DCF[3]	Prepayment rate	5	10
– long-dated swaptions	—	—	Model – Option model	IR volatility	—	—
– other	131	163				
Foreign exchange derivatives	16	16				
– foreign exchange options	16	16	Model – Option model	FX volatility	4	17
Equity derivatives	26	62				
– long-dated single stock options	—	—	Model – Option model	Equity volatility		
– other	26	62				
Credit derivatives	2	12				
– other	2	12				
Other portfolios	1,277	16				
Total Level 3	3,387	1,779				

1 *Including Level 3 balances with HSBC entities.*
2 *Collateralised Loan Obligation/Collateralised Debt Obligation.*
3 *Discounted cash flow.*
4 *See Note 13 Fair values of financial instruments carried at fair value of the* Universal Registration Document 2023.

5 Fair values of financial instruments not carried at fair value

The basis for measuring the fair values of loans and advances to banks and customers, financial investments, deposits by banks, customer accounts, debt securities in issue, subordinated liabilities, non-trading repurchase and reverse repurchase agreements are consistent with that detailed in the Universal Registration Document 2023.

Fair value of financial instruments not carried at fair value and basis of valuation

		Fair value			
	Carrying amount	Level 1 – quoted market price	Level 2 – using observable inputs	Level 3 – with significant unobservable inputs	Total
	€m	€m	€m	€m	€m
At 30 Jun 2024					
Assets					
Loans and advances to banks	**5,902**	**—**	**5,904**	**—**	**5,904**
Loans and advances to customers[1]	**52,628**	**—**	**—**	**52,023**	**52,023**
Reverse repurchase agreements – non-trading	**28,296**	**—**	**28,296**	**—**	**28,296**
Financial investments - at amortised cost	**3,087**	**2,152**	**882**	**3**	**3,037**
Liabilities					
Deposits by banks	**10,618**	**—**	**10,625**	**—**	**10,625**
Customer accounts	**100,708**	**—**	**100,717**	**—**	**100,717**
Repurchase agreements – non-trading	**16,512**	**—**	**16,511**	**—**	**16,511**
Debt securities in issue	**16,217**	**—**	**16,323**	**—**	**16,323**
Subordinated liabilities	**1,851**	**—**	**1,906**	**—**	**1,906**
At 31 Dec 2023					
Assets					
Loans and advances to banks	5,816	—	5,816	—	5,816
Loans and advances to customers[1]	50,127	—	—	49,547	49,547
Reverse repurchase agreements – non-trading	24,490	—	24,490	—	24,490
Financial investments - at amortised cost	1,747	884	860	3	1,747
Liabilities					
Deposits by banks[2]	10,261	—	10,270	—	10,270
Customer accounts[2]	93,890	—	94,036	—	94,036
Repurchase agreements – non-trading	11,153	—	11,153	—	11,153
Debt securities in issue	12,909	—	12,949	—	12,949
Subordinated liabilities	1,951	—	1,986	—	1,986

1 *Includes EUR 6.9 billion of home and other loans following the sale of retail banking operations in France (EUR 7.1 billion as on 31 December 2023). The valuation of this portfolio of loans may be substantially different in the event of a sale due to deal-specific factors, including funding costs, and interest rates.*

2 *Following a customer classification error, the comparatives as at 31 December 2023 have been represented by EUR 1.4 billion between Deposits by Banks and Customer Accounts.*

Other financial instruments not carried at fair value are typically short-term in nature and reprice to current market rates frequently. Accordingly, their carrying amount is a reasonable approximation of fair value. They include cash and balances at central banks and items in the course of collection from and transmission to other banks, all of which are measured at amortised cost.

6 Goodwill and intangible assets

Impairment testing

HSBC Continental Europe tests goodwill for impairment as at 31 December each year and whenever there is an indication that it may be impaired. At 30 June 2024, HSBC Continental Europe carried goodwill of EUR 66 million in the Asset Management business and there was no indication that it may be impaired.

7 Provisions

HSBC Continental Europe recognises a provision when the following three criteria are met:

- existence of a present obligation occurring from a past event;
- it is probable that an outflow of resources will be required to settle the obligation;
- a reliable estimate of the amount can be made.

	Restructuring costs	Legal proceedings and regulatory matters	Customer remediation	Other provisions	Total
	€m	€m	€m	€m	€m
Provisions (excluding contractual commitments)					
At 31 Dec 2023	78	10	4	95	187
Additions	**2**	**—**	**—**	**5**	**7**
Amounts utilised	**(32)**	**(2)**	**—**	**(38)**	**(72)**
Unused amounts reversed	**(8)**	**(3)**	**—**	**(6)**	**(17)**
Exchange and other movements	**—**	**—**	**—**	**26**	**26**
At 30 Jun 2024	**40**	**5**	**4**	**82**	**131**
Contractual commitments[1]					
At 31 Dec 2023					58
Net change in expected credit loss provisions and other movements					**(3)**
At 30 Jun 2024					**55**
Total provisions					
At 31 Dec 2023					245
At 30 Jun 2024					**186**

1 *The contractual commitments provision includes off-balance sheet loan commitments and guarantees, for which expected credit losses are provided under IFRS 9. Further analysis of the movement in the expected credit loss is disclosed within the 'Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees' table under section 'Credit Risk' on page 34.*

Information relating to legal proceedings and regulatory matters related to HSBC Group entities can be found in Note 9.

8 Contingent liabilities, contractual commitments and guarantees

	At	
	30 Jun 2024	31 Dec 2023
	€m	€m
Guarantees and contingent liabilities[1]		
– financial guarantees	**1,755**	1,552
– performance and other guarantees	**15,891**	15,261
– other contingent liabilities	**17**	2
At the end of the period	**17,663**	16,815
Commitments[1,2]		
– documentary credits and short-term trade-related transactions	**1,072**	1,192
– forward asset purchases and forward deposits placed	**51,304**	40,573
– standby facilities, credit lines and other commitments to lend	**73,295**	70,382
At the end of the period	**125,671**	112,147

1 *Includes commitments of EUR 5 million at 30 Jun 2024 related to hedge fund administration business operations in France (2023 : EUR 80 million guarantees & other contingent liabilities and EUR 509 million commitments related to retail banking operations in France, and EUR 5 million commitments related to hedge fund administration business operations in France).*

2 *Includes EUR 119,755 million of commitments at 30 June 2024 (31 December 2023: EUR 106,159 million), to which the impairment requirements in IFRS 9 are applied where HSBC Continental Europe has become party to an irrevocable commitment.*

The table above discloses the nominal principal amounts, which represents the maximum amounts at risk should the contracts be fully drawn upon and clients default. As a significant portion of guarantees and commitments is expected to expire without being drawn upon, the total of the nominal principal amounts is not indicative of future liquidity requirements.

9 Legal proceedings and regulatory matters relating to HSBC Group entities generally

HSBC Group entities, including HSBC Continental Europe, are party to various legal proceedings and regulatory matters arising out of their normal business operations. Apart from the matters described below and in the section entitled 'Legal risks and litigation management' on pages 173 and 174 of the Universal Registration Document 2023, HSBC Continental Europe considers that none of these matters is potentially significant apart from the tax-related investigations referred to below.

HSBC Continental Europe recognises a provision for a liability in relation to these matters when it is probable that an outflow of economic benefits will be required to settle an obligation which has arisen as a result of past events, and for which a reliable estimate can be made of the amount of the obligation. Any provision recognised does not constitute an admission of wrongdoing or legal liability.

While the outcome of the matters referred to below is inherently uncertain, management believes that, based on the information available to it, appropriate provisions, as necessary, have been made in respect of such matters as at 30 June 2024.

Bernard L. Madoff Investment Securities LLC

Various non-US HSBC companies, including HSBC Institutional Trust Services (Ireland) DAC ('HTIE') and/or its subsidiary Somers Dublin DAC, provided custodial, administration and similar services to a number of funds incorporated outside the US whose assets were invested with Bernard L. Madoff Investment Securities LLC ('Madoff Securities').

On 1 August 2018, HSBC Continental Europe acquired from HSBC Bank plc 100 per cent of the shares of HTIE. Pursuant to the terms of the Sale and Purchase Agreement, HSBC Continental Europe and/or its subsidiaries will be indemnified by HSBC Bank plc in respect of certain liabilities relating to the activities of HTIE and/or Somers. (HTIE subsequently merged into HSBC Continental Europe Dublin Branch).

The Madoff-related proceeding in which HTIE and/or its subsidiary Somers Dublin DAC are involved is described below:

US litigation:

Madoff Securities is being liquidated in the US by a trustee who has brought lawsuits against various HSBC companies and others, seeking recovery of alleged transfers from Madoff Securities to HSBC in the amount of USD 543m (plus interest). These lawsuits remain pending in the US Bankruptcy Court for the Southern District of New York.

European interbank offered rates litigation

In December 2016, the European Commission ('EC') issued a decision finding that HSBC, among other banks, engaged in anti-competitive practices in connection with the pricing of euro interest rate derivatives, and the EC imposed a fine on HSBC based on a one-month infringement in 2007, which fine was paid by HSBC Continental Europe. The fine was annulled in 2019 and a lower fine was imposed in 2021. In January 2023, the European Court of Justice dismissed an appeal by HSBC and upheld the EC's findings on HSBC's liability. A separate appeal by HSBC concerning the amount of the fine remains pending before the General Court of the European Union.

Tax-related investigations

In March 2023, the French National Financial Prosecutor announced an investigation involving a number of banks, including HSBC Continental Europe and the Paris branch of HSBC Bank plc, in connection with alleged tax fraud related to the dividend withholding tax treatment of certain trading activities. HSBC Bank plc and the German branch of HSBC Continental Europe also continue to cooperate with investigations by the German public prosecutor into numerous financial institutions and their employees, in connection with the dividend withholding tax treatment of certain trading activities.

Based on the facts currently known, it is not practicable at this time for HSBC to predict the resolution of these matters, including the timing or any possible impact on HSBC, which could be significant.

Other regulatory investigations, reviews and litigation

HSBC Continental Europe and/or certain of its affiliates are also subject to a number of other enquiries and examinations, requests for information, investigations and reviews by various tax authorities, regulators, competition and law enforcement authorities, as well as legal proceedings including litigation and other contentious proceedings in connection with various matters arising out of their businesses and operations.

At the present time, HSBC Continental Europe does not expect the ultimate resolution of any of these matters to be material to its financial position. However, given the uncertainties involved in legal proceedings and regulatory matters, there can be no assurance regarding the eventual outcome of a particular matter or matters.

10 Assets held for sale, liabilities of disposal groups held for sale and discontinued operations

Held for sale

	At	
	30 Jun 2024	31 Dec 2023
	€m	€m
Disposal groups	**3**	24,989
Impairment losses[1]	**(11)**	(1,783)
Non-current assets held for sale	**22**	5
Assets held for sale	**14**	23,211
Liabilities of disposal groups held for sale	**61**	23,817

1 *This represents impairment losses in excess of the carrying amount on the non-current assets, excluded from the measurement scope of IFRS 5. The Dec 2023 comparatives represent unallocated loss on sale of the retail banking operations in France, including profit participation interest.*

Disposal groups

Planned sale of the hedge fund administration business operations in HSBC Continental Europe

On 21 November 2023, HSBC entered into an exclusive agreement with BNP Paribas Securities Services to transfer all HSBC's hedge fund administration business to BNP Paribas entities in several markets, including Hong Kong, Singapore, Ireland, and Luxembourg. The transfer of services will be offered to 25 clients globally and will involve the integration of certain employees within BNP Paribas' expert teams. The deal is expected to be completed by the end of 2024, following the finalisation of client migrations.

At 30 June 2024, the disposal group included EUR 40 million of customer accounts, which met the criteria to be classified as held for sale.

Planned sale of employee savings account keeping and custody activities

On 14 May 2024, HSBC Continental Europe entered into a Memorandum of Understanding ('MoU'), with Natixis Interépargne, a subsidiary of Groupe BPCE, relating to employee savings' account keeping and custody services in France.

The potential transaction includes:

- the sale by HSBC Continental Europe, to Natixis Interépargne, of its subsidiary HSBC Epargne Entreprise;
- the conclusion of an agreement for the marketing of employee savings and retirement plans and services between HSBC Global Asset Management (France) and Natixis Interépargne;
- the voluntary transfer of staff dedicated to the employee savings' account keeping and custody services to the new account manager, Natixis Interépargne.

HSBC Global Asset Management (France), a subsidiary of HSBC Continental Europe, would retain the design and distribution of the employee savings and retirement offering, as well as the commercial relationship with clients, and would rely on Natixis Interépargne for the administration and custody of client savings accounts.

The MoU records the current status of the negotiations between the parties and is subject to the information and consultation processes of HSBC Continental Europe, HSBC Global Asset Management (France) and of Natixis Interépargne with their respective works councils. If, following the outcome of these processes, the parties were to decide to implement the potential transaction, they would enter into the requisite agreements.

The potential transaction is planned to complete by the end of 2024.

At 30 June 2024, the disposal group included EUR 3 million of assets, EUR 21 million of liabilities, which met the criteria to be classified as held for sale. A loss of EUR 11 million was also recognised in HSBC Continental Europe.

Discontinued operations

Upon being classified as held for sale in 2023, retail banking operations in France met the criteria of discontinued operations classification and presentation under IFRS 5. Accordingly, the profit/(loss) of the discontinued operations as of June 2023 amounting to EUR 1.4 billion has been reported separately in the income statement, including the reversal of pre-tax IFRS 5 loss of EUR 1.9 billion.

Discontinued operations income statement

	30 Jun 2023[1]
	€m
Net operating income	2,069
Total operating expenses	(225)
Operating profit/(loss)	1,844
Profit/(loss) before tax	1,844
Tax expense	(456)
Profit/(loss) for the year	1,388
– non-controlling interests	—

1 *In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the sale of the retail banking operations in France.*

Other comprehensive income relating to discontinued operations is as follows:

	30 Jun 2023[1]
	€m
Profit/(loss) for the period in respect of discontinued operations	1,388
Items that will not be reclassified subsequently to profit or loss:	
Remeasurement of defined benefit asset/liability	—
Changes in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	3
Other comprehensive income/(expense) for the period, net of tax in respect of discontinued operations[2]	3
Total comprehensive income/(expense) for the period in respect of discontinued operations	1,391

1 *In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the sale of the retail banking operations in France.*
2 *The cumulative losses recognised in other comprehensive income in respect of discontinued operations as at 30 June 2023 amounted at EUR 23 million.*

The cash flows attributed to the discontinued operations are as follows:

	30 Jun 2023[1]
	€m
Cash and cash equivalents at beginning of the period	64
Net cash from operating activities	22
Net cash from investing activities	(21)
Net cash from financing activities	—
Net cash from discontinued operations[1]	1
– cash and cash equivalents from discontinued operations	65

1 *In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the sale of the retail banking operations in France, and the net cash from continuing and discontinued operations have been adjusted accordingly.*

11 Transactions with related parties

In January 2024, HSBC Continental Europe redeemed a Tier 2 Loan at the first call date five years before maturity for EUR 400 million at 3 months Euribor + 1.86 per cent and issued a new Tier 2 loan to HSBC Bank plc with maturity of eleven years for a notional amount of EUR 400 million (rollover) at 3 months Euribor + 2.30 per cent.

In March 2024, HSBC Continental Europe redeemed a Tier 2 Loan at the fourth call date almost four years before maturity for EUR 300 million at 3 months Euribor + 1.67 per cent and issued a new Tier 2 loan to HSBC Bank plc with maturity of eleven years for a notional amount of EUR 300 million (rollover) at 3 months Euribor + 1.90 per cent.

In March 2024, HSBC Continental Europe issued Senior Non Preferred Notes with maturity of seven years for a notional amount of EUR 500 million at 3 months Euribor + 1.20 per cent.

In June 2024, HSBC Continental Europe redeemed a Tier 2 Loan at the first call date five years before maturity for EUR 100 million at 3 months Euribor + 1.43 per cent.

In June 2024, HSBC Continental Europe issued Senior Non Preferred Notes with maturity of seven years for a notional amount of EUR 800 million at 3 months Euribor + 1.32 per cent.

All was subscribed by HSBC Bank plc.

There were no other changes to the related party transactions described in the Universal Registration Document 2023 that have had a material effect on the financial position or performance of the HSBC Continental Europe's group in the six months to 30 June 2024.

12 Changes in scope of consolidation during the first half-year of 2024

On 1 January 2024, HSBC Continental Europe completed the sale of its retail banking operations in France to CCF, a subsidiary of Promontoria MMB SAS ('My Money Group'). The sale included: HSBC Continental Europe's French retail banking operations, its 100 per cent ownership interest in HSBC SFH (France) and its 3 per cent ownership interest in Crédit Logement.

Apart from above, there were no material changes in the composition of HSBC Continental Europe in the half-year to 30 June 2024.

13 Events after the balance sheet date

In its assessment of events after the balance sheet date, HSBC Continental Europe has considered and concluded that no material events have occurred resulting in adjustments to the financial statements.

Statutory Auditors’ review report on the interim financial information

PricewaterhouseCoopers Audit

63, rue de Villiers

92208 Neuilly-sur-Seine Cedex

BDO Paris

43-47, avenue de la Grande-Armée

75116 Paris

For the period from 1 January 2024 to 30 June 2024

This is a free translation into English of the statutory auditors’ review report on the interim financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group’s half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

HSBC Continental Europe

38, avenue Kléber

75116 Paris

In compliance with the assignment entrusted to us by your General meetings and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code (‘Code monétaire et financier’), we hereby report to you on:

- the review of the accompanying condensed interim consolidated financial statements of HSBC Continental Europe, for the period from 1 January 2024 to 30 June 2024;
- the verification of the information presented in the interim management report.

These condensed interim consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

1 Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 standard of the IFRS as adopted by the European Union applicable to interim financial information.

2 Specific verification

We have also verified the information presented in the interim management report on the condensed interim consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed interim consolidated financial statements.

Neuilly sur Seine and Paris, July 31, 2024

French original signed by:

The Statutory Auditors

PricewaterhouseCoopers Audit
Agnès Hussherr

BDO Paris
Vincent Génibrel

Person responsible for the Universal Registration Document and its amendments

Mr Andrew Wild, Chief Executive Officer.

Statement by the person responsible for the Universal Registration Document and its amendments

I certify, that the information provided in this amendment to the universal registration document is, to the best of my knowledge, true and accurate and contains no omission likely to affect its meaning.

I certify, to the best of my knowledge, that the condensed accounts for the first half of the financial year have been prepared in accordance with the relevant accounting standards and give a fair view of assets and liabilities, financial position and result of the company and of all the entities included in the consolidation, and that the interim management report (the cross-reference table on page 66 indicates the content of said report) presents a fair review of the significant events that occurred during the first six months of the financial year, their impact on the accounts and the major related party transactions, as well as a description of the principal risks and uncertainties for the remaining six months of the financial year.

Paris, 31 July 2024

Andrew Wild, CEO

Persons responsible for auditing the financial statements

	Date		
	First appointed	Re-appointed	Term ends
Incumbents PricewaterhouseCoopers Audit[1] Represented by Agnès Hussherr[2] 63, rue de Villiers 92200 Neuilly-sur-Seine	**2015**	**2024**	**2030**
BDO Paris[3] Represented by Vincent Génibrel[4] 43-47, avenue de la Grande Armée 75116 Paris	**2007**	**2024**	**2030**

1 *Member of the* Compagnie Régionale des Commissaires aux comptes of Versailles.
2 *PricewaterhouseCoopers Audit represented by Agnès Hussherr starting from 2020.*
3 *Member of the* Compagnie Régionale des Commissaires aux comptes of Paris.
4 *BDO Paris represented by Vincent Génibrel starting from 2023.*

Cross-reference table

The following cross-reference table refers to the main headings of the 2019/980 delegated regulation supplementing the 2017/1129 regulation (Annex I and Annex II) implementing the directive known as 'Prospectus' and to the pages of the Universal Registration Document 2023 D.24-0076.

Sections of Annex I of the 2019/980 delegated regulation		Pages in the 2023 Universal Registration Document filed with the AMF on 1 Mar 2024	Pages in this amendment to the Universal Registration Document
1	**Persons responsible, third party information, experts' reports and competent authority approval**		
1.1 & 1.2	Persons responsible	page 329	page 63
1.3	Experts' reports	N/A	N/A
1.4	Third party information	N/A	N/A
1.5	Competent authority approval	N/A	N/A
2	**Statutory auditors**	page 330	page 64
3	**Risk factors**	pages 118 to 128	pages 17 to 27
4	**Information about the issuer**	page 326	N/A
5	**Business overview**		
5.1	Principal activities	pages 5 to 23 and 284	pages 4 to 16
5.2	Principal markets	pages 5 to 23 and 284	pages 4 to 16
5.3	Important events	pages 210, 284	pages 49 to 50
5.4	Strategy and objectives	pages 5 to 13	pages 4 to 9
5.5	Potential dependence	N/A	N/A
5.6	Founding elements of any statement by the issuer concerning its position	pages 5 and 23	pages 4
5.7	Investments	pages 273 to 274, 319 to 323, 334 to 335	N/A
6	**Organisational structure**		
6.1	Brief description of the group	pages 3 to 24, 310 to 311 and 319 to 323	N/A
6.2	Issuer's relationship with other group entities	pages 319 to 322	N/A
7	**Operating and financial review**		
7.1	Financial condition	pages 189, 191, 282 to 283	pages 41 and 43
7.2	Operating results	pages 15 to 23, 189 and 282	pages 10 to 16 and 41
8	**Capital resources**		
8.1	Issuer's capital resources	pages 192 and 301	page 44
8.2	Sources and amounts of the issuer's cash flows	page 194	page 47
8.3	Borrowing requirements and funding structure	pages 113, 156 to 158, 161 to 163	pages 36 to 37
8.4	Information regarding any restrictions on the use of capital resources that have materially affected, or could materially affect the issuer's operations	N/A	N/A
8.5	Sources of funds needed	N/A	N/A
9	**Regulatory environment**	pages 13, 169	page 9
10	**Trend information**	pages 5 to 9	pages 4 to 9
11	**Profit forecasts or estimates**	N/A	N/A
12	**Administrative, management and supervisory bodies and senior management**		
12.1	Administrative and management bodies	pages 26 to 32	N/A
12.2	Administrative and management bodies conflicts of interests	page 41	N/A
13	**Remuneration and benefits**		
13.1	Amount of remuneration paid and benefits in kind granted	pages 42 to 50, 226 to 231	N/A
13.2	Total amounts set aside or accrued by the issuer or its subsidiaries to provide for pension, retirement or similar benefits	pages 42 to 50, 226 to 231, 302 to 303	N/A
14	**Board practices**		
14.1	Date of expiration of the current term of office	pages 26 to 32	N/A
14.2	Information about members of the administrative, management or supervisory bodies' service contracts	N/A	N/A
14.3	Information about the issuer's audit committee and remuneration committee	pages 35 to 36, 38 to 39	N/A
14.4	Corporate governance regime	page 25	N/A
14.5	Potential material impacts on the corporate governance	N/A	N/A
15	**Employees**		
15.1	Number of employees	page 226	page 16
15.2	Shareholdings and stock options	pages 44 to 45	N/A
15.3	Arrangements involving the employees in the capital of the issuer	N/A	N/A
16	**Major shareholders**		
16.1	Shareholders holding more than 5 per cent of the share capital or voting rights	pages 326 to 328	N/A
16.2	Different voting rights	page 326	N/A
16.3	Control of the issuer	pages 26 to 27, 330	page 63

Sections of Annex I of the 2019/980 delegated regulation		Pages in the 2023 Universal Registration Document filed with the AMF on 1 Mar 2024	Pages in this amendment to the Universal Registration Document
16.4	Arrangements, known to the issuer, which may at a subsequent date result in a change in control of the issuer	N/A	N/A
17	**Related party transactions**	pages 52 to 54, 266 to 268, 273 to 274, 310 to 311	page 61
18	**Financial information concerning the issuer's assets and liabilities, financial position and profits and losses**		
18.1	Historical financial information	pages 22, 188 to 274, 281 to 311, 332	N/A
18.2	Interim and other financial information	N/A	pages 48 to 61
18.3	Auditing of historical annual financial information	pages 275 to 280, 312 to 316	N/A
18.4	Pro forma financial information	N/A	N/A
18.5	Dividend policy	pages 234 and 328	page 50
18.6	Legal and arbitration proceedings	pages 173 to 174, 265, 308 to 309	page 59
18.7	Significant change in the issuer's financial position	pages 22, 272 and 309	pages 61
19	**Additional information**		
19.1	Share capital	pages 263, 301 and 328	N/A
19.2	Memorandum and Articles of Association	pages 326 and 328	N/A
20	**Material contracts**	page 328	N/A
21	**Documents available**	page 326	N/A

Sections of Annex II of the 2019/980 delegated regulation		Pages in the 2023 Universal Registration Document filed with the AMF on 1 Mar 2024	Pages in this amendment to the Universal Registration Document
1	**Information to be disclosed about the issuer**	page 2	page 2

The following elements are included by reference:

- the consolidated financial statements for the year ended 31 December 2022 and the Statutory Auditors' report on those consolidated financial statements, presented on pages 177 to 244 and 245 to 249 of the reference document D.23-0634 filed with the AMF on 1 August 2023; the information can be found here: https://www.hsbc.com/-/files/hsbc/investors/hsbc-results/2023/interim/pdfs/hsbc-continental-europe/230803-universal-registration-document-and-annual-financial-report-2022-en.pdf
- the consolidated financial statements for the year ended 31 December 2023 and the Statutory Auditors' report on those consolidated financial statements, presented on pages 188 to 274 and 275 to 280 of the Universal Registration Document D.24-0076 filed with the AMF on 1 March 2024; the information can be found here: https://www.hsbc.com/-/files/hsbc/investors/hsbc-results/2023/annual/pdfs/hsbc-continental-europe/240301-registration-document-and-annual-financial-report-2023-english-zip.zip

These documents are available on the HSBC Continental Europe group's website (www.hsbc.fr) and on the AMF's website (www.amf-france.org).

Any person requiring additional information on the HSBC Continental Europe group may, without commitment, request documents by mail:

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