HSBC Continental Europe

Pillar 3 Disclosures at 30 June 2024

HSBC

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Certain defined terms

The abbreviations '€m' and '€bn' represent millions and billions (thousands of millions) of Euros, respectively.

Introduction

Regulatory framework for disclosures

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

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

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

Pillar 3 disclosures

Purpose

The information contained in this document is for HSBC Continental Europe. It should be read in conjunction with HSBC Continental Europe's Universal Registration Document 2023 and Interim Financial Report 2024.

These disclosures are governed by the HSBC Group's disclosure policy, which has been approved by the Board of Directors. The disclosure policy sets out the governance, control and assurance requirements for publication of the document. This Pillar 3 document has been subject to internal review process in accordance with HSBC Continental Europe's financial reporting and governance processes.

Key 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%.

Significant events

Business disposals and changes of control

Sale of the retail banking operations in France

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

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

Table 1: Key metrics template ('KM1')

		At				
		30 Jun 2024	31 Mar 2024	31 Dec 2023	30 Sep 2023	30 Jun 2023
Ref*		**€m**	€m	€m	€m	€m
	Available own funds (amounts)[1]					
1	Common Equity Tier 1 ('CET1') capital	**9,264**	9,310	9,373	9,198	9,042
2	Tier 1 capital	**10,701**	10,742	10,819	10,643	10,487
3	Total capital	**12,104**	12,250	12,305	12,142	12,030
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	**61,274**	60,086	59,515	60,114	58,634
	Capital ratios (as a percentage of risk-weighted exposure amount) (%)					
5	Common Equity Tier 1 ratio	**15.1**	15.5	15.7	15.3	15.4
6	Tier 1 ratio	**17.5**	17.9	18.2	17.7	17.9
7	Total capital ratio	**19.8**	20.4	20.7	20.2	20.5
	Additional own funds requirements to address risks other than the risk of excessive leverage (%) (as a percentage of risk-weighted exposure amount) (%)					
EU-7a	Additional own funds requirements to address risks other than the risk of excessive leverage	**3.0**	3.0	3.4	3.4	3.4
EU-7b	– *of which:* *to be made up of CET1 capital (percentage points)*	***1.7***	*1.7*	*1.9*	*1.9*	*1.9*
EU-7c	*to be made up of Tier 1 capital (percentage points)*	***2.3***	*2.3*	*2.6*	*2.6*	*2.6*
EU-7d	Supervisory review and evaluation process ('SREP') own funds requirements	**11.0**	11.0	11.4	11.4	11.4
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount) (%)					
8	Capital conservation buffer	**2.5**	2.5	2.5	2.5	2.5
9	Institution-specific countercyclical capital buffer	**0.9**	0.8	0.6	0.6	0.6
EU-10a	Other Systemically Important Institution buffer	**0.3**	0.3	0.3	0.3	0.3
11	Combined buffer requirement	**3.6**	3.6	3.4	3.4	3.3
EU-11a	Overall capital requirements	**14.6**	14.6	14.8	14.8	14.7
12	CET1 available after meeting the total SREP own funds requirements	**4.1**	4.5	4.3	3.9	3.9
	Leverage ratio					
13	Total exposure measure	**251,262**	238,937	257,480	248,301	242,826
14	Leverage ratio (%)	**4.3**	4.5	4.2	4.3	4.3
	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount) (%)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage	**—**	—	—	—	—
EU 14b	– *of which: to be made up of CET1 capital (percentage points)*	**—**	—	—	—	—
EU-14c	Total SREP leverage ratio requirements (%)	**3.0**	3.0	3.0	3.0	3.0
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure) (%)					
EU-14d	Leverage ratio buffer requirement	**—**	—	—	—	—
EU-14e	Overall leverage ratio requirements	**3.0**	3.0	3.0	3.0	3.0
	Liquidity Coverage Ratio ('LCR')					
15	Total high-quality liquid assets ('HQLA') (Weighted value-average)	**76,475**	76,235	76,282	73,359	66,383
EU-16a	Cash outflows – Total weighted value	**81,040**	79,502	78,490	75,524	67,001
EU-16b	Cash inflows – Total weighted value	**31,891**	30,883	30,152	29,625	25,335
16	Total net cash outflows (adjusted value)	**49,148**	48,620	48,339	45,899	41,666
17	Liquidity coverage ratio (%)	**156**	157	158	160	159
	Net Stable Funding Ratio ('NSFR')					
18	Total available stable funding	**84,027**	82,907	81,311	102,216	99,689
19	Total required stable funding	**61,774**	60,303	57,468	75,241	70,484
20	NSFR ratio (%)	**136**	137	141	136	141

* *The references identify lines prescribed in the EBA template that are applicable and where there is a value.*
1 *CET1 capital for Dec 23 has been restated to reflect the payment of AT1 dividends.*

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

		At 30 Jun 2024		At 31 Mar 2024		At 31 Dec 2023	
		RWAs	Capital requirement[1]	RWAs	Capital requirement[1]	RWAs	Capital requirement[1]
		€m	€m	€m	€m	€m	€m
1	**Credit risk (excluding CCR)[2]**	**42,252**	**3,452**	42,010	3,361	42,870	3,430
2	– standardised approach	**11,429**	**991**	10,768	861	9,168	733
3	– foundation IRB approach	**8,278**	**659**	8,083	647	7,691	615
4	– slotting approach	**535**	**40**	492	39	659	53
EU 4a	– equities under the simple risk-weighted approach	**632**	**51**	634	51	885	71
5	– advanced IRB approach	**19,010**	**1,519**	19,642	1,571	22,081	1,766
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	**2,368**	**191**	2,391	191	2,386	191
6	**Counterparty credit risk ('CCR')**	**6,451**	**517**	5,948	476	5,279	422
7	– standardised approach	**2,365**	**189**	2,249	180	1,879	150
8	– internal model method ('IMM')	**2,358**	**189**	2,004	160	1,983	159
EU-8a	– exposures to a central counterparty ('CCP')	**196**	**16**	194	16	180	14
EU-8b	– credit valuation adjustment ('CVA')	**820**	**66**	808	65	748	60
9	– other CCR	**712**	**57**	693	55	489	39
15	**Settlement risk**	**—**	**—**	—	—	1	—
16	**Securitisation exposures in the non-trading book**	**1,205**	**96**	1,191	95	1,185	95
17	– internal ratings-based approach ('SEC-IRBA')	**637**	**51**	632	51	629	50
18	– external ratings-based approach ('SEC-ERBA') (including IAA)	**331**	**26**	327	26	322	26
19	– standardised approach ('SEC-SA')	**237**	**19**	232	19	234	19
EU-19a	– 1,250%/deduction	**—**	**—**	—	—	—	—
20	**Position, foreign exchange and commodities risks (Market risk)**	**5,178**	**415**	4,749	380	3,992	320
21	– standardised approach	**145**	**12**	100	8	94	8
22	– internal model approach	**5,033**	**403**	4,649	372	3,898	312
EU-22a	**Large exposures**			—	—	—	—
23	**Operational risk**	**6,188**	**495**	6,188	495	6,188	495
EU-23b	– standardised approach	**6,188**	**495**	6,188	495	6,188	495
29	**Total**	**61,274**	**4,975**	60,086	4,807	59,515	4,762

1 *'Capital required', here and in all tables where the term is used, represents the Pillar 1 capital charge at 8 per cent of RWAs.*
2 *'Credit Risk', here and in all tables where the term is used, excludes counterparty credit risk.*

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

		Quarter ended			
		30 Jun 2024	31 Mar 2024	31 Dec 2023	30 Sep 2023
		€m	€m	€m	€m
1	**Opening RWAs at start of quarter**	**28,217**	30,431	29,956	29,802
2	Asset size	**568**	1,268	187	87
3	Asset quality	**12**	68	114	59
4	Model updates	**(1,170)**	(692)	—	—
5	Methodology and policy	**—**	—	174	70
6	Acquisitions and disposals	**—**	(2,858)	—	(62)
7	Foreign exchange movements	**—**	—	—	—
8	Other	**—**	—	—	—
9	**Closing RWAs at end of quarter**	**27,627**	28,217	30,431	29,956

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

		Quarter ended			
		30 Jun 2024	31 Mar 2024	31 Dec 2023	30 Sep 2023
		€m	€m	€m	€m
1	**Opening RWAs at start of quarter**	**2,004**	1,983	2,131	1,435
2	Asset size	**330**	39	(173)	756
3	Asset quality	**27**	(10)	18	(43)
4	Model updates (IMM only)	**—**	—	—	—
5	Methodology and policy (IMM only)	**—**	—	—	—
6	Acquisitions and disposals	**—**	—	—	—
7	Foreign exchange movements	**(3)**	(8)	7	(17)
9	**Closing RWAs at end of quarter**	**2,358**	2,004	1,983	2,131

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

		VaR	SVaR	IRC	CRM	Other	Total RWAs	Total own funds requirements
		€m	€m	€m	€m	€m	€m	€m
1	**RWAs at 1 Apr 2024**	**1,229**	**1,719**	**692**	**—**	**1,009**	**4,649**	**372**
1a	Regulatory adjustment	**(987)**	**(1,260)**	**—**	**—**	**—**	**(2,247)**	**(180)**
1b	RWAs at the previous quarter-end (end of the day)	**242**	**459**	**692**	**—**	**1,009**	**2,402**	**192**
2	Movement in risk levels	**(31)**	**14**	**(136)**	**—**	**104**	**(49)**	**(4)**
3	Model updates/changes						**—**	**—**
7	Other					**(276)**	**(276)**	**(22)**
8a	RWAs at the end of the disclosure period (end of the day)	**211**	**473**	**556**		**837**	**2,077**	**166**
8b	Regulatory adjustment	**750**	**1,993**	**213**	**—**	**—**	**2,956**	**236**
8	**RWAs at 30 Jun 2024**	**961**	**2,466**	**769**	**—**	**837**	**5,033**	**403**
1	RWAs at 1 Jan 2024	1,089	1,798	415	—	596	3,898	312
1a	Regulatory adjustment	(830)	(1,271)	(65)	—	—	(2,166)	(173)
1b	RWAs at the previous quarter-end (end of the day)	259	527	350	—	596	1,732	139
2	Movement in risk levels	(17)	(68)	342	—	15	272	22
3	Model updates/changes					122	122	10
7	Other					276	276	22
8a	RWAs at the end of the disclosure period (end of the day)	242	459	692	—	1,009	2,402	192
8b	Regulatory adjustment	987	1,260	—	—	—	2,247	180
8	RWAs at 31 Mar 2024	1,229	1,719	692	—	1,009	4,649	372
1	RWAs at 1 Oct 2023	1,043	2,224	682	—	885	4,834	387
1a	Regulatory adjustment	(688)	(1,608)	(317)	—	—	(2,613)	(209)
1b	RWAs at the previous quarter-end (end of the day)	355	616	365	—	885	2,221	178
2	Movement in risk levels	(96)	(89)	(15)	—	(160)	(360)	(29)
3	Model updates/changes					(129)	(129)	(10)
7	Other							
8a	RWAs at the end of the disclosure period (end of the day)	259	527	350	—	596	1,732	139
8b	Regulatory adjustment	830	1,271	65	—	—	2,166	173
8	RWAs at 31 Dec 2023	1,089	1,798	415	—	596	3,898	312
1	RWAs at 1 Jul 2023	918	1,565	582	—	628	3,693	296
1a	Regulatory adjustment	(667)	(1,113)	(292)	—	—	(2,072)	(166)
1b	RWAs at the previous quarter-end (end of the day)	251	452	290	—	628	1,621	130
2	Movement in risk levels	104	164	75	—	257	600	48
3	Model updates/changes							
7	Other							
8a	RWAs at the end of the disclosure period (end of the day)	355	616	365	—	885	2,221	178
8b	Regulatory adjustment	688	1,608	317	—	—	2,613	209
8	RWAs at 30 Sep 2023	1,043	2,224	682	—	885	4,834	387

Table 5 has been updated to include rows 1a/1b and 8a/8b. These rows represent the difference between RWAs reported for the period and RWAs calculated on a spot basis at the end of the reporting period. Cascading changes have been made in rows 2 to 7 to present the changes in these rows on a spot basis. Comparatives for VaR, SVaR and IRC have been restated for consistency.

Linkage to the Universal Registration Document 2023 and Interim Financial Report 2024

Basis of consolidation

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

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

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

	Ref †	Accounting balance sheet	De-consolidation of insurance/ other entities	Equity accounting for insurance subsidiaries	Regulatory balance sheet
		€m	€m	€m	€m
Assets					
Cash and balances at central banks		59,076	—	—	59,076
Items in the course of collection from other banks		207	—	—	207
Trading assets		23,322	—	—	23,322
Financial assets designated and otherwise mandatorily measured at fair value through profit and loss		14,787	(14,532)	—	255
Financial assets designated at fair value		—	—	—	—
Derivatives		41,875	(51)	—	41,824
Loans and advances to banks		5,902	(63)	—	5,839
Loans and advances to customers		52,628	—	—	52,628
– *of which: impairment allowances on IRB portfolios*		*677*	—		*677*
– *of which: impairment allowances on standardised portfolios*		*183*	—		*183*
Reverse repurchase agreements – non-trading		28,297	48	—	28,345
Financial investments		25,623	(7,797)	—	17,826
Capital invested in insurance and other entities		—	542	421	963
Assets held for sale		14	—	—	14
Prepayments, accrued income and other assets		26,610	(885)	—	25,725
– *of which: retirement benefit assets*		—	—		—
Current tax assets		605	(23)	—	582
Interests in associates and joint ventures		—	—	—	—
Goodwill and intangible assets	*f*	199	—	—	199
Deferred tax assets	*g*	936	(66)	—	870
Total assets at 30 Jun 2024		280,081	(22,828)	421	257,674
Liabilities and equity					
Deposits by banks		10,618	(5)	—	10,613
Customer accounts		100,708	215	—	100,923
Repurchase agreements – non-trading		16,512	—	—	16,512
Items in the course of transmission to other banks		328	—	—	328
Trading liabilities		23,721	—	—	23,721
Financial liabilities designated at fair value		9,354	329	—	9,683
– *of which: term subordinated debt included in tier 2 capital*					
– *of which: preferred securities included in tier 1 capital*					
Derivatives		39,127	7	—	39,134
Debt securities in issue		16,217	—	—	16,217
Accruals, deferred income and other liabilities		27,254	(1,749)	—	25,505
– *of which: retirement benefit liabilities*		*71*	*(2)*	—	*68*
Liabilities of disposal groups held for sale		61	—	—	61
Current tax liabilities		251	(18)	—	233
Liabilities under insurance contracts		21,183	(21,183)	—	—
Provisions		186	(3)	—	183
– *of which: credit-related provisions on IRB portfolios*		*77*			*77*
– *of which: credit-related provisions on standardised portfolios*		*12*			*12*
Deferred tax liabilities	*g*	3	—	—	3
Subordinated liabilities	*k*	1,851	—	—	1,851
– *of which: preferred securities included in tier 1 capital*					
– *of which: perpetual subordinated debt included in tier 2 capital*		*41*	—	—	*41*
– *of which: term subordinated debt included in tier 2 capital*		*1,810*	—	—	*1,810*
Total liabilities at 30 Jun 2024		267,374	(22,406)	—	244,968
Called up share capital	*a*	1,062	—		1,062
Share premium account	*a, b*	5,264	—		5,264
Other equity instruments	*j*	1,433	—		1,433
Other reserves	*c, d, e, h*	(222)	42		(180)
Retained earnings	*c, d, e, i*	4,990	(464)	421	4,947
Total shareholders' equity		12,527	(421)	421	12,526
Non-controlling interests	*l, m*	180	—		180
– *of which: non-cumulative preference shares issued by subsidiaries included in tier 1 capital*		—	—		—
Total equity at 30 Jun 2024		12,707	(421)	421	12,706
Total liabilities and equity at 30 Jun 2024		280,081	*(22,828)*	*421*	*257,674*

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

	Ref †	Accounting balance sheet €m	De-consolidation of insurance/ other entities €m	Equity accounting for insurance subsidiaries €m	Regulatory balance sheet €m
Assets					
Cash and balances at central banks		56,894	—	—	56,894
Items in the course of collection from other banks		273	—	—	273
Trading assets		17,249	—	—	17,249
Financial assets designated and otherwise mandatorily measured at fair value through profit and loss		13,590	(13,425)	—	165
Financial assets designated at fair value		—	—	—	—
Derivatives		45,522	(50)	—	45,472
Loans and advances to banks		5,816	(268)	—	5,548
Loans and advances to customers		50,127	—	—	50,127
– *of which: impairment allowances on IRB portfolios*		*636*	—	—	*636*
– *of which: impairment allowances on standardised portfolios*		*141*	—	—	*141*
Reverse repurchase agreements – non-trading		24,490	48	—	24,538
Financial investments		22,608	(8,323)	—	14,285
Capital invested in insurance and other entities		—	542	511	1,053
Assets held for sale		23,211	—	—	23,211
Prepayments, accrued income and other assets		21,453	(885)	—	20,568
– *of which: retirement benefit assets*		—	—	—	—
Current tax assets		599	(38)	—	561
Interests in associates and joint ventures		—	—	—	—
Goodwill and intangible assets	*f*	188	—	—	188
Deferred tax assets	*g*	957	(63)	—	894
Total assets at 31 Dec 2023		282,977	(22,462)	511	261,026
Liabilities and equity					
Deposits by banks		8,904	(10)	—	8,894
Customer accounts		95,247	145	—	95,392
Repurchase agreements – non-trading		11,153	—	—	11,153
Items in the course of transmission to other banks		320	—	—	320
Trading liabilities		19,877	—	—	19,877
Financial liabilities designated at fair value		9,696	424	—	10,120
– *of which: term subordinated debt included in tier 2 capital*		—	—	—	—
– *of which: preferred securities included in tier 1 capital*		—	—	—	—
Derivatives		43,630	(52)	—	43,578
Debt securities in issue		12,909	—	—	12,909
Accruals, deferred income and other liabilities		21,469	(1,487)	—	19,982
– *of which: retirement benefit liabilities*		*74*	*(2)*	—	*72*
Liabilities of disposal groups held for sale		23,817	—	—	23,817
Current tax liabilities		211	(2)	—	209
Liabilities under insurance contracts		21,035	(21,035)	—	—
Provisions		245	(3)	—	242
– *of which: credit-related provisions on IRB portfolios*		*98*	—	—	*98*
– *of which: credit-related provisions on standardised portfolios*		*13*	—	—	*13*
Deferred tax liabilities	*g*	5	(2)	—	3
Subordinated liabilities	*k*	1,951	—	—	1,951
– *of which: preferred securities included in tier 1 capital*		—	—	—	—
– *of which: perpetual subordinated debt included in tier 2 capital*		*41*	—	—	*41*
– *of which: term subordinated debt included in tier 2 capital*		*1,910*	—	—	*1,910*
Total liabilities at 31 Dec 2023		270,469	(22,022)	—	248,447
Called up share capital	*a*	1,062	—	—	1,062
Share premium account	*a, b*	5,264	—	—	5,264
Other equity instruments	*j*	1,433	—	—	1,433
Other reserves	*c, d, e, h*	1,480	45	—	1,525
Retained earnings	*c, d, e, i*	3,103	(485)	511	3,129
Total shareholders' equity		12,341	(440)	511	12,412
Non-controlling interests	*l, m*	166	—	—	166
– *of which: non-cumulative preference shares issued by subsidiaries included in tier 1 capital*		—	—	—	—
Total equity at 31 Dec 2023		12,508	(440)	511	12,579
Total liabilities and equity at 31 Dec 2023		282,977	(22,462)	511	261,026

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

Capital and Leverage

Capital management

Approach and policy

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

HSBC Continental Europe manages its capital to ensure that it exceeds current and expected future requirements. Throughout the first half of 2024, HSBC Continental Europe has complied with the ECB's regulatory capital adequacy requirements. To achieve this, HSBC Continental Europe manages its capital within the context of an annual capital plan which is approved by the Board and which determines the appropriate amount and mix of capital.

Complementing this capital plan, regular forecasts of capital, leverage and RWA positions are produced throughout the year.

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

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

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

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

Stress testing

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

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

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

Risks to capital

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

Further explanation of model risk can be found in the Risk section on pages 98, 113 and 165 of HSBC Continental Europe's Universal Registration Document 2023.

HSBC Continental Europe's approach to managing its capital position has been to ensure the bank complies with current regulatory requirements and internal risk appetite, as well as to ensure that future regulatory requirements are considered.

Risk-weighted asset targets

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

Monitoring is performed at an operational level taking into account growth strategies; active portfolio management; business and/or customer-level reviews; RWA accuracy and allocation initiatives and risk mitigation.

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

Capital generation

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

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 3.0 per cent in 2024. Under CRD, at least 56.25 per cent of this must be held in the form of CET1 and 75 per cent in the form of of Tier 1.

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 1H24, 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 CRR, 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 Capital buffer (CCyB) mentioned above, the 0.25 per cent Other Systematically Important Institution buffer ('O-SII'), in force since 1 January 2022 as per the decision from the ACPR, and the 3.0 per cent Pillar 2 requirement 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').

Overview of regulatory capital framework

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

For regulatory purposes, HSBC Continental Europe's capital base is divided into three main categories, namely Common Equity Tier 1, Additional Tier 1 and Tier 2, depending on the degree of permanence and loss absorbency exhibited. The main features of capital securities issued by HSBC Continental Europe are described below.

Common Equity Tier 1 ('CET1')

Common Equity Tier 1 capital is the highest quality form of capital, comprising shareholders' equity and related non-controlling interests (subject to limits). Under CRD/CRR various capital deductions and regulatory adjustments are made to these items. These include deductions for goodwill and intangible assets, deferred tax assets that rely on future profitability, and negative amounts resulting from the calculation of expected loss amounts under the internal ratings based approach ('IRB') to credit risk.

Additional Tier 1 capital ('AT1')

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

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

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

CRD compliant Additional Tier 1 instruments issued by the bank include a provision whereby the instrument will be written down in the event the bank's Common Equity Tier 1 ratio falls below 5.125 per cent.

Tier 2 capital ('T2')

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

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

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

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

The main features of HSBC Continental Europe's regulatory capital instruments are published on HSBC's website in accordance with the CRR.

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

			At	
			30 Jun 2024	31 Dec 2023
Ref*		*Ref †*	**€m**	€m
	Common equity tier 1 ('CET1') capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	*a*	**6,327**	6,327
	– *of which: share premium account*	*b*	**5,264**	5,264
2	Retained earnings	*c*	**2,963**	2,133
3	Accumulated other comprehensive income (and other reserves)	*d*	**1,455**	1,566
5	Transitional adjustments due to additional minority interests	*l*	**79**	90
5a	Independently reviewed interim net profits net of any foreseeable charge or dividend[1,2]	*e*	**—**	883
6	**Common equity tier 1 capital before regulatory adjustments**		**10,825**	10,999
	Common equity tier 1 capital: regulatory adjustments			
7	Additional value adjustments		**(102)**	(109)
8	Intangible assets (net of related deferred tax liability)	*f*	**(198)**	(188)
10	Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	*g*	**(619)**	(586)
11	Fair value reserves related to gains or losses on cash flow hedges	*h*	**186**	65
12	Negative amounts resulting from the calculation of expected loss amounts		**(95)**	(91)
13	Any increase in equity that results from securitised assets (negative amount)		**—**	—
14	Gains or losses on liabilities at fair value resulting from changes in own credit standing	*i*	**(76)**	(92)
15	Defined-benefit pension fund assets (negative amount)		**(54)**	(46)
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)		**(94)**	(45)
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)		**(509)**	(533)
28	**Total regulatory adjustments to Common Equity Tier 1 ('CET1')**		**(1,561)**	(1,625)
29	**Common Equity Tier 1 ('CET1') capital**		**9,264**	9,373
	Additional tier 1 ('AT1') capital: instruments			
30	Capital instruments and the related share premium accounts		**1,432**	1,432
31	– *of which: classified as equity under applicable accounting standards*		**1,432**	1,432
32	– *of which: classified as liabilities under applicable accounting standards*		**—**	—
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	*m*	**4**	13
35	– *of which: instruments issued by subsidiaries subject to phase out*		**—**	—
36	**Additional tier 1 capital before regulatory adjustments**	*j*	**1,437**	1,445

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

			At	
			30 Jun 2024	31 Dec 2023
Ref*		Ref †	**€m**	€m
	Additional tier 1 capital: regulatory adjustments			
43	**Total regulatory adjustments to Additional Tier 1 (‘AT1’) capital**		**—**	—
44	**Additional Tier 1 (AT1) capital**		**1,437**	1,445
45	**Tier 1 capital (T1 = CET1 + AT1)**		**10,701**	10,819
	Tier 2 (‘T2’) capital: instruments			
46	**Capital instruments and the related share premium accounts**		**1,824**	1,892
50	**Credit risk adjustments**	k	**—**	14
51	**Tier 2 capital before regulatory adjustments**		**1,824**	1,906
	Tier 2 capital: regulatory adjustments			
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)		**(420)**	(420)
57	**Total regulatory adjustments to tier 2 capital**		**(420)**	(420)
58	**Tier 2 capital**		**1,404**	1,486
59	**Total capital (TC = T1 + T2)**		**12,104**	12,305
60	**Total risk-weighted assets**		**61,274**	59,515
	Capital ratios and buffers			
61	Common equity tier 1 (%)		**15.1**	15.7
62	Tier 1 (%)		**17.5**	18.2
63	Total capital (%)		**19.8**	20.7
64	Institution CET1 overall capital requirement (%)2	g	**9.8**	9.8
65	– capital conservation buffer requirement (%)		**2.5**	2.5
66	– countercyclical buffer requirement (%)		**0.9**	0.6
67	– systemic risk buffer requirement (%)		**—**	0
EU-67a	– Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement3		**0.3**	0.3
68	Common equity tier 1 available to meet buffers (%)		**8.8**	9.3
	Amounts below the threshold for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		**84**	126
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)		**940**	954
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability)		**208**	308

* *The references identify the lines prescribed in the EBA template that are applicable and where there is a value.*
† *The references (a) – (f) identify balance sheet components in Table 6: Reconciliation of regulatory own funds to balance sheet in the audited financial statements which is used in the calculation of regulatory capital. This table shows how they contribute to the regulatory capital calculation. Their contribution may differ from their accounting value in Table 6 as a result of adjustment or analysis to apply regulatory definitions of capital.*
1 *HSBC Continental Europe's profits for the six months ending 30 June 2024 have not been verified and are therefore not included in its CET1 capital.*
2 *CET1 capital for Dec 23 has been restated to reflect the payment 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 350m has not been verified for inclusion in CET1.

Issuances and redemptions of own funds instruments are described in Note 1 'Significant events during the year' of HSBC Continental Europe's Interim Financial Report 2024.

A detailed breakdown of HSBC Continental Europe’s CET1 capital, AT1 capital and Tier 2 capital is provided in its Regulatory Capital Instruments 31 December 2023, which is available on HSBC's website https://www.hsbc.com/investors/fixed-income-investors/regulatory-capital-securities.

Leverage ratio

The leverage ratio was introduced into the Basel III framework as a non-risk-based limit, to supplement risk-based capital requirements. It aims to constrain the build-up of excess leverage in the banking sector, introducing additional safeguards against model risk and measurement errors. The Basel III leverage ratio is a volume-based measure calculated as Tier 1 capital divided by total on- and weighted off-balance sheet exposures, after the exclusion of certain exposures and the netting of exposures on certain market instruments. A binding minimum requirement of 3.0 per cent has been in force since June 2021.

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

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

The RAS is monitored via the risk appetite profile report, which includes comparisons of actual performance against the risk appetite and tolerance thresholds assigned to each metric, to ensure that any excessive risk is highlighted, assessed and mitigated appropriately. The risk appetite profile report is presented monthly to the RMM. The leverage exposure measure is also calculated and presented monthly to the ALCO.

HSBC Continental Europe's approach to risk appetite is described on page 88 of HSBC Continental Europe's Universal Registration Document 2023.

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

		At	
		30 Jun 2024	31 Dec 2023
		€m	€m
1	Total assets as per published financial statements	**280,081**	282,977
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	**(22,854)**	(22,521)
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	**(5,691)**	(885)
8	Adjustments for derivative financial instruments	**(20,362)**	(22,959)
9	Adjustment for securities financing transactions ('SFTs')	**1,238**	5,349
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	**36,791**	37,143
EU-11b	(Adjustment for exposures excluded from the leverage ratio total exposure measure)	**—**	(2,608)
12	Other adjustments	**(17,941)**	(19,017)
13	**Leverage ratio total exposure measure**	**251,262**	257,480

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

		At	
		30 Jun 2024	31 Dec 2023
		€m	€m
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	**178,122**	186,110
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	**(11,102)**	(10,619)
6	(Asset amounts deducted in determining Tier 1 capital)	**(1,543)**	(1,625)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**165,477**	173,865
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	**3,623**	7,126
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	**19,034**	18,230
10	(Exempted CCP leg of client-cleared trade exposures) ('SA-CCR')	**(2,030)**	(3,520)
11	Adjusted effective notional amount of written credit derivatives	**3,871**	4,595
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	**(3,055)**	(3,925)
13	**Total derivatives exposures**	**21,443**	22,507
Securities financing transaction ('SFT') exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	**67,638**	50,296
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	**(38,702)**	(21,017)
16	Counterparty credit risk exposure for SFT assets	**647**	608
18	**Total securities financing transaction exposures**	**29,583**	29,887
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	**92,575**	88,794
20	(Adjustments for conversion to credit equivalent amounts)	**(55,784)**	(53,953)
22	**Off-balance sheet exposures**	**36,791**	34,841
Excluded exposures			
EU-22b	(Exposures exempted (on - and off - balance sheet))	**—**	(2,608)
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	**(2,032)**	(1,013)
EU-22k	**(Total exempted exposures)**	**(2,032)**	(3,621)
Capital and total exposure measure			
23	Tier 1 capital	**10,701**	10,819
24	Leverage ratio total exposure measure	**251,262**	257,480
Leverage ratio			
25	Leverage ratio (%)	**4.3**	4.2
EU-25	Leverage ratio (without adjustment for excluded exposures of public development banks – Public sector investments) (%)	**4.3**	4.2
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	**4.3**	4.2
26	Regulatory minimum leverage ratio requirement (%)	**3.0**	3.0
EU-27a	Overall leverage ratio requirement (%)	**3.0**	3.0
Choice of transitional arrangements and relevant exposures			
EU-27	Choice of transitional arrangements for the definition of the capital measure	**Fully phased in**	Fully phased in

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

		At	
		30 Jun 2024	31 Dec 2023
		€m	€m
Disclosure of mean values			
28	Mean of daily values of gross SFT assets, (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	**34,346**	32,008
29	Quarter-end value of gross SFT assets, (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	**28,936**	29,279
30	Total exposures (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	**256,672**	260,209
30a	Total exposures (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	**256,672**	260,209
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables) (%)	**4.2**	4.2
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables) (%)	**4.2**	4.2

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

		At	
		30 Jun 2024	31 Dec 2023
		€m	€m
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**164,987**	171,869
EU-2	Trading book exposures	**33,372**	16,448
EU-3	Banking book exposures, of which:	**131,615**	155,422
EU-5	Exposures treated as sovereigns	**80,193**	83,417
EU-7	Institutions	**9,425**	2,631
EU-8	Secured by mortgages of immovable properties	**3,590**	21,833
EU-9	Retail exposures	**859**	3,095
EU-10	Corporate	**35,667**	33,866
EU-11	Exposures in default	**646**	1,876
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	**1,235**	8,704

Credit risk

Overview

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

The tables below set out details of HSBC Continental Europe's credit risk exposures by exposure class and approach. Further explanation of HSBC Continental Europe's approach to managing credit risk (including detail of past due and impaired exposure, and its approach to credit risk impairment) can be found on pages 114 to 125 of its Universal Registration Document 2023.

Non-performing and forborne exposures

Tables 11 to 15 are presented in accordance with the EBA's 'Final guidelines on disclosure of non-performing and forborne exposures'.

The EBA defines non-performing exposures as exposures with material amounts that are more than 90 days past due or exposures where the debtor is assessed as unlikely to pay its credit obligations in full without the realisation of collateral, regardless of the existence of any past due amounts or number days past due. Any debtors that are in default for regulatory purposes or impaired under the applicable accounting framework are always considered as non-performing exposures. The Universal Registration Document 2023 does not define non-performing exposures, however, the definition of credit impaired (stage 3) is aligned to the EBA's definition of non-performing exposures.

Forborne exposures are defined by the EBA as exposures where the bank has made concessions toward a debtor that is experiencing or about to experience financial difficulties in meeting its financial commitments. In the Universal Registration Document 2023, forborne exposures are reported as 'renegotiated loans'. This term is aligned to the EBA definition of forborne exposure except in its treatment of 'cures'.

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

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

In the Universal Registration Document 2023, renegotiated loans retain this classification until maturity or de-recognition.

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

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

	Gross carrying amount/ nominal amount				**Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**		**Collateral received and financial guarantees received on forborne exposures**	
		Non-performing forborne						
	Performing	**Total**	***of which: defaulted***	***of which: impaired***	**On performing forborne exposures**	**On non-performing forborne exposures**	**Total**	***of which: forborne non-performing exposure***
	€m	**€m**	***€m***	***€m***	**€m**	**€m**	**€m**	***€m***
At 30 Jun 2024								
Loans and advances	**1,582**	**842**	***842***	***842***	**(13)**	**(123)**	**881**	***132***
Other financial corporations	**6**	**9**	***9***	***9***	**—**	**—**	**7**	***1***
Non-financial corporations	**1,517**	**806**	***806***	***806***	**(11)**	**(120)**	**794**	***110***
Households	**60**	**27**	***27***	***27***	**(2)**	**(3)**	**80**	***21***
Debt securities	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Loan commitments given	**18**	**105**	***105***	***105***	**—**	**—**	**—**	**—**
Total	**1,601**	**947**	***947***	***947***	**(13)**	**(123)**	**881**	***132***
At 31 Dec 2023								
Loans and advances	1,650	619	*619*	*619*	(14)	(158)	669	*141*
Other financial corporations	41	—	—	—	(1)	—	—	—
Non-financial corporations	1,554	591	*591*	*591*	(11)	(155)	591	*116*
Households	55	28	*28*	*28*	(2)	(2)	78	*25*
Debt securities	—	—	—	—	—	—	—	—
Loan commitments given	15	97	*97*	*97*	—	—	—	—
Total	1,665	717	*717*	*717*	(14)	(158)	669	*141*

Table 12: Quality of non-performing exposures by geography ('CQ4')

		Gross carrying/nominal amount				
At 30 Jun 2024			***of which: defaulted***	**Accumulated impairment**	**Provisions on off-balance-sheet commitments and financial guarantees given**	**Accumulated negative changes in fair value due to credit risk on non-performing exposures**
010	On-balance-sheet exposures	**112,132**	***1,754***	**(733)**		**—**
020	France	**44,457**	***1,026***	**(506)**		**—**
030	Germany	**15,430**	***164***	**(61)**		**—**
040	United Kingdom	**7,110**	***42***	**(8)**		**—**
050	Spain	**5,645**	***32***	**(14)**		**—**
060	United States	**5,549**	***39***	**(5)**		**—**
070	Other countries	**33,942**	***451***	**(138)**		**—**
080	Off-balance-sheet exposures	**143,333**	***446***		**55**	
090	France	**37,141**	***115***		**22**	
100	Germany	**28,834**	***152***		**5**	
110	Italy	**19,658**	***58***		**7**	
120	Spain	**11,258**	***33***		**9**	
130	Netherlands (the)	**10,841**	***—***		**1**	
140	Other countries	**35,601**	***88***		**10**	
150	Total	**255,465**	***2,200***	**(733)**	**55**	**—**
At 31 Dec 2023						
010	On-balance-sheet exposures	95,534	*1,659*	(757)		—
020	France	37,368	*1,026*	(490)		—
030	Germany	12,593	*123*	(59)		—
040	Netherlands (the)	6,238	*30*	(16)		—
050	Malta	4,490	*15*	(21)		—
060	Czech Republic	3,834	*38*	(9)		—
070	Other countries	31,011	*427*	(162)		—
080	Off-balance-sheet exposures	128,962	*475*		58	
090	France	35,412	*86*		23	
100	Germany	27,265	*136*		7	
110	Italy	12,651	*73*		6	
120	Netherlands (the)	11,624	*34*		10	
130	Spain	9,044	*—*		1	
140	Other countries	32,966	*146*		11	
150	Total	224,496	*2,134*	(757)	58	—

Table 13: Credit quality of loans and advances to non-financial corporations by industry ('CQ5')

At 30 Jun 2024		Gross carrying amount	*of which: defaulted*	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
010	Agriculture, forestry and fishing	**89**	***26***	**(7)**	**—**
020	Mining and quarrying	**276**	***225***	**—**	**—**
030	Manufacturing	**8,173**	***279***	**(113)**	**—**
040	Electricity, gas, steam and air conditioning supply	**798**	***5***	**(6)**	**—**
050	Water supply	**324**	**—**	**—**	**—**
060	Construction	**428**	***24***	**(14)**	**—**
070	Wholesale and retail trade	**4,494**	***195***	**(121)**	**—**
080	Transport and storage	**1,929**	***17***	**(16)**	**—**
090	Accommodation and food service activities	**481**	***27***	**(14)**	**—**
100	Information and communication	**1,176**	***31***	**(23)**	**—**
110	Financial and insurance actvities	**44**	**—**	**—**	**—**
120	Real estate activities	**4,543**	***148***	**(34)**	**—**
130	Professional, scientific and technical activities	**5,640**	***405***	**(217)**	**—**
140	Administrative and support service activities	**5,587**	***169***	**(80)**	**—**
150	Public administration and defence, compulsory social security	**5**	**—**	**—**	**—**
160	Education	**13**	**—**	**—**	**—**
170	Human health services and social work activities	**60**	***5***	**(3)**	**—**
180	Arts, entertainment and recreation	**50**	***2***	**(1)**	**—**
190	Other services	**980**	***76***	**(20)**	**—**
200	**Total**	**35,090**	***1,636***	**(670)**	**—**
At 31 Dec 2023					
010	Agriculture, forestry and fishing	62	*25*	(9)	—
020	Mining and quarrying	338	*187*	—	—
030	Manufacturing	6,569	*285*	(132)	—
040	Electricity, gas, steam and air conditioning supply	876	*5*	(5)	—
050	Water supply	305	—	—	—
060	Construction	498	*32*	(18)	—
070	Wholesale and retail trade	4,315	*191*	(124)	—
080	Transport and storage	2,041	*19*	(17)	—
090	Accommodation and food service activities	486	*43*	(14)	—
100	Information and communication	1,391	*24*	(28)	—
110	Financial and insurance actvities	52	*8*	(2)	—
120	Real estate activities	4,621	*141*	(37)	—
130	Professional, scientific and technical activities	5,493	*376*	(198)	—
140	Administrative and support service activities	5,087	*123*	(77)	—
150	Public administration and defence, compulsory social security	5	—	—	—
160	Education	18	*2*	—	—
170	Human health services and social work activities	43	*6*	(3)	—
180	Arts, entertainment and recreation	98	*3*	(3)	—
190	Other services	1,592	*73*	(26)	—
200	Total	33,890	*1,543*	(693)	—

Table 14: Collateral obtained by taking possession and execution processes ('CQ7')

	At 30 Jun 2024		At 31 Dec 2023	
	Collateral obtained by taking possession		Collateral obtained by taking possession	
	Value at initial recognition	**Accumulated negative changes**	Value at initial recognition	Accumulated negative changes
	€m	**€m**	€m	€m
Property, plant and equipment ('PP&E')	**—**	**—**	—	—
Other than PP&E	**11**	**—**	3	(1)
– Residential immovable property	**1**	**—**	1	—
– Commercial Immovable property	**2**	**—**	2	—
– Other	**8**	**—**	—	—
Total	**11**	**—**	3	(1)

Table 15: Performing and non-performing exposures and related provisions ('CR1')

	Gross carrying amount/ nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							Collaterals and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
	Total	of which: stage 1	of which: stage 2	Total	of which: stage 2	of which: stage 3	Total	of which: stage 1	of which: stage 2	Total	of which: stage 2	of which: stage 3	Accumu-lated partial write-off	On perfor-ming expo-sures	On non-perfor-ming expo-sures
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
At 30 Jun 2024															
Cash balances at central banks and other demand deposits	63,890	63,840	50	—	—	—	—	—	—	—	—	—	—	—	—
Loans and advances	92,796	88,021	4,776	1,754	—	1,754	(121)	(48)	(73)	(611)	—	(611)	(11)	60,712	498
Central banks	1,705	1,645	60	—	—	—	—	—	—	—	—	—	—	1,501	—
General governments	771	732	39	—	—	—	—	—	—	—	—	—	—	230	—
Credit institutions	23,558	23,543	15	—	—	—	—	—	—	—	—	—	—	14,065	—
Other financial corporations	22,879	22,819	60	19	—	19	(3)	(2)	(1)	(14)	—	(14)	—	16,180	1
Non-financial corporations	33,454	29,096	4,359	1,636	—	1,636	(103)	(39)	(65)	(566)	—	(566)	(11)	18,421	431
– *of which: SMEs*	1,036	824	212	151	—	151	(10)	(4)	(6)	(85)	—	(85)	(11)	655	63
Households	10,429	10,185	243	99	—	99	(14)	(6)	(8)	(31)	—	(31)	—	10,315	66
Debt securities	17,582	17,532	44	—	—	—	—	—	—	—	—	—	—	3,354	—
Central banks	3	3	—	—	—	—	—	—	—	—	—	—	—	—	—
General governments	11,788	11,788	—	—	—	—	—	—	—	—	—	—	—	2,324	—
Credit institutions	5,167	5,122	44	—	—	—	—	—	—	—	—	—	—	1,011	—
Other financial corporations	521	515	—	—	—	—	—	—	—	—	—	—	—	18	—
Non-financial corporations	104	104	—	—	—	—	—	—	—	—	—	—	—	—	—
Off-balance-sheet exposures	91,583	66,430	3,566	446	—	209	(24)	(9)	(8)	(32)	—	(8)	—	722	2
Central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
General governments	1,689	1,689	—	—	—	—	—	—	—	—	—	—	—	—	—
Credit institutions	3,434	1,410	99	—	—	—	—	—	—	—	—	—	—	—	—
Other financial corporations	13,789	12,481	47	3	—	—	(3)	(1)	—	—	—	—	—	454	—
Non-financial corporations	71,940	50,401	3,417	443	—	209	(20)	(8)	(8)	(31)	—	(8)	—	269	2
Households	731	449	3	—	—	—	—	—	—	—	—	—	—	—	—
Total	265,851	235,822	8,437	2,200	—	1,963	(145)	(57)	(82)	(643)	—	(620)	(11)	64,788	500

Table 15: Performing and non-performing exposures and related provisions ('CR1') (continued)

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

Off-balance sheet exposures exclude forward asset purchases. Comparatives have been restated accordingly.

Table 15 provides information on the gross carrying amount of exposures and related impairment with further detail on the IFRS 9 stage, accumulated partial write off and collateral. The IFRS 9 stages have the following characteristics:

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

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

	30 Jun 2024	31 Dec 2023
	Gross carrying amount	Gross carrying amount
	€m	€m
Initial stock of non-performing loans and advances	**1,658**	1,713
Inflows to non-performing portfolios*	**368**	1,264
Outflows from non-performing portfolios	**272**	1,319
of which - due to write-offs	***38***	*238*
of which - due to other situations	***235***	*1,081*
Final stock of non-performing loans and advances	**1,754**	1,658

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

Table 17: Maturity of exposures ('CR1-A')

		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	**Loans and advances**	**2,331**	**69,694**	**72,393**	**19,680**	**21,693**	**185,791**
2	**Debt securities**	**136**	**2,455**	**9,161**	**5,830**	**—**	**17,582**
3	**Total at 30 June 2024**	**2,467**	**72,149**	**81,554**	**25,510**	**21,693**	**203,373**
1	Loans and advances	1,672	65,187	71,952	18,523	11,903	169,237
2	Debt securities	243.00	1,943	7,669	4,015	0	13,870
3	Total at 31 Dec 2023	1,915	67,130	79,621	22,538	11,903	183,107

Loans and advances include off-balance sheet exposures. Comparatives have been restated accordingly.

Table 18: Specialised lending and equity exposures under the simple risk-weighted approach ('CR10')

		Specialised lending: Income-Producing Real Estate (Slotting approach)					
Regulatory categories	**Remaining maturity**	On-balance sheet exposure	Off-balance sheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
		€m	€m	%	€m	€m	€m
Category 1	Less than 2.5 years	**263**	**30**	**50**	**290**	**162**	**—**
	Equal to or more than 2.5 years	**23**	**—**	**70**	**23**	**16**	**—**
Category 2	Less than 2.5 years	**110**	**7**	**70**	**116**	**83**	**1**
	Equal to or more than 2.5 years	**—**	**—**	**90**	**—**	**—**	**—**
Category 3	Less than 2.5 years	**76**	**—**	**115**	**76**	**87**	**2**
	Equal to or more than 2.5 years	**—**	**—**	**115**	**—**	**—**	**—**
Category 4	Less than 2.5 years	**13**	**—**	**250**	**13**	**33**	**1**
	Equal to or more than 2.5 years	**12**	**—**	**250**	**12**	**30**	**1**
Category 5	Less than 2.5 years	**—**	**—**	**—**	**—**	**—**	**—**
	Equal to or more than 2.5 years	**—**	**—**	**—**	**—**	**—**	**—**
Total at 30 Jun 2024	Less than 2.5 years	**462**	**37**		**495**	**365**	**4**
	Equal to or more than 2.5 years	**35**	**—**		**35**	**46**	**1**

		Specialised lending: Project Finance (Slotting approach)					
Regulatory categories	**Remaining maturity**	On-balance sheet exposure	Off-balance sheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
		€m	€m	%	€m	€m	€m
Category 1	Less than 2.5 years	**6**	**—**	**50**	**6**	**3**	**—**
	Equal to or more than 2.5 years	**22**	**48**	**70**	**68**	**40**	**—**
Category 2	Less than 2.5 years	**16**	**—**	**70**	**16**	**11**	**—**
	Equal to or more than 2.5 years	**62**	**—**	**90**	**62**	**56**	**—**
Category 3	Less than 2.5 years	**—**	**—**	**115**	**—**	**—**	**—**
	Equal to or more than 2.5 years	**17**	**17**	**115**	**26**	**14**	**1**
Category 4	Less than 2.5 years	**—**	**—**	**250**	**—**	**—**	**—**
	Equal to or more than 2.5 years	**—**	**—**	**250**	**—**	**—**	**—**
Category 5	Less than 2.5 years	**—**	**—**	**—**	**—**	**—**	**—**
	Equal to or more than 2.5 years	**—**	**—**		**—**	**—**	**—**
Total at 30 Jun 2024	Less than 2.5 years	**22**	**—**	—	**22**	**14**	**—**
	Equal to or more than 2.5 years	**101**	**65**		**156**	**110**	**1**

	Equity exposures under the simple risk-weighted approach					
	On-balance sheet exposure	Off-balance sheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
Categories	€m	€m	%	€m	€m	€m
Exchange-traded equity exposures			**290**			
Private equity exposures			**190**			
Other equity exposures	**167**	**4**	**370**	**171**	**632**	**4**
Total at 30 Jun 2024	**167**	**4**		**171**	**632**	**4**

Table 18: Specialised lending and equity exposures under the simple risk-weighted approach ('CR10') (continued)

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

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

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

Table 19: CRM techniques overview: Disclosure of the use of credit risk mitigation techniques ('CR3')

	Unsecured carrying amount	**Secured carrying amount**	***of which: secured by collateral***	***of which: secured by financial guarantees***	***of which: secured by credit derivatives***
	€m	**€m**	***€m***	***€m***	***€m***
Loans and advances	**96,419**	**61,210**	***42,242***	***18,967***	**—**
Debt securities	**14,228**	**3,354**	***—***	***3,354***	**—**
Total at 30 Jun 2024	**110,648**	**64,563**	***42,242***	***22,321***	**—**
– of which: NPE	***645***	***498***	**299**	**199**	**—**
– of which: defaulted	***645***	***498***	**299**	**199**	**—**
Loans and advances	89,044	53,230	*34,825*	*18,405*	—
Debt securities	11,475	2,395	*—*	*2,395*	—
Total at 31 Dec 2023	100,519	55,625	*34,825*	*20,800*	—
– of which: NPE	*715*	*319*	156	163	—
– of which: defaulted	*715*	*319*	156	163	—

Table 20: Standardised approach – Credit risk exposure and CRM effects ('CR4')

	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWA density	
	On-balance sheet exposures	Off-balance sheet exposures	On-balance sheet exposures	Off-balance sheet amount	RWAs	RWA density
Exposure classes	€m	€m	€m	€m	€m	%
Central governments or central banks	**65,257**	**772**	**66,362**	**895**	**523**	**1**
Regional government or local authorities	**1,633**	**—**	**1,725**	**13**	**1**	**—**
Public sector entities	**5,293**	**1,075**	**5,149**	**302**	**—**	**—**
Multilateral development banks	**2,297**	**—**	**2,297**	**—**	**12**	**1**
International organisations	**2,896**	**—**	**2,896**	**—**	**—**	**—**
Institutions	**410**	**2,376**	**6,978**	**1,496**	**1,816**	**21**
Corporates	**8,854**	**8,227**	**7,536**	**1,313**	**6,522**	**74**
Retail	**6,455**	**1,221**	**374**	**136**	**363**	**71**
Secured by mortgages on immovable property	**3,409**	**92**	**3,409**	**17**	**1,292**	**38**
Exposures in default	**169**	**70**	**159**	**15**	**211**	**121**
Exposures associated with particularly high risk	**7**	**17**	**7**	**8**	**23**	**150**
Equity[1]	**1**	**—**	**1**	**—**	**1**	**100**
Other items	**1,056**	**—**	**1,056**	**—**	**656**	**62**
Total at 30 Jun 2024	**97,737**	**13,850**	**97,949**	**4,195**	**11,420**	**11**
Central governments or central banks	72,250	774	73,480	614	751	1
Regional government or local authorities	1,398	100	1,479	32	5	—
Public sector entities	6,550	1,078	6,414	302	—	—
Multilateral development banks	460	—	460	—	—	—
International organisations	2,039	—	2,039	—	—	—
Institutions	359	1,840	366	996	396	29
Corporates	6,133	4,474	5,359	1,096	5,269	82
Retail	477	1,214	415	180	419	70
Secured by mortgages on immovable property	3,167	52	3,167	18	1,227	39
Exposures in default	128	18	127	11	169	122
Exposures associated with particularly high risk	9	12	9	5	22	150
Equity[1]	—	—	—	—	—	—
Other items	1,426	—	1,426	—	909	64
Total at 31 Dec 2023	94,397	9,562	94,742	3,253	9,168	9

1 *RWAs for significant investments in the equity of financial sector entities are reported under the IRB approach.*

Table 21: Standardised approach – Exposures by asset classes and risk weights ('CR5')

	Risk weight								
Exposure classes	**0%**	**2%**	**4%**	**10%**	**20%**	**35%**	**50%**	**70%**	**75%**
Central governments or central banks	**67,045**	—	—	—	—	—	—	—	—
Regional government or local authorities	**1,731**	—	—	—	**7**	—	—	—	—
Public sector entities	**5,451**	—	—	—	—	—	—	—	—
Multilateral development banks	**2,235**	—	—	—	**62**	—	—	—	—
International organisations	**2,896**	—	—	—	—	—	—	—	—
Institutions	—	**104**	—	—	**8,042**	—	**243**	—	—
Corporates	—	—	—	—	**2,015**	**396**	**808**	—	—
Retail exposures	—	—	—	—	—	—	—	—	**511**
Exposures secured by mortgages on immovable property	—	—	—	—	—	**2,700**	**727**	—	—
Exposures in default	—	—	—	—	—	—	—	—	—
Exposures associated with particularly high risk	—	—	—	—	—	—	—	—	—
Equity exposures[1]	—	—	—	—	—	—	—	—	—
Other items	**43**	—	—	—	**447**	—	—	—	—
Total at 30 Jun 2024	**79,401**	**104**	—	—	**10,573**	**3,096**	**1,778**	—	**511**
Central governments or central banks	73,790	—	—	—	—	—	—	—	—
Regional government or local authorities	1,484	—	—	—	26	—	—	—	—
Public sector entities	6,716	—	—	—	—	—	—	—	—
Multilateral development banks	460	—	—	—	—	—	—	—	—
International organisations	2,039	—	—	—	—	—	—	—	—
Institutions	—	78	—	—	923	—	303	—	—
Corporates	—	—	—	—	501	388	1,006	—	—
Retail exposures	—	—	—	—	—	—	—	—	596
Exposures secured by mortgages on immovable property	—	—	—	—	—	2,377	808	—	—
Exposures in default	—	—	—	—	—	—	—	—	—
Exposures associated with particularly high risk	—	—	—	—	—	—	—	—	—
Equity exposures	—	—	—	—	—	—	—	—	—
Other items	105	—	—	—	514	—	—	—	—
Total at 31 Dec 2023	84,595	78	—	—	1,964	2,765	2,117	—	596

1 *The analysis of unrated exposures for the comparative period has been updated to align with our revised basis of preparation.*

Table 21: Standardised approach – Exposures by asset classes and risk weights ('CR5') (continued)

	Risk weight							
Exposure classes	**100%**	**150%**	**250%**	**370%**	**1250%**	**Others**	**Total**	***of which: unrated[1]***
Central governments or central banks	**4**	—	**208**	—	—	—	**67,257**	***212***
Regional government or local authorities	—	—	—	—	—	—	**1,738**	—
Public sector entities	—	—	—	—	—	—	**5,451**	—
Multilateral development banks	—	—	—	—	—	—	**2,297**	—
International organisations	—	—	—	—	—	—	**2,896**	—
Institutions	**84**	—	—	—	—	—	**8,473**	***417***
Corporates	**5,628**	**2**	—	—	—	—	**8,849**	***5,516***
Retail exposures	—	—	—	—	—	—	**511**	***511***
Exposures secured by mortgages on immovable property	—	—	—	—	—	—	**3,427**	***3,427***
Exposures in default	**100**	**74**	—	—	—	—	**174**	***174***
Exposures associated with particularly high risk	—	**15**	—	—	—	—	**15**	***15***
Equity exposures	**1**	—	—	—	—	—	**1**	***1***
Other items	**567**	—	—	—	—	—	**1,057**	***271***
Total at 30 Jun 2024	**6,384**	**91**	**208**	—	—	—	**102,146**	***80,525***
Central governments or central banks	5	—	299	—	—	—	74,093	*299*
Regional government or local authorities	—	—	—	—	—	—	1,511	—
Public sector entities	—	—	—	—	—	—	6,716	—
Multilateral development banks	—	—	—	—	—	—	460	—
International organisations	—	—	—	—	—	—	2,039	—
Institutions	57	1	—	—	—	—	1,362	*117*
Corporates	4,518	42	—	—	—	—	6,455	*4,440*
Retail exposures	—	—	—	—	—	—	596	*596*
Exposures secured by mortgages on immovable property	—	—	—	—	—	—	3,185	*3,185*
Exposures in default	77	61	—	—	—	—	138	*138*
Exposures associated with particularly high risk	—	14	—	—	—	—	14	*14*
Equity exposures	—	—	—	—	—	—	—	—
Other items	807	—	—	—	—	—	1,426	*458*
Total at 31 Dec 2023	5,464	119	299	—	—	—	97,996	*65,669*

Table 22: IRB approach – Effect on the RWAs of credit derivatives used as CRM techniques ('CR7')

	At 30 Jun 2024		At 31 Dec 2023	
	Pre-credit derivatives risk weighted exposure amount	Actual risk weighted exposure amount	Pre-credit derivatives risk weighted exposure amount	Actual risk weighted exposure amount
	€m	€m	€m	€m
Exposures under FIRB				
Central governments and central banks	5	5	5	5
Institutions	174	174	136	136
Corporates	8,099	8,099	7,550	7,550
– *of which:* *SMEs*	*32*	*32*	*3*	*3*
specialised lending	—	—	—	—
other	*8,067*	*8,067*	*7,547*	*7,547*
Exposures under AIRB	—	—		
Central governments and central banks	267	267	262	262
Institutions	568	560	477	477
Corporates	17,808	17,638	17,691	17,606
– *of which:* *SMEs*	*92*	*92*	*38*	*38*
specialised lending	—	—	—	—
other	*17,716*	*17,546*	*17,653*	*17,568*
Retail	348	348	3,736	3,736
– *of which:* *Retail – SMEs – Secured by immovable property collateral*	*101*	*101*	*176*	*176*
Retail – non-SMEs – Secured by immovable property collateral	—	—	*2,209*	*2,209*
Retail – Qualifying revolving	—	—	*1*	*1*
Retail – SMEs – Other	*247*	*247*	*366*	*366*
Retail – Non-SMEs – Other	—	—	*984*	*984*
Total (including FIRB exposures and AIRB exposures)	27,269	27,091	29,857	29,772

Table 23: IRB approach – Disclosure of the extent of the use of CRM techniques ('CR7-A')

		Credit risk Mitigation techniques				
		Funded credit Protection ('FCP')				
	Total exposures	Part of exposures covered by Financial Collaterals	Part of exposures covered by Other eligible collaterals	Part of exposures covered by Immovable property Collaterals	Part of exposures covered by Receivables	Part of exposures covered by Other physical collateral
	€m	%	%	%	%	%
A-IRB						
Central governments and central banks	1,848	—	—	—	—	—
Institutions	2,120	—	—	—	—	—
Corporates	35,115	3	8	6	1	1
– *of which:* *Corporates – SMEs*	*103*	—	*56*	*55*	*1*	—
Corporates – Specialised lending	—	—	—	—	—	—
Corporates – Other	*35,011*	*3*	*8*	*6*	*1*	*1*
Retail	810	—	—	—	—	—
– *of which:* *Retail – Immovable property SMEs*	*180*	—	—	—	—	—
Retail – Other SMEs	*630*	—	—	—	—	—
Total A-IRB at 30 Jun 2024	39,892	3	7	5	1	—
F-IRB						
Central governments and central banks	—	—	—	—	—	—
Institutions	1,051	—	—	—	—	—
Corporates	15,879	11	1	1	—	—
– *of which:* *Corporates – SMEs*	*17*	—	—	—	—	—
Corporates – Other	*15,862*	*11*	*1*	*1*	—	—
Total F-IRB at 30 Jun 2024	16,930	10	1	1	—	—

Table 23: IRB approach – Disclosure of the extent of the use of CRM techniques ('CR7-A') (continued)

	Credit risk Mitigation techniques						Credit risk Mitigation methods in the calculation of RWAs	
	Funded credit Protection ('FCP')				Unfunded credit Protection ('UFCP')			
	Part of exposures covered by Other funded credit protection	Part of exposures covered by Cash on deposit	Part of exposures covered by Life insurance policies	Part of exposures covered by Instruments held by a third party	Part of exposures covered by Guarantees	Part of exposures covered by Credit Derivatives	RWAs without substitution effects (reduction effects only)	RWAs with substitution effects (both reduction and sustitution effects)
	%	%	%	%	%	%	€m	€m
A-IRB								
Central governments and central banks	—	—	—	—	—	—	267	267
Institutions	—	—	—	—	—	—	579	560
Corporates	—	—	—	—	1	—	17,622	17,638
– *of which:* *Corporates – SMEs*	—	—	—	—	—	—	*92*	*92*
Corporates – Specialised lending	—	—	—	—	—	—	—	—
Corporates – Other	—	—	—	—	*2*	—	*17,529*	*17,546*
Retail	—	—	—	—	—	—	348	348
– *of which:* *Retail – Immovable property SMEs*	—	—	—	—	—	—	*101*	*101*
Retail – Other SMEs	—	—	—	—	—	—	*247*	*247*
Total A-IRB at 30 Jun 2024	—	—	—	—	1	—	18,816	18,814
F-IRB								
Central governments and central banks	—	—	—	—	—	—	—	5
Institutions	—	—	—	—	—	—	172	174
Corporates	—	—	—	—	—	—	8,067	8,060
– *of which:* *Corporates – SMEs*	—	—	—	—	—	—	*30*	*30*
Corporates – Other	—	—	—	—	—	—	*8,037*	*8,030*
Total F-IRB at 30 Jun 2024	—	—	—	—	—	—	8,239	8,239

Table 24: IRB approach – Credit risk exposures by exposure class and probability of default ('PD') range ('CR6')

PD scale	On-balance sheet exposures €m	Off-balance-sheet exposures pre-CCF €m	Exposure weighted average CCF %	Exposure post-CCF and post-CRM €m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors €m	Density of risk weighted exposure amount %	Expected loss amount €m	Value adjustments and provisions €m
AIRB – Central governments and central banks												
0.00 to <0.15	**1,727**	**235**	**50**	**1,844**	**—**	**9**	**45.0**	**4.2**	**264**	**14**	**—**	
– 0.00 to <0.10	**1,727**	**5**	**50**	**1,729**	**—**	**6**	**45.0**	**4.3**	**215**	**12**	**—**	
– 0.10 to <0.15	**—**	**230**	**50**	**115**	**0.1**	**3**	**45.0**	**2.7**	**49**	**42**	**—**	
0.15 to <0.25	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	
0.25 to <0.50	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	
0.50 to <0.75	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	
0.75 to <2.50	**3**	**—**	**100**	**3**	**0.9**	**2**	**45.0**	**1.2**	**3**	**100**	**—**	
– 0.75 to <1.75	**3**	**—**	**—**	**3**	**0.9**	**1**	**45.0**	**1.2**	**3**	**100**	**—**	
– 1.75 to <2.5	**—**	**—**	**100**	**—**	**2.3**	**1**	**45.0**	**5.0**	**—**	**159**	**—**	
2.50 to <10.00	**—**	**—**	**—**	**—**	**4.2**	**1**	**45.0**	**5.0**	**—**	**182**	**—**	
– 2.5 to <5	**—**	**—**	**—**	**—**	**4.2**	**1**	**45.0**	**5.0**	**—**	**182**	**—**	
– 5 to <10	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	
10.00 to <100.00	**—**	**—**	**—**	**—**	**13.0**	**1**	**45.0**	**1.0**	**—**	**207**	**—**	
– 10 to <20	**—**	**—**	**—**	**—**	**13.0**	**1**	**45.0**	**1.0**	**—**	**207**	**—**	
– 20 to <30	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	
– 30 to <100	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	
100.00 (Default)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	
Subtotal	**1,730**	**235**	**50**	**1,848**	**—**	**13**	**45.0**	**4.2**	**267**	**14**	**—**	**—**
AIRB – Institutions												
0.00 to <0.15	**1,537**	**970**	**33**	**1,669**	**0.1**	**130**	**42.3**	**2.6**	**453**	**27**	**—**	
– 0.00 to <0.10	**1,089**	**551**	**44**	**1,130**	**—**	**80**	**41.1**	**1.6**	**153**	**14**	**—**	
– 0.10 to <0.15	**448**	**419**	**22**	**539**	**0.1**	**50**	**44.8**	**4.6**	**300**	**56**	**—**	
0.15 to <0.25	**115**	**210**	**11**	**138**	**0.2**	**14**	**44.6**	**1.7**	**78**	**57**	**—**	
0.25 to <0.50	**—**	**3**	**75**	**3**	**0.4**	**4**	**45.0**	**1.2**	**1**	**50**	**—**	
0.50 to <0.75	**1**	**—**	**60**	**1**	**0.6**	**4**	**45.0**	**1.0**	**—**	**62**	**—**	
0.75 to <2.5	**1**	**430**	**11**	**11**	**1.3**	**13**	**44.8**	**1.3**	**10**	**99**	**—**	
– 0.75 to <1.75	**—**	**46**	**20**	**10**	**1.2**	**9**	**44.8**	**1.3**	**10**	**99**	**—**	
– 1.75 to <2.5	**1**	**384**	**—**	**1**	**2.3**	**4**	**45.0**	**1.0**	**1**	**106**	**—**	
2.5 to <10	**—**	**12**	**21**	**3**	**3.2**	**2**	**45.0**	**0.3**	**3**	**110**	**—**	
– 2.5 to <5	**—**	**12**	**20**	**2**	**3.0**	**1**	**45.0**	**0.3**	**3**	**108**	**—**	
– 5 to <10	**—**	**—**	**90**	**—**	**7.9**	**1**	**45.0**	**1.0**	**—**	**168**	**—**	
10 to <100	**—**	**21**	**21**	**5**	**10.0**	**1**	**45.0**	**5.0**	**12**	**275**	**—**	
– 10 to <20	**—**	**21**	**21**	**5**	**10.0**	**1**	**45.0**	**5.0**	**12**	**275**	**—**	
– 20 to <30	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	
– 30 to <100	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	
100.00 (Default)	**—**	**—**	**—**	**—**	**100.0**	**1**	**45.0**	**1.0**	**2**	**562**	**—**	
Subtotal	**1,654**	**1,647**	**27**	**1,828**	**0.1**	**169**	**42.5**	**2.5**	**560**	**31**	**1**	**—**
AIRB – Corporates – SME												
0.00 to <0.15	**1**	**—**	**42**	**1**	**0.1**	**5**	**30.8**	**4.6**	**—**	**24**	**—**	
– 0.00 to <0.10	**—**	**—**	**—**	**—**	**—**	**1**	**28.8**	**5.0**	**—**	**13**	**—**	
– 0.10 to <0.15	**1**	**—**	**42**	**1**	**0.1**	**4**	**31.8**	**4.5**	**—**	**30**	**—**	
0.15 to <0.25	**4**	**—**	**—**	**4**	**0.2**	**7**	**27.3**	**5.0**	**1**	**33**	**—**	
0.25 to <0.50	**4**	**—**	**140**	**4**	**0.4**	**10**	**28.4**	**4.4**	**2**	**37**	**—**	
0.50 to <0.75	**2**	**—**	**298**	**2**	**0.6**	**3**	**29.9**	**4.4**	**1**	**48**	**—**	
0.75 to <2.5	**38**	**5**	**80**	**43**	**2.1**	**43**	**23.0**	**4.2**	**27**	**63**	**—**	
– 0.75 to <1.75	**2**	**4**	**96**	**6**	**0.9**	**11**	**27.6**	**4.2**	**3**	**45**	**—**	
– 1.75 to <2.5	**36**	**2**	**44**	**37**	**2.2**	**32**	**22.3**	**4.2**	**24**	**66**	**—**	
2.5 to <10	**36**	**1**	**21**	**36**	**3.0**	**12**	**33.3**	**4.6**	**30**	**84**	**—**	
– 2.5 to <5	**34**	**—**	**21**	**34**	**2.8**	**3**	**33.7**	**4.7**	**29**	**84**	**—**	
– 5 to <10	**1**	**—**	**20**	**2**	**6.3**	**9**	**24.7**	**2.5**	**1**	**75**	**—**	
10 to <100	**8**	**8**	**23**	**10**	**16.0**	**7**	**32.8**	**2.2**	**16**	**164**	**1**	
– 10 to <20	**6**	**8**	**22**	**8**	**10.4**	**3**	**35.4**	**1.7**	**14**	**178**	**—**	
– 20 to <30	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	
– 30 to <100	**2**	**—**	**140**	**2**	**36.0**	**4**	**23.4**	**4.2**	**2**	**112**	**—**	
100.00 (Default)	**4**	**—**	**100**	**4**	**100.0**	**6**	**35.1**	**2.5**	**15**	**383**	**—**	
Subtotal	**97**	**14**	**45**	**103**	**7.2**	**93**	**28.6**	**4.1**	**92**	**89**	**1**	**2**

Table 24: IRB approach – Credit risk exposures by exposure class and probability of default ('PD') range ('CR6') (continued)

PD scale	On-balance sheet expo-sures €m	Off-balance-sheet expo-sures pre-CCF €m	Exposure weighted average CCF %	Exposure post-CCF and post-CRM €m	Exposure weighted average PD %	Number of obligors	Expo-sure weigh-ted average LGD %	Expo-sure weigh-ted average matur-ity (years)	Risk weighted exposure amount after support-ing factors €m	Density of risk weigh-ted expo-sure amount %	Expect-ed loss amount €m	Value adjust-ments and provis-ions €m
AIRB – Corporates – other												
0.00 to <0.15	5,460	29,195	31	15,520	0.1	929	32.8	2.2	3,405	22	5	
– 0.00 to <0.10	3,278	20,210	33	10,482	—	626	32.6	2.2	1,756	17	2	
– 0.10 to <0.15	2,182	8,985	26	5,038	0.1	303	33.2	2.2	1,650	33	3	
0.15 to <0.25	3,049	5,787	26	4,754	0.2	551	34.0	2.0	2,247	47	5	
0.25 to <0.50	1,387	4,369	32	3,089	0.4	270	33.2	2.4	1,950	63	5	
0.50 to <0.75	1,747	2,635	27	2,659	0.6	1,178	26.4	2.7	1,611	61	6	
0.75 to <2.5	4,809	7,373	33	5,402	1.3	2,851	31.0	2.7	5,044	93	28	
– 0.75 to <1.75	3,231	4,672	33	4,629	1.2	2,115	31.1	2.6	4,095	88	22	
– 1.75 to <2.5	1,577	2,701	29	772	2.2	736	30.1	2.9	949	123	7	
2.5 to <10	1,450	1,258	40	1,815	4.3	1,152	26.5	2.6	1,920	106	25	
– 2.5 to <5	845	1,005	43	1,259	3.5	742	29.9	2.3	1,392	111	16	
– 5 to <10	605	253	27	556	6.0	410	18.8	3.2	528	95	9	
10 to <100	265	94	34	298	16.5	272	29.8	2.1	502	169	18	
– 10 to <20	233	74	32	257	13.4	155	31.1	2.0	448	175	14	
– 20 to <30	—	—	—	—	—	—	—	—	—	—	—	
– 30 to <100	32	20	42	41	36.0	117	21.5	2.4	53	130	4	
100.00 (Default)	1,073	184	33	1,125	100.0	488	22.8	2.9	868	77	400	
Subtotal	19,239	50,895	30	34,661	4.0	7,691	31.5	2.3	17,546	51	492	480
Wholesale AIRB – Total at 30 Jun 2024	22,720	52,792	30	38,440	4	7,967	33	2.4	18,466	48	494	482
AIRB – Secured by mortgages on immovable property SME												
0.00 to <0.15	—	—	—	—	—	—	—	—	—	—	—	
0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	
0.25 to <0.50	7	—	—	7	—	42	26	—	1	16	—	
0.50 to <0.75	17	—	—	17	1	105	26	—	3	19	—	
0.75 to <2.5	40	—	18	40	1	273	26	—	13	33	—	
– 0.75 to <1.75	32	—	18	32	1	225	26	—	9	30	—	
– 1.75 to <2.5	8	—	18	8	2	48	26	—	4	48	—	
2.5 to <10	82	—	15	82	4	617	25	—	52	63	1	
– 2.5 to <5	67	—	15	67	3.8	502	24.8	—	40	59	1	
– 5 to <10	14	—	16	14	6.7	115	25.4	—	12	82	—	
10 to <100	14	—	—	14	21.9	77	25.2	—	17	119	1	
– 10 to <20	4	—	—	4	12.0	26	25.2	—	4	104	—	
– 20 to <30	10	—	—	10	25.5	51	25.2	—	13	124	1	
– 30 to <100	—	—	—	—	—	—	—	—	—	—	—	
100.00 (Default)	21	—	—	21	100.0	172	28.4	—	15	71	5	
Subtotal	180	1	74	180	15.8	1,286	25.7	—	101	56	7	13
AIRB – Other SME												
0.00 to <0.15	—	—	110	1	—	28	15.6	—	—	1	—	
– 0.00 to <0.10	—	—	110	1	—	28	15.6	—	—	1	—	
– 0.10 to <0.15	—	—	—	—	—	—	—	—	—	—	—	
0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	
0.25 to <0.50	13	8	81	21	0.5	1,106	21.7	—	2	11	—	
0.50 to <0.75	32	18	86	52	0.6	2,829	23.8	—	7	14	—	
0.75 to <2.5	113	91	73	193	1.5	9,725	23.8	—	43	22	1	
– 0.75 to <1.75	79	70	69	137	1.1	7,132	23.9	—	30	22	—	
– 1.75 to <2.5	34	21	90	56	2.3	2,593	23.4	—	13	24	—	
2.5 to <10	152	96	51	219	4.9	13,306	23.7	—	68	31	3	
– 2.5 to <5	87	73	46	132	3.7	8,284	25.1	—	45	34	1	
– 5 to <10	66	23	68	88	6.7	5,022	21.4	—	23	27	1	
10 to <100	31	4	70	36	21.2	1,749	16.9	—	11	30	1	
– 10 to <20	9	2	74	11	12.0	826	20.1	—	3	29	—	
– 20 to <30	22	2	66	24	25.5	923	15.3	—	8	31	1	
– 30 to <100	—	—	—	—	—	—	—	—	—	—	—	
100.00 (Default)	102	9	51	108	100.0	3,218	25.7	—	116	107	19	
Subtotal	444	225	64	630	20.6	31,961	23.6	—	247	39	23	63
Retail AIRB – Total at 30 Jun 2024	624	227	64	810	19.6	33,266	24.1	—	348	43	30	77

Table 24: IRB approach – Credit risk exposures by exposure class and probability of default ('PD') range ('CR6') (continued)

PD scale	On-balance sheet exposures €m	Off-balance-sheet exposures pre-CCF €m	Exposure weighted average CCF %	Exposure post-CCF and post-CRM €m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors €m	Density of risk weighted exposure amount %	Expected loss amount €m	Value adjustments and provisions €m
FIRB – Central governments and central banks												
0.00 to <0.15	—	—	—	35	—	—	45.0	2.5	5	15	—	
– 0.00 to <0.10	—	—	—	35	—	—	45.0	2.5	5	15	—	
– 0.10 to <0.15	—	—	—	—	—	—	—	—	—	—	—	
0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	
0.25 to <0.50	—	—	—	—	—	—	—	—	—	—	—	
0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	
0.75 to <2.5	—	—	—	—	—	—	—	—	—	—	—	
2.5 to <10	—	—	—	—	—	—	—	—	—	—	—	
10 to <100	—	—	—	—	—	—	—	—	—	—	—	
100.00 (Default)	—	—	—	—	—	—	—	—	—	—	—	
Subtotal	—	—	—	35	—	—	45.0	2.5	5	15	—	—
FIRB – Institutions												
0.00 to <0.15	794	461	25	914	0.1	109	20.0	2.5	111	12	—	
– 0.00 to <0.10	699	431	25	808	0.1	72	20.4	2.5	94	12	—	
– 0.10 to <0.15	95	30	25	106	0.1	37	16.5	2.5	17	16	—	
0.15 to <0.25	28	16	20	32	0.2	8	15.3	2.5	7	21	—	
0.25 to <0.50	1	6	10	1	0.4	4	23.2	2.5	—	33	—	
0.50 to <0.75	82	2	20	83	0.6	4	11.9	2.5	18	22	—	
0.75 to <2.5	27	78	—	27	1.7	4	44.9	2.5	38	144	—	
– 0.75 to <1.75	26	78	—	27	1.6	3	44.9	2.5	38	144	—	
– 1.75 to <2.5	—	—	—	—	2.2	1	45.0	2.5	—	126	—	
2.5 to <10	—	—	—	—	—	—	—	—	—	—	—	
10 to <100	—	—	—	—	—	—	—	—	—	—	—	
100.00 (Default)	—	—	—	—	—	—	—	—	—	—	—	
Subtotal	931	562	22	1,057	0.2	129	19.8	2.5	174	16	—	—
FIRB – Corporates – SME												
0.00 to <0.15	—	—	—	—	—	—	—	—	—	—	—	
0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	
0.25 to <0.50	—	—	50	—	0.4	1	45.0	2.5	—	60	—	
0.50 to <0.75	—	—	50	—	0.6	2	45.0	2.5	—	85	—	
0.75 to <2.5	—	—	50	—	2.3	4	29.7	2.5	—	55	—	
– 0.75 to <1.75	—	—	—	—	—	—	—	—	—	—	—	
– 1.75 to <2.5	—	—	50	—	2.3	4	29.7	2.5	—	55	—	
2.5 to <10	11	—	50	11	6.0	7	45.0	2.5	15	138	—	
– 2.5 to <5	—	—	50	—	4.2	1	45.0	2.5	—	91	—	
– 5 to <10	11	—	50	11	6.0	6	45.0	2.5	15	138	—	
10 to <100	6	—	—	6	34.4	2	45.0	2.5	16	264	1	
– 10 to <20	—	—	—	—	13.0	1	45.0	2.5	1	141	—	
– 20 to <30	—	—	—	—	—	—	—	—	—	—	—	
– 30 to <100	6	—	—	6	36.0	1	45.0	2.5	16	273	1	
100.00 (Default)	—	—	—	—	—	—	—	—	—	—	—	
Subtotal	17	—	50	17	15.9	16	44.9	2.5	32	181	1	1

Table 24: IRB approach – Credit risk exposures by exposure class and probability of default ('PD') range ('CR6') (continued)

PD scale	On-balance sheet expo-sures	Off-balance-sheet expo-sures pre-CCF	Exposure weighted average CCF	Exposure post-CCF and post-CRM	Exposure weighted average PD	Number of obligors	Expo-sure weigh-ted average LGD	Expo-sure weigh-ted average matur-ity (years)	Risk weighted exposure amount after support-ing factors	Density of risk weigh-ted expo-sure amount	Expect-ed loss amount	Value adjust-ments and provis-ions
	€m	€m	%	€m	%		%		€m	%	€m	€m
FIRB – Corporates – other												
0.00 to <0.15	**2,461**	**8,090**	**40**	**5,825**	**0.1**	**902**	**44.3**	**2.5**	**1,694**	**29**	**2**	
– 0.00 to <0.10	**1,492**	**4,726**	**39**	**3,583**	**0.1**	**563**	**44.8**	**2.5**	**826**	**23**	**1**	
– 0.10 to <0.15	**969**	**3,364**	**41**	**2,242**	**0.1**	**339**	**43.7**	**2.5**	**868**	**39**	**1**	
0.15 to <0.25	**1,661**	**2,636**	**39**	**2,839**	**0.2**	**326**	**30.2**	**2.5**	**984**	**35**	**2**	
0.25 to <0.50	**1,013**	**1,410**	**34**	**1,460**	**0.4**	**270**	**37.6**	**2.5**	**831**	**57**	**2**	
0.50 to <0.75	**706**	**2,301**	**35**	**1,251**	**0.6**	**304**	**44.9**	**2.5**	**1,089**	**87**	**4**	
0.75 to <2.5	**1,847**	**2,168**	**40**	**2,143**	**1.4**	**773**	**40.5**	**2.4**	**2,153**	**100**	**14**	
– 0.75 to <1.75	**1,102**	**1,528**	**36**	**1,628**	**1.2**	**603**	**39.4**	**2.5**	**1,540**	**95**	**8**	
– 1.75 to <2.5	**746**	**640**	**55**	**515**	**2.2**	**170**	**44.1**	**2.0**	**613**	**119**	**5**	
2.5 to <10	**693**	**612**	**41**	**807**	**4.1**	**319**	**32.8**	**2.5**	**925**	**115**	**12**	
– 2.5 to <5	**551**	**543**	**43**	**642**	**3.6**	**226**	**29.7**	**2.5**	**636**	**99**	**7**	
– 5 to <10	**142**	**70**	**32**	**165**	**6.0**	**93**	**45.0**	**2.5**	**289**	**175**	**5**	
10 to <100	**388**	**92**	**42**	**209**	**10.3**	**53**	**40.5**	**2.5**	**392**	**188**	**9**	
– 10 to <20	**386**	**90**	**42**	**206**	**10.0**	**43**	**40.4**	**2.5**	**385**	**187**	**9**	
– 20 to <30	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	
– 30 to <100	**2**	**2**	**50**	**2**	**36.0**	**10**	**45.0**	**2.5**	**6**	**273**	**—**	
100.00 (Default)	**291**	**163**	**68**	**331**	**100.0**	**73**	**45.0**	**2.5**	**—**	**—**	**149**	
Subtotal	**9,060**	**17,474**	**39**	**14,864**	**3.0**	**3,020**	**39.8**	**2.5**	**8,067**	**54**	**194**	**84**
FIRB – Total at 30 Jun 2024	**10,009**	**18,036**	**38**	**15,973**	**2.8**	**3,165**	**38.5**	**2.5**	**8,277**	**52**	**195**	**85**

Counterparty credit risk

Overview

Counterparty credit risk is the risk that the counterparty to a transaction may default before completing the satisfactory settlement of the transaction. It arises on derivatives, securities financing transactions ('SFTs') and exposures to central counterparties ('CCP') in both the trading and non-trading books.

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

Further explanation of HSBC Continental Europe's approach to managing counterparty credit risk can be found on page 140 of HSBC Continental Europe's Universal Registration Document 2023.

Table 25: Analysis of CCR exposure by approach ('CCR1')

	Replacement cost ('RC')	Potential future exposure ('PFE')	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWAs
	€m	€m	€m		€m	€m	€m	€m
EU – Original Exposure Method (for derivatives)	—	—		—	—	—	—	—
EU – Simplified SA-CCR (for derivatives)	—	—		—	—	—	—	—
SA-CCR (for derivatives)	**1,512**	**2,599**		**1.4**	**5,755**	**5,755**	**5,755**	**2,365**
IMM (for derivatives and SFTs)			**5,479**	**1.4**	**7,671**	**7,671**	**7,671**	**2,358**
– *of which:* *securities financing transactions netting sets*			—		—	—	—	—
derivatives and long settlement transactions netting sets			***5,479***		***7,671***	***7,671***	***7,671***	***2,358***
Financial collateral comprehensive method (for SFTs)					**3,267**	**3,375**	**3,375**	**712**
Total at 30 Jun 2024					**16,693**	**16,801**	**16,801**	**5,435**

Table 26: Transactions subject to own funds requirements for CVA risk ('CCR2')

		At 30 Jun 2024		At 31 Dec 2023	
		Exposure value	**RWAs**	Exposure value	RWAs
		€m	**€m**	€m	€m
1	Total transactions subject to the Advanced method	**4,905**	**130**	3,331	121
2	(i) VaR component (including the 3× multiplier)		**32**		28
3	(ii) stressed VaR component (including the 3× multiplier)		**98**		93
4	Transactions subject to the Standardised method	**2,830**	**691**	2,354	626
5	Total transactions subject to own funds requirements for CVA risk	**7,735**	**820**	5,685	748

Table 27: Standardised approach – CCR exposures by regulatory exposure class and risk weights ('CCR3')

		Risk weight											
		a	**b**	**c**	**d**	**e**	**f**	**g**	**h**	**i**	**j**	**k**	**l**
	Exposure classes	**0%**	**2%**	**4%**	**10%**	**20%**	**50%**	**70%**	**75%**	**100%**	**150%**	**Others**	**Total exposure value**
1	Central governments or central banks	**1,683**	—	—	—	**93**	—	—	—	**23**	—	—	**1,799**
2	Regional government or local authorities	**303**								—			**303**
3	Public sector entities	**256**											**256**
4	Multilateral development banks	**5**											**5**
5	International organisations	**38**											**38**
6	Institutions	—	**2,825**	—	—	**680**	**228**	—	—	—	—	—	**3,733**
7	Corporates	—	—	—	—	—	**3,895**	—	—	**149**	—	—	**4,044**
11	**Total exposure value 30 June 2024**	**2,285**	**2,825**	—	—	**773**	**4,123**	—	—	**172**	—	—	**10,178**
1	Central governments or central banks	5,096	—	—	—	41	—	—	—	32	—	—	5,169
2	Regional government or local authorities	327	—	—	—	—	—	—	—	3	—	—	330
3	Public sector entities	249	—	—	—	—	—	—	—	—	—	—	249
4	Multilateral development banks	8	—	—	—	—	—	—	—	—	—	—	8
5	International organisations	43	—	—	—	—	—	—	—	—	—	—	43
6	Institutions	—	2,835	—	—	737	128	—	—	—	—	—	3,700
7	Corporates	—	—	—	—	—	2,741	—	—	70	—	—	2,811
11	Total exposure value 31 December 2023	5,723	2,835	—	—	778	2,869	—	—	105	—	—	12,310

Table 28: IRB approach – CCR exposures by exposure class and PD scale ('CCR4')

30 Jun 2024	Exposure value €m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years)	RWEA €m	Density of risk weighted exposure amounts %
PD scale							
AIRB – Central government and central banks							
0.00 to <0.15	14	0.01	3	45.0	0.0	—	—
Sub-total	14	0.01	3	45.0	0.0	—	—
AIRB – Corporates							
0.00 to <0.15	261	0.05	21	45.0	1.8	62	23.8
Sub-total	261	0.05	21	45.0	1.8	62	23.8
AIRB – Institutions							
0.00 to <0.15	2,246	0.07	184	45.0	1.8	546	24.3
0.15 to <0.25	58	0.22	21	45.0	0.9	23	39.7
0.25 to <0.50	34	0.37	15	45.0	1.4	21	61.8
0.50 to <0.75	13	0.63	5	45.0	1.1	8	61.5
0.75 to <2.50	12	1.51	8	46.2	1.5	14	116.7
2.50 to <10.00	5	3.64	5	45.7	1.0	7	140.0
Sub-total	2,368	0.09	238	45.0	1.8	619	26.1
AIRB – Total at 30 Jun 2024	2,643	0.09	262	45.0	1.8	681	25.8
FIRB – Corporates							
0.00 to <0.15	4,933	0.06	1,950	45.0	1.6	1,028	20.8
0.15 to <0.25	651	0.22	247	45.0	1.4	288	44.2
0.25 to <0.50	294	0.37	200	45.0	1.4	168	57.1
0.50 to <0.75	217	0.63	121	45.0	1.3	154	71.0
0.75 to <2.50	379	1.45	418	45.0	1.9	429	113.2
2.50 to <10.00	120	4.05	95	45.0	2.1	186	155.0
10.00 to <100.00	14	10.64	14	45.0	2.5	31	221.4
100.00 (Default)	4	100.00	10	45.0	1.2	—	—
Sub-total	6,612	0.34	3,055	45.0	1.6	2,284	34.5
FIRB – Institutions							
0.00 to <0.15	138	0.09	26	45.0	2.3	47	34.1
0.15 to <0.25	51	0.22	3	45.0	2.5	33	64.7
0.25 to <0.50	4	0.37	1	45.0	0.5	2	50.0
Sub-total	193	0.13	30	45.0	2.3	82	42.5
FIRB – Total at 30 Jun 2024	6,805	0.34	3,085	45.0	1.6	2,366	34.8
Total (all portfolios) at 30 Jun 2024	9,448	0.27	3,347	45.0	1.7	3,047	32.3

Table 29: Composition of collateral for CCR exposures ('CCR5')

		Collateral used in derivative transactions				Collateral used in SFTs			
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
	Collateral type	Segregated €m	Un-segregated €m	Segregated €m	Un-segregated €m	Segregated €m	Un-segregated €m	Segregated €m	Un-segregated €m
1	Cash – domestic currency	—	28,071	133	22,473	—	152	—	—
2	Cash – other currencies	—	5,678	—	4,338	—	3	—	—
3	Domestic sovereign debt	178	1,768	—	372	—	22,459	—	21,496
4	Other sovereign debt	666	9,695	561	475	—	55,174	—	47,541
6	Corporate bonds	39	11,560	181	—	—	4,400	—	3,642
7	Equity securities	—	8,323	—	—	—	411	—	550
8	Other collateral	—	428	—	—	—	—	—	—
9	**Total at 30 Jun 2024**	883	65,523	875	27,658	—	82,599	—	73,229

Table 30: Exposures to CCPs ('CCR8')

	30 June 2024		31 Dec 2023	
	Exposure value €m	RWEA €m	Exposure value €m	RWEA €m
Exposures to QCCPs (total)		195		180
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	1,686	34	1,442	29
(i) OTC derivatives	169	3	187	4
(ii) Exchange-traded derivatives	61	1	240	5
(iii) SFTs	1,456	29	1,015	20
Non-segregated initial margin	1,139	23	1,392	28
Prefunded default fund contributions	0	139	0	123

Non-Financial Risk

Overview

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

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

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

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

Further explanation of HSBC Continental Europe's approach to managing operational risk can be found on page 156 of HSBC Continental Europe's Universal Registration Document 2023.

Table 31: Operational risk – RWA

	30 Jun 2024		31 Dec 2023	
	RWAs	**Capital required**	RWAs	Capital required
	€m	**€m**	€m	€m
Own funds requirement for operational risk	**6,188**	**495**	6,188	495

Liquidity and funding

Liquidity management across the group

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

HSBC Continental Europe liquidity group manages its liquidity and funding risks in line with the HSBC Group framework.

Strategies and processes in the management of liquidity risk

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

HSBC Group has an internal liquidity and funding risk management framework ('LFRF') which aims to allow it to withstand very severe liquidity stresses. It is designed to be adaptable to changing business models, markets and regulations. HSBC Continental Europe manages liquidity and funding in accordance with the Group's LFRF, and with practices and limits set by the RMM and approved by the Board. HSBC Continental Europe's policy is that it should be self-sufficient in funding its own activities.

Structure and organisation of the liquidity risk management function

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

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

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

Management of liquidity and funding risk

Liquidity coverage ratio ('LCR')

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

Table 32: Quantitative information on LCR ('LIQ1')

	Quarter ended							
	30 Jun 2024		31 Mar 2024		31 Dec 2023		30 Sep 2023	
	Total unweighted value	**Total weighted value**	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value
	€m	**€m**	€m	€m	€m	€m	€m	€m
Number of data points used in the calculation of averages	**12**		12		12		12	
High-quality liquid asset								
Total high-quality liquid assets (HQLA)		**76,475**		76,235		76,282		73,359
Cash – Outflows								
Retail deposits and small business funding	**18,111**	**1,573**	23,732	1,990	29,346	2,412	30,752	2,519
– *of which:*								
stable deposits	***10,339***	***517***	*14,071*	*704*	*17,737*	*887*	*18,604*	*930*
less stable deposits	***7,772***	***1,056***	*9,661*	*1,287*	*11,609*	*1,525*	*12,147*	*1,588*
Unsecured wholesale funding	**87,640**	**38,111**	85,750	36,984	83,581	35,884	79,657	34,499
– Operational deposits (all counterparties) and deposits in networks of cooperative banks	**32,582**	**8,074**	32,974	8,172	33,416	8,283	32,830	8,138
– Non-operational deposits (all counterparties)	**54,119**	**29,098**	51,952	27,987	49,491	26,927	46,245	25,778
– Unsecured debt	**939**	**939**	825	825	674	674	582	582
Secured wholesale funding	**—**	**1,276**	—	1,270	—	1,700	—	2,205
Additional requirements	**69,411**	**16,848**	68,804	16,434	68,448	16,872	67,174	17,141
– Outflows related to derivative exposures and other collateral requirements	**4,453**	**4,108**	4,673	4,217	5,278	4,726	5,708	5,163
– Outflows related to loss of funding on debt products	**—**	**—**	—	—	—	—	—	—
– Credit and liquidity facilities	**64,958**	**12,741**	64,131	12,217	63,170	12,146	61,466	11,977
Other contractual funding obligations	**27,926**	**22,117**	26,887	21,735	25,156	20,520	22,847	17,995
Other contingent funding obligations	**21,754**	**1,115**	20,969	1,090	20,828	1,102	21,844	1,165
Total cash outflows	**—**	**81,040**	—	79,502	—	78,490	—	75,524
Cash – Inflows								
Secured lending transactions (including reverse repos)	**45,999**	**1,523**	42,651	1,656	40,693	2,266	40,417	3,017
Inflows from fully performing exposures	**7,015**	**6,049**	6,487	5,530	6,089	5,108	5,758	4,768
Other cash inflows	**31,819**	**24,320**	31,016	23,696	29,770	22,777	28,628	21,839
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)								
(Excess inflows from a related specialised credit institution)								
Total cash inflows	**84,833**	**31,891**	80,153	30,883	76,553	30,152	74,803	29,625
Fully exempt inflows					—	—	—	—
Inflows subject to 90% cap					—	—	—	—
Inflows subject to 75% cap	**84,833**	**31,891**	80,153	30,883	76,553	30,152	74,803	29,625
Total adjusted value								
Liquidity buffer		**76,475**		76,235	—	76,282	—	73,359
Total net cash outflows		**49,148**		48,620	—	48,339	—	45,899
Liquidity coverage ratio %[1]		**156**		157		158		160

1 *Ratio derived based on the average of the previous twelve month-end balances for each reporting date; does not represent the point-in-time ratio at the end of the period.*

Net stable funding ratio

The NSFR requires institutions to maintain sufficient stable funding in relation to required stable funding. It is designed to give a picture of the bank's long-term funding profile (that is, funding with a term of over one year) and is therefore used as a complement to the LCR. HSBC Continental Europe's NSFR was 136 per cent as at 30 June 2024. The table below shows the NSFR as at period-end.

Table 33: Net Stable Funding Ratio ('LIQ2')

	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
	€m	€m	€m	€m	€m
At 30 Jun 2024					
Available stable funding ('ASF') Items					
Capital items and instruments	12,261	—	—	1,821	14,082
Own funds	12,261	—	—	1,821	14,082
Retail deposits		8,952	—	—	8,067
Stable deposits		4,343	—	—	4,126
Less stable deposits		4,609	—	—	3,941
Wholesale funding		120,008	5,041	20,057	61,878
Operational deposits		20,538	—	—	10,269
Other wholesale funding		99,470	5,041	20,057	51,609
Interdependent liabilities		—	—	—	—
Other liabilities		34,943	—	—	—
NSFR derivative liabilities	905	—			
All other liabilities and capital instruments not included in the above categories		34,943	—	—	—
Total available stable funding ('ASF')					84,027
Required stable funding ('RSF') Items					
Total high-quality liquid assets ('HQLA')					4,265
Assets encumbered for more than 12m in cover pool		—	—	—	—
Deposits held at other financial institutions for operational purposes		—	—	—	—
Performing loans and securities:		38,680	6,817	47,400	48,148
Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		22,060	1,810	—	1,617
Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		9,130	1,834	5,367	7,093
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs		5,728	2,909	28,219	27,183
– *of which:* *with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*196*	*125*	*5,608*	*3,806*
Performing residential mortgages		161	158	6,675	5,833
Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		1,600	105	7,139	6,422
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		48	—	—	41
NSFR derivative assets		72	—	—	72
NSFR derivative liabilities before deduction of variation margin posted		13,664	—	—	683
All other assets not included in the above categories		11,330	—	4,116	4,197
Off-balance sheet items		13,428	6,712	71,918	4,365
Total RSF		—	—	—	61,774
Net Stable Funding Ratio (%)					136

Table 33: Net Stable Funding Ratio ('LIQ2') (continued)

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

Internal Liquidity Metric (ILM)

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

Liquid assets

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

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

Overall adequacy of liquidity risk management

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

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

The two key objectives of the ILAA are to:

- demonstrate that all material liquidity and funding risks are captured within the internal framework; and

- validate the risk tolerance/appetite set at HSBC Continental Europe’s level by demonstrating that reverse stress testing scenarios are acceptably remote; and vulnerabilities have been assessed through the use of severe stress scenarios.

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

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

Liquidity stress testing

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

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

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

HSBC Group’s business strategy and overall liquidity risk profile

The key aspects of the LFRF are:

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

The internal LFRF and the risk tolerance limits were approved by the RMM and the Board on the basis of recommendations made by the Group Risk Committee.

Further details on our Liquidity and funding risk may be found on page 147 of HSBC Continental Europe's Universal Registration Document 2023.

Interest rate risk in the banking book

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

Interest rate risk that can be economically hedged may be transferred to Markets Treasury to manage, within Market Risk limits and in accordance with internal transfer pricing rules. All interest rate risk must be identified, measured, monitored, managed and controlled within metrics and limits. Key metrics to monitor IRRBB are projected Net Interest Income ('NII') and Economic Value of Equity (‘EVE’) sensitivities ('Δ') under varying interest rate scenarios as prescribed by the regulators.

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

Key to the management of non-traded interest rate risk is monitoring the sensitivity of expected NII under varying interest rate scenarios (i.e. simulation modelling), where all other economic variables are held constant. Sensitivity of net interest income reflects the bank’s sensitivity of earnings due to changes in market interest rates. This is assessed over 1 and 5 years and is calculated on a quarterly basis. Forecasts include business line rate pass-on assumptions, re-investment of maturing assets and liabilities at market rates per shock scenario, and prepayment risk. NII is modelled on the assumption that the risk profile at the month end remains constant throughout the forecast horizon.

ΔEVE represents the expected movement in EVE due to pre-specified interest rate shocks, where all other economic variables are held constant. EVE represents the present value of the future banking book cash flows that could be distributed to equity providers under a managed run-off scenario. This equates to the current book value of equity plus the present value of future NII in this scenario. EVE provides a comprehensive view of the potential long-term effects of changes in interest rates. HSBC Continental Europe monitors EVE sensitivities as a percentage of capital resources and this is calculated on a quarterly basis.

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

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

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

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

Interest rate risk that can be economically hedged is transferred to Markets Treasury. Hedging is generally managed through vanilla interest rate derivatives or fixed rate government bonds. Any interest rate risk that Markets Treasury cannot economically hedge is transferred to dedicated ALCO books when possible or remain within the business. HSBC Continental Europe accounts for most interest rate derivatives under the macro cash flow hedging accounting framework.

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

- For ΔEVE, commercial margins and other spread components have been excluded from the interest cash flow calculations and all balance sheet items are discounted at the risk free rate; all CET1 instruments are excluded;
- For ΔNII, a constant balance sheet is assumed; commercial margins are included; all forecast market rates are based on implied forward rates from the spot curves at each quarter-end; all interest rate shocks are parallel shocks; pass-on assumptions are applied for managed rate products; customer pricing includes flooring where there are contractual obligations, and; customer optionality including prepayment and early redemption risk is assumed.
- The repricing maturity of non-maturing deposits is assessed using both:
  - a historical analysis at product level to confirm the stable part of deposits in respect of past interest rate environment;
  - business expectations of customer behaviour with respect to stressed scenarios;
  - as at end June 2024, repricing maturities for non-maturity deposits from retail and non-financial wholesale counterparties were:

in months	Average repricing maturity	Longest repricing maturity
Core part	**34**	**84**
Full amount	**23**	**84**

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

An EVE value represents the present value of future banking book cashflows that could be distributed to equity providers under a managed run off scenario. EVE is a regulatory metric and limit of sensitivity are prescribed against Tier 1 Capital in the case of the Supervisory Outlier Test ('SOT').

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

Table 34: Interest rate risks of non-trading book activities ('IRRBB1')

	ΔEVE €m	ΔNII €m
At 30 Jun 2024		
Parallel shock up	**(1,233)**	**256**
Parallel shock down	**615**	**(245)**
Steepener shock	**(299)**	**—**
Flattener shock	**44**	**—**
Short rates shock up	**(283)**	**—**
Short rates shock down	**149**	**—**
At 31 Dec 2023[1]		
Parallel shock up	(1,373)	423
Parallel shock down	692	(415)
Steepener shock	(335)	
Flattener shock	50	
Short rates shock up	(323)	
Short rates shock down	169	

1 *NII comparatives for 31 December 2023 have been restated to show the impact on a comparable basis to 30 June 2024, i.e. based on the EBA's +/-2% parallel rate shock scenario.*

Environmental, Social, Governance Risks

Qualitative information on environmental risk

Strategy and Business processes

This section describes how HSBC Continental Europe:

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

Business strategy to integrate environmental factors and risks, taking into account the impact of environmental factors and risks on the business environment, business model, strategy and financial planning.

HSBC Group's strategy centres around four key areas: i) focus, ii) digitise, iii) energise, and iv) transition. As part of its net zero ambition, the HSBC Group is on a journey to integrate environmental, social and governance ('ESG') principles throughout its organisation, and important steps have been taken to embed sustainability into corporate strategy, financial planning and the business model.

To support the transition to a net zero global economy, HSBC has set out its ambition to align its financed emissions to the Paris Agreement goal to achieve net zero by 2050. The Paris Agreement aims to limit the rise in global temperatures to well below 2°C, preferably to 1.5°C, above pre-industrial levels. 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 Group recognises that, to achieve its climate ambition, it needs to be transparent on the opportunities, challenges, related risks and progress it makes. To deliver on this ambition, it requires enhanced processes and controls, and new sources of data. The Group continues to invest in climate resources and skills, and to develop its business management process to integrate climate impacts. Until systems, processes, controls and governance are enhanced, certain aspects of the Group's reporting will rely on manual sourcing and categorisation of data. In 2023, the Group continued to review its approach to disclosures. Reporting has evolved to keep pace with market developments.

HSBC Continental Europe shares this ambition to help individuals, governments and businesses achieve their aims of developing a sustainable future for all. Its approach to sustainability is aligned to the Group strategy, taking into account local regulatory requirements.

Become a net zero bank

In 2020, HSBC set an ambition to become a net zero bank by 2050. Since then HSBC, including HSBC Continental Europe, has made progress towards achieving this ambition – including providing and facilitating sustainable finance and investment for its customers, updating several of its sustainability and investment risk policies, and setting 2030 targets for financed emissions in a range of high-emitting sectors.

HSBC Continental Europe applies the Group's science-based sustainability risk policies to define its appetite for business in specific sectors and encourages customers to meet international standards. Policies are important mechanisms to help phase out financed emissions while supporting customers' own transition plans. These policies are socialised through different channels among key stakeholders to ensure their effective implementation.

Thermal coal phase-out policy

In 2021 and 2022, the Group committed to phase out the financing of thermal coal-fired power and thermal coal mining by 2030 in the EU and in the Organisation for Economic Cooperation and Development ('OECD') markets, and by 2040 in all other markets (thermal coal phase-out policy).

Thermal coal financing exposures

HSBC is working to reduce thermal coal financing drawn balance exposure from a 2020 baseline by at least 25 per cent by 2025 and is aiming for 50 per cent reduction by 2030.

Energy Policy

In application of the Energy Policy, HSBC Continental Europe will no longer provide upstream finance (through lending or capital markets) for new oil/gas fields and related infrastructure whose primary use is in conjunction with new fields. HSBC Continental Europe continues to provide finance or advisory services to energy sector clients at the corporate level, where clients' transition plans are consistent with its 2030 portfolio level financed emissions targets and net zero by 2050 commitment.

Financed emissions

HSBC aims to reduce its financed emissions to net zero by 2050 or sooner. HSBC Continental Europe assesses and discloses financed emissions in its portfolio. Financed emissions link the financing provided to customers and their activities in the real economy and provide an indication of the greenhouse gas emissions associated with those activities. They form part of the Bank's scope 3 emissions, which include emissions associated with the use of a company's products and services. In 2021, HSBC Continental Europe started measuring its financed emissions for two emissions-intensive sectors: oil and gas, and power and utilities. In 2022, it has also started to measure the financed emissions for four additional sectors: cement; iron, steel and aluminium; automotive; and aviation.

For more information, please refer to "GHG Financed Emissions" on page 57.

Net zero in our own operations

HSBC is committed to becoming carbon neutral in its own operations and within its supply chain by 2030. In this context, HSBC will reduce its energy consumption and increase the share of energy from renewable sources to 100 per cent by 2030. HSBC Continental Europe has four objectives: 1) reduce operational greenhouse gas ('GHG') emissions, including those related to business travel, 2) improve energy efficiency, 3) minimise production of waste, and 4) reduce water and paper consumption.

Support customers on their transition to net zero

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

In 1H24, HSBC Continental Europe provided and facilitated USD 12 bn of sustainable finance and investments (as defined in HSBC Group's Sustainable Finance Data Dictionary 2023), bringing HSBC Continental Europe's cumulative amount since 2020 to USD 113 bn.

Wholesale strategy

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

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

Key management and performance indicators are in place to monitor climate risk and the performance of the strategy.

Retail and wealth management strategy

The overall ambition in retail banking is to be the partner for customers' transition to a sustainable lifestyle and helping clients manage investments for positive long-term environmental and social impact.

Key initiatives in lending and investment include:

- In Malta, the Bank focuses on supporting a sustainable lending activity. Its product proposition supports sustainable energy and mobility and is progressively extended to include financing of sustainable housing and sustainable consumption. HSBC Malta continues to replace existing credit cards with recycled PVC credit cards and deploy initiatives aimed at reducing carbon footprint.
- develop wealth management solutions: The strategy is to continue to grow the share of sustainable funds available to individual clients, including climate-related ESG funds, to reduce investment exposure to high GHG sectors and to phase out investments in certain sectors. The investment process in sustainable and lower-carbon funds identifies and classifies the most attractive shares to reduce exposure to carbon-intensive activities and thus carbon footprint. ESG criteria are embedded in the product selection and decision-making processes in collaboration with the asset managers, alongside the standard financial criteria, which allows to deliver a range of products for different individual investors risk profiles. In addition, ESG preferences of clients are captured in the wealth advice journey which allows to bring the best possible response in terms of asset allocations and products, based on the product range available.

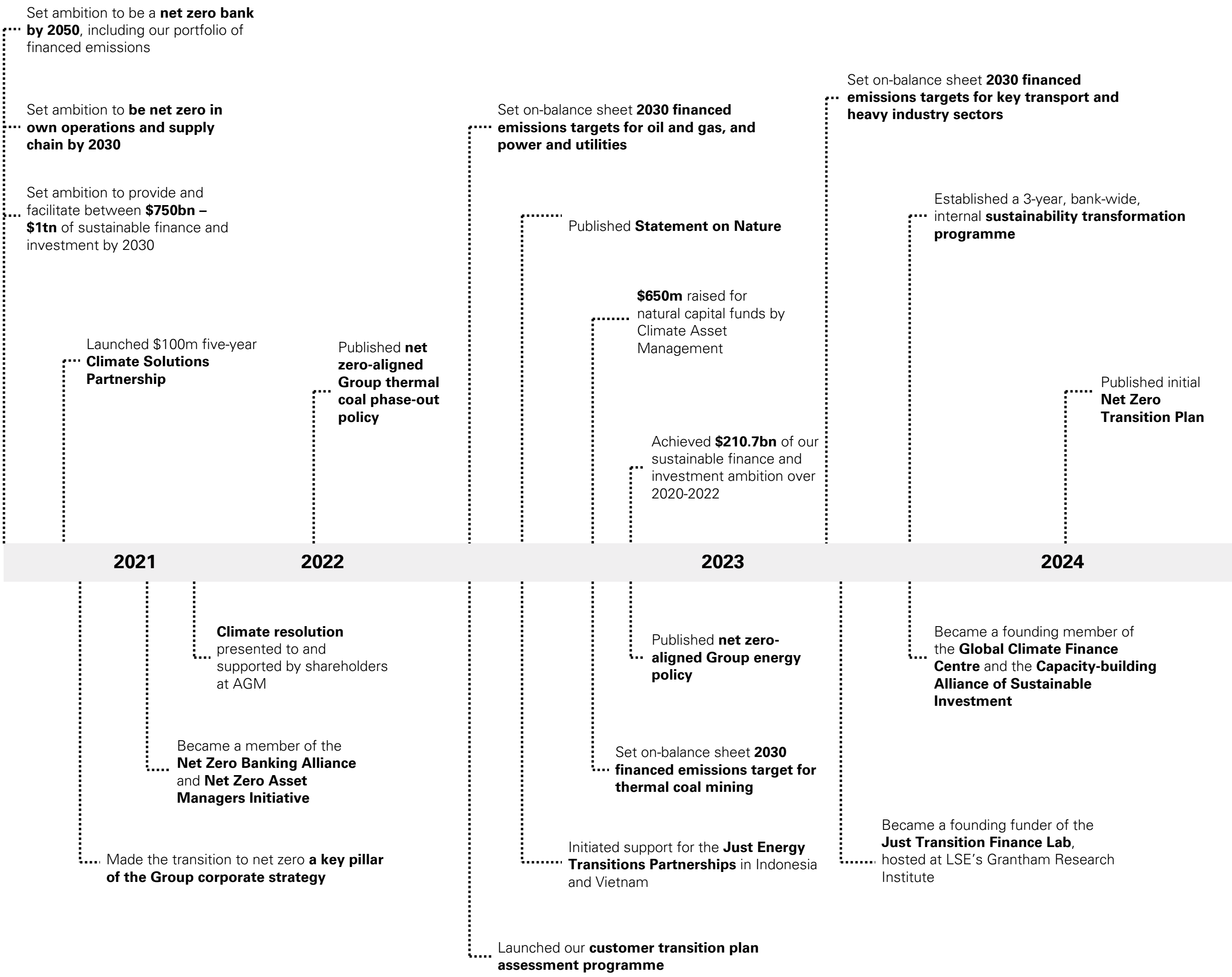
Objectives, targets and limits to assess and address environmental risk and performance assessment

In October 2020 HSBC announced its ambition to become a net zero bank by 2050. In 2021, the transition to net zero was included as one of the four key pillars of the Bank's corporate strategy. In May 2021, HSBC passed a resolution on climate change that had the backing of 99.71 per cent of its Shareholders. It was based on a core aim to support customers in their transition to net zero and to a science-based strategy, with interim targets on a sector-by-sector basis consistent with achieving net zero by 2050.

As part of its Net Zero ambition, HSBC has set sector specific financed emissions reduction targets for its wholesale lending portfolio with associated Group level Risk Appetite metrics to monitor performance.

In line with the Group's approach, HSBC Continental Europe has set climate key risk indicators based on risk sensitive data in the Risk Appetite Framework and put appropriate limits in place. The HSBC Continental Europe Risk Appetite Statement ('RAS') includes quantitative climate Key Management Indicator ('KMI') metrics on credit risk (wholesale and retail), resilience risk, compliance risk, reputational risk and asset management sustainability risk and qualitative climate RAS.

HSBC net zero journey since October 2020



In preparing its first transition plan, HSBC has taken into consideration recommendations set out in the Glasgow Financial Alliance for Net Zero's ('GFANZ'), Financial Institution Net-zero Transition Plans ('NZTP) framework and the UK Transition Plan Taskforce's ('TPT') draft framework, published in November 2022. The final TPT framework, published in October 2023, has also been taken into consideration. In developing its transition plan, HSBC has utilised a number of external sources and scenarios. Its plan also includes contextual sector information including figures, charts and graphs, some of which have been prepared by third parties or which draw on third party data.

HSBC's plan has been informed by a range of inputs, including on the estimated sizing of future transition financing and capital expenditure requirements by McKinsey's Transition Finance Model (as at June 2023), which applies publicly available 1.5°C-aligned scenarios (including International Energy Agency ('IEA') Net Zero Economy (2021) and the Network for Greening the Financial System ('NGFS') Net Zero 2050 from the NGFS 2.0 release). This model involves the use of estimates and assumptions in formulating its projections.

Overview of HSBC financed emissions targets and sector transition approach

Sector		**HSBC on-balance sheet 2030 financed emissions targets** (versus 2019 baseline)[a]	**Key transition technologies and strategies**	
Energy supply	Oil and gas	34 per cent reduction of absolute financed emissions (Mt CO2e)	– Clean fuels – Clean electricity	– Carbon capture and storage
	Power and utilities	Emissions intensity of 138 tCO2/GWh	– Clean electricity – Grid infrastructure improvements (inc. smart grids) and storage	– Thermal coal phase-out – Storage and flexibility – Carbon capture and storage
Transport	Automotive	Emissions intensity of 66 tCO2/million vkm	– Electric vehicles and smart mobility – Smart mobility	– Infrastructure – Public transport improvements
	Aviation	Emissions intensity of 63 tCO2/million rpk	– Sustainable aviation fuels – Electric, hybrid, and hydrogen- fuelled aircraft	– Improvements to operational and aircraft efficiency – Route optimisation
	Shipping	No target set; assessing data availability, methodologies and materiality of our portfolio.	– Clean fuels – Optimising vessel routes	– Improved vessel design – Clean port infrastructure
Heavy industry	Cement	Emissions intensity of 0.46 tCO2/t cement	– Clean electricity – Clean fuels – Clinker substitutes	– Carbon capture and storage – Recycling – Energy efficiency
	Chemicals	No target set; assessing data availability, methodologies and materiality of our portfolio.	– Alternative feedstocks – Clean hydrogen – Elimination of single-use plastics	– Carbon capture and storage – Recycling
	Iron, steel and aluminium	Emissions intensity of 1.05 tCO2/t metal	– Recycling and secondary production – Clean electricity – Carbon capture and storage	– Inert anodes – Clean fuels – Upgraded raw materials
	Mining	Thermal coal mining specific target of 70 per cent reduction of absolute financed emissions Approach to be defined for other mining[a]	– Thermal coal phase-out – Transition metals – Decarbonisation of on-site operations	– Clean electricity – CCS technology – Alternative beneficiation and extraction
Real estate	Commercial and residential	No target set; assessing data availability, methodologies and materiality of our portfolio.	– Energy efficiency – Low-carbon heating or cooling – On-site clean energy generation	– Reduce embodied emissions – Smart buildings/homes
Food, forests and other land use		No target set; assessing data availability, methodologies and materiality of our portfolio.	– Reduce Waste – Low-carbon consumption – Sustainable supply chains (preventing deforestation, low carbon)	– Nature restoration – Low carbon agriculture (precision agriculture; alternative proteins, pesticides and fertilisers; vertical farming)

a Versus 2020 baseline.

EU Taxonomy-aligned activities

HSBC Continental Europe is in the early stages of integrating EU Taxonomy considerations into its broader climate strategy. HSBC Continental Europe is beginning to track and report green project finance lending, including assessing alignment against the EU Taxonomy.

HSBC Continental Europe aims to support customers who are at differing stages in their transition journey, focusing first on the sectors and customers with the highest emissions and transition risks, and evolving and expanding efforts over time; for example, supporting clients in high emissive sectors to reduce their GHG emissions. Consequently, not all sustainable finance provided by the Bank, and in particular transition finance, will meet the strict criteria for EU Taxonomy alignment.

The composition of the Bank's banking book is a key driver of the green asset ratio ('GAR'). With Non-Financial Reporting Directive ('NFRD') counterparties only making up a fraction of the overall book and following the sale of the majority of the Retail mortgage portfolio on 1 January 2024, most exposures are outside the scope of eligibility assessment under the EU Taxonomy framework. Furthermore, for those exposures where the use of proceeds is known to be applied to eligible activities, such as green bonds and property-related lending, data limitations result in limited ability to comprehensively assess against the alignment criteria. As the scope of the EU Taxonomy expands to cover counterparties reporting under the Corporate Sustainability Reporting Directive ('CSRD'), and as data capabilities and market data availability improves, it is expected that reporting and strategy will evolve.

For further details, please refer to page 81 – EU Taxonomy economic performance indicators.

Policies and procedures relating to direct and indirect engagement with new or existing counterparties on their strategies to mitigate and reduce environmental risks

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

The sectors identified as priorities, and for which an internal policy has been developed, are forestry and its derivative products, agricultural commodities, mining and metals, chemicals, energy, defence, UNESCO world heritage sites and Ramsar wetlands.

These policies define the appetite of the Bank for business in these sectors and seek to encourage customers to meet good international standards of practice. Where HSBC identifies activities that could cause material negative impacts, it will only provide finance if it can confirm clients are managing these risks responsibly. Such customers are subject to greater due diligence and generally require additional approval by sustainability risk specialists.

In 2003, the Bank became a signatory to the Equator Principles, which form a voluntary framework to be used by financial institutions in assessing and managing the social and environmental impact of infrastructure projects.

In January 2024, the Group announced its revised Energy Policy which is used to engage with customers in this sector to help them transition to cleaner, safer and cheaper energy alternatives.

The HSBC Group sustainability risk policies restrict financing activities which have a negative impact on nature. As already mentioned, the Group plans to strengthen its current policy protections in this area, informed by scientific and international guidance.

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

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

In addition, the TEQ and Transition Plan Assessment ('TPA') process enables RM to engage with our clients on their climate and environmental strategy.

Governance

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

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

It also describes:

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

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

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

Responsibilities of the management body

The Board of Directors of HSBC Continental Europe determines the strategic orientation of HSBC Continental Europe's business and oversees the implementation thereof, including with respect to ESG related matters. The Board oversees and monitors consistent implementation of HSBC Continental Europe's risk strategy, risk appetite and risk management framework.

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

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

Induction programme for new Board members include ESG trainings and regular ESG training sessions are provided to all Board members.

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

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

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

The HSBC Continental Europe approach to climate and environmental risk management is aligned to the Group-wide risk management framework and three lines of defence model, which sets out how HSBC Continental Europe identifies, assesses and manages its risks.

This approach ensures the Board, with its Risk Committee, and senior management have visibility and oversight over the key environmental and climate risks. The Risk Appetite Statement is regularly enriched with additional climate risk indicators.

Integration of measures to manage environmental risk

Significant improvements have been made since 2023 to further embed climate-related and environmental risks within governance. The governance framework has been strengthened to ensure that all upcoming sustainable finance regulations and obligations are understood and implemented whilst supporting the implementation of the net zero and business strategy. The ESG and Climate Governance Framework builds on existing governance structures with the addition of dedicated committees at executive level and working groups.

Board	The Board sets strategic direction, including for ESG, upon management's recommendation and oversees its execution - Risk Committee advises and supports the Board in the oversight of risk-related matters and enterprise risks - Audit Committee advises and supports the Board regarding matters relating to financial reporting and the effectiveness of internal financial control systems
Executive	The Chief Executive Officer is responsible for the management of the business as well as setting and implementing HSBC Continental Europe's strategy, including on ESG - Executive Committee supports the CEO in the development and implementation of our ESG Strategy - ESG Steering Committee provides oversight of ESG transformation and set strategic solution - Risk Management Meeting supports the Chief Risk Officer ('CRO') on enterprise-wide management of all risks, including key policies and frameworks for Nature-related risk management - Disclosure Committee approves the financial and non-financial disclosures, including those related to ESG
Sustainability/ Climate Specific Forums	- Sustainable Finance Forums to assess and approve products and transactions - Other business/risk function specific sustainability/climate forums e.g. regulatory compliance, legal, wholesale credit risk etc. - Climate and ESG Risk Oversight Forum oversees all risk activities relating to Nature-related risk management, including physical and transition risks. Equivalent forums are established at a principal subsidiary level

Role of committees and lines of reporting

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

At the management level, ESG matters are governed mainly through: the ESG Steering Committee and the Climate and ESG Risk Oversight Forum.

ESG Steering Committee ('Steerco')

The ESG Steering Committee, chaired by the HSBC Continental Europe Chief Executive Officer, provides oversight of ESG transformation and set strategic solution. This committee meets 8 to 10 times a year.

Climate and ESG Risk Oversight Forum ('CESGROF')

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

Alignment of remuneration policy

HSBC Continental Europe's remuneration policy, being neutral and inclusive, is designed to motivate and retain high performing employees; HSBC Continental Europe's best performers benefit from higher levels of variable pay through the differentiation approach (based on performance) embedded in HSBC Continental Europe's remuneration practices and are more targeted for fixed pay increases. As part of HSBC Continental Europe's remuneration policy, achievement of objectives agreed at the start of the year in individual performance scorecards is assessed, through regular discussions and feedback during the year between the manager and the employee, and in a more formal way at year-end during an annual performance assessment, which is a key element to set the level of employee performance and the corresponding variable pay awarded.

Environmental risks feature as part of HSBC Continental Europe's remuneration policy and practices. At a Global level, sustainability risks are considered in risk-adjusted remuneration pools. The overall variable remuneration pools determined each year is based on the achievement of objectives set at the start of the year; these now include specific objectives relating to HSBC's carbon neutrality goals and consider present and future sustainability risks, notably in terms of climate and environmental themes. These risks are embedded in HSBC's Risk Appetite Statement, which is taken into consideration in setting the overall variable remuneration pools which are cascaded further down in the different entities through business lines.

Furthermore, objectives related to climate and environmental risks are agreed at different levels of the organisation, in business lines or functions, and if appropriate, cascaded to teams, managers or even individuals. As a result, the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the Chief Risk Officer and all Heads of Business have climate risk objectives in their annual incentive scorecards. The objectives are usually linked to the climate ambition of the Bank, including achieving net zero in HSBC Continental Europe's operations and supply chain by 2030, developing sustainable finance, and supporting clients in their transition to net zero and a sustainable future. In many cases these objectives have been cascaded down to their team. For the Chief Executive Officer, a weighting is included in their annual incentive scorecard related to environmental risk (currently 17 per cent). To assess performance against these objectives, HSBC Continental Europe monitors a set of key performance and risk indicators, covering HSBC Continental Europe as a whole or specific to business lines and functions. Such indicators include themes related to emissions, consumption, waste, sustainable finance and investment, training, and the proportion of loans and risk-weighted assets aligned to customers in high transition risk sectors.

More widely, all HSBC Continental Europe employees have been assigned an objective to complete at least two climate-related training modules to improve their awareness and understanding of climate risks. In addition, the French Profit-Sharing agreement signed in 2024 includes three climate related objectives, focused on reducing energy, water and paper consumption.

Risk management

This section describes:

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

- the mechanisms through which environmental risks may translate into credit risk, liquidity and funding risk, market risk, operational risk and reputational risk.

In the context of the implementation of the Corporate Sustainability Reporting Directive, HSBC Continental Europe is conducting a double materiality assessment on ESG matters.

Integration of short-, medium- and long-term effects of environmental factors and risks in the risk framework

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

These approaches aim to provide guidance to the Board and senior management on how HSBC Continental Europe should manage its key climate and nature-related risks.

Overview of key drivers of climate risk and its potential impacts on a sample of HSBC Continental Europe's key risks

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

The table below provides an overview of the climate risk drivers and thematic issues considered within HSBC’s climate risk approach.

Climate risk – Risk drivers		Details	Potential Impacts	Time horizons
Physical	**Acute**	Increased frequency and severity of weather events causing disruption to business operations.	– Decreased real estate values. – Decreased household income and wealth. – Increased costs of legal and compliance. – Increased public scrutiny. – Decreased profitability. – Lower asset performance.	Short term Medium term Long term
	Chronic	Longer-term shifts in climate patterns (e.g. sustained higher temperatures) that may cause sea level rise or chronic heat waves.		
Transition	**Policy and legal**	Mandates on, and regulation of, existing products and services. Litigation from parties who have suffered from the effects of climate change.		
	Technology	Replacement of existing products with lower emission options.		
	End-demand (market)	Changing consumer behaviour.		
	Reputational	Increased scrutiny following a change in stakeholder perceptions of climate-related action or inaction.		

Climate risk – thematic issues		
Net zero alignment risk	Net zero ambition risk	Failing to set or adapt HSBC net zero ambition and broader business strategy in alignment with key stakeholder expectations, latest scientific understanding and commercial objectives.
	Net zero execution risk	Failing to meet HSBC net zero targets due to taking insufficient or ineffective actions, or due to the actions of clients, suppliers and other stakeholders.
	Net zero reporting risk	Failing to report emissions baselines and targets, and performance against these accurately due to data, methodology and model limitations.
Risk of greenwashing	Firm	Making inaccurate, unclear, misleading, or unsubstantiated claims in relation to HSBC sustainability commitments and targets, as well as the reporting of its performance towards them.
	Product	Making inaccurate, unclear, misleading or unsubstantiated claims in relation to products or services offered to clients that have stated sustainability objectives, characteristics, impacts or features.
	Client	Making inaccurate, unclear, misleading or unsubstantiated claims as a consequence of bank's relationships with clients or transactions HSBC undertake with them, where their sustainability commitments or related performance are misrepresented or are not aligned to HSBC own commitments.

The table below provides an overview of the climate risk drivers and thematic issues considered within HSBC’s climate risk approach.

Climate risk drivers	Credit risk	Traded risk	Reputational risk[1]	Regulatory compliance risk[1]	Resilience risk	Other financial and non-financial risk types
Physical risk	●	●			●	●
Transition risk	●	●	●	●	●	●

● Material impact on Taxonomy Risk Type

1 *HSBC climate risk approach identifies thematic risk issues such as HSBC net zero alignment risk and the risk of greenwashing, which could materialise in the form of reputational, regulatory and litigation risks.*

Climate risk relates to the financial and non-financial impacts that may arise because of climate change and the move to a net zero economy. Nature risk relates to the financial and non-financial impacts that may arise due to compromising natural systems or the changes introduced to halt or reverse damage to nature. The materiality assessment of nature impacts and dependencies is progressing on credit risk, traded risk and liquidity risk. Since the first assessment performed in Q4 2023, climate and nature-related risk assessments focus on a 12-month time horizon, as well as time horizons for the short-term, medium-term and long-term periods. Short term is defined as time periods up to 2025; medium term as between 2026 and 2035; and long term as between 2036 and 2050.

The risk assessment is refreshed annually or in case of a trigger event. In addition to these assessments, climate risk is also considered in HSBC Continental Europe emerging risk reporting. climate risk continues to be integrated into policies, processes and controls across many areas of the Bank's organisation, and these will continue to be updated as HSBC climate risk management capabilities mature over time.

Definitions, methodologies and international standards on which the environmental risk management framework is based

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

Approach to managing climate risk

Climate change poses different risks to the stability of the financial system and these risks are collectively referred to 'climate risk'. HSBC Continental Europe may be affected by climate risk either directly or indirectly through its relationships with its customers, which could result in both financial and non-financial impacts. HSBC's climate risk approach is aligned to the framework outlined by the Taskforce for Climate-related Financial Disclosures ('TCFD'), which identifies two primary drivers of climate risk:

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

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

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

The inclusion of climate risk into HSBC Continental Europe's RAS helps define the type and level of risk the Bank is willing to take and supports the oversight and management of the financial and non-financial risks. HSBC Continental Europe's climate risk appetite supports the business in delivering HSBC climate and net zero ambition effectively and sustainably. This includes:

- the transition and physical risks that impact HSBC's financial position under current and future climate scenarios;
- the risks associated with not delivering HSBC Continental Europe net zero ambition, including 2030 targets.

HSBC Continental Europe climate RAS is approved and overseen by the Board. It is complemented by KMI metrics which are reported bi-annually to the HSBC Continental Europe Risk Management Meeting, the Risk Committee and quarterly to the CESGROF.

HSBC Sustainability risk policies help define the boundaries of the business activities and are a key lever to manage climate risks at portfolio and customer-level and to progress towards HSBC Group financed emissions targets. These sustainability risk policies focus on mitigating reputational and credit risks related to HSBC customers' environmental and social impacts.

Progress has been made in 2024 to enhance the existing climate risk metrics and monitor reputational risks associated to HSBC Continental Europe Financed Emission reduction. Six new indicators, incorporating HSBC Group net zero ambition and targets have been implemented in April 2024 to monitor reputational risks associated with financed emissions reduction for high transition risk sectors and align with HSBC financing portfolio to net zero by 2050.

Approach to managing nature-related risks

HSBC Continental Europe has started to incorporate nature in its risk management practices, since January 2024, through a Nature-related risk approach, in addition to the existing climate risk approach.

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

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

HSBC Continental Europe is in the early stages of addressing nature related risks and is working to develop a comprehensive framework dedicated to nature.

Partnerships for systemic change

HSBC is working with public sector, industry, civil society and peers to help shape effective policies, regulations and standards and to help insights and learning.

HSBC seeks to collaborate with a range of partners to develop a supportive environment for achieving net zero and mobilising finance for climate action and nature-based solutions. Partnerships vary in scope and form depending on the sector and geography, as well as its presence in local markets. HSBC acts independently and voluntarily in its decision making, based on its own business interests, priorities and objectives, and in accordance with the laws and regulations of the markets in which the Bank operates. HSBC Continental Europe is also contributing to these initiatives.

Supporting an enabling environment:

- public sector: the Bank works with governments and regulators to support the development of effective climate policy, and partner with public financial institutions to help to accelerate the development of finance solutions.
- industry: the Bank collaborates with financial sector and industry partners to share good practice, help drive consistent standards, and create new opportunities to finance the transition.
- civil society: the Bank partners with civil society to understand the impact of actions and generate thought leadership in support of a science-based, just and inclusive transition.

Mobilising market participants:

- customers: the Bank seeks to finance its customers' transition journeys and support them in making sustainable choices.
- investee companies: the Bank engages on net zero with companies in which it invests through its asset management business.
- delivery partners help accelerate and scale transition solutions: the Bank partners with industry-leading players that bring new capabilities to help accelerate and scale transition solutions.

Transforming the Bank:

- employees: the Bank equips and empowers employees across the organisation to execute HSBC's net zero strategy.
- suppliers: the Bank works with its suppliers and sets clear expectations to help it transform its own operations.
- investors: the Bank transparently engages with investors to build understanding of its approach and model good practice.

HSBC continues to strengthen its partnerships for systemic change on nature across the public and private sectors, including:

- its Climate Solutions Partnership with the World Resources Institute ('WRI') and World Wide Fund for Nature ('WWF').
- its partnering with the Sustainable Markets Initiative to build the Terra Carta Accelerator Fund to finance natural capital projects in emerging markets

Processes to identify, measure and monitor activities and exposures (and collateral where applicable) sensitive to environmental risks, covering relevant transmission channels

Climate and nature-related risks identification and assessment

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

HSBC key tools implemented in HSBC Continental Europe include:

- transition plan assessments for relevant corporate customers (through transition financing and advisory solutions);
- climate risk and ESG scores derived from qualitative and quantitative datasets (see Roadmap page 47;
- climate scenario analysis;
- nature Risk Heatmap;
- nature scenario analysis.

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

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

Examples of HSBC's work with the financial sectors, other industry sectors and standard setters

TNFD: We have supported the development of the Taskforce for Nature-related Financial Disclosures ('TNFD') pilot framework, providing feedback ahead of its September 2023 release.

Energy Transitions Commission: We support the work of the Energy Transitions Commission ('ETC') to drive transformation of the energy system for net zero, publishing leading research and transition roadmaps. In hard-to-abate sectors, we support their work through the Mission Possible Platform, an initiative established by the ETC and the World Economic Forum.

FAST-Infra: We are a co-founder of the FAST-Infra initiative to establish a consistent, globally applicable labelling system for sustainable infrastructure assets.

Finance for Biodiversity Pledge: We are a signatory of the Finance for Biodiversity Pledge through HSBC Asset Management.

GFANZ: We are a co-founding signatory of the UN Net-Zero Banking Alliance and member of the Principal and Steering groups for the Glasgow Financial Alliance for Net Zero.

PSI: We were involved in the original drafting and development of the UNEP-FI Principles for Sustainable Insurance.

Sustainable Markets Initiative: We chair the Financial Services Taskforce for the Sustainable Markets Initiative.

PCAF: We have been part of the Partnership for Carbon Accounting Financials ('PCAF') since 2021.

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

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

HSBC Continental Europe relies on Group internal sustainability risk policies to ensure monitoring of the main sectors identified as a priority: Agricultural Commodities, Chemical, Energy, Thermal Coal Phase Out, Equator Principles, Forestry, Mining and Metals, UNESCO World Heritage sites and Ramsar Wetland.

These sustainability risk policies define the rules and appetite in these sectors and encourage customers to follow good international standard and practices. For instance, HSBC Agricultural commodities policy states that the bank will not provide financial services to customers involved directly in or sourcing from suppliers involved in new plantation development on peat, regardless of the depth, or in deforestation; HSBC Chemicals Industry policy states that HSBC may not provide financial services to customers who manufacture chemical weapons; and HSBC Thermal Coal Phase Out Policy states that the Bank will not provide new finance, or new advisory services, for the specific purposes of activities that do not align with HSBC's phase out commitment.

Where customer activities could have a material impact on environmental risk, an analysis is required to ensure appropriate mitigating action are in place, and greater due diligence is required by the sustainability risk specialists.

Wholesale RMs engage with their customers through the TEQ to gather information and assess the alignment of Wholesale customers' business models to net zero and their exposure to physical and transition risks. This information, with data provider or publicly available data, are used to produce a climate risk score which supports commercial decision-making.

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

The sustainability risk analysis of a client portfolio / activity, where it falls under these policies, is performed at least annually or more frequently in case of trigger event.

For more details, please refer to section 'Policies and risk management'.

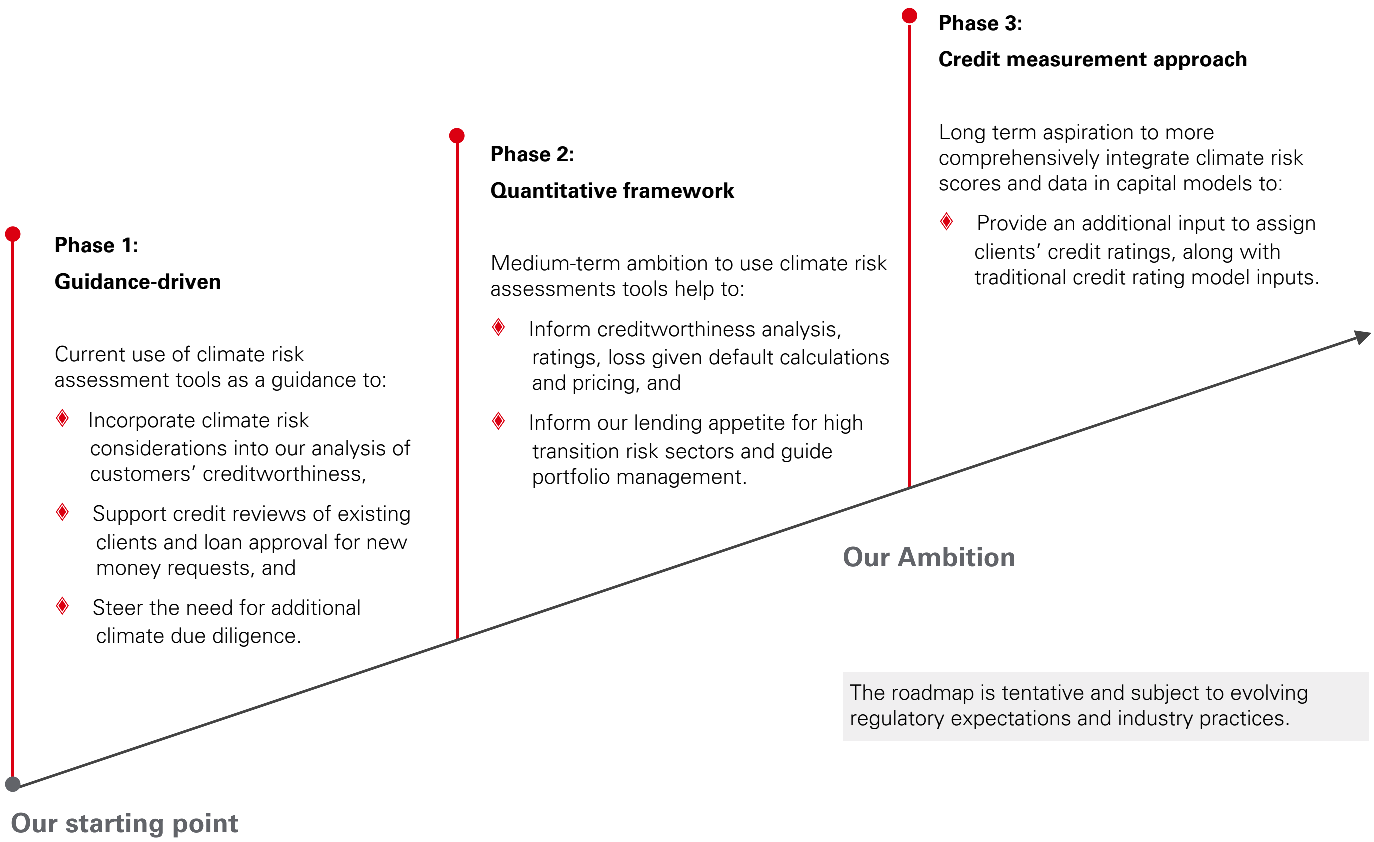
Climate risk management

Climate risk considerations have started to be embedded into the Bank's day-to-day decision making by leveraging HSBC climate risk metrics, tools, scenario analysis, and policies.

HSBC Credit Risk Management Policy and climate risk assessment tools support credit reviews and new financing requests for wholesale customers. This provides HSBC Continental Europe RMs and credit approvers with insight on corporate customers' exposure to climate risk in order to help inform decisions.

HSBC Continental Europe's medium-term ambition is to use climate risk assessment tools to inform creditworthiness analysis, ratings, collateral valuation, loss given default calculations and pricing, and inform the Bank's lending appetite for high transition risk sectors and guide portfolio management. The long-term aspiration is to more comprehensively integrated climate risk scores and data in capital models.

HSBC roadmap to embed climate risk in wholesale credit processes



Activities, commitments and exposures contributing to mitigate environmental risks

As one of the world's largest international banks, HSBC is well placed to help, support and finance the transformation.

In 2020, HSBC set an ambition to become a net zero bank by 2050. Since then, progress has been made in support of this ambition – including providing and facilitating sustainable finance and investment for HSBC's clients across the Group, updating key financing policies, investing in the scaling up of emerging climate technologies and setting 2030 targets for financed emissions in a range of high-emitting sectors. HSBC has brought this work together to provide an overview of the actions being taken and planned to embed its net zero ambition across HSBC in its first net zero transition plan published in January 2024.

HSBC motivations to act are threefold:

- to size the significant economic opportunity that exists in financing the investment needs of its customers in the transition, while helping them to thrive;
- to help mitigate the rising financial and wider societal risks associated with failing to achieve the required transition across industries and geographies;
- to help shape (not just follow) the understanding, policies, market structures and standards necessary to achieve a fair transition while maintaining sound economies.

HSBC's aim is to help its people, customers, investors and other stakeholders to understand the Group's long-term vision, the challenges and dependencies that exist, and the progress made in HSBC's own transition.

HSBC wants to demonstrate its intention to harness its strengths and capabilities in the areas where HSBC believes the Bank can best support large-scale emissions reductions: transitioning industry, catalysing the new economy, and decarbonising trade and supply chains.

HSBC Continental Europe's action plan to achieve its objectives consists of embedding net zero into:

- supporting its customers by providing transition solutions;
- embedding net zero into the way HSBC Continental Europe operates by managing its own portfolio.

HSBC aims to continuously evolve its metrics and refine its methodology to align to regulatory changes, disclosure rules, and industry best practices. Currently, HSBC reports against metrics informed by standards including the Greenhouse Gas Protocol, the PCAF, the World Economic Forum ('WEF'), and the Sustainability Accounting Standards Board ('SASB'). HSBC aims to adopt the IFRS Sustainability Disclosure Standards, which are based on the recommendations of the TCFD. Furthermore, HSBC became a signatory to Just and Urgent Energy Transition ('JUET') principles at the 2021 United Nations climate change conference (COP26) and is actively working on how to embed just transition considerations into its net zero strategy, ensuring that its approach supports a fair and inclusive energy transition for all stakeholders.

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

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

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

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

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

Examples of recent policy and control enhancements include:

- updates of treasury and credit risk policies (e.g. wholesale credit risk and residential mortgage policies) to capture climate-related control requirements;
- guidance to enhance the integration of climate risk within Risk and Control Assessments ('RCAs') for Non-Financial Risk Types, and the documentation of climate risk in HELIOS, the HSBC operational risk management tool.

HSBC determines whether a new sustainability risk policy needs to be introduced, or an existing policy needs to be updated, based on factors such as: the materiality of risk to its business; its exposure to the sector; the adverse environmental, climate or social impacts related to the sector's business practices and outputs; evolving scientific guidance; updated 1.5°C-aligned scenarios; policy and regulatory requirements; and evolving industry practices.

In January 2024, an update to the Energy policy was released, which includes clarification that HSBC takes a risk-based approach to identify transactions and clients to which this policy applies. The policy seeks to balance three objectives:

- driving down global greenhouse gas emissions;
- enabling an orderly transition that builds resilience in the long term;
- supporting a just and affordable transition.

The Energy Policy aims to support the phasing down of fossil fuel sources with the highest emissions intensity and high local environmental risks. This includes direct financing restrictions for the most emissions-intensive oil assets and energy-related activities in environmentally and socially critical areas, as well as projects pertaining to new oil and gas fields and related infrastructure whose primary use is in conjunction with new fields. This policy also seeks to drive decarbonisation through the adoption of stringent methane standards.

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

Each year, HSBC Continental Europe's businesses and functions perform a climate risk materiality assessment across financial and non-financial risks through various environmental scenarios, providing the Bank with holistic view of climate risk impacts across HSBC risk taxonomy, and identify potential gaps within the bank climate risk management capabilities. In 2024, HSBC Continental Europe's risk stewards have started to perform nature materiality assessment on financial impact across wholesale credit risk, liquidity risk, traded risk, retail credit risk and strategic risk based on nature risk scenarios.

Climate and nature scenarios have been developed considering physical risk, transition risk, net zero alignment risk and greenwashing risk drivers in accordance with the Group climate risk scenarios. This reflects the Bank's approach to include environmental considerations into its risk management framework.

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

The assessment of the full wholesale portfolio (vs. the high risk sectors) in 2023 leveraged the outcome of the Internal Climate Scenario Analysis ('ICSA') and of the TEQ; the overall risk rating is determined as 'Medium' over the next 12 months, given certain sectors may potentially experience a regulatory impact driven by climate and local regulatory focus is expected to drive enhancements to current standards.

Stress testing is a key part of the HSBC Continental Europe risk management and capital and liquidity planning, providing management with key insights into the impact of severely adverse events. HSBC Continental Europe's stress testing programme assesses its capital and liquidity strength through a rigorous examination of its resilience to external shocks.

In 2023, HSBC Continental Europe developed an approach to allocate dedicated capital to climate risk in the Internal Capital Adequacy Assessment Process ('ICAAP'). It incorporated climate impacts on credit risk in the Economic Capital in the 2022 ICSA results with climate-adjusted CRR notch movements. The ICAAP is reviewed on a quarterly basis and in Q2 2023 Climate Economic Capital for traded risk activities has been considered as well.

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

Climate and nature risk drivers may impact HSBC Continental Europe's liquidity risk directly, through its ability to raise funds or liquidate assets, or indirectly through customers' demands for liquidity.

HSBC Continental Europe's liquidity risk profile has been analysed with respect to nature and climate risks.

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

Liquidity risk assessment

HSBC Continental Europe has developed its liquidity risk assessment to consider both climate and nature risks. Key risks are additional drawdowns on facilities and deposit outflows. HSBC Continental Europe has also built a scenario based-approach that considers losses and damages caused by severe environmental events due to biodiversity loss generating severe ecosystems impacts like drought and heat observed in recent years following global warming.

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

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

Capital risk assessment

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

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

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

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

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

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

When data is not available internally, HSBC Continental Europe uses on external vendors when possible.

Data for EU Taxonomy

HSBC Continental Europe is dependent on several data sources to determine exposures subject to NFRD and calculate Taxonomy ratios. Availability of data and improvements in data quality over time, as firms adopt the Taxonomy requirements for their own disclosures, could lead to differences in the data reported in future periods as compared to the current period.

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

For more information, please refer to "Data limitations" on page 82.

Energy Performance Certificate

EPC are gathered by RMs and recorded in HSBC Continental Europe's system. When EPC are not available, estimates are used.

Financed emissions

In 2021, HSBC Continental Europe started measuring its financed emissions for two emissions-intensive sectors: oil and gas, and power and utilities. In 2022, it has also started to measure the financed emissions for four additional sectors: cement; iron, steel and aluminium; automotive; and aviation.

HSBC continues to engage with industry initiatives to help formulate a methodology for assessing and measuring financed emissions such as the Net-Zero Banking Alliance ('NZBA'), which seeks to reinforce, accelerate, and support the implementation of decarbonisation strategies and targets for the banking sector.

Sector targets and progress metrics are calculated at the Group level and are set for its global portfolio. They are managed at the Group level with the recognition that regions and companies will decarbonise at different rates and that there are different strategies to achieve its global targets.

The calculation and methodology of financed emissions calculation is dependent upon the availability of data.

For more information, please refer to "GHG Financed Emissions" on page 57.

Thermal coal

HSBC has revised the basis of preparation for its thermal coal exposures and in line with policy, applies a risk-based approach to identify transaction and clients and report on relevant exposures. This includes the use of globally recognised third-party data sources to screen clients and applies materiality considerations to product type, customer type and exposure type, which informs inclusion and exclusion requirements.

Data Utility and Data governance

The ESG Data Utility was set up to address ESG data challenges and to ensure that associated risks are properly managed. The main areas covered by this framework are:

- the production of data and Management Information ('MI') for internal dashboards, models (Financed Emissions, TEQ, ESG score, Stress testing) and external disclosures;
- identification and management of ESG vendors engagements (existing and new).

Data governance process is in place in HSBC, including HSBC Continental Europe. All data issues are escalated to the HSBC Continental Europe ESG Steering Committee, the HSBC Continental Europe CESGROF.

Description of limit setting for environmental risks (as drivers of prudential risks) and escalation and exclusion triggers in the event of breaches

HSBC has articulated the Climate Risk Appetite Statement, through (climate Risk Appetite metrics, 'CRAS') to support oversight and management of the financial and non-financial risks from climate change, meet regulatory expectations and support the business to deliver HSBC's climate ambition in a safe and sustainable way.

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

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

The CRAS are set in line with the Global Risk Appetite Framework.

RAS metrics related to net zero alignment risk have been introduced to monitor reputational risks associated with:

- financed emissions reduction for the Oil and Gas, Power and Utilities, Automotive, Aviation, Cement and Steel & Aluminium sectors.
- emissions reduction from HSBC own operations capturing energy consumption and travel. RAS metrics will continue to be developed for financed and facilitated emissions for additional sectors in line with targets externally disclosed and HSBC plans to add in 2024 a KMI to monitor HSBC Supply Chain emissions.

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

Reputational risk

Reputational risk is managed in line with the Risk Management Framework ('RMF').

The Reputational Risk and Client Selection Committees ('RRCSC') is a committee established to provide recommendations on matters arising from customers and non-customers (e.g. third parties), transactions and wider reputational risks. The RRCSC is responsible for:

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

The Risk Management Meeting and the Risk Committee receive regular updates on HSBC Continental Europe's climate risk profile and progress on climate and nature-related risks management regulatory obligations.

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

Description of the links (transmission channels) between environmental risks with credit risk, liquidity and funding risk, market risk, operational risk and reputational risk in the risk management framework.

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. HSBC Continental Europe ran a qualitative assessment of how climate risk (including net zero alignment risk and the risk of greenwashing) may impact all financial and non-financial risk types defined in HSBC taxonomy. A first materiality assessment of nature - related risks has started at the end of 2023 mainly on financial risk types.

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

For HSBC Continental Europe Wholesale customers, the TEQ was deployed across the corporate loan portfolio in 2023 and a first climate score was issued (derived from HSBC qualitative and quantitative datasets) to better understand and monitor clients' climate strategies and risks.

HSBC Continental Europe currently expects that the following traditional banking risks are the most likely ways in which climate risk may materialise:

- credit risk for HSBC Continental Europe corporate customers may increase if climate-related regulatory, legislative or technological developments impact customers' business models, resulting in financial difficulty for customers and/or stranded assets or if extreme weather events disrupt operations. Its customers may find that their business models fail to align to a net zero economy or face disruption to their operations or deterioration to their assets as a result of extreme weather.
- liquidity risk may increase because climate and nature risks drivers may impact the HSBC Continental Europe liquidity risk directly through its ability to raise funds or liquidate assets, or indirectly through customers' demands for liquidity.
- residential real estate may be affected by changes to the climate and extreme weather events which could impact both property values and the ability of borrowers to afford their mortgage payments.
- traded risk may increase if the risks associated with climate and nature are not accurately reflected within HSBC Continental Europe trading book assets.
- operational risk coming from physical risk faced on HSBC Continental Europe own operations and premises may increase, owing to the more frequent and severity of weather events and chronic shifts in weather patterns, which could affect its ability to conduct day-to-day operations.
- regulatory compliance risk may result from the increasing pace, breadth and depth of climate-related regulatory expectations requiring implementation in short timeframes.
- conduct risks could develop in association with the increasing demand for 'green' products where there are differing and developing standards or taxonomies.

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

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

Qualitative information on social risk

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

In the context of the implementation of the CSRD, HSBC Continental Europe is conducting a double materiality assessment on ESG matters.

Human Rights

Strategy and business processes

HSBC Continental Europe, as part of HSBC Group, encourages the protection of its employee's human rights, in line with HSBC's Human Rights Statement. More broadly, fostering an inclusive culture, that enables its people to thrive, is a core element of HSBC Continental Europe's people strategy. HSBC Continental Europe requires its employees to treat colleagues with dignity and respect, further embedding an inclusive environment. Employees are made aware of their employment rights and duties through a variety of channels, including written employment contracts and policies, procedures in employee handbooks, on employee websites and a code of conduct.

Employees are trained on a range of human rights related topics, including but not limited to diversity and inclusion, bullying and harassment, racism, and data privacy. In addition, employees receive regular training as part of HSBC's broader financial crime control framework, covering anti-money laundering, anti-bribery and corruption and financial sanctions. Each of these interests intersects with human rights risk.

From a customer standpoint, HSBC Group has developed sustainability risk policies which also apply to HSBC Continental Europe. The policies apply to main financing products offered to customers. Customers are engaged, where appropriate, and supported in adopting more sustainable practices. The sustainability risk policies on forestry, agricultural commodities, metals and mining, and energy specifically refer to human rights considerations. They include issues such as land rights, harmful or exploitative child labour or forced labour, rights of local communities, workers' rights and the health and safety of communities. An annual review is carried out on Global Banking and Markets and Commercial Banking clients operating in sectors covered by the Group's sector policies, and all transactions in these sectors are also reviewed.

Finally, regarding suppliers, the code of conduct, revised in 2023, sets out HSBC's commitments to the environment, diversity and human rights, and outlines the minimum commitments expected by suppliers on these issues. Commitment to the code is formalised with clauses in supplier contracts, which support the right to audit and act if a breach is discovered.

Governance

Ensuring proper management of human rights across HSBC Continental Europe is one of the components of HSBC Continental Europe's established Duty of Care Plan. The Plan is monitored through the HSBC Continental Europe Duty of Care Steering Committee chaired by HSBC Continental Europe's Chief Risk Officer with the involvement of HSBC Continental Europe's Legal, Regulatory Compliance, Human Resources, Procurement, Corporate Sustainability and ESG Risk Teams. Any issue identified is escalated in the HSBC Continental Europe Climate and ESG Risk Oversight Forum which also has an escalation path to the HSBC Continental Europe Risk Management Meeting.

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

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

Policies and risk management

The process of adapting internal risk management procedures has begun to reflect key learnings from the work on salient human rights issues identified. This included the development of global guidance on human rights, which incorporates the salient human rights issues assessment and provides colleagues with clear principles and practical advice, including case studies, on how to identify, prevent, mitigate and account for how impacts on human rights are addressed. Additional human rights elements have been incorporated into existing procurement processes and supplier code of conduct, and existing human rights due diligence processes have been extended for suppliers and business customers.

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

Employee matters

Strategy and business processes

HSBC Group promotes an inclusive organisation that values difference, takes responsibility and seeks different perspectives for the overall benefit of HSBC's stakeholders. 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.

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

HSBC Continental Europe has a strong commitment to increase diversity across its organisation 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 ('ERGs').

Progress has been made towards its goal to achieve 35 per cent of female senior leadership by the end of 2025, with further improvements required in some of HSBC Continental Europe's markets. Gender balance in participation of development programmes will help to accelerate progress towards gender equality in talent pools.

HSBC Continental Europe has also committed not to attend any event with an all-male line-up of speakers, and to make sure that gender balance and diversity are embraced at the Bank's own internal events.

A dashboard is established to provide oversight of the proportion of women in positions of responsibility and is reviewed by HSBC Continental Europe's Executive Committee.

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 that complies with regulation. 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.

Broader understanding of employee experience is critical to achieve its people ambitions and priorities. To do so, an annual employee sentiment survey is conducted that allows the Bank to measure employee engagement and to capture views from understanding of strategy to wellbeing.

HSBC activity has a real impact on individuals, communities and the Planet. This responsibility is important to HSBC. All of us, including anyone involved in commercial relationship with or on behalf of HSBC, must act permanently in accordance with high standards of personal integrity and behaviour. The annual global mandatory training held in the last quarter each year named 'Conduct is important' is an opportunity to explore personal conduct through examples and testimonials in various situations such as workplace bias, harassment or discrimination at work.

HSBC Continental Europe encourages people to speak-up, including if observing unlawful or unethical behaviour. A range of speak-up channels are offered to listen to concerns of employees, including a whistleblowing platform, "HSBC Confidential", that allows concerns to be raised in confidence and, where preferred, anonymously. HSBC Confidential can be accessed in various ways, including telephone and online portals, to report, in complete confidence, facts or behaviour constituting a serious attack on human rights and fundamental freedoms, the health and safety of people, as well as the environment, observed or experienced, within the company. The performance assessment and remuneration of all employees who have used HSBC Confidential is reviewed annually to identify any retaliation risk. Concerns are investigated proportionately and independently and can result in disciplinary action.

HSBC Continental Europe also holds exchange meetings, which are agenda-free consultation meetings between management and employees, where staff members are free to discuss any issues they wish without any seniority-based privileges.

Attracting, integrating, and retaining talented people is fundamental to our people strategy. Every year, succession plans for key positions are developed, with clear guidelines to ensure that they are robust, promote gender balance and advocate internal promotions. HSBC Continental Europe aims to have at least four potential replacements for each key position, with at least one female candidate and a 60:40 split of internal versus external candidates. HSBC Continental Europe asks its recruitment service providers to provide a shortlist of candidates that include at least one male and one female candidate, and where the position is a management or specialist position requiring more than 10 years of professional experience, at least one 'senior' candidate. Flagship talent development programmes, such as Accelerating into Leadership ('AIL') and Inspire, support building a robust and diverse talent pool. The attrition rate of talent is monitored monthly.

HSBC Continental Europe continues to equip its people with capabilities aligned to its strategic priorities and wider operating context, where technology is developing at a rapid pace, employability is key and different skills are needed to thrive in the workplace, both today and in the future. A culture of continuous learning is encouraged through a range of resources, providing employees with a breadth of development materials and opportunities. This includes availability of several skills academies that are aligned with future skills, such as sustainability and digital, as well as people management. Employees identify specific skills they wish to enhance and develop them through various skills platforms (HSBC University, Degreed learning platform, LinkedIn learning) in support of their development ambitions.

Aligned to HSBC Continental Europe's commitment to a fostering a supportive environment so all can thrive, tools and training are in place to support mental, physical, and financial health, remote management, appropriate use of digital tools, and encourage work life balance.

Governance

To establish effective governance regarding employee risk topics, an update is provided every two months to HSBC Continental Europe's Risk Management Meeting, as well as periodic updates to HSBC Continental Europe's Risk Committee. Employee themes also feature at HSBC Continental Europe's Executive Committee. Employee themes are also discussed within Risk Management Meetings of respective business lines and functions in the Region.

The quarterly whistleblowing oversight committee reports on the effectiveness of the whistleblowing arrangements across HSBC Continental Europe including branches and subsidiaries. As the chair of the HSBC Continental Europe Audit committee has the responsibility for ensuring and overseeing the integrity, independence and effectiveness of the whistleblowing arrangement, the HSBC Continental Europe Oversight team attached to the HSBC Continental Europe Compliance Officer provides a report at least annual to the HSBC Continental Europe Committee.

Remuneration policy

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

For instance, in France, a specific pool is dedicated to adjust any gaps in fixed pay that are not justified. Furthermore, both the attrition rate and retention rate of our best performers are monitored per business line monthly and shared with HSBC Continental Europe's Executive Committee. Where the attrition rate for certain roles is high, we can decide, if appropriate, to make counter offers to potential leavers or implement off-cycle fixed pay increases to remaining employees to avoid additional flight risks.

In addition, at Group level, and subsequently at HSBC Continental Europe, there is an objective to increase the proportion of women in senior leadership roles and to improve the inclusion index score, as measured by our employee sentiment survey. This objective is cascaded down in the organisation to Heads of Business and Heads of Function. For the Chief Executive Officer, a weighting is included in their annual incentive scorecard related to social themes (currently 12 per cent related to employee engagement, of which 8 per cent is related to diversity and inclusion (D&I)). In addition, each people manager in Europe is assigned a D&I objective aimed at identifying and proactively implementing one or two initiatives serving to improve D&I in their team. For example, this objective may cover the diversity of applications for a position to be filled, the completeness of training on inclusion, the improvement of the inclusion index, and participation to D&I projects. Finally, within the incentivisation compliance process for individuals, any breach, such as bullying, harassment or discrimination, has an impact on the individual's performance rating and hence on their variable pay.

Policies and Risk Management

Global principles overlay Group policies and procedures, connecting the organisation's purpose, values, strategy, and approach to risk management. They guide HSBC Continental Europe in the decisions it takes and how it operates. The Risk Management Framework is underpinned by the Group's values and governs its overall approach to managing risk. In addition, several entity led controls are deployed to ensure risk management and corporate governance activities are carried out effectively across the Bank. HSBC Continental Europe uses a defined framework: the '4Cs' (Capacity, Capability, Conduct and Culture), in conjunction with employment practices and relations policy to manage employee matters. Two of the risks defined in HSBC's People Risk Taxonomy have been identified as supporting the remediation of some social risks, given their overarching coverage of people management guiding principles:

- failure to comply with employment law and regulations. The risk of failing to comply with employment legislation, regulation, or requirements throughout the employee journey, from hiring to leaving, which could result in HSBC Continental Europe being in breach of employment law by not treating employees in line with legislation and regulations. Following established policies helps manage the risk of legal action, regulatory censure, reputational damage, and financial losses.
- failure to manage poor employee behaviours and employee concerns. The risk that concerns raised by employees and/or employees who demonstrate poor behaviours are not effectively managed. Including situations where employee to employee behaviours are not in line with HSBC's values, code of conduct etc. or where employee concerns are not appropriately addressed.

Analysis of the most material ESG-related risks impacting HSBC Continental Europe identified two key risks to human capital:

- failure to attract and retain talent. In a rapidly changing banking industry (digitalisation, regulatory developments, changes in the macroeconomic environment etc.), HSBC aims to accompany the shift in occupations by attracting, recruiting and integrating the best talent. Against a backdrop of global competition, organisations are predominantly focused on talent risks relating to capability and capacity.

- psychosocial risks resulting from job uncertainty, a potentially less favorable working environment, inadequate working conditions, elevated workloads, or inadequate managerial practices impacting engagement and enablement. Wellbeing concerns and other stress-related disorders are recognised to be among the leading causes of early retirement from work, increasing absence rates, overall health impairment and low organisational productivity.

The FIM, which describes the employment practices and employee relations policy set in HR procedures, ensures that HSBC Continental Europe effectively manages personal conduct cases where employees demonstrate poor behaviours towards each other. These are considered as part of the annual performance and behaviour (where legally permitted) review for HSBC Continental Europe's employees. Once a year, a dashboard of personal conduct cases and mitigating actions is presented to the HSBC Continental Europe Risk Committee.

Compliance with all applicable anti-bribery and corruption laws is mandatory in all markets and jurisdictions in which HSBC Continental Europe operates. A global anti-bribery and corruption policy exists, which requires compliance with the spirit of laws and regulations to demonstrate commitment to ethical behaviours and conduct as part of environmental, social and corporate governance, as well as with the internal Code of Conduct.

The controls below are operated to ensure compliance with labour laws and regulations and anti-discrimination rules. The policy applies to all businesses, functions, Digital Business Services ('DBS') and HSBC Continental Europe geographies. The minimum control requirements set out in the policy and detailed in the Operational Risk Control Library specifically relate to the HR Function. However, all HSBC employees and other worker groups have the responsibility to adhere to, and to enforce this policy.

The following HR-owned entity level controls ('ELCs') support HSBC Continental Europe's internal control environment as per the Risk Management Framework and may reflect control activities, which if not managed, could impact conduct outcomes associated with customers and markets.

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

HSBC Continental Europe expects to adhere to and comply with regulatory requirements.

The links between social risks with credit risk, liquidity and funding risk, market risk, operational risk in the risk management framework

With regards to the link (transmission channels) between social risks with credit risk, liquidity and funding risk, and market risk, it has been considered in 2023 that it does not exist or, if any, that it is non-material.

In the context of the implementation of the Corporate Sustainability Reporting Directive, HSBC Continental Europe is conducting a double materiality assessment on ESG matters.

Customer matters

Strategy and business processes

The conduct approach helps to focus on the impact HSBC Continental Europe has on its customers and financial markets. It concentrates on five clear outcomes:

- understanding customers' needs;
- providing products and services that offer a fair exchange of value;
- serving customers' ongoing needs, and put it right in case of mistake;
- acting with integrity in the financial markets HSBC Continental Europe operates in;
- operating with resilience and security to avoid harm to customers and markets.

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

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

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

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

Governance

Oversight of product design and sales is provided by Governance Committees chaired and attended by senior executives who are accountable for ensuring that risks are managed appropriately, and within appetite, to ensure fair customer outcomes. All markets businesses continue to focus on the development of HSBC's ESG products across all asset classes, ensuring that the position as an innovator of ESG products is maintained, and that the risk assessment allows to help mitigate against greenwashing risks.

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

Policies and risk management

HSBC has no appetite for causing material levels of customer detriment through our failure to:

- design or approve compliant, accurate and transparent financial promotion material, or by undertaking inappropriate marketing activities relating to products;
- provide products that are appropriate for customer needs;
- deliver post-sale servicing including the timely and accurate provision of post-sale customer documentation and ongoing account management; and/or
- identify and manage customers in financial difficulty.

The management of risk within appetite is driven by setting minimum standards to ensure that HSBC Continental Europe:

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

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

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

For customers with enhanced care needs, Risk Owners must ensure that mechanisms are in place, and are monitored, to identify customers who are in, or approaching, financial difficulty in a fair and timely way. Risk Owners must ensure that these customers are given the opportunity to discuss suitable solutions to manage their financial situation. Customers with enhanced care needs are those who, due to their specific circumstances, are likely to harm and need additional support in their relationship with HSBC. Our strategy, business models and procedures must support the needs of customers who require enhanced care. Our products and services must be equally accessible to all eligible customers.

The procedures must consider how customers with enhanced care needs will be identified and minimise the number of times a customer has to tell us about their circumstances. The treatment of customers with enhanced care needs must be reviewed at appropriate local management forums. It is expected to include:

- identification and understanding of needs: Businesses must have sufficient understanding of the nature and scale of customers requiring enhanced care in the markets they operate in;
- providing appropriate products and services: Business procedures must consider whether customers with enhanced care needs could form part of the target market, or whether they may be able to access the product or service over its lifecycle;
- communication: Consideration must be given to the appearance, clarity and use of simple language in communications with customers with enhanced care needs;
- Monitoring and Evaluation: Businesses must monitor how their actions or lack of action affect the experience and outcomes of customers who need enhanced care. Management must determine the appropriate continuous monitoring approach. This must take into account relevant available data and metrics. Businesses must use the results to drive improvements in their understanding of the enhanced care needs of their customers and delivery of outcomes.

Sales quality and mystery shopping reviews assess whether customers receive a fair outcome.

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

Tracking, recording and complaints management aim to be open and consistent. A consistent set of principles enables HSBC Continental Europe to remain customer focused throughout the complaints process. As an example, HSBC Continental Europe has adapted quickly to support customers facing new challenges and new ways of working. In addition, studies are run that allow HSBC Continental Europe to benchmark the performance on customer satisfaction against other banks.

HSBC is in the process of designing a modular ESG Scoring Framework for corporate customers. The framework allows granular individual scores and aggregated composite scores to be generated using backward and forward-looking metrics. The first deliverable made in 2023 is the publication of a climate score. The second deliverable is the publication of the nature score and is expected to be available at the end of the year. The social score should be the next step.

Qualitative information on Governance risk

This section describes the integration of governance risks in the governance and risk management.

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

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

This financial crime framework is underpinned by a financial crime policy designed to enable adherence to applicable laws and regulations. This framework aims to protect our customers, shareholders, staff, the communities in which we operate, and the integrity of the financial system on which we all rely.

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

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

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

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

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

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

HSBC Continental Europe’s customers highest governance body’s role has started to be taken into consideration in the TEQ for the climate score. The wholesale TEQ will be enhanced over time, the next step this year is the nature matters in addition to the climate one.

HSBC Continental Europe's integration in the governance arrangements of the governance performance of their counterparties including ethical considerations, strategy and risk management, inclusiveness, transparency, management of conflict of interest and internal communication on critical concerns.

As part of the due diligence process, there may be triggers to assess a counterparties governance in greater detail; however this process is not systematic but rather ad-hoc depending upon the risk.

HSBC may occasionally request the Anti-Bribery and Corruption framework or policy of a counterparty. Upon receipt of their governance documents, an ad-hoc assessment is performed; in the rare case where HSBC deems that the framework does not adequately mitigate certain risks, this information would follow an internal escalation process to a risk committee, where relevant. This assessment will primarily be focused on a counterparties Anti-Bribery and Corruption framework, which could include the management of conflicts of interest, code of conduct, values and ethics, as well as the application of certain laws and regulations.

Ethical considerations

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

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

Through membership of international certification schemes such as the Forestry Stewardship Council, the Roundtable on Sustainable Palm Oil and the Equator Principles, HSBC supports standards aimed at respecting human rights.

HSBC has also established Sustainable Procurement Mandatory Procedures to help identify (and escalate, where appropriate) human rights issues in its supply chain, and to ensure that its suppliers observe the human rights elements of HSBC code of conduct. These include enhanced procedures for human rights risk identification through the introduction of a human rights residual risk questionnaire for suppliers.

Strategy and risk management

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

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

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

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

Inclusiveness

As a leading global employer, HSBC's main aim is to build an HR policy that helps to develop staff members, while helping them to achieve their full potential for the Bank. In this regard, HSBC “we value difference” and believe that our differences make our business stronger.

While recognising the significance of diversity and inclusivity in fostering a responsible business environment, the absence of inclusiveness tracking in our counterparties has been determined not to pose a material risk to our operations. However, there is room to improve the integration of governance and social factors into corporate customer scoring process to align with evolving industry and remain committed to upholding our values of responsible business conduct.

Transparency

HSBC is committed to acting with integrity and conducting global activities in accordance with all applicable laws and regulations relating to financial crime risks.

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

Management of conflict of interest

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

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

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

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

- identify all types of potential conflicts that could reasonably arise in the context of their activities;

- maintain a register of all identified potential conflicts. These include both individual business conflicts as well as those arising across businesses or legal entities. A Group tool is used for this purpose;
- prevent or manage conflicts on an ongoing basis;
- disclose conflicts where appropriate; and
- evidence all occurrences of conflicts that cannot be managed.

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

Internal communication on critical concerns

HSBC Continental Europe’s internal policy on event management requires the escalation of all incidents of critical concern (including those related to ESG and third-party suppliers) to appropriate senior management stakeholders without delay. Operational incidents and near-misses, irrespective of their financial impact, are recorded in the Bank’s risk management tool and are subject to relevant risk governance.

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

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

The procedures that underpin these standards are intended to protect our customers, shareholders, staff, and the communities in which we operate, as well as the integrity of the financial system on which we all rely. Some examples of how these standards are deployed, include:

- Customer Due Diligence;
- Associated Persons and Third Party Risk Assessments

HSBC operates a zero tolerance approach to Bribery and Corruption and considers such activity to be unethical and contrary to good corporate governance. HSBC, its staff and associated persons are prohibited from engaging in Bribery and Corruption.

The Financial Crime Policy sets out the Key Principles and minimum control requirements that enable HSBC to mitigate Bribery and Corruption risk and comply with all laws and regulations, including the UK Bribery Act, US Foreign Corrupt Practices Act, the HK Prevention of Bribery Ordinance and the French Loi Sapin II, as well as other similar laws and regulations in the countries where we operate.

The reputational risk is considered across specific committees. For more information, please refer to "Reputation Risk" on page 49.

Day-to-day responsibility for risk management is delegated to senior managers with individual accountability for decision making. All people in HSBC Continental Europe have a role to play in risk management.

In the context of the implementation of the Corporate Sustainability Reporting Directive, HSBC Continental Europe is conducting a double materiality assessment on ESG matters.

Scope of ESG reporting

The information reported in Tables 35 to 39 below relates to the principal operating entities within HSBC Continental Europe’s prudential scope of consolidation, including HSBC Continental Europe's branch in Germany and HSBC Bank Malta p.l.c. at 30 June 2024. Subsidiaries engaged in insurance activities are excluded from the prudential consolidation. Within this scope, due to operational limitations, entities have been selected on the basis of their relative exposure to achieve overall material disclosure coverage at HSBC Continental Europe level. Consequently, the exposures of HSBC Continental Europe's asset management subsidiaries and other European branches are not included in the tables below. These tables provide information on non-trading book exposures; assets held for trading or held for sale are excluded.

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

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

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

Identification of companies excluded from Paris aligned benchmark

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

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

Approach to article 12.1

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

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

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

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

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

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

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

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

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

Approach to article 12.2

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

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

Data limitation

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

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

Exposure to companies excluded from Paris-aligned Benchmarks stands at EUR 1,368m (compared to EUR 1,596m at 31 December 2023).

Identification of environmentally sustainable exposures (CCM)

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

GHG financed emissions

Background

The HSBC Group announced in October 2020 its ambition to become a net zero bank, including an aim to align its financed emissions to net zero by 2050 or sooner.

To help support HSBC Group's ambition, HSBC Group announced in 2021 plans to set interim science-based, net zero-aligned, 2030 sectoral financed emissions targets. The Group focused its analysis on the sectors that are most material in terms of emissions, and those where HSBC believes engagement and climate action have the greatest potential to effect change. To date, HSBC Group has set on-balance sheet 2030 financed emissions targets across energy, heavy industry and transport. HSBC Group plans to continue to release sectoral targets for key transition sectors where the availability of appropriate data, methodologies and approaches allow, and expect to consider Net-Zero Banking Alliance ('NZBA') and other industry guidance in doing so.

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

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

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

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

In 2024, the Group will continue to review the approach for regional regulatory reporting.

Coverage of the analysis - HSBC Group

In 2021, the Group started measuring financed emissions for oil and gas, and power and utilities. In 2022, it has also started to measure financed emissions targets for four additional sectors: cement; iron, steel and aluminium; aviation; and automotive.

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

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

<table>
<tr><th>Sector</th><th>Scope of emissions</th><th colspan="4">Value chain in scope</th></tr>
<tr><td>Oil and gas</td><td>1,2 and 3</td><td>Upstream (e.g. extraction)</td><td>Midstream
(e.g. transport)</td><td>Downstream
(e.g. fuel use)</td><td>Integrated/ diversified</td></tr>
<tr><td>Power and utilities</td><td>1 and 2</td><td>Upstream (e.g. generation)</td><td colspan="2">Midstream (e.g. transmission and distribution)</td><td>Downstream
(e.g. retail)</td></tr>
<tr><td>Cement</td><td>1 and 2</td><td>Upstream (e.g raw materials, extraction)</td><td colspan="2">Midstream (e.g. clinker and cement manufacturing)</td><td>Downstream
(e.g. construction)</td></tr>
<tr><td>Iron, steel and aluminium</td><td>1 and 2</td><td>Upstream (e.g raw materials, extraction)</td><td colspan="2">Midstream (e.g. ore to steel)</td><td>Downstream
(e.g. construction)</td></tr>
<tr><td>Aviation</td><td>1 for airlines, 3 for aircraft lessors</td><td>Upstream (e.g parts manufacturers)</td><td colspan="2">Midstream (e.g. aircraft manufacturing)</td><td>Downstream (e.g. airlines and aircraft lessors)</td></tr>
<tr><td>Automotive</td><td>1,2 and 3</td><td>Upstream (e.g. suppliers)</td><td colspan="2">Midstream (e.g. motor vehicle manufacture)</td><td>Downstream
(e.g. retail)</td></tr>
</table>

To calculate annual on-balance sheet financed emissions as at 30 June 2024, the Group uses drawn balances as at 31 December 2022 related to wholesale credit and lending, which include business loans and project finance. It only includes products for which the typical original term is 12 months or longer, having considered the Partnership for Carbon Accounting Financials ('PCAF') guidance.

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

PCAF provides guidance on estimating emissions using different data sources. Emissions can be estimated using data on production, revenue, or outstanding loan amounts in combination with emission factors specific to that data. The Group endeavours to use the best available dataset according to PCAF but at this stage, it has prioritised the use of vendor data to help ensure data consistency. Recommendations are provided to financial institutions to score and disclose data quality, and to seek to improve data quality over time.

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

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

HSBC Continental Europe Financed Emissions

HSBC Continental Europe discloses GHG financed emissions in line with the Group's approach, which focuses on the parts of the value chain where HSBC believes the majority of emissions are produced to help reduce double counting of emissions.

For each counterparty, the Bank approximates absolute financed emissions using the loans and advances recorded in HSBC Continental Europe as a proportion of the HSBC Group total multiplied by the financed emissions for the HSBC Group.

Plans to enhance methods to estimate counterparties' emission

The methodologies and data used to assess financed emissions and set targets continue to evolve alongside changes to industry guidance, market practice and regulation. The Group plans to refine the analysis using appropriate data sources and current methodologies available for the sectors it analyses.

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

The majority of clients do not yet report the full scope of greenhouse gas emissions included in the analysis, in particular scope 3 emissions. In the absence of client-reported emissions, HSBC has estimated emissions using proxies based on company production and revenue figures. Although HSBC seeks to minimize the use of non-company-specific data, it applied industry averages in the analysis where company-specific data was unavailable through the vendor datasets. As data improves, estimates will be replaced with reported figures.

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

Data and methodology limitations

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

- The Group's approach focuses on what HSBC believes to be the most material parts of the sector value chains, and it seeks to minimise double counting between the transactions within the portfolio. Double counting occurs when GHG emissions are counted more than once in financed emissions analysis and cannot be avoided. HSBC remains committed to transparency around its methodology and scope of analysis;
- NACE codes and internal wholesale industry classifications are assigned to help determine the nature of a customer's main activity. The scope of clients analysed is determined based on sector classifications assigned using expert judgement from global relationship managers based on their relationship and knowledge of the customer's activity, with supporting data from NACE codes assigned at the issuer level consistent with third party vendor datasets;
- NACE codes are assigned to a counterparty at the counterparty group level by calculating the NACE with the highest and second-highest approved lending limits. The calculation and methodology of financed emissions calculation are dependent upon the availability of data. For the calculation of financed emissions where the allocation of the emissions data is required at the subsidiary level - however, data may only be available at the consolidated level of a counterparty and not at the legal entity level of a counterparty - HSBC has used the counterparty Group level information. Sectors for balance sheet reporting are assigned at an individual obligor level and may therefore differ between the counterparty Group sectors used for financed emission reporting;
- Due to the time lag for emissions data from our counterparties the financed emissions are based on both balance sheet and emission figures from 2022 year-end. This differs to year used for gross carrying amount shown in the table;
- Emissions intensity of financing activities is assumed to be the same across regions and HSBC Continental Europe's financed emissions are apportioned at the same ratio as HSBC Continental Europe's portion of loan balances used in the HSBC Group's calculations. This may result in a different estimation of financed emissions attributable to HSBC Continental Europe to one where methodology and available data were available to perform a more granular calculation;
- The financed emission calculation only covers loan and advances to customers which reflects the most material part of the financing activity. Debt and equity holdings represent 1 per cent of the banking book exposure.

Table 35: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount (€m)					Accumulated impairment/ negative changes in fair value due to credit risk and provisions (€m)			GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent)							
30 Jun 2024			*of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818*	*of which: environmentally sustainable (CCM)*	*of which: stage 2 exposures*	*of which: non-performing exposures*		*of which: Stage 2 exposures*	*of which: non-performing exposures*		*of which: Scope 3 financed emissions*	percentage of GHG emissions (column i) derived from company-specific reporting (%)	<= 5 years (€m)	> 5 year <= 10 years (€m)	> 10 year <= 20 years (€m)	> 20 years (€m)	Average weighted maturity (years)
Sector/Subsector																	
1	**Exposures towards sectors that highly contribute to climate change**[1]	21,595	1,173	262	2,856	945	(327)	(38)	(265)	4,111,928	1,543,310	48	19,236	1,842	502	15	2.2
2	**A – Agriculture, forestry and fishing**	89	—	—	2	26	(7)	—	(7)	—	—		87	1	1	—	2.3
3	**B – Mining and quarrying**	280	216	—	2	225	—	—	—	39,012	36,594	31	66	214	—	—	7.0
4	B.05 – Mining of coal and lignite	—	—	—	—	—	—	—	—	—	—		—	—	—	—	—
5	B.06 – Extraction of crude petroleum and natural gas	216	216	—	2	214	—	—	—	39,012	36,594	31	2	214	—	—	8.7
6	B.07 – Mining of metal ores	23	—	—	—	—	—	—	—	—	—		23	—	—	—	2.8
7	B.08 – Other mining and quarrying	30	—	—	—	—	—	—	—	—	—		30	—	—	—	0.4
8	B.09 – Mining support service activities	11	—	—	—	11	—	—	—	—	—		11	—	—	—	1.1
9	**C – Manufacturing**	8,191	155	91	749	279	(114)	(10)	(95)	1,724,706	1,506,716	80	7,883	274	23	11	1.4
10	C.10 – Manufacture of food products	773	—	—	39	10	(8)	(1)	(7)	—	—		696	61	16	—	2.0
11	C.11 – Manufacture of beverages	139	—	—	15	—	—	—	—	—	—		133	6	—	—	0.6
12	C.12 – Manufacture of tobacco products	111	—	—	—	—	—	—	—	—	—		111	—	—	—	3.0
13	C.13 – Manufacture of textiles	105	—	—	8	13	(4)	—	(4)	—	—		69	36	—	—	3.8
14	C.14 – Manufacture of wearing apparel	30	—	—	2	17	(5)	—	(5)	—	—		30	—	—	—	1.0

Table 35: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount (€m)					**Accumulated impairment/ negative changes in fair value due to credit risk and provisions (€m)**			**GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent)**							
30 Jun 2024			***of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818***	***of which: environmentally sustainable (CCM)***	***of which: stage 2 exposures***	***of which: non-performing exposures***		***of which: Stage 2 exposures***	***of which: non-performing exposures***		***of which: Scope 3 financed emissions***	**percentage of GHG emissions (column i) derived from company-specific reporting (%)**	**<= 5 years (€m)**	**> 5 year <= 10 years (€m)**	**> 10 year <= 20 years (€m)**	**> 20 years (€m)**	**Average weighted maturity (years)**
Sector/Subsector																	
15	C.15 – Manufacture of leather and related products	**31**	—	—	—	—	—	—	—	—	—		**31**	—	—	—	**2.2**
16	C.16 – Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	**86**	—	—	*1*	*3*	**(3)**	—	*(3)*	—	—		**74**	**12**	—	—	**2.7**
17	C.17 – Manufacture of paper and paper products	**31**	—	—	*19*	*1*	**(1)**	—	*(1)*	—	—		**31**	—	—	—	**1.6**
18	C.18 – Printing and reproduction of recorded media	**68**	—	—	—	*3*	**(2)**	—	*(2)*	—	—		**68**	—	—	—	**3.0**
19	C.19 – Manufacture of coke and refined petroleum products	**38**	*2*	—	—	—	—	—	—	—	—		**38**	—	—	—	**0.1**
20	C.20 – Manufacture of chemicals and chemical products	**496**	*61*	*5*	*21*	*7*	**(2)**	—	*(1)*	—	—		**495**	**1**	—	—	**0.6**
21	C.21 – Manufacture of basic pharmaceutical products and pharmaceutical preparations	**944**	—	—	*174*	*47*	**(8)**	*(1)*	*(6)*	—	—		**906**	**38**	—	—	**2.1**
22	C.22 – Manufacture of rubber products	**288**	*6*	—	*29*	*2*	**(3)**	*(1)*	*(1)*	—	—		**278**	**10**	—	—	**2.1**

Table 35: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount (€m)					Accumulated impairment/ negative changes in fair value due to credit risk and provisions (€m)			GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent)							
30 Jun 2024			*of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818*	*of which: environmentally sustainable (CCM)*	*of which: stage 2 exposures*	*of which: non-performing exposures*		*of which: Stage 2 exposures*	*of which: non-performing exposures*		*of which: Scope 3 financed emissions*	percentage of GHG emissions (column i) derived from company-specific reporting (%)	<= 5 years (€m)	> 5 year <= 10 years (€m)	> 10 year <= 20 years (€m)	> 20 years (€m)	Average weighted maturity (years)
Sector/Subsector																	
23	C.23 – Manufacture of other non-metallic mineral products	**242**	*—*	*—*	*3*	*3*	**(2)**	*—*	*(1)*	**46,273**	*—*	*41*	**239**	**2**	**1**	**—**	**2.8**
24	C.24 – Manufacture of basic metals	**289**	*—*	*56*	*3*	*1*	**—**	*—*	*—*	**158,939**	*—*	*—*	**288**	**1**	**—**	**—**	**0.9**
25	C.25 – Manufacture of fabricated metal products, except machinery and equipment	**370**	*—*	*—*	*13*	*43*	**(9)**	*—*	*(9)*	**—**	*—*		**341**	**29**	**—**	**—**	**1.5**
26	C.26 – Manufacture of computer, electronic and optical products	**379**	*—*	*7*	*35*	*4*	**(6)**	*(1)*	*(4)*	**—**	*—*		**379**	**—**	**—**	**—**	**1.9**
27	C.27 – Manufacture of electrical equipment	**452**	*1*	*—*	*3*	*47*	**(20)**	*—*	*(20)*	**—**	*—*		**452**	**—**	**—**	**—**	**1.0**
28	C.28 – Manufacture of machinery and equipment n.e.c.	**352**	*—*	*10*	*122*	*32*	**(15)**	*(4)*	*(11)*	**—**	*—*		**346**	**3**	**3**	**—**	**2.2**
29	C.29 – Manufacture of motor vehicles, trailers and semi-trailers	**445**	*16*	*1*	*3*	*22*	**(3)**	*—*	*(2)*	**1,518,431**	*1,505,666*	**95**	**445**	**—**	**—**	**—**	**1.4**
30	C.30 – Manufacture of other transport equipment	**194**	*—*	*12*	*83*	*—*	**(1)**	*(1)*	*—*	**1,063**	*1,050*	**100**	**136**	**58**	**—**	**—**	**3.7**
31	C.31 – Manufacture of furniture	**15**	*—*	*—*	*1*	*1*	**—**	*—*	*—*	**—**	*—*		**7**	**7**	**1**	**—**	**4.1**
32	C.32 – Other manufacturing	**2,282**	*69*	*—*	*174*	*19*	**(20)**	*(1)*	*(16)*	**—**	*—*		**2,260**	**9**	**2**	**11**	**0.4**
33	C.33 – Repair and installation of machinery and equipment	**31**	*—*	*—*	*1*	*4*	**(2)**	*—*	*(2)*	**—**	*—*		**30**	**1**	**—**	**—**	**1.6**

Table 35: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	Gross carrying amount (€m)					Accumulated impairment/ negative changes in fair value due to credit risk and provisions (€m)			GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent)							
30 Jun 2024		*of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818*	*of which: environmentally sustainable (CCM)*	*of which: stage 2 exposures*	*of which: non-performing exposures*		*of which: Stage 2 exposures*	*of which: non-performing exposures*		*of which: Scope 3 financed emissions*	percentage of GHG emissions (column i) derived from company-specific reporting (%)	<= 5 years (€m)	> 5 year <= 10 years (€m)	> 10 year <= 20 years (€m)	> 20 years (€m)	Average weighted maturity (years)
Sector/Subsector																
34 **D – Electricity, gas, steam and air conditioning supply**	**812**	*466*	*5*	*54*	*5*	(6)	*(1)*	*(2)*	1,381,965	—	—	681	67	60	4	2.8
35 D35.1 – Electric power generation, transmission and distribution	737	*425*	*4*	*54*	*5*	(6)	*(1)*	*(2)*	1,381,965	—	—	608	65	60	4	4.2
36 D35.11 – Production of electricity	535	*373*	*4*	*54*	—	(2)	*(1)*	—	1,381,965	—	—	426	45	60	4	3.8
37 D35.2 – Manufacture of gas; distribution of gaseous fuels through mains	45	*41*	*1*	—	—	—	—	—	—	—		43	2	—	—	0.5
38 D35.3 – Steam and air conditioning supply	30	—	—	—	—	—	—	—	—	—		30	—	—	—	—
39 **E – Water supply; sewerage, waste management and remediation activities**	**324**	—	—	*51*	—	—	—	—	—	—		322	2	—	—	0.4
40 **F - Construction**	**428**	—	*3*	*30*	*24*	(14)	*(1)*	*(12)*	—	—		366	34	28	—	2.8
41 F.41 – Construction of buildings	138	—	*3*	*11*	*9*	(4)	—	*(4)*	—	—		112	9	17	—	3.2
42 F.42 – Civil engineering	201	—	—	*1*	*1*	(1)	—	—	—	—		168	22	11	—	3.1
43 F.43 – Specialised construction activities	89	—	—	*18*	*14*	(9)	*(1)*	*(8)*	—	—		86	3	—	—	1.5
44 **G – Wholesale and retail trade; repair of motor vehicles and motorcycles**	**4,498**	*334*	*19*	*765*	*194*	(123)	*(7)*	*(114)*	—	—		4,424	63	11	—	1.0
45 **H – Transportation and storage**	**1,949**	*2*	—	*721*	*17*	(15)	*(7)*	*(8)*	966,245	—	48	1,314	418	217	—	4.2
46 H.49 – Land transport and transport via pipelines	196	*1*	—	*9*	*5*	(3)	—	*(3)*	—	—		179	17	—	—	2.2

Table 35: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

			a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
			Gross carrying amount (€m)					Accumulated impairment/ negative changes in fair value due to credit risk and provisions (€m)			GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent)							
30 Jun 2024				*of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818*	*of which: environmentally sustainable (CCM)*	*of which: stage 2 exposures*	*of which: non-performing exposures*		*of which: Stage 2 exposures*	*of which: non-performing exposures*		*of which: Scope 3 financed emissions*	percentage of GHG emissions (column i) derived from company-specific reporting (%)	<= 5 years (€m)	> 5 year <= 10 years (€m)	> 10 year <= 20 years (€m)	> 20 years (€m)	Average weighted maturity (years)
Sector/Subsector																		
47		H.50 – Water transport	1,039	—	—	634	—	(6)	(6)	—	—	—		529	309	201	—	5.8
48		H.51 – Air transport	168	—	—	—	1	—	—	—	966,245	—	48	161	7	—	—	2.1
49		H.52 – Warehousing and support activities for transportation	544	1	—	78	11	(6)	(1)	(5)	—	—		443	85	16	—	2.7
50		H.53 – Postal and courier activities	2	—	—	—	—	—	—	—	—	—		2	—	—	—	0.2
51	**I – Accommodation and food service activities**		481	—	—	68	27	(14)	(2)	(10)	—	—		455	23	3	—	2.1
52	**L – Real estate activities**		4,543	—	144	414	148	(34)	(10)	(17)	—	—		3,638	746	159	—	3.4
53	**Exposures towards sectors other than those that highly contribute to climate change[1]**		13,778	195	24	1,504	689	(343)	(26)	(302)	—	—		12,888	687	34	169	2.2
54	**K – Financial and insurance activities**		44	—	—	13	—	—	—	—	—	—		21	16	7	—	5.2
55	**Exposures to other sectors (NACE codes J, M – U)**		13,734	195	24	1,491	689	(343)	(26)	(302)	—	—		12,867	671	27	169	2.2
56	**TOTAL**		35,373	1,368	286	4,360	1,634	(670)	(64)	(567)	4,111,928	1,543,310	48	32,124	2,529	536	184	2.2

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

Table 35: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

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

Table 35: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

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

Table 35: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

	31 Dec 2023	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount (€m)					Accumulated impairment/ negative changes in fair value due to credit risk and provisions (€m)			GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent)							
			of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818	*of which: environmentally sustainable (CCM)*	*of which: stage 2 exposures*	*of which: non-performing exposures*		*of which: Stage 2 exposures*	*of which: non-performing exposures*		*of which: Scope 3 financed emissions*	percentage of GHG emissions (column i) derived from company-specific reporting (%)	<= 5 years (€m)	> 5 year <= 10 years (€m)	> 10 year <= 20 years (€m)	> 20 years (€m)	Average weighted maturity (years)
	Sector/Subsector																
25	C.25 – Manufacture of fabricated metal products, except machinery and equipment	303	—	—	*19*	*46*	(10)	—	*(10)*				267	35	1	—	2.0
26	C.26 – Manufacture of computer, electronic and optical products	157	—	—	*21*	—	(1)	*(1)*	—				157	—	—	—	1.9
27	C.27 – Manufacture of electrical equipment	579	—	—	*4*	*52*	(24)	—	*(24)*				572	6	1	—	1.2
28	C.28 – Manufacture of machinery and equipment n.e.c.	450	—	*4*	*115*	*70*	(39)	*(3)*	*(35)*				438	10	2	—	2.5
29	C.29 – Manufacture of motor vehicles, trailers and semi-trailers	246	*23*	*1*	*4*	*2*	(1)	—	*(1)*				246	—	—	—	1.4
30	C.30 – Manufacture of other transport equipment	405	—	*5*	*89*	*21*	(3)	*(1)*	*(2)*				341	64	—	—	2.7
31	C.31 – Manufacture of furniture	72	—	—	*1*	*1*	(1)	—	*(1)*				48	22	2	—	3.7
32	C.32 – Other manufacturing	1,142	*354*	—	*102*	*28*	(22)	*(1)*	*(19)*				1,142	—	—	—	0.3
33	C.33 – Repair and installation of machinery and equipment	2	—	—	—	—	—	—	—				2	—	—	—	1.2
34	D – Electricity, gas, steam and air conditioning supply	890	*526*	*15*	*32*	*5*	(5)	—	*(4)*				766	29	93	2	2.8
35	D35.1 – Electric power generation, transmission and distribution	661	*521*	*14*	*32*	*5*	(5)	—	*(4)*				537	29	93	2	3.7
36	D35.11 – Production of electricity	575	*437*	*14*	*32*	—	—	—	—				475	5	93	2	3.8

Table 35: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	Gross carrying amount (€m)					Accumulated impairment/ negative changes in fair value due to credit risk and provisions (€m)			GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent)							
31 Dec 2023		*of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818*	*of which: environmentally sustainable (CCM)*	*of which: stage 2 exposures*	*of which: non-performing exposures*		*of which: Stage 2 exposures*	*of which: non-performing exposures*		*of which: Scope 3 financed emissions*	percentage of GHG emissions (column i) derived from company-specific reporting (%)	<= 5 years (€m)	> 5 year <= 10 years (€m)	> 10 year <= 20 years (€m)	> 20 years (€m)	Average weighted maturity (years)
Sector/Subsector																
37 D35.2 – Manufacture of gas; distribution of gaseous fuels through mains	5	5	1	—	—	—	—	—				5	—	—	—	0.2
38 D35.3 – Steam and air conditioning supply	224	—	—	—	—	—	—	—				224	—	—	—	—
39 E – Water supply; sewerage, waste management and remediation activities	305	—	—	49	—	—	—	—				304	1	—	—	0.6
40 F - Construction	497	—	5	31	32	(17)	(1)	(15)				428	26	43	—	3.2
41 F.41 – Construction of buildings	447	—	3	21	23	(15)	(1)	(12)				380	24	43	—	3.3
42 F.42 – Civil engineering	31	—	1	—	8	(1)	—	(2)				31	—	—	—	0.3
43 F.43 – Specialised construction activities	19	—	1	10	1	(1)	—	(1)				17	2	—	—	2.3
44 G – Wholesale and retail trade; repair of motor vehicles and motorcycles	4,319	233	7	660	190	(124)	(5)	(117)				4,238	70	11	—	1.3
45 H – Transportation and storage	2,062	2	—	813	19	(17)	(8)	(8)				1,368	461	233	—	4.3
46 H.49 – Land transport and transport via pipelines	310	1	—	11	13	(3)	—	(3)				282	20	8	—	2.0
47 H.50 – Water transport	1,104	—	—	745	—	(8)	(7)	—				546	345	213	—	5.8
48 H.51 – Air transport	97	—	—	1	—	—	—	—				90	7	—	—	2.2
49 H.52 – Warehousing and support activities for transportation	549	1	—	56	6	(6)	(1)	(5)				448	89	12	—	3.0
50 H.53 – Postal and courier activities	2	—	—	—	—	—	—	—				2	—	—	—	—
51 I – Accommodation and food service activities	486	—	—	111	43	(14)	—	(12)				462	17	7	—	2.5
52 L – Real estate activities	4,541	—	73	416	142	(37)	(8)	(20)				3,528	731	282	—	3.8

Table 35: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	Gross carrying amount (€m)					Accumulated impairment/ negative changes in fair value due to credit risk and provisions (€m)			GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent)							
31 Dec 2023		*of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818*	*of which: environmentally sustainable (CCM)*	*of which: stage 2 exposures*	*of which: non-performing exposures*		*of which: Stage 2 exposures*	*of which: non-performing exposures*		*of which: Scope 3 financed emissions*	percentage of GHG emissions (column i) derived from company-specific reporting (%)	<= 5 years (€m)	> 5 year <= 10 years (€m)	> 10 year <= 20 years (€m)	> 20 years (€m)	Average weighted maturity (years)
Sector/Subsector																
53 Exposures towards sectors other than those that highly contribute to climate change	14,095	*91*	*39*	*1,922*	*615*	(330)	*(29)*	*(283)*				13,190	724	70	111	2.2
54 K – Financial and insurance activities	52	—	—	—	*8*	(2)	—	*(1)*				41	4	7	—	4
55 Exposures to other sectors (NACE codes J, M – U)	14,043	*91*	*39*	*1,922*	*607*	(328)	*(29)*	*(282)*				13,149	720	63	111	2.2
56 TOTAL	34,091	*1,596*	*149*	*4,655*	*1,543*	(684)	*(59)*	*(587)*				30,668	2,543	767	113	2.4

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

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

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

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

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

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

Although the sale of HSBC Continental Europe's French retail operations completed on 1 January 2024, the Bank has retained a portfolio of retail home loans (comprised of mortgages and loans secured by Credit Logement guarantee) amounting to EUR 6.9bn (EUR7.1bn as at year-end 2023) which remains in scope of reporting for interim 2024. For retail exposures, the EPC ratings have been estimated using information from a third party provider utilising address and property data against public and private EPC databases and, where necessary, proximity statistical analysis on the basis of EPCs nearby and at the same address. This third party data are treated as estimated. Collected EPCs from customers were treated as actual energy level and EPC label. Where no property data existed, energy levels were estimated based on the level of energy of collected and third party estimated EPCs.

The EBA periodically releases Q&As which clarify the requirements of the regulation. An ongoing review of this additional guidance is undertaken to ensure compliance. As a result of this, the presentation of some columns in the table has been amended. Specifically, the column 'Without EPC label of collateral' now presents the exposure rather than percentage of exposures without EPC label, and the column 'Of which level of energy efficiency estimated' presents the percentage, rather than amount of exposures without EPC label where the energy level has been estimated. This change in presentation has been reflected in the prior period table.

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

Table 36: Template 2: Banking book - Indicators of potential climate change transition risk: loans collateralised by immovable property - energy efficiency of the collateral

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
Counterparty sector	**Total gross carrying amount**															
		Level of energy efficiency (EP score in kWh/m² of collateral)						**Level of energy efficiency (EPC label of collateral)**							**Without EPC label of collateral**	
		0; <= 100	**> 100; <= 200**	**> 200; <= 300**	**> 300; <= 400**	**> 400; <= 500**	**> 500**	**A**	**B**	**C**	**D**	**E**	**F**	**G**		***of which: energy efficiency (EP score in kWh/m² of collateral) estimated***
30 Jun 2024	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**%**
1 **Total EU area**	**14,963**	**1,905**	**4,219**	**5,303**	**2,405**	**499**	**632**	**484**	**346**	**491**	**498**	**257**	**144**	**224**	**12,519**	**100**
2 – of which: Loans collateralised by commercial immovable property	***4,896***	***1,156***	***789***	***1,794***	***518***	***86***	***553***	***454***	***318***	***379***	***297***	***187***	***124***	***211***	***2,926***	**100**
3 – of which: Loans collateralised by residential immovable property	***10,064***	***749***	***3,429***	***3,508***	***1,887***	***413***	***78***	***30***	***28***	***112***	***201***	***70***	***20***	***13***	***9,590***	**100**
4 – of which: Collateral obtained by taking possession: residential and commercial immovable properties	***3***	—	***1***	***1***	—	—	***1***	—	—	—	—	—	—	—	***3***	**100**
5 – of which: Level of energy efficiency (EP score in kWh/m² of collateral) estimated	***12,632***	***1,209***	***3,667***	***4,875***	***2,143***	***410***	***328***								***12,519***	**100**
6 **Total non-EU area**	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7 – of which: Loans collateralised by commercial immovable property	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8 – of which: Loans collateralised by residential immovable property	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9 – of which: Collateral obtained by taking possession: residential and commercial immovable properties	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10 – of which: Level of energy efficiency (EP score in kWh/m² of collateral) estimated	—	—	—	—	—	—	—								—	—
31 Dec 2023																
1 Total EU area	14,584	1,611	4,391	4,864	2,690	542	486	421	284	360	427	292	96	57	12,647	100
2 – of which: Loans collateralised by commercial immovable property	*4,305*	*870*	*827*	*1,328*	*759*	*117*	*404*	*384*	*256*	*237*	*203*	*218*	*79*	*47*	*2,881*	100
3 – of which: Loans collateralised by residential immovable property	*10,276*	*741*	*3,563*	*3,536*	*1,931*	*425*	*80*	*37*	*28*	*123*	*224*	*74*	*17*	*10*	*9,763*	100
4 – of which: Collateral obtained by taking possession: residential and commercial immovable properties	*3*	—	*1*	—	—	—	*2*	—	—	—	—	—	—	—	*3*	100
5 – of which: Level of energy efficiency (EP score in kWh/m² of collateral) estimated	*12,943*	*1,070*	*3,964*	*4,501*	*2,565*	*471*	*372*								*12,647*	100
6 Total non-EU area	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7 – of which: Loans collateralised by commercial immovable property	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8 – of which: Loans collateralised by residential immovable property	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9 – of which: Collateral obtained by taking possession: residential and commercial immovable properties	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10 – of which: Level of energy efficiency (EP score in kWh/m² of collateral) estimated	—	—	—	—	—	—	—								—	—

Banking book - Climate change transition risk: Alignment metrics

Setting targets

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

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

The Group has published initial financed emission targets for 2030, and plans to review them in five-year increments thereafter.

For financed emissions the Group does not plan to set 2025 targets. It sets targets in line with the NZBA guidelines by setting 2030 targets. While the NZBA defines 2030 as intermediate, the Group use different time horizons for climate risk management. For climate, HSBC defines short term as time periods up to 2025; medium term is between 2026 and 2035; and long term is between 2036 and 2050. These time periods align to the Climate Action 100+ disclosure framework.

Methodology for alignment metrics

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

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

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

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

An evolving approach

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

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

Scenarios used in the analysis are modelled on assumptions of the available carbon budget and actions that need to be taken to limit the long-term increase in average global temperatures to 1.5°C with limited overshoot. HSBC expects that the scenarios it uses in its analysis will be updated periodically. HSBC plans to refine its own analysis of financed emissions as industry guidance on scenarios, data and methodologies more broadly, evolve in the years ahead.

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

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

Data and methodology limitations:

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

- Sector targets and progress metrics are calculated at the Group level and are set for HSBC's global portfolio. They are managed at the Group level with the recognition that regions and companies will decarbonize at different rates and that there are different strategies to achieve its global targets.
- Due to the financed emissions calculation methodology, intensity based metrics can be highly volatile year-on-year when applied to smaller portfolios. At a sub-portfolio level, they therefore do not accurately represent progress to a global sector target.
- The Group calculated the sector level emissions intensity metrics using a portfolio-weighted approach. Due to data limitations, HSBC is unable to obtain production data for all of our clients. It therefore calculates an emissions intensity figure using the 75th percentile to meet this data gap.
- Due to the time lag for emissions data from counterparties the alignment metrics are based on both balance sheet and emission figures from 2022 year-end. Third party datasets that feed into the analysis may have up to a two-year lag in reported emission figures, and HSBC is working with data providers to help reduce this. Mapping external datasets to the internal client entities is challenging due to complex company ownership structures.
- The operating environment for climate analysis and portfolio alignment is maturing. HSBC continues to work to improve the data management processes, and are implementing steering mechanisms to align our provision of finance with the goals and timelines of the Paris Agreement.

Table 37: Template 3: Banking book - Indicators of potential climate change transition risk: alignment metrics.

	a	b	c	d	e	f	g
	Sector	NACE Sectors	Gross carrying amount (€m)[1]	Alignment metric[2]	Reference year	Distance to IEA NZE2050 as %[3]	Target (year of reference + 3 years)[7]
1	**Power**	**3511**	**390**	**tCO2e/Gwh**	**2022**	**303**	**Not available**
2	**Fossil fuel combustion**	**0610; 0620**	**10**	**MtCO2e**	**2022**	**Not available[4]**	**Not available**
3	**Automotive**	**2910; 3091**	**460**	**tCO2e/million vkm**	**2022**	**290**	**Not available**
4	**Aviation**	**5110; 7735**	**1,342**	**tCO2e/million rpk**	**2022**	**33**	**Not available**
5	**Maritime transport[5]**	**Not available**	**Not available**	**Not available**	**Not available**	**Not available**	**Not available**
6	**Cement, clinker and lime production**	**2351**	**9**	**tCO2e/t cement**	**2022**	**52**	**Not available**
7	**Iron and steel, coke, and metal ore production**	**2410; 2442**	**81**	**tCO2e/t metal**	**2022**	**88**	**Not available**
8	**Chemicals[6]**	**Not available**	**Not available**	**Not available**	**Not available**	**Not available**	**Not available**

1 *The gross carrying amount is reported as at December 2022.*
2 *For the oil and gas sector, absolute emissions are measured in million tonnes of carbon dioxide equivalent ('Mt CO2e'); for the power and utilities sector, intensity is measured in tonnes of carbon dioxide equivalent per gigawatt hour ('tCO2e/GWh'); for the cement sector, intensity is measured in tonnes of carbon dioxide equivalent per tonne of cement ('tCO2e/t cement'); for the iron, steel and aluminium sector, intensity is measured in tonnes of carbon dioxide equivalent per tonne of metal ('tCO2e/t metal'); for the aviation sector, intensity is measured in tonnes of carbon dioxide equivalent per million revenue passenger kilometres ('tCO2e/million rpk') and for the automotive sector, intensity is measured in tonnes of carbon dioxide equivalent per million vehicle kilometres ('tCO2e/million vkm').*
3 *PiT distance to 2030 NZE2050 scenario in % (for each metric).*
4 *The reason for not reporting the distance to IEA NZE 2050 for HSBC Continental Europe is because the Group's targets are expressed in percentage reduction from 2019 and there is no 2019 HSBC Continental Europe baseline (i.e. where to measure the reduction from) for fossil fuel combustion due to no target setting and baseline for regional reporting.*
5 *Following a reduction in the Group's exposure to the shipping sector after the strategic sale of part of the European shipping portfolio in 2023, and work undertaken to assess the materiality of the remaining portfolio from a financed emissions perspective, the Bank has concluded that the remaining exposure as of year-end 2023 is not material enough to warrant setting a stand-alone target. This aligns with NZBA guidelines on sector inclusion for target setting.*
6 *Chemicals is not currently aligned to the in-scope sectors for the Group disclosures. Therefore, it is not disclosed.*
7 *For financed emissions the Group do not plan to set 2025 targets. It sets targets in line with the NZBA guidelines by setting 2030 targets.*

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

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

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

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

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

Table 38: Template 4: Banking book – indicators of potential climate change transition risk: exposures to top 20 carbon-intensive firms

		a	b	c	d	e
		Gross carrying amount €m (aggregate)	Gross carrying amount to the Top 20 counterparties compared to total gross carrying amount (aggregate)[1]	*of which: environmentally sustainable (CCM)*	Weighted average maturity (years)	Number of top 20 polluting firms included
1	**30 Jun 2024**	**519**	**0.46**	***0.07***	**0.10**	**6**
1	31 Dec 2023	734	0.77	*0.06*	0.08	6

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

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

Scope

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

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

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

Methodology

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

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

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

Data limitations

For corporate loans, the disclosure is dependent on the availability of location information for one of the following three things: the collateral securing the loans (where relevant), the counterparties activities, or the head office. If any one of these three locations was found to be subject to high physical risk, the exposure is considered as high physical risk in the table. Based on the available data, the geographical location of the collateral, or activity of the counterparty, or their head office location was mapped at the most granular district or state level where possible; country level mapping was only used as a last resort. In addition, for retail loans, residential addresses were also considered. Further, for cases where the counterparty's loan is backed by more than one collateral in the form of immovable property, the physical risk of each collateral has been assessed and the highest physical risk is reported against that contract. For the retail book while physical risk data was available for the majority of the exposures, the average physical risk calculated has been used for estimating the physical risk for the remaining exposures. Also, based on the available data, we calculated physical risk based on best available location of the exposure. For exposures in Malta, the physical risk impact data from the ThinkHazard! database was overlaid with local risk assessment based on the location of buildings in these localities.

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

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

For EUR639m (1 per cent) of the total amount analysed in table 39 as at June 2024 for HSBC Continental Europe, we had limited or no data available to clearly identify the geographical location and assess the impact of the associated physical risk (compared to EUR675m representing 1 per cent in December 2023).

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

Assumptions

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

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

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

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

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

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

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

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

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

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

- A climate risk rating of High is assumed to imply that all the assets in that location are sensitive to physical climate risk;
- A combination of Medium and Low risks does not aggregate to a High Risk;
- Exposure to any one or more High climate risk perils is sufficient to expose all assets in that district to High physical risk. This is a conservative but rational approach as, in most cases, a high risk level from a single hazard such as wildfire, landslide, cyclone, volcanoes or earthquake would be expected to impact fully the value of a physical asset. However, for some hazards, such as extreme heat, water scarcity and floods, generally full damage or destruction of the asset would not be expected.

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

Table 39: Template 5: Banking book – indicators of potential climate change physical risk: exposures subject to physical risk

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount													
			of which: exposures sensitive to impact from climate change physical events												
			Breakdown by maturity bucket										Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
	Variable: Geographical area subject to climate change physical risk – acute and chronic events		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average Weighted maturity	of which: exposures sensitive to impact from chronic climate change events	of which: exposures sensitive to impact from acute climate change events	of which: exposures sensitive to impact both from chronic and acute climate change events	of which: Stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures
		€m	€m	€m	€m	€m	years	€m	€m	€m	€m	€m	€m	€m	€m
	30 Jun 2024														
	France														
1	A – Agriculture, forestry and fishing	**80**	**74**	**1**	**1**	**—**	**2.6**	**—**	***76***	**—**	**—**	***26***	**(7)**	**—**	***(6)***
2	B – Mining and quarrying	**257**	**41**	**214**	**—**	**—**	**7.7**	**—**	***41***	***214***	***1***	***225***	**—**	**—**	**—**
3	C – Manufacturing	**4,220**	**3,406**	**161**	**16**	**—**	**1.8**	**—**	***3,176***	***407***	***462***	***143***	**(51)**	***(6)***	***(41)***
4	D – Electricity, gas, steam and air conditioning supply	**514**	**471**	**28**	**11**	**4**	**2.4**	**—**	***439***	***75***	***51***	**—**	**(1)**	**—**	**—**
5	E – Water supply; sewerage, waste management and remediation activities	**50**	**45**	**1**	**—**	**—**	**2.3**	**—**	***37***	***9***	***3***	**—**	**—**	**—**	**—**
6	F – Construction	**384**	**255**	**24**	**14**	**—**	**2.9**	**—**	***293***	**—**	***17***	***13***	**(9)**	**—**	***(7)***
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	**3,285**	**2,971**	**49**	**6**	**—**	**1.2**	**—**	***2,999***	***27***	***557***	***109***	**(80)**	***(4)***	***(74)***
8	H – Transportation and storage	**1,298**	**951**	**200**	**14**	**—**	**3.1**	**—**	***1,037***	***128***	***303***	***7***	**(6)**	***(1)***	***(4)***
9	L – Real estate activities	**3,867**	**2,996**	**545**	**102**	**—**	**3.5**	**—**	***3,643***	**—**	***382***	***109***	**(27)**	***(8)***	***(13)***
10	Loans collateralised by residential immovable property	**7,391**	**491**	**219**	**2,648**	**2,419**	**16.9**	**—**	***5,768***	***9***	***141***	***62***	**(24)**	***(1)***	***(22)***
11	Loans collateralised by commercial immovable property	**4,191**	**3,231**	**615**	**86**	**—**	**3.4**	**—**	***3,900***	***32***	***327***	***15***	**(10)**	***(3)***	***(3)***
12	Repossessed collateral	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
13	**Other relevant sectors (breakdown below where relevant)**	**10,274**	**8,430**	**349**	**13**	**163**	**2.4**	**—**	***8,413***	***542***	***1,035***	***494***	**(286)**	***(17)***	***(258)***
14	I – Accommodation and food service activities	**327**	**306**	**9**	**—**	**—**	**2.1**	**—**	***315***	**—**	***31***	***19***	**(9)**	***(1)***	***(7)***
15	J – Information and communication	**881**	**735**	**79**	**10**	**—**	**2.5**	**—**	***809***	***15***	***155***	***23***	**(20)**	***(4)***	***(15)***
16	K - Financial and insurance activities	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
17	M – Professional scientific and technical activities	**3,230**	**2,168**	**97**	**2**	**—**	**1.9**	**—**	***2,190***	***77***	***336***	***320***	**(177)**	***(5)***	***(170)***
18	N – Administrative and support service activities	**5,187**	**4,619**	**157**	**1**	**163**	**2.9**	**—**	***4,570***	***370***	***421***	***120***	**(72)**	***(7)***	***(59)***
19	O – Public administration and defence compulsory social security	**4**	**2**	**2**	**—**	**—**	**4.3**	**—**	***4***	**—**	**—**	**—**	**—**	**—**	**—**
20	P – Education	**12**	**10**	**2**	**—**	**—**	**3.2**	**—**	***12***	**—**	***1***	**—**	**—**	**—**	**—**
21	Q – Human health and social work activities	**22**	**18**	**3**	**—**	**—**	**2.0**	**—**	***13***	***8***	***2***	***3***	**(1)**	**—**	***(1)***
22	R – Arts, entertainment and recreation	**36**	**22**	**—**	**—**	**—**	**2.0**	**—**	***22***	**—**	***7***	***2***	**(1)**	**—**	**—**
23	S – Other service activities	**575**	**550**	**—**	**—**	**—**	**0.5**	**—**	***478***	***72***	***82***	***7***	**(6)**	**—**	***(6)***

Table 39: Template 5: Banking book – indicators of potential climate change physical risk: exposures subject to physical risk (continued)

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount													
			of which: exposures sensitive to impact from climate change physical events												
			Breakdown by maturity bucket										Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
	Variable: Geographical area subject to climate change physical risk – acute and chronic events		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average Weighted maturity	of which: exposures sensitive to impact from chronic climate change events	of which: exposures sensitive to impact from acute climate change events	of which: exposures sensitive to impact both from chronic and acute climate change events	of which: Stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures
		€m	€m	€m	€m	€m	years	€m	€m	€m	€m	€m	€m	€m	€m
	30 Jun 2024														
	Other geographical areas														
1	A – Agriculture, forestry and fishing	9	9	—	—	—	—	—	9	—	2	—	—	—	—
2	B – Mining and quarrying	23	23	—	—	—	—	—	23	—	—	—	—	—	—
3	C – Manufacturing	3,971	3,463	109	6	11	1.0	—	3,420	169	186	91	(29)	(2)	(25)
4	D – Electricity, gas, steam and air conditioning supply	298	198	—	48	—	2.6	—	191	55	1	5	—	—	—
5	E – Water supply; sewerage, waste management and remediation activities	274	274	—	—	—	0.1	—	274	—	48	—	—	—	—
6	F – Construction	44	30	—	—	—	1.1	—	30	—	6	—	—	—	—
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	1,213	1,045	1	—	—	0.4	—	1,029	17	121	59	(20)	—	(19)
8	H – Transportation and storage	651	249	193	203	—	6.7	—	559	86	412	8	(6)	(6)	—
9	L – Real estate activities	676	501	65	36	—	2.6	—	602	—	10	21	(1)	—	(1)
10	Loans collateralised by residential immovable property	2,673	335	107	240	221	12.2	—	903	—	20	13	(4)	(1)	(2)
11	Loans collateralised by commercial immovable property	705	396	58	17	—	2.8	—	471	—	15	24	(4)	(1)	(2)
12	Repossessed collateral	3	2	—	—	—	1.0	—	2	—	—	—	—	—	—
13	**Other relevant sectors (breakdown below where relevant)**	3,985	3,253	249	6	6	1.6	—	3,185	329	377	155	(29)	(5)	(21)
14	I – Accommodation and food service activities	154	102	—	1	—	1.6	—	103	—	—	2	(1)	—	(1)
15	J – Information and communication	326	289	16	—	1	1.6	—	306	—	9	—	—	—	—
16	K - Financial and insurance activities	44	3	—	—	—	2.6	—	3	—	—	—	—	—	—
17	M – Professional scientific and technical activities	2,437	1,922	197	4	5	2.0	—	1,857	271	291	52	(17)	(5)	(9)
18	N – Administrative and support service activities	563	533	—	—	—	0.5	—	533	—	46	33	(1)	—	(1)
19	O – Public administration and defence compulsory social security	1	1	—	—	—	—	—	1	—	—	—	—	—	—
20	P – Education	1	1	—	—	—	—	—	1	—	—	—	—	—	—
21	Q – Human health and social work activities	38	21	—	—	—	—	—	21	—	21	—	—	—	—
22	R – Arts, entertainment and recreation	14	14	—	—	—	1.9	—	14	—	—	—	—	—	—
23	S – Other service activities	407	367	36	1	—	1.2	—	346	58	10	68	(10)	—	(10)

Table 39: Template 5: Banking book – indicators of potential climate change physical risk: exposures subject to physical risk (continued)

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount													
			of which: exposures sensitive to impact from climate change physical events												
			Breakdown by maturity bucket										Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
	Variable: Geographical area subject to climate change physical risk – acute and chronic events		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average Weighted maturity	of which: exposures sensitive to impact from chronic climate change events	of which: exposures sensitive to impact from acute climate change events	of which: exposures sensitive to impact both from chronic and acute climate change events	of which: Stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures
		€m	€m	€m	€m	€m	years	€m	€m	€m	€m	€m	€m	€m	€m
	30 Jun 2024														
	Total														
1	A – Agriculture, forestry and fishing	89	83	1	1	—	2.3	—	85	—	2	26	(7)	—	(6)
2	B – Mining and quarrying	280	64	214	—	—	7.0	—	64	214	1	225	—	—	—
3	C – Manufacturing	8,191	6,869	270	22	11	1.4	—	6,596	576	648	234	(80)	(8)	(66)
4	D – Electricity, gas, steam and air conditioning supply	812	669	28	59	4	2.5	—	630	130	52	5	(1)	—	—
5	E – Water supply; sewerage, waste management and remediation activities	324	319	1	—	—	0.4	—	311	9	51	—	—	—	—
6	F – Construction	428	285	24	14	—	2.7	—	323	—	23	13	(9)	—	(7)
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	4,498	4,016	50	6	—	1.0	—	4,028	44	678	168	(100)	(4)	(93)
8	H – Transportation and storage	1,949	1,200	393	217	—	4.4	—	1,596	214	715	15	(12)	(7)	(4)
9	L – Real estate activities	4,543	3,497	610	138	—	3.3	—	4,245	—	392	130	(28)	(8)	(14)
10	Loans collateralised by residential immovable property	10,064	826	326	2,888	2,640	16.3	—	6,671	9	161	75	(28)	(2)	(24)
11	Loans collateralised by commercial immovable property	4,896	3,627	673	103	—	3.3	—	4,371	32	342	39	(14)	(4)	(5)
12	Repossessed collateral	3	2	—	—	—	1.0	—	2	—	—	—	—	—	—
13	**Other relevant sectors (breakdown below where relevant)**	14,259	11,683	598	19	169	2.2	—	11,598	871	1,412	649	(315)	(22)	(279)
14	I – Accommodation and food service activities	481	408	9	1	—	2.0	—	418	—	31	21	(10)	(1)	(8)
15	J – Information and communication	1,207	1,024	95	10	1	2.2	—	1,115	15	164	23	(20)	(4)	(15)
16	K - Financial and insurance activities	44	3	—	—	—	2.6	—	3	—	—	—	—	—	—
17	M – Professional scientific and technical activities	5,667	4,090	294	6	5	2.0	—	4,047	348	627	372	(194)	(10)	(179)
18	N – Administrative and support service activities	5,750	5,152	157	1	163	2.6	—	5,103	370	467	153	(73)	(7)	(60)
19	O – Public administration and defence compulsory social security	5	3	2	—	—	3.0	—	5	—	—	—	—	—	—
20	P – Education	13	11	2	—	—	2.9	—	13	—	1	—	—	—	—
21	Q – Human health and social work activities	60	39	3	—	—	1.0	—	34	8	23	3	(1)	—	(1)
22	R – Arts, entertainment and recreation	50	36	—	—	—	2.0	—	36	—	7	2	(1)	—	—
23	S – Other service activities	982	917	36	1	—	0.8	—	824	130	92	75	(16)	—	(16)

Table 39: Template 5: Banking book - climate change physical risk: Exposures subject to physical risk (continued)

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount													
			of which: exposures sensitive to impact from climate change physical events												
			Breakdown by maturity bucket										Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
	Variable: Geographical area subject to climate change physical risk – acute and chronic events		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity	*of which: exposures sensitive to impact from chronic climate change events*	*of which: exposures sensitive to impact from acute climate change events*	*of which: exposures sensitive to impact both from chronic and acute climate change events*	*of which: Stage 2 exposures*	*of which: non-performing exposures*		*of which: Stage 2 exposures*	*of which: non-performing exposures*
		€m	€m	€m	€m	€m	years	*€m*	*€m*	*€m*	*€m*	*€m*	€m	*€m*	*€m*
	31 Dec 2023[1]														
	France														
1	A – Agriculture, forestry and fishing	51	43	2	1	—	2.1	—	*46*	—	—	*25*	(9)	—	*(9)*
2	B – Mining and quarrying1	328	137	188	—	—	5.9	—	*139*	*186*	*23*	*187*	—	—	—
3	C – Manufacturing	3,829	3,107	161	20	—	1.9	—	*2,914*	*374*	*273*	*141*	(64)	*(3)*	*(59)*
4	D – Electricity, gas, steam and air conditioning supply	730	691	29	6	2	1.9	—	*658*	*70*	*29*	—	(1)	—	—
5	E – Water supply; sewerage, waste management and remediation activities	41	35	1	—	—	3.0	—	*27*	*9*	—	—	—	—	—
6	F – Construction	455	273	22	17	—	3.2	—	*312*	—	*21*	*19*	(10)	—	*(9)*
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	3,245	2,722	46	6	—	1.6	—	*2,751*	*23*	*265*	*114*	(80)	*(3)*	*(76)*
8	H – Transportation and storage	1,347	949	215	20	—	3.2	—	*572*	*612*	*481*	*6*	(6)	*(1)*	*(4)*
9	L – Real estate activities	3,880	2,896	548	162	—	3.8	—	*3,569*	*37*	*382*	*100*	(19)	*(4)*	*(10)*
10	Loans collateralised by residential immovable property	7,547	468	148	2,629	2,653	17.5	—	*5,892*	*6*	*369*	*32*	(16)	*(2)*	*(13)*
11	Loans collateralised by commercial immovable property	3,683	2,978	389	115	—	3.6	—	*3,450*	*32*	*410*	*29*	(12)	*(4)*	*(4)*
12	Repossessed collateral	—	—	—	—	—	—	—	—	—	—	—	—	—	—
13	Other relevant sectors (breakdown below where relevant)	10,410	8,615	376	40	83	2.3	—	*8,368*	*746*	*1,259*	*489*	(266)	*(19)*	*(240)*
14	I – Accommodation and food service activities	360	329	11	4	—	2.5	—	*344*	—	*29*	*20*	(7)	—	*(7)*
15	J – Information and communication	1,084	989	37	13	—	2.3	—	*1,016*	*23*	*127*	*21*	(24)	*(9)*	*(14)*
16	K - Financial and insurance activities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
17	M – Professional scientific and technical activities	3,076	2,088	77	3	1	2.0	—	*2,099*	*70*	*429*	*322*	(160)	*(2)*	*(155)*
18	N – Administrative and support service activities	4,721	4,167	234	1	82	2.8	—	*4,093*	*391*	*475*	*113*	(66)	*(5)*	*(56)*
19	O – Public administration and defence compulsory social security	4	1	3	—	—	4.3	—	*4*	—	—	—	—	—	—
20	P – Education	15	10	2	—	—	2.8	—	*12*	—	—	—	—	—	—
21	Q – Human health and social work activities	25	21	3	—	—	2.5	—	*14*	*10*	*2*	*3*	—	—	—
22	R – Arts, entertainment and recreation	79	36	7	19	—	6.7	—	*62*	—	*38*	*2*	(2)	*(2)*	*(1)*

Table 39: Template 5: Banking book - climate change physical risk: Exposures subject to physical risk (continued)

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount													
			of which: exposures sensitive to impact from climate change physical events												
			Breakdown by maturity bucket										Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
	Variable: Geographical area subject to climate change physical risk – acute and chronic events		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity	of which: exposures sensitive to impact from chronic climate change events	of which: exposures sensitive to impact from acute climate change events	of which: exposures sensitive to impact both from chronic and acute climate change events	of which: Stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures
		€m	€m	€m	€m	€m	years	€m	€m	€m	€m	€m	€m	€m	€m
	31 Dec 2023[1]														
23	S – Other service activities	1,046	974	2	—	—	0.3	—	724	252	159	8	(7)	(1)	(7)
	Other geographical areas														
1	A – Agriculture, forestry and fishing	11	8	—	—	—	—	—	8	—	4	—	—	—	—
2	B – Mining and quarrying	10	10	—	—	—	—	—	10	—	—	—	—	—	—
3	C – Manufacturing	2,667	2,415	—	6	121	1.6	—	2,273	269	241	84	(25)	(3)	(22)
4	D – Electricity, gas, steam and air conditioning supply	160	68	48	—	—	6.0	—	58	58	1	5	—	—	—
5	E – Water supply; sewerage, waste management and remediation activities	264	247	—	—	—	—	—	247	—	48	—	—	—	—
6	F – Construction	42	29	—	—	—	1.6	—	29	—	—	—	—	—	—
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	1,074	996	—	—	1	0.4	—	988	9	250	35	(18)	(1)	(16)
8	H – Transportation and storage	715	293	203	8	210	6.4	—	711	3	322	8	(6)	(6)	—
9	L – Real estate activities	661	470	21	75	—	2.8	—	560	6	7	21	(1)	—	(1)
10	Loans collateralised by residential immovable property	2,729	301	122	243	232	12.8	—	898	—	19	10	(4)	(1)	(2)
11	Loans collateralised by commercial immovable property	622	325	7	65	—	3.3	—	397	—	25	23	(4)	(1)	(2)
12	Repossessed collateral	3	3	—	—	—	1.0	—	3	—	—	—	—	—	—
13	Other relevant sectors (breakdown below where relevant)	4,171	3,603	79	37	201	1.9	—	3,363	557	671	82	(29)	(4)	(22)
14	I – Accommodation and food service activities	126	79	—	1	—	2.0	—	80	—	68	2	(1)	—	(1)
15	J – Information and communication	338	306	—	—	—	2.2	—	303	3	2	—	—	—	—
16	K - Financial and insurance activities	52	3	—	—	—	3.1	—	3	—	—	—	—	—	—
17	M – Professional scientific and technical activities	2,465	2,196	39	17	178	2.1	—	2,143	287	378	15	(12)	(3)	(7)
18	N – Administrative and support service activities	450	417	—	—	23	0.9	—	440	—	92	—	(1)	(1)	—
19	O – Public administration and defence compulsory social security	1	1	—	—	—	—	—	1	—	—	—	—	—	—
20	P – Education	3	2	—	—	—	—	—	2	—	—	—	—	—	—
21	Q – Human health and social work activities	18	—	—	—	—	—	—	—	—	—	—	—	—	—

Table 39: Template 5: Banking book - climate change physical risk: Exposures subject to physical risk (continued)

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount													
			of which: exposures sensitive to impact from climate change physical events												
			Breakdown by maturity bucket										Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
	Variable: Geographical area subject to climate change physical risk – acute and chronic events		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity	*of which: exposures sensitive to impact from chronic climate change events*	*of which: exposures sensitive to impact from acute climate change events*	*of which: exposures sensitive to impact both from chronic and acute climate change events*	*of which: Stage 2 exposures*	*of which: non-performing exposures*		*of which: Stage 2 exposures*	*of which: non-performing exposures*
		€m	€m	€m	€m	€m	years	*€m*	*€m*	*€m*	*€m*	*€m*	€m	*€m*	*€m*
	31 Dec 2023[1]														
22	R – Arts, entertainment and recreation	18	18	—	—	—	2.4	—	*18*	—	*3*	—	—	—	—
23	S – Other service activities	700	581	40	19	—	1.6	—	*373*	*267*	*128*	*65*	(15)	—	*(14)*
	Total														
1	A – Agriculture, forestry and fishing	62	51	2	1	—	1.8	—	*54*	—	*4*	*25*	(9)	—	*(9)*
2	B – Mining and quarrying	338	147	188	—	—	5.8	—	*149*	*186*	*23*	*187*	—	—	—
3	C – Manufacturing	6,496	5,522	161	26	121	1.8	—	*5,187*	*643*	*514*	*225*	(89)	*(6)*	*(81)*
4	D – Electricity, gas, steam and air conditioning supply	890	759	77	6	2	2.4	—	*716*	*128*	*30*	*5*	(1)	—	—
5	E – Water supply; sewerage, waste management and remediation activities	305	282	1	—	—	0.4	—	*274*	*9*	*48*	—	—	—	—
6	F – Construction	497	302	22	17	—	3.1	—	*341*	—	*21*	*19*	(10)	—	*(9)*
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	4,319	3,718	46	6	1	1.3	—	*3,739*	*32*	*515*	*149*	(98)	*(4)*	*(92)*
8	H – Transportation and storage	2,062	1,242	418	28	210	4.4	—	*1,283*	*615*	*803*	*14*	(12)	*(7)*	*(4)*
9	L – Real estate activities	4,541	3,366	569	237	—	3.6	—	*4,129*	*43*	*389*	*121*	(20)	*(4)*	*(11)*
10	Loans collateralised by residential immovable property	10,276	769	270	2,872	2,885	16.8	—	*6,790*	*6*	*388*	*42*	(20)	*(3)*	*(15)*
11	Loans collateralised by commercial immovable property	4,305	3,303	396	180	—	3.5	—	*3,847*	*32*	*435*	*52*	(16)	*(5)*	*(6)*
12	Repossessed collateral	3	3	—	—	—	1.0	—	*3*	—	—	—	—	—	—
13	Other relevant sectors (breakdown below where relevant)	14,581	12,218	455	77	284	2.2	—	*11,731*	*1,303*	*1,930*	*571*	(295)	*(23)*	*(262)*
14	I – Accommodation and food service activities	486	408	11	5	—	2.4	—	*424*	—	*97*	*22*	(8)	—	*(8)*
15	J – Information and communication	1,422	1,295	37	13	—	2.2	—	*1,319*	*26*	*129*	*21*	(24)	*(9)*	*(14)*
16	K - Financial and insurance activities	52	3	—	—	—	3.1	—	*3*	—	—	—	—	—	—
17	M – Professional scientific and technical activities	5,541	4,284	116	20	179	2.1	—	*4,242*	*357*	*807*	*337*	(172)	*(5)*	*(162)*
18	N – Administrative and support service activities	5,171	4,584	234	1	105	2.6	—	*4,533*	*391*	*567*	*113*	(67)	*(6)*	*(56)*
19	O – Public administration and defence compulsory social security	5	2	3	—	—	3.8	—	*5*	—	—	—	—	—	—
20	P – Education	18	12	2	—	—	2.4	—	*14*	—	—	—	—	—	—
21	Q – Human health and social work activities	43	21	3	—	—	2.4	—	*14*	*10*	*2*	*3*	—	—	—
22	R – Arts, entertainment and recreation	97	54	7	19	—	5.8	—	*80*	—	*41*	*2*	(2)	*(2)*	*(1)*
23	S – Other service activities	1,746	1,555	42	19	—	0.8	—	*1,097*	*519*	*287*	*73*	(22)	*(1)*	*(21)*

EU Taxonomy economic performance indicators[1]

Climate change mitigation and climate change adaptation objectives and the remaining environmental objectives

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

The disclosures presented provide information on alignment of economic activities (i.e. disclosure of the key performance indicators) where Taxonomy 'eligible' economic activities are assessed to determine whether they are environmentally sustainable (i.e. Taxonomy 'aligned') against technical screening criteria.

Scope of consolidation

The Taxonomy KPIs presented in the tables are based on exposures and balances within HSBC Continental Europe's prudential scope of consolidation as at 30 June 2024. Subsidiaries engaged in insurance activities are therefore excluded.

KPI: Green Asset Ratio ('GAR')

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

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

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

Total covered assets

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

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

Taxonomy-eligible and aligned economic activities

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

Eligibility and alignment related disclosures shall be based on information provided by the counterparty. This includes exposures to undertakings subject to the NFRD where the use of proceeds is known such as green lending and green bonds.

Exposure to green bonds and debt securities issued by non-NFRD undertakings have also been assessed for eligibility and alignment based on the specific use of proceeds. However, green bonds issued by central governments, central banks and supranationals are excluded from the scope of the GAR.

Eligibility and alignment of general lending exposures have been assessed using the turnover and CapEx eligibility and alignment ratios published in the most recently available annual reports by the Bank's counterparties in scope of NFRD.

Exposures to multi-lateral development banks have been classified as credit institutions in accordance with EU Taxonomy regulation and have been assessed for Taxonomy eligibility and alignment accordingly.

Retail loans collateralised by residential immovable property, building renovation loans, and motor vehicle loans are assessed for eligibility and alignment based on the use of proceeds.

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

Taxonomy non-eligible economic activities

Taxonomy non-eligible economic activities are those activities which cannot be assessed as environmentally sustainable.

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

Exposures to undertakings not in scope of NFRD/CSRD[4]

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

Derivatives

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

On demand interbank loans

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

Cash and cash-related assets

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

Other assets

Other assets include retail exposures not covered by the Taxonomy framework, exposures to EU and non-EU financial corporations not subject to NFRD disclosure obligations, cash, tangible and intangible assets, all of which are excluded from the Taxonomy framework and therefore cannot be assessed for Taxonomy eligibility. Other assets are included in the total assets used in the denominator for the calculation of the ratios.

Assets not covered for GAR calculation

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

Sovereigns

Sovereign exposures include exposures to central governments and supranational issuers and are out of scope for the GAR calculation. Lending to or financing of local governments where the use of proceeds is unknown (i.e. general purpose lending) is also excluded from the numerator and the denominator of the GAR and these exposures have been included as part of Sovereigns.

Central banks

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

Trading book

The trading portfolio, including trading derivatives, is out of scope for the GAR calculation.

HSBC Continental Europe's GAR

HSBC Continental Europe is in the early stages of integrating EU Taxonomy considerations into its broader climate strategy. HSBC Continental Europe is beginning to track and report green project finance lending, including assessing alignment against the EU Taxonomy.

HSBC Continental Europe aims to support customers who are at differing stages in their transition journey, focusing first on the sectors and customers with the highest emissions and transition risks, and evolving and expanding efforts over time; for example, supporting clients in high emissive sectors to reduce their GHG emissions. Consequently, not all sustainable finance provided by the Bank, and in particular transition finance, will meet the strict criteria for EU Taxonomy alignment.

The composition of HSBC Continental Europe’s banking book is a key driver of the green asset ratio ('GAR'). With Non-Financial Reporting Directive ('NFRD') counterparties only making up a fraction of the overall book and following the sale of the majority of the Retail mortgage portfolio on 1 January 2024, most exposures are outside the scope of eligibility assessment under the EU Taxonomy framework. Furthermore, for those exposures where the use of proceeds is known to be applied to eligible activities, such as green bonds and property-related lending, data limitations result in limited ability to comprehensively assess against the alignment criteria.

As described under data limitations, exposures to non NFRD counterparties include those counterparties who do not report at subsidiary level and rely on the consolidated reporting of their parent where it has not been possible to verify the counterparties' NFRD status.

As the scope of the EU Taxonomy expands to cover counterparties reporting under the Corporate Sustainability Reporting Directive ('CSRD'), and as data capabilities and market data availability improves, it is expected that reporting and strategy will evolve.

Data limitations

HSBC Continental Europe is dependent on several data sources to determine exposures subject to NFRD and calculate Taxonomy ratios. Availability of data and improvements in data quality over time, as firms adopt the Taxonomy requirements for their own disclosures, could lead to differences in the data reported in future periods as compared to the current period.

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

Eligibility by environmental objective

Non-financial counterparties are required to report taxonomy eligibility split by environmental objective from 1 January 2024. Where non-financial counterparties have reported their taxonomy eligibility by environmental objective in their most recent disclosures, the Bank has used this information to assess and report the eligibility of its exposures to these counterparties.

For the Bank’s financial counterparties, the eligibility split by environmental objective is reported where relevant counterparty information is available.

In order to meet the requirement to report based on actual information provided by counterparties, where the split by environmental objective is not available, only total eligibility (CCM and CCA) will be reported in the relevant templates without disclosing separately in the columns for each of the environmental objectives. In these cases, total eligibility reported has been allocated based on the assumption that it represents total eligibility for Climate Change Mitigation and Climate Change Adaptation objectives.

Counterparty eligibility and alignment data

HSBC Continental Europe is highly reliant on published counterparty eligibility and alignment ratios to assess eligibility and alignment of exposures. The Bank places reliance on 3rd party data vendors to collect the majority of the eligibility and alignment data used in KPI calculations. A number of checks and controls are operated to validate any data used and this has identified that counterparty data quality and consistency is variable. Controls in place include checking for template mathematical accuracy, checking for incomplete data, and checking for consistency of calculations across counterparties.

To consistently report the Bank's Taxonomy eligibility and alignment of exposures there is a dependency on counterparty KPIs. However, some counterparties calculate ratios using a different calculation methodology and, in these cases, where sufficient information is available to do so, the data is normalised so that data between counterparties is comparable and can be used consistently across calculations. Where counterparty information is incomplete and deemed not reliable to make an assessment for Taxonomy eligibility and alignment, these counterparties have been excluded from the numerator of the Bank’s GAR calculation. Where there is sufficient counterparty information to identify the cause of any mathematical error, these errors are corrected.

Weighted average KPIs of financial counterparties

In accordance with the requirements under the EU Taxonomy, insurance undertakings, investment firms and financial conglomerates are required to disclose weighted average KPIs which should be used by the Bank in assessing the eligibility and alignment of exposures to relevant counterparties. These weighted average KPIs were either not disclosed by counterparties or were not sufficiently granular for the Bank to satisfy its disclosure requirements. Therefore, where available, the following KPIs based on turnover for financial counterparties were used: Credit institutions - Green Asset Ratios, Insurance undertakings – non-life underwriting KPIs, Investment firms – dealing on own account KPIs, Asset managers – KPI for investments. For financial conglomerate counterparties, an assessment has been made based on the counterparty’s business activities as to the most appropriate KPI to use.

Exposures subject to the NFRD/CSRD[4]

In determining the methodology for identifying exposures subject to NFRD there is a dependency on data availability. Methodologies will develop over time to align with changes in market practice and regulation. In particular, set out below are the key assumptions made:

The NFRD applies to counterparties that are large public interest undertakings incorporated within the European Union with more than 500 employees on average during the financial year. Due to data limitations, for some counterparties, it has not been possible to assess all the criteria required to determine the NFRD status. Instead, reliance has been placed upon a simplification using the available internal data, as well as data provided by third party vendors. The counterparty data considered in making an assessment included, where available: country of incorporation, customer group by global business segment, turnover, balance sheet size, number of employees, and ultimately, availability of NFRD and Taxonomy reporting.

For NFRD counterparties that have taken the exemption to report at subsidiary level because they are included in the consolidated reporting of their parent, the parent’s Taxonomy KPIs have not been relied upon unless the parent undertaking has clearly stated that the relevant subsidiary has taken the exemption option to report Taxonomy KPIs.

Household exposures

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

1 *Taxonomy Regulation (EU) 2020/852.*
2 *Commission Delegated Regulation (EU) 2021/2178 supplementing Taxonomy Regulation.*
3 *Commission Delegated Regulation (EU) 2023/2486 supplementing Taxonomy Regulation and amending Disclosures Delegated Act.*
4 *The CSRD amends the Non-Financial Reporting Directive (NFRD) 2014/95/EU and the Accounting Directive 2013/34/EU.*

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

This table summarises stock and flow KPIs required to be disclosed by HSBC Continental Europe. KPIs in this table are calculated using counterparty turnover ratios.

Table 40: Template 6: Summary of key performance indicators (KPIs) on the Taxonomy – aligned exposures

	KPI			
	Climate change mitigation	**Climate change adaptation**	**Total (Climate change mitigation + Climate change adaptation)**	**Coverage (over total assets)**
30 Jun 2024	**%**	**%**	**%**	**%**
GAR stock	**0.25**	**0.01**	**0.27**	**45.66**
GAR flow	**0.09**	**—**	**0.09**	**(21.63)**
31 Dec 2023				
GAR stock	0.12	0.01	0.13	47.69
GAR flow	—	—	—	

Mitigating actions: Assets for the calculation of GAR (Template 7)

This table presents assets used in the calculation of the GAR analysed by counterparty type and asset class. Total assets are further categorised between GAR assets in the numerator, GAR assets in the denominator, and assets excluded from the GAR calculation, with eligible and aligned GAR assets presented by climate objective. Minor amendments have been made to row labels 32 and 45 to clarify whether GAR assets form part of the numerator or denominator of the KPI.

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

This table is based on turnover KPIs reported by HSBC Continental Europe's counterparties.

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

Table 41: Template 7: Mitigating actions: assets for the calculation of Green Asset Ratio ('GAR')

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		At 30 Jun 2024															
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
			of which: to taxonomy relevant sectors (Taxonomy-eligible)					*of which: to taxonomy relevant sectors (Taxonomy-eligible)*					*of which: to taxonomy relevant sectors (Taxonomy-eligible)*				
				of which: environmentally sustainable (Taxonomy-aligned)					*of which: environmentally sustainable (Taxonomy-aligned)*					*of which: environmentally sustainable (Taxonomy-aligned)*			
	€m	**Total gross carrying amount**			***of which: specialised lending***	***of which: transitional***	***of which: enabling***			***of which: specialised lending***	***of which: adaptation***	***of which: enabling***			***of which: specialised lending***	***of which: transitional/adaptation***	***of which: enabling***
	GAR - Covered assets in both numerator and denominator																
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	**13,873**	***10,750***	***300***	—	***62***	***61***	***20***	***13***	—	***10***	***3***	***11,041***	***313***	—	***72***	***64***
2	**Financial corporations**	**1,713**	***503***	***14***	—	***1***	***1***	***5***	***2***	—	—	***2***	***509***	***16***	—	***1***	***3***
3	Credit institutions	**1,030**	***496***	***13***	—	***1***	—	***3***	***2***	—	—	***2***	***500***	***15***	—	***1***	***2***
4	Loans and advances	**476**	***164***	***12***	—	***1***	—	***3***	***2***	—	—	***2***	***167***	***14***	—	***1***	***2***
5	Debt securities, including UoP	**554**	***332***	***1***	—	—	—	—	—	—	—	—	***333***	***1***	—	—	—
6	Equity instruments	—	—	—		—	—	—	—		—	—	—	—		—	—
7	Other financial corporations	**683**	***7***	***1***	—	—	***1***	***2***	—	—	—	—	***9***	***1***	—	—	***1***
8	– *of which : investment firms*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9	Loans and advances	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10	Debt securities, including UoP	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
11	Equity instruments	—	—	—		—	—	—	—		—	—	—	—		—	—
12	– *of which: management companies*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
13	Loans and advances	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
14	Debt securities, including UoP	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
15	Equity instruments	—	—	—		—	—	—	—		—	—	—	—		—	—
16	– *of which: insurance undertakings*	**599**	—	—	—	—	—	***1***	—	—	—	—	***1***	—	—	—	—
17	Loans and advances	**593**	—	—	—	—	—	***1***	—	—	—	—	***1***	—	—	—	—
18	Debt securities, including UoP	**6**	—	—	—	—	—	—	—	—	—	—	***1***	—	—	—	—

Table 41: Template 7: Mitigating actions: assets for the calculation of Green Asset Ratio ('GAR') (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		At 30 Jun 2024															
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
			of which: to taxonomy relevant sectors (Taxonomy-eligible)					*of which: to taxonomy relevant sectors (Taxonomy-eligible)*					*of which: to taxonomy relevant sectors (Taxonomy-eligible)*				
				of which: environmentally sustainable (Taxonomy-aligned)					*of which: environmentally sustainable (Taxonomy-aligned)*					*of which: environmentally sustainable (Taxonomy-aligned)*			
	€m	Total gross carrying amount			*of which: specialised lending*	*of which: transitional*	*of which: enabling*			*of which: specialised lending*	*of which: adaptation*	*of which: enabling*			*of which: specialised lending*	*of which: transitional/adaptation*	*of which: enabling*
19	Equity instruments	—	—	—		—	—	—	—		—	—	—	—		—	—
20	**Non-financial corporations (subject to NFRD disclosure obligations)**	**2,473**	***567***	***286***	*—*	***61***	***60***	***15***	***11***	*—*	***10***	***1***	***852***	***297***	*—*	***71***	***61***
21	Loans and advances	**2,445**	***562***	***283***	*—*	***61***	***59***	***15***	***11***	*—*	***10***	***1***	***847***	***294***	*—*	***71***	***60***
22	Debt securities, including UoP	**28**	***5***	***3***	—	—	***1***	—	—	—	—	—	***5***	***3***	—	—	***1***
23	Equity instruments	—	—	—		—	—	—	—		—	—	—	—		—	—
24	**Households**	**9,559**	***9,552***	—	—	—	—						***9,552***	—	—	—	—
25	– *of which: loans collateralised by residential immovable property*	**9,537**	***9,537***	—	—	—	—						***9,537***	—	—	—	—
26	– *of which: building renovation loans*	**2**	***2***	—	—	—	—						***2***	—	—	—	—
27	– *of which: motor vehicle loans*	**20**	***13***	—	—	—	—						***13***	—	—	—	—
28	**Local governments financing**	**125**	***125***	—	—	—	—	—	—	—	—	—	***125***	—	—	—	—
29	Housing financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
30	Other local governments financing	**125**	***125***	—	—	—	—	—	—	—	—	—	***125***	—	—	—	—
31	Collateral obtained by taking possession: residential and commercial immovable properties	**3**	***3***	—	—	—	—	—	—	—	—	—	***3***	—	—	—	—
32	**Total GAR Assets (in the numerator)**	**13,873**	***10,750***	***300***	*—*	***62***	***61***	***20***	***13***	*—*	***10***	***3***	***11,041***	***313***	*—*	***72***	***64***
	Assets excluded from the numerator for GAR calculation (covered in the denominator)																
33	**EU Non-financial corporations (not subject to NFRD disclosure obligations)**	**27,121**															
34	Loans and advances	**26,889**															
35	Debt securities	**52**															
36	Equity instruments	**180**															

Table 41: Template 7: Mitigating actions: assets for the calculation of Green Asset Ratio ('GAR') (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		At 30 Jun 2024															
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
			of which: to taxonomy relevant sectors (Taxonomy-eligible)					*of which: to taxonomy relevant sectors (Taxonomy-eligible)*					*of which: to taxonomy relevant sectors (Taxonomy-eligible)*				
				of which: environmentally sustainable (Taxonomy-aligned)					*of which: environmentally sustainable (Taxonomy-aligned)*					*of which: environmentally sustainable (Taxonomy-aligned)*			
	€m	Total gross carrying amount			*of which: specialised lending*	*of which: transitional*	*of which: enabling*			*of which: specialised lending*	*of which: adaptation*	*of which: enabling*			*of which: specialised lending*	*of which: transitional /adaptation*	*of which: enabling*
37	**Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)**	**5,779**															
38	Loans and advances	**5,755**															
39	Debt securities	**24**															
40	Equity instruments	**—**															
41	Derivatives	**161**															
42	On demand interbank loans	**2,642**															
43	Cash and cash-related assets	**58**															
44	Other assets (e.g. Goodwill, commodities etc.)	**68,365**															
45	**Total Assets (in the denominator) (GAR)**	**117,999**															
	Other assets excluded from both the numerator and denominator for GAR calculation																
46	Sovereigns	**12,452**															
47	Central banks exposure	**62,969**															
48	Trading book	**64,985**															
49	**Total Assets excluded from numerator and denominator**	**140,406**															
50	**Total Assets**	**258,405**															

Table 41: Template 7: Mitigating actions: Assets for the calculation of GAR (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		At 31 Dec 2023															
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
			of which: towards taxonomy relevant sectors (Taxonomy-eligible)					of which: towards taxonomy relevant sectors (Taxonomy-eligible)					of which: towards taxonomy relevant sectors (Taxonomy-eligible)				
				of which: environmentally sustainable (Taxonomy-aligned)					of which: environmentally sustainable (Taxonomy-aligned)					of which: environmentally sustainable (Taxonomy-aligned)			
	€m	Total gross carrying amount			of which: specialised lending	of which: transitional	of which: enabling			of which: specialised lending	of which: adaptation	of which: enabling			of which: specialised lending	of which: transitional/ adaptation	of which: enabling
	GAR - Covered assets in both numerator and denominator																
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	17,906		*149*	—	*20*	*31*		*10*	—	*10*	—	*10,753*	*159*	—	*30*	*31*
2	Financial corporations	5,200		—	—	—	—		—	—	—	—	*259*	—	—	—	—
3	Credit institutions	5,078		—	—	—	—		—	—	—	—	*259*	—	—	—	—
4	Loans and advances	4,598		—	—	—	—		—	—	—	—	—	—	—	—	—
5	Debt securities, including UoP	480		—	—	—	—		—	—	—	—	*259*	—	—	—	—
6	Equity instruments	—		—		—	—		—		—	—	—	—		—	—
7	Other financial corporations	122		—	—	—	—		—	—	—	—	—	—	—	—	—
8	– *of which : investment firms*	2		—	—	—	—		—	—	—	—	—	—	—	—	—
9	Loans and advances	2		—	—	—	—		—	—	—	—	—	—	—	—	—
10	Debt securities, including UoP	—		—	—	—	—		—	—	—	—	—	—	—	—	—
11	Equity instruments	—		—		—	—		—		—	—	—	—		—	—
12	– *of which: management companies*	—		—	—	—	—		—	—	—	—	—	—	—	—	—
13	Loans and advances	—		—	—	—	—		—	—	—	—	—	—	—	—	—
14	Debt securities, including UoP	—		—	—	—	—		—	—	—	—	—	—	—	—	—
15	Equity instruments	—		—		—	—		—		—	—	—	—		—	—
16	– *of which: insurance undertakings*	—		—	—	—	—		—	—	—	—	—	—	—	—	—
17	Loans and advances	—		—	—	—	—		—	—	—	—	—	—		—	—
18	Debt securities, including UoP	—		—	—	—	—		—	—	—	—	—	—	—	—	—
19	Equity instruments	—		—		—	—		—		—	—	—	—		—	—
20	Non-financial corporations (subject to NFRD disclosure obligations)	2,780		*149*	—	*20*	*31*		*10*	—	*10*	—	*578*	*159*	—	*30*	*31*
21	Loans and advances	2,721		*137*	—	*18*	*27*		*10*	—	*10*	—	*564*	*147*	—	*28*	*27*
22	Debt securities, including UoP	51		*9*	—	*2*	*1*		—	—	—	—	*11*	*9*	—	*2*	*1*

Table 41: Template 7: Mitigating actions: Assets for the calculation of GAR (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		At 31 Dec 2023															
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
			of which: towards taxonomy relevant sectors (Taxonomy-eligible)					*of which: towards taxonomy relevant sectors (Taxonomy-eligible)*					*of which: towards taxonomy relevant sectors (Taxonomy-eligible)*				
				of which: environmentally sustainable (Taxonomy-aligned)					*of which: environmentally sustainable (Taxonomy-aligned)*					*of which: environmentally sustainable (Taxonomy-aligned)*			
	€m	Total gross carrying amount			*of which: specialised lending*	*of which: transitional*	*of which: enabling*			*of which: specialised lending*	*of which: adaptation*	*of which: enabling*			*of which: specialised lending*	*of which: transitional/ adaptation*	*of which: enabling*
23	Equity instruments	8		3		—	3		—		—	—	3	3		—	3
24	Households	9,799		—	—	—	—						9,789	—	—	—	—
25	– *of which: loans collateralised by residential immovable property*	9,776		—	—	—	—						9,776	—	—	—	—
26	– *of which: building renovation loans*	2		—	—	—	—						2	—	—	—	—
27	– *of which: motor vehicle loans*	21		—	—	—	—						11	—	—	—	—
28	Local governments financing	124		—	—	—	—		—	—	—	—	124	—	—	—	—
29	Housing financing	—		—	—	—	—		—	—	—	—	—	—	—	—	—
30	Other local governments financing	124		—	—	—	—		—	—	—	—	124	—	—	—	—
31	Collateral obtained by taking possession: residential and commercial immovable properties	3		—	—	—	—		—	—	—	—	3	—	—	—	—
32	Total GAR Assets (in the numerator)	17,906		149	—	20	31		10	—	10	—	10,753	159	—	30	31
	Assets excluded from the numerator for GAR calculation (covered in the denominator)																
33	EU Non-financial corporations (not subject to NFRD disclosure obligations)	25,639															
34	Loans and advances	25,503															
35	Debt securities	28															
36	Equity instruments	109															
37	Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)	5,693															
38	Loans and advances	5,669															
39	Debt securities	24															
40	Equity instruments	—															
41	Derivatives	169															

Table 41: Template 7: Mitigating actions: Assets for the calculation of GAR (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		At 31 Dec 2023															
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
				of which: towards taxonomy relevant sectors (Taxonomy-eligible)					*of which: towards taxonomy relevant sectors (Taxonomy-eligible)*					*of which: towards taxonomy relevant sectors (Taxonomy-eligible)*			
					of which: environmentally sustainable (Taxonomy-aligned)					*of which: environmentally sustainable (Taxonomy-aligned)*					*of which: environmentally sustainable (Taxonomy-aligned)*		
	€m	Total gross carrying amount			*of which: specialised lending*	*of which: transitional*	*of which: enabling*			*of which: specialised lending*	*of which: adaptation*	*of which: enabling*			*of which: specialised lending*	*of which: transitional/ adaptation*	*of which: enabling*
42	On demand interbank loans	2,034															
43	Cash and cash-related assets	102															
44	Other assets (e.g. Goodwill, commodities etc.)	73,288															
45	Total Assets (in the denominator) (GAR)	124,831															
	Other assets excluded from both the numerator and denominator for GAR calculation																
46	Sovereigns	9,974															
47	Central banks exposure	64,425															
48	Trading book	62,552															
49	Total Assets excluded from numerator and denominator	136,951															
50	Total Assets	261,782															

GAR % (Template 8)

This table presents stock and flow of eligible and aligned exposures as a proportion of total covered assets by Taxonomy climate objective.

Flow is defined as new assets originating during the year net of repayments and other reductions. The disclosure includes flows of medium and long term eligible loan exposures. As the starting point to identify new loans granted during the year is the stock of loans at 30 June 2024, it is possible that some loans both granted and repaid during 2024 have not been accounted for in the flow. To identify the date that loans have been granted, the signature date currently available is used. Some renegotiated loans may have a different signature date than the original loan.

Revolving and/or short term products - such as overdrafts, trade loans and contracts, factoring and credit facilities - have been included at point in time in the stock and not repeated in the flow. For all such products, there are operational challenges in identifying new facilities authorised during the year. Debt securities and equity securities have also been included at point in time in the stock and not repeated in the flow.

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

The proportion of new total assets covered by the Green Asset Ratio arising in the period between 30 June 2024 and 31 December 2023 as a proportion of the movement in total assets for the same period is reported in column af. The movement in total assets is derived from row 50 in Table 41. The resulting negative ratios reported in column af are largely explained by the movement in total assets as reported.

This table is based on Turnover KPIs reported by HSBC Continental Europe's counterparties.

Table 42: Template 8: GAR (%)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		At 30 Jun 2024: KPIs on stock															
		Climate Change Mitigation (CCM)					**Climate Change Adaptation (CCA)**					**TOTAL (CCM + CCA)**					
		Proportion of eligible assets funding taxonomy relevant sectors					**Proportion of eligible assets funding taxonomy relevant sectors**					**Proportion of eligible assets funding taxonomy relevant sectors**					**Proportion of total assets covered**
			of which: environmentally sustainable					***of which: environmentally sustainable***					***of which: environmentally sustainable***				
	% (compared to total covered assets in the denominator)			***of which: specialised lending***	***of which: transitional***	***of which: enabling***			***of which: specialised lending***	***of which: adaptation***	***of which: enabling***			***of which: specialised lending***	***of which: transitional/ adaptation***	***of which: enabling***	
		%	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
1	GAR		***0.25***					***0.01***					***0.27***				**45.66**
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	**9.11**	***0.25***	**—**	***0.04***	***0.04***	**0.01**	***0.01***	**—**	***0.01***	**—**	**9.35**	***0.27***	**—**	***0.05***	***0.04***	**5.37**
3	Financial corporations	**0.43**	***0.01***	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**0.43**	***0.01***	**—**	**—**	**—**	**0.66**
4	Credit institutions	**0.42**	***0.01***	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**0.42**	***0.01***	**—**	**—**	**—**	**0.40**
5	Other financial corporations	**0.01**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**0.01**	**—**	**—**	**—**	**—**	**0.26**
6	– *of which: investment firms*	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
7	– *of which: management companies*	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
8	– *of which: insurance undertakings*	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	***0.23***
9	Non-financial corporations subject to NFRD disclosure obligations	**0.48**	***0.24***	**—**	***0.04***	***0.04***	**0.01**	***0.01***	**—**	***0.01***	**—**	**0.72**	***0.25***	**—**	***0.05***	***0.04***	**0.96**
10	Households	**8.09**	**—**	**—**	**—**	**—**				**—**		**8.09**	**—**	**—**	**—**	**—**	**3.70**
11	– *of which: loans collateralised by residential immovable property*	**8.08**	**—**	**—**	**—**	**—**				**—**		**8.08**	**—**	**—**	**—**	**—**	***3.69***
12	– *of which: building renovation loans*	**—**	**—**	**—**	**—**	**—**				**—**		**—**	**—**	**—**	**—**	**—**	**—**

Table 42: Template 8: GAR (%) (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		At 30 Jun 2024: KPIs on stock															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
		Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of total assets covered
			of which: environmentally sustainable					*of which: environmentally sustainable*					*of which: environmentally sustainable*				
% (compared to total covered assets in the denominator)				*of which: specialised lending*	*of which: transitional*	*of which: enabling*			*of which: specialised lending*	*of which: adaptation*	*of which: enabling*			*of which: specialised lending*	*of which: transitional/ adaptation*	*of which: enabling*	
		%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
13	– *of which: motor vehicle loans*	0.01	—	—	—	—				—		0.01	—	—	—	—	*0.01*
14	Local government financing	0.11	—	—	—	—				—		0.11	—	—	—	—	0.05
15	Housing financing	—	—	—	—	—				—		—	—	—	—	—	—
16	Other local governments financing	0.11	—	—	—	—	—	—	—	—	—	0.11	—	—	—	—	0.05
17	Collateral obtained by taking possession: residential and commercial immovable properties	—	—	—	—	—				—		—	—	—	—	—	—

Table 42: Template 8: GAR % (continued)

		q	r	s	t	u	v	w	x	y	z	aa	ab	ac	ad	ae	af
		Period ended 30 Jun 2024: KPIs on flows															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
		Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of total new assets covered
			of which: environmentally sustainable					*of which: environmentally sustainable*					*of which: environmentally sustainable*				
% (compared to total covered assets in the denominator)				*of which: specialised lending*	*of which: transitional*	*of which: enabling*			*of which: specialised lending*	*of which: adaptation*	*of which: enabling*			*of which: specialised lending*	*of which: transitional/ adaptation*	*of which: enabling*	
		%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
1	GAR		*0.09*					—					*0.09*				(21.62)
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	0.27	*0.09*	—	*0.05*	*0.01*	—	—	—	—	—	0.33	*0.09*	—	*0.05*	*0.01*	(21.62)
3	Financial corporations	0.10	—	—	—	—	—	—	—	—	—	0.10	—	—	—	—	(4.55)
4	Credit institutions	0.10	—	—	—	—	—	—	—	—	—	0.10	—	—	—	—	(4.18)
5	Other financial corporations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(0.37)
6	– *of which: investment firms*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7	– *of which: management companies*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8	– *of which: insurance undertakings*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Table 42: Template 8: GAR % (continued)

		q	r	s	t	u	v	w	x	y	z	aa	ab	ac	ad	ae	af
		Period ended 30 Jun 2024: KPIs on flows															
		Climate Change Mitigation (CCM)					**Climate Change Adaptation (CCA)**					**TOTAL (CCM + CCA)**					
		Proportion of new eligible assets funding taxonomy relevant sectors					**Proportion of new eligible assets funding taxonomy relevant sectors**					**Proportion of new eligible assets funding taxonomy relevant sectors**					
			of which: environmentally sustainable					***of which: environmentally sustainable***					***of which: environmentally sustainable***				**Propo-rtion of total new assets cove-red**
	% (compared to total covered assets in the denominator)			***of which: speci-alised lend-ing***	***of which: transi-tional***	***of which: enab-ling***			***of which: speci-alised lend-ing***	***of which: adapt-ation***	***of which: enab-ling***			***of which: speci-alised lend-ing***	***of which: trans-itional/ adapt-ation***	***of which: enab-ling***	
		%	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
9	Non-financial corporations subject to NFRD disclosure obligations	**0.11**	***0.09***	**—**	***0.05***	***0.01***	**—**	**—**	**—**	**—**	**—**	**0.17**	***0.09***	**—**	***0.05***	***0.01***	**(14.81)**
10	Households	**0.06**	**—**	**—**	**—**	**—**				**—**		**0.06**	**—**	**—**	**—**	**—**	**(2.24)**
11	– *of which: loans collateralised by residential immovable property*	**0.06**	**—**	**—**	**—**	**—**				**—**		**0.06**	**—**	**—**	**—**	**—**	***(2.13)***
12	– *of which: building renovation loans*	**—**	**—**	**—**	**—**	**—**				**—**		**—**	**—**	**—**	**—**	**—**	**—**
13	– *of which: motor vehicle loans*	**—**	**—**	**—**	**—**	**—**				**—**		**—**	**—**	**—**	**—**	**—**	***(0.11)***
14	Local government financing	**—**	**—**	**—**	**—**	**—**				**—**		**—**	**—**	**—**	**—**	**—**	**(0.02)**
15	Housing financing	**—**	**—**	**—**	**—**	**—**				**—**		**—**	**—**	**—**	**—**	**—**	**—**
16	Other local governments financing	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(0.02)**
17	Collateral obtained by taking possession: residential and commercial immovable properties	**—**	**—**	**—**	**—**	**—**				**—**		**—**	**—**	**—**	**—**	**—**	**—**

Table 42: Template 8: GAR % (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		At 31 Dec 2023: KPIs on stock															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
		Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					
			of which: environmentally sustainable					*of which: environmentally sustainable*					*of which: environmentally sustainable*				
	% (compared to total covered assets in the denominator)			*of which: speci-alised lend-ing*	*of which: trans-itional*	*of which: enab-ling*			*of which: speci-alised lend-ing*	*of which: adapt-ation*	*of which: enab-ling*			*of which: special ised lend-ing*	*of which: trans-itional/ adapt-ation*	*of which: enab-ling*	Propo-rtion of total assets cove-red
		%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
1	GAR		*0.12*					*0.01*					*0.13*				47.69
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation		*0.12*	—	*0.01*	*0.01*		*0.01*	—	*0.01*	—	8.61	*0.13*	—	*0.02*	*0.01*	6.84
3	Financial corporations		—	—	—	—		—	—	—	—	0.21	—	—	—	—	1.99
4	Credit institutions		—	—	—	—		—	—	—	—	0.21	—	—	—	—	1.94
5	Other financial corporations		—	—	—	—		—	—	—	—	—	—	—	—	—	0.05
6	– *of which: investment firms*		—	—	—	—		—	—	—	—	—	—	—	—	—	—
7	– *of which: management companies*		—	—	—	—		—	—	—	—	—	—	—	—	—	—
8	– *of which: insurance undertakings*		—	—	—	—		—	—	—	—	—	—	—	—	—	—
9	Non-financial corporations subject to NFRD disclosure obligations		*0.12*	—	*0.01*	*0.01*		*0.01*	—	*0.01*	—	0.46	*0.13*	—	*0.02*	*0.01*	1.06
10	Households		—	—	—	—				—		7.84	—	—	—	—	3.74
11	– *of which: loans collateralised by residential immovable property*		—	—	—	—				—		7.83	—	—	—	—	*3.73*
12	– *of which: building renovation loans*		—	—	—	—				—		—	—	—	—	—	—
13	– *of which: motor vehicle loans*		—	—	—	—				—		0.01	—	—	—	—	*0.01*
14	Local government financing		—	—	—	—				—		0.10	—	—	—	—	0.05
15	Housing financing		—	—	—	—				—		—	—	—	—	—	—
16	Other local governments financing		—	—	—	—		—	—	—	—	0.10	—	—	—	—	0.05
17	Collateral obtained by taking possession: residential and commercial immovable properties		—	—	—	—				—		—	—	—	—	—	—

Table 42: Template 8: GAR % (continued)

	% (compared to total covered assets in the denominator)	q	r	s	t	u	v	w	x	y	z	aa	ab	ac	ad	ae	af
		Year ended 31 Dec 2023: KPIs on flows															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
		Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of total new assets covered
			of which: environmentally sustainable					*of which: environmentally sustainable*					*of which: environmentally sustainable*				
				of which: specialised lending	*of which: transitional*	*of which: enabling*			*of which: specialised lending*	*of which: adaptation*	*of which: enabling*			*of which: specialised lending*	*of which: transitional/adaptation*	*of which: enabling*	
		%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
1	GAR		—					—					—				
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation		—	—	—	—		—	—	—	—	0.12	—	—	—	—	
3	Financial corporations		—	—	—	—		—	—	—	—	0.01	—	—	—	—	
4	Credit institutions		—	—	—	—		—	—	—	—	0.01	—	—	—	—	
5	Other financial corporations		—	—	—	—		—	—	—	—	—	—	—	—	—	
6	– *of which: investment firms*		—	—	—	—		—	—	—	—	—	—	—	—	—	
7	– *of which: management companies*		—	—	—	—		—	—	—	—	—	—	—	—	—	
8	– *of which: insurance undertakings*		—	—	—	—		—	—	—	—	—	—	—	—	—	
9	Non-financial corporations subject to NFRD disclosure obligations		—	—	—	—		—	—	—	—	0.03	—	—	—	—	
10	Households		—	—	—	—				—		0.08	—	—	—	—	
11	– *of which: loans collateralised by residential immovable property*		—	—	—	—				—		0.08	—	—	—	—	
12	– *of which: building renovation loans*		—	—	—	—				—		—	—	—	—	—	
13	– *of which: motor vehicle loans*		—	—	—	—				—		—	—	—	—	—	
14	Local government financing		—	—	—	—				—		—	—	—	—	—	
15	Housing financing		—	—	—	—				—		—	—	—	—	—	
16	Other local governments financing		—	—	—	—		—	—	—	—	—	—	—	—	—	
17	Collateral obtained by taking possession: residential and commercial immovable properties		—	—	—	—				—		—	—	—	—	—	

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

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

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

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

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

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

Table 43: Template 10: Other climate change mitigating actions that are not covered in Regulation (EU) 2020/852

	a	b	c	d	e	f
	Type of financial instrument	**Type of counterparty**	**Gross carrying amount €m**	**Type of risk mitigated (Climate change transition risk)**	**Type of risk mitigated (Climate change physical risk)**	**Qualitative information on the nature of the mitigating actions**
	30 Jun 2024					
1	**Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)**	Financial corporations	**306**	**Y**	**Y**	The proceeds from these bonds are used for climate change transition risk purposes, and are deployed to sustainable investments such as green buildings, clean transport, renewable energy and other decarbonisation and carbon reduction projects. Some bonds support projects which contribute to mitigate climate physical risk, including water management and flood protection.
7		Other counterparties	**192**	**Y**	**Y**	The proceeds from these bonds are invested in projects with a climate change transition risk and/or physical risk mitigation objective. Financings are intended to be deployed to transition projects such as energy efficient buildings, clean transportation and renewable energy. Some bonds support projects which contribute to mitigate climate physical risk, including water management and soil erosion prevention.
8	**Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)**	Financial corporations	**71**	**Y**	**N**	These loans are assessed as green to support HSBC ambition to provide and facilitate between $750bn to $1tn of sustainable finance and investment by 2030. They mainly finance renewable energy and green building projects, which support the transition to a lower carbon economy.
9		Non-financial corporations	**639**	**Y**	**N**	These loans are assessed as green to support HSBC ambition to provide and facilitate between $750bn to $1tn of sustainable finance and investment by 2030. They mainly finance renewable energy and green building projects, which support the transition to a lower carbon economy.
11		Households	**4**	**Y**	**N**	These loans finance housing refurbishment and green car loan in order to improve energy efficiency and contribute to mitigating transition risk.

Table 43: Template 10: Other climate change mitigating actions that are not covered in Regulation (EU) 2020/852 (continued)

	a	b	c	d	e	f
	Type of financial instrument	Type of counterparty	Gross carrying amount €m	Type of risk mitigated (Climate change transition risk)	Type of risk mitigated (Climate change physical risk)	Qualitative information on the nature of the mitigating actions
	31 Dec 2023					
1	Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	259	Y	N	The proceeds from these bonds are used for climate change transition risk purposes, and are deployed to sustainable investments such as green buildings, clean transport, renewable energy, eco-efficiency and circular economy products, territorial mobility and soft urban transport, sustainable water use, waste management, energy efficiency, pollution prevention and research and development of low carbon technologies.
7		Other counterparties	191	Y	Y	The proceeds from these bonds are invested in projects with a climate change transition risk and/or physical risk mitigation objective. Financings are intended to be deployed to transition projects such as energy efficient buildings, clean transportation and renewable energy. Some bonds support projects which contribute to mitigate climate physical risk, including water management.
8	Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	71	Y	N	These loans are assessed as green either; to support green issuances, part of the original $100bn investing/financing commitment, or are part of the current ambition of investing/financing $750bn to $1tn in sustainable projects by 2030. They mainly finance renewable energy and green building projects, which support the transition to a lower carbon economy.
9		Non-financial corporations	585	Y	N	These loans are assessed as green either; to support green issuances, part of the original $100bn investing/financing commitment, or are part of the current ambition of investing/financing $750bn to $1tn in sustainable projects by 2030. They finance green building projects, renewable energy, clean transportation and energy efficiency infrastructure projects, which all support the transition to a lower-carbon economy.
11		Households	4	Y	N	These loans finance housing refurbishment and green car loan in order to improve energy efficiency and contribute to mitigating transition risk.

Appendix I

Capital buffers

The countercyclical capital buffer is an additional capital buffer introduced by Basel III to achieve the broad macroprudential goal of protecting the banking sector in periods of excess aggregate credit growth. National macroprudential authorities set the countercyclical capital buffer rate, usually within a 0-2.5 per cent range. Increases are announced at least a year in advance under normal circumstances.

The buffer for exposure to the French economy is set by the French High Council for Financial Stability. During 1H24, 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.

The table below shows the make-up of HSBC Continental Europe's countercyclical capital buffer. The effective rate for the countercyclical capital buffer rose to 0.89 per cent in 2024.

Table 44: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer ('CCyB1')

	General credit exposures		Trading book exposures		Securitisation exposures	Own funds requirements					
	SA	IRB	Sum of long/ short positions for SA	Internal models	Total exposure value of securitisation positions in the banking book	*of which: general credit exposures*	*of which: general trading book*	*of which: securiti-sation exposures*	Total	Own funds require-ments weights	CCyB rate
Country	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**%**	**%**
Albania	—	—	—	—	—	—	—	—	—	—	—
Algeria	—	6.5	—	—	—	*0.5*	—	—	0.5	0.02	—
Andorra	—	—	—	—	—	—	—	—	—	—	—
Argentina	0.6	0.4	—	—	—	—	—	—	—	—	—
Armenia	—	1.3	—	—	—	*0.1*	—	—	0.1	—	—
Australia	3.4	4.8	—	—	—	*0.9*	—	—	0.9	0.03	*1.00*
Austria	20.0	592.6	—	—	—	*25.8*	—	—	25.8	0.95	—
Azerbaijan	57.9	—	—	—	—	*0.1*	—	—	0.1	—	—
Bahamas	—	23.8	—	—	—	*0.1*	—	—	0.1	—	—
Bahrain	—	39.5	—	—	—	—	—	—	—	—	—
Bangladesh	—	15.3	—	—	—	—	—	—	—	—	—
Barbados	—	26.4	—	—	—	*0.8*	—	—	0.8	0.03	—
Belgium	68.2	754.1	—	—	—	*28.0*	—	—	28.0	1.03	*0.50*
Bermuda	—	204.0	—	—	—	*1.5*	—	—	1.5	0.06	—
Bolivia, Plurinational State Of	—	—	—	—	—	—	—	—	—	—	—
Botswana	—	—	—	—	—	—	—	—	—	—	—
Brazil	4.5	38.7	—	—	—	*0.3*	—	—	0.3	0.01	—
Bulgaria	0.2	7.1	—	—	—	*0.1*	—	—	0.1	—	2.00
Canada	—	166.0	—	—	—	*8.7*	—	—	8.7	0.32	—
Cayman Islands	1.9	41.6	—	—	—	*0.3*	—	—	0.3	0.01	—
Chile	—	0.1	—	—	—	—	—	—	—	—	0.50
China	—	13.0	—	—	—	*0.3*	—	—	0.3	0.01	—
Colombia	—	—	—	—	—	—	—	—	—	—	—
Costa Rica	0.3	—	—	—	—	—	—	—	—	—	—
Côte D'Ivoire	—	—	—	—	—	—	—	—	—	—	—
Croatia	0.2	—	—	—	—	—	—	—	—	—	1.50
Curaçao	—	—	—	—	—	—	—	—	—	—	—
Cyprus	—	14.6	—	—	—	*0.3*	—	—	0.3	0.01	1.00
Czech Republic	57.9	374.8	—	—	—	*20.4*	—	—	20.4	0.75	1.75
Denmark	—	857.3	—	—	—	*38.2*	—	—	38.2	1.41	2.50
Dominican Republic	—	—	—	—	—	—	—	—	—	—	—
Ecuador	—	—	—	—	—	—	—	—	—	—	—
Egypt	0.7	170.6	—	—	—	*1.6*	—	—	1.6	0.06	—
Estonia	—	—	—	—	—	—	—	—	—	—	1.50
Faroe Islands	0.9	—	—	—	—	*0.1*	—	—	0.1	—	—
Finland	—	109.0	—	—	—	*2.7*	—	—	2.7	0.10	—
France	8,691.6	19,449.8	—	—	4,818.9	*903.5*	—	*69.0*	972.5	35.76	1.00
Gabon	—	—	—	—	—	—	—	—	—	—	—
Germany	630.2	10,756.9	—	—	591.2	*483.9*	—	*5.4*	489.3	17.99	0.75
Ghana	—	225.7	—	—	—	—	—	—	—	—	—
Greece	2.4	318.0	—	—	—	*11.3*	—	—	11.3	0.42	—
Guadeloupe	—	0.1	—	—	—	—	—	—	—	—	—
Guatemala	—	—	—	—	—	—	—	—	—	—	—
Guernsey	—	35.9	—	—	—	*1.3*	—	—	1.3	0.05	—
Hong Kong	1.1	323.4	—	—	—	*3.3*	—	—	3.3	0.12	1.00
Hungary	—	345.9	—	—	—	*4.1*	—	—	4.1	0.15	—
Iceland	—	—	—	—	—	—	—	—	—	—	2.50

Table 44: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer ('CCyB1') (continued)

	General credit exposures		Trading book exposures		Securitisation exposures	Own funds requirements					
	SA	IRB	Sum of long/short positions for SA	Internal models	Total exposure value of securitisation positions in the banking book	*of which: general credit exposures*	*of which: general trading book*	*of which: securitisation exposures*	Total	Own funds requirements weights	CCyB rate
Country	€m	€m	€m	€m	€m	*€m*	*€m*	*€m*	€m	%	%
India	0.1	9.4	—	—	—	*0.1*	—	—	0.1	0.01	—
Indonesia	—	97.1	—	—	—	*5.7*	—	—	5.7	0.21	—
Ireland	365.6	2,078.7	—	—	—	*78.0*	—	—	78.0	2.87	1.50
Isle Of Man	45.1	—	—	—	—	*3.6*	—	—	3.6	0.13	—
Israel	2.5	7.9	—	—	—	*0.2*	—	—	0.2	0.01	—
Italy	155.0	1,648.1	—	—	288.6	*71.3*	—	*4.0*	75.4	2.77	—
Japan	—	—	—	—	—	*0.2*	—	—	0.2	0.01	—
Jersey	—	17.9	—	—	—	*0.2*	—	—	0.2	0.01	—
Jordan	—	—	—	—	—	—	—	—	—	—	—
Kazakhstan	—	54.8	—	—	—	*0.3*	—	—	0.3	0.01	—
Kenya	—	—	—	—	—	—	—	—	—	—	—
Korea, Republic Of	—	0.1	—	—	—	—	—	—	—	—	1.00
Kuwait	—	0.3	—	—	—	—	—	—	—	—	—
Latvia	—	—	—	—	—	—	—	—	—	—	—
Lebanon	—	—	—	—	—	—	—	—	—	—	—
Liberia	—	—	—	—	—	—	—	—	—	—	—
Libya	—	—	—	—	—	—	—	—	—	—	—
Liechtenstein	—	70.8	—	—	—	*1.0*	—	—	1.0	0.04	—
Lithuania	0.7	0.2	—	—	—	*0.1*	—	—	0.1	—	1.00
Luxembourg	451.7	3,696.5	—	—	—	*127.4*	—	—	127.4	4.68	0.50
Malaysia	—	8.2	—	—	—	*0.1*	—	—	0.1	—	—
Malta	2,830.1	169.8	—	—	—	*127.7*	—	—	127.7	4.70	—
Marshall Islands	—	—	—	—	—	—	—	—	—	—	—
Martinique	—	—	—	—	—	—	—	—	—	—	—
Mauritius	18.5	0.3	—	—	—	*1.0*	—	—	1.0	0.04	—
Mexico	1.4	120.9	—	—	—	*2.6*	—	—	2.6	0.09	—
Monaco	—	0.9	—	—	—	*0.1*	—	—	0.1	—	—
Morocco	—	0.1	—	—	—	—	—	—	—	—	—
Netherlands	952.5	4,191.4	—	—	840.0	*204.7*	—	*7.1*	211.8	7.79	2.00
New Caledonia	1.0	—	—	—	—	*0.1*	—	—	0.1	—	—
New Zealand	—	—	—	—	—	—	—	—	—	—	—
Norway	—	80.2	—	—	—	*2.4*	—	—	2.4	0.09	2.50
Oman	—	4.5	—	—	—	*0.2*	—	—	0.2	0.01	—
Panama	0.1	135.3	—	—	—	*0.1*	—	—	0.1	—	—
Paraguay	0.2	—	—	—	—	—	—	—	—	—	—
Peru	—	—	—	—	—	—	—	—	—	—	—
Philippines	1.8	0.1	—	—	—	*0.1*	—	—	0.1	—	—
Poland	400.0	552.4	—	—	—	*49.7*	—	—	49.7	1.83	—
Portugal	12.6	37.1	—	—	—	*1.7*	—	—	1.7	0.06	—
Puerto Rico	—	—	—	—	—	—	—	—	—	—	—
Qatar	12.6	88.8	—	—	—	*3.2*	—	—	3.2	0.12	—
Réunion	—	—	—	—	—	—	—	—	—	—	—
Romania	—	5.1	—	—	—	*0.1*	—	—	0.1	—	1.00
Russian Federation	—	0.8	—	—	—	*0.1*	—	—	0.1	—	—
Saudi Arabia	1.3	40.4	—	—	—	*0.3*	—	—	0.3	0.01	—
Serbia	—	—	—	—	—	—	—	—	—	—	—
Seychelles	—	—	—	—	—	—	—	—	—	—	—
Sierra Leone	—	—	—	—	—	—	—	—	—	—	—
Singapore	1.4	56.1	—	—	—	*1.4*	—	—	1.4	0.05	—
Slovakia	—	48.9	—	—	—	*0.9*	—	—	0.9	0.03	1.50
Slovenia	—	0.4	—	—	—	—	—	—	—	—	0.50
South Africa	15.0	—	—	—	—	*0.6*	—	—	0.6	0.02	—
Spain	409.8	1,978.5	—	—	213.7	*106.7*	—	*1.7*	108.4	3.99	—
Sri Lanka	—	—	—	—	—	—	—	—	—	—	—
Swaziland	—	—	—	—	—	—	—	—	—	—	—
Sweden	11.6	466.4	—	—	62.5	*30.2*	—	*0.6*	30.9	1.13	2.00
Switzerland	41.1	1,584.1	—	—	—	*44.3*	—	—	44.3	1.63	—
Taiwan, Province Of China	1.5	0.6	—	—	—	*0.1*	—	—	0.1	—	—
Thailand	—	58.1	—	—	—	—	—	—	—	—	—
Tunisia	—	—	—	—	—	—	—	—	—	—	—
Turkey	48.4	94.8	—	—	—	*4.4*	—	—	4.4	0.16	—
Ukraine	0.9	—	—	—	—	—	—	—	—	—	—

Table 44: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer ('CCyB1') (continued)

	General credit exposures		Trading book exposures		Securitisation exposures	Own funds requirements					
	SA	IRB	Sum of long/ short positions for SA	Internal models	Total exposure value of securitisation positions in the banking book	*of which: general credit exposures*	*of which: general trading book*	*of which: securiti-sation exposures*	Total	Own funds require-ments weights	CCyB rate
Country	**€m**	**€m**	**€m**	**€m**	**€m**	***€m***	***€m***	***€m***	**€m**	**%**	**%**
United Arab Emirates	**1.3**	**145.6**	**—**	**—**	**—**	***1.9***	**—**	**—**	**1.9**	**0.07**	**—**
United Kingdom	**1,262.9**	**2,541.8**	**—**	**—**	**—**	***121.9***	**—**	**—**	**121.9**	**4.48**	**2.00**
United States	**81.5**	**2,910.7**	**—**	**—**	**243.4**	***90.6***	**—**	***3.5***	**94.1**	**3.46**	**—**
Uruguay	**—**	**—**	**—**	**—**	**—**	***—***	**—**	**—**	**—**	**—**	**—**
Viet Nam	**—**	**23.7**	**—**	**—**	**—**	***0.7***	**—**	**—**	**0.7**	**0.03**	**—**
Virgin Islands, British	**—**	**174.2**	**—**	**—**	**—**	***3.9***	**—**	**—**	**3.9**	**0.14**	**—**
Total	**16,670.1**	**58,119.3**	**—**	**—**	**7,058.4**	***2,628.4***	**—**	***91.4***	**2,719.8**	**100.00**	

Table 45: Amount of Institution specific countercyclical Capital buffer ('CCyB2')

	30 Jun 2024	31 Dec 2023
Total Risk Exposure Amount (€m)	**61,274**	59,515
Institution specific countercyclical capital buffer rate (%)	**0.89**	0.60
Institution specific countercyclical capital buffer requirement (€m)	**545**	355

Appendix II

Abbreviations

The following abbreviated terms are used throughout this document.

A	
ADEME	Agence De l'Environnement et de la Maîtrise de l'Energie
AFL	Accelerating Female Leadership
AFS[1]	Available-for-sale
AGM	Annual General Meeting
AIL	Accelerating into Leadership
ALCM	Asset, Liability and Capital Management
ALCO	Asset and Liability Management Committee
AT1 capital	Additional tier 1 capital
B	
BCBS	Basel Committee on Banking Supervision
bps	basis points
BSM	Balance Sheet Management
C	
CCM	Environmentally sustainable
CCP	Central counterparty
CCR[1]	Counterparty credit risk
CDP	Carbon Disclosure Project
CDS[1]	Credit default swap
CEO	Chief Executive Officer
CESGROF	Environmental, Social and Governance Risk Oversight Forum
CET1[1]	Common Equity Tier 1
CIU	Collective investment undertakings
CoS	Chief of Staff
CRA[1]	Credit risk adjustment
CRD IV[1]	Capital Requirements Directive
CRE[1]	Commercial real estate
CRM	Credit risk mitigation/mitigant
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CSA	Credit Support Annex
CSO	Chief Sustainability Officer
CSRD	Corporate Sustainability Reporting Directive
CVA	Credit valuation adjustment
D	
D-SIB	Domestic-Systemically Important Bank
Dec	December
E	
EAD[1]	Exposure at default
EBA	European Banking Authority
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECB	European Central Bank
EEA	European Economic Area
EL[1]	Expected loss
ELCs	Entity Level Controls
EPBD	Energy Performance of Building Directive
EPC	Energy Performance Certificate
ESG	Environmental, Social and Governance
ESRS	European Sustainability Reporting Standards
EU	European Union
EVE[1]	Economic value of equity
F	
FIM	Functional Instruction Manual
FPC[1]	Financial Policy Committee (UK)
FSB	Financial Stability Board
G	
GAR	Green Asset Ratio
GCEL	Global Coal Exit List
GB	Global Banking
GHG	Greenhouse gas
GOGEL	Global Oil and Gas Exit List
Group	HSBC Holdings together with its subsidiary undertakings
H	
HCSF	High Council for Financial Stability
HR	Human Resources
HSBC	HSBC Holdings together with its subsidiary undertakings
HTC&S SVaR	Hold-to-collect-and-sell stressed value at risk
I	
IAA[1]	Internal Assessment Approach
ICAAP[1]	Internal Capital Adequacy Assessment Process
ICG	Individual capital guidance
IEA	International Energy Agency
IFRSs	International Financial Reporting Standards
ILAA	Individual Liquidity Adequacy Assessment
ILR	Inherent Liquidity Risk
IMA	Internal Models Approach
IMM1	Internal Model Method
INSEE	Notary price index
IPU	Intermediate Parent Undertaking
IRB[1]	Internal ratings based approach
IRC[1]	Incremental risk charge
ITS	Implementing Technical Standard
J	
Jan	January
Jun	June
L	
LAB	Liquid Asset Buffer
LCR	Liquidity Coverage Ratio
LFRF	Liquidity and Funding Risk Management Framework
LGD[1]	Loss given default
M	
MI	Management Information
MREL	Minimum requirements for own funds and eligible liabilities
MRT	Material Risk Taker
MSS	Market Security Services
Mar	March
N	
NACE	The Statistical Classification of Economic Activities in the European Community
NFRD	Non-financial Reporting Directive
NGO	Non-Governmental Organisation
NPS	Net Promoter Score
NQH	Non Qualifying Hedge
NSFR	Net Stable Funding Ratio
NZBA	Net-Zero Banking Alliance
NZE	Net-Zero Emission
O	
OCR	Overall Capital Requirement
OECD	Organisation for Economic Cooperation and Development
OTC[1]	Over-the-counter
P	
P1R	Pillar 1 requirement
P2G	Pillar 2 guidance
P2R	Pillar 1 requirement
PD[1]	Probability of default
PFE[1]	Potential future exposure
POCI	Purchased or originated credit-impaired
PP&E	Property plant and equipment

PRA[1]	Prudential Regulation Authority (UK)
R	
RAS	Risk appetite statement
RBM[1]	Ratings Based Method
RMM	Risk Management Meeting of the Group Management Board
RNIV	Risks not in VaR
RRCSC	Reputational Risk and Client Selection Committee
RTS	Regulatory Technical Standards
RWA[1]	Risk-weighted asset
S	
Sep	September
S&P	Standard and Poor's rating agency
SBTI	Science Based Targets Initiative
SOT	Standard Outlier Test
STD[1]	Standardised approach
SA-CCR	Standardised approach for counterparty credit risk
SFM[1]	Supervisory Formula Method
SFT[1]	Securities Financing Transactions
SME	Small and medium-sized enterprise
SRB	Single Resolution Board

SREP	Supervisory Review and Evaluation Process
T	
TCFD	Task Force on Climate-related Financial Disclosure
TLAC[1]	Total Loss Absorbing Capacity
TNFD	Task Force on Nature-related Financial Disclosure
TTC[1]	Through-the-cycle
T1 capital	Tier 1 capital
T2 capital	Tier 2 capital
U	
UK	United Kingdom
UNGC	United Nations Global Compact
V	
VaR[1]	Value at risk
W	
WPB	Wealth Management and Private Banking

Full definition included in Glossary on the HSBC website www.hsbc.com.

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