

HSBC Continental Europe

Pillar 3 Disclosures at 31 December 2025



Contents

3	Introduction
3	Regulatory framework for disclosures
3	Pillar 3 disclosures
4	Key regulatory developments
4	Significant events
12	Linkage to the Universal Registration Document 2025
14	Capital and Leverage
14	Capital management
15	Overview of regulatory capital framework
17	Leverage ratio
20	Pillar 1
21	Pillar 2 and ICAAP
22	Minimum Requirement for own funds and Eligible Liabilities ('MREL') – Total Loss Absorbing Capacity ('TLAC')
22	Credit risk
22	Overview
22	Non-performing and forborne exposures
30	Risk mitigation
42	Counterparty Credit Risk
42	Overview
45	Market risk
46	Non-Financial risk
48	Other risks
48	Liquidity and funding
53	Interest rate risk in the banking book
54	Risk management of insurance operations
55	Remuneration
60	ESG Risks
60	Qualitative information on environmental risk
70	Qualitative information on social risk
77	Qualitative information on governance risk
80	Scope of ESG reporting

Appendices

101	I	Capital buffers
104	II	Summary of disclosures with held due to their immateriality, confidentiality or proprietary nature
105	III	Abbreviations
107	IV	Cautionary statement regarding forward-looking statements

Tables

Page	Table	Page	Table
6	1 Key metrics template ('KM1')	42	29 Analysis of CCR exposure by approach ('CCR1')
7	2 Overview of risk weighted exposure amounts ('OV1')	42	30 Standardised approach – CCR exposures by regulatory exposure class and risk weights ('CCR3')
8	3 Comparison of modelled and standardised risk weighted exposure amounts at risk level ('CMS1')	43	31 IRB approach – CCR exposures by exposure class and PD scale ('CCR4')
9	4 Comparison of modelled and standardised risk weighted exposure amounts for credit risk at asset class level ('CMS2')	43	32 Composition of collateral for CCR exposures ('CCR5')
10	5 RWA flow statements of credit risk exposures under the IRB approach ('CR8')	43	33 Exposures to CCPs ('CCR8')
10	6 RWA flow statements of CCR exposures under IMM ('CCR7')	44	34 Credit valuation adjustment risk under the Full Basic Approach ('CVA2')
11	7 RWA flow statements of credit valuation adjustment risk under the Standardised Approach (SA) ('CVA4')	44	35 Credit valuation adjustment risk under the Standardised Approach ('CVA3')
11	8 RWA flow statements of market risk exposures under the IMA ('MR2-B')	45	36 Market risk under the standardised approach ('MR1')
12	9 Reconciliation of regulatory own funds to balance sheet in the audited financial statements ('CC2')	45	37 Market risk under the Internal Model Approach ('IMA') ('MR2-A')
16	10 Composition of regulatory own funds ('CC1')	46	38 Operational risk losses ('OR1')
18	11 Summary reconciliation of accounting assets and leverage ratio exposures ('LRSum')	47	39 Business Indicator, components and subcomponents ('OR2')
18	12 Leverage ratio common disclosure ('LRCom')	47	40 Operational risk own funds requirements and risk exposure amounts ('OR3')
19	13 Split of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) ('LRSpl')	49	41 Quantitative information on LCR ('LIQ1')
23	14 Credit quality of forborne exposures ('CQ1')	50	42 Net Stable Funding Ratio ('LIQ2')
24	15 Credit quality of performing and non-performing exposures by past due days ('CQ3')	54	43 Interest rate risks of non-trading book activities ('IRRBB1')
25	16 Quality of non-performing exposures by geography ('CQ4')	58	44 Remuneration awarded for the financial year ('REM1')
26	17 Credit quality of loans and advances to non-financial corporations by industry ('CQ5')	58	45 Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff) ('REM2')
26	18 Collateral obtained by taking possession and execution processes ('CQ7')	59	46 Deferred remuneration ('REM3')
27	19 Performing and non-performing exposures and related provisions ('CR1')	59	47 Remuneration of EUR 1 million or more per year ('REM4')
29	20 Changes in the stock of non-performing loans and advances ('CR2')	59	48 Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff) ('REM5')
29	21 Maturity of exposures ('CR1-A')	83	49 Template 1: Banking book – Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity
31	22 CRM techniques overview: Disclosure of the use of credit risk mitigation techniques ('CR3')	90	50 Template 2: Banking book – Indicators of potential climate change transition risk: loans collateralised by immovable property – energy efficiency of the collateral
32	23 Standardised approach – Credit risk exposure and CRM effects ('CR4')	93	51 Template 3: Banking book – indicators of potential climate change transition risk: alignment metrics
33	24 Standardised approach – Exposures by asset classes and risk weights ('CR5')	94	52 Template 4: Banking book – indicators of potential climate change transition risk: exposures to top 20 carbon-intensive firms
38	25 IRB approach – Effect on the RWAs of credit derivatives used as CRM techniques ('CR7')	96	53 Template 5: Banking book – indicators of potential climate change physical risk: exposures subject to physical risk
39	26 IRB approach – Disclosure of the extent of the use of CRM techniques ('CR7-A')	101	54 Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer ('CCyB1')
40	27 IRB approach – Credit risk exposures by exposure class and probability of default ('PD') range ('CR6')	103	55 Amount of institution specific countercyclical capital buffer ('CCyB2')
41	28 Scope of the use of IRB and SA approaches ('CR6-A')		

Certain defined terms

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

Introduction

Regulatory framework for disclosures

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

From 1 January 2025 HSBC Continental Europe has calculated capital on a consolidated basis for prudential regulatory reporting purposes using the newly implemented EU Basel III reforms framework and the amended Capital Requirements Regulation and Directive, which is referred to as 'CRR 3' within this document.

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 2025.

Basis of preparation

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

In its disclosures, HSBC Continental Europe provides comparative figures to facilitate analysis. Key ratios and figures are reflected throughout the Pillar 3 2025 disclosures and are also available on page 3 of HSBC Continental Europe's Universal Registration Document 2025.

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

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

Pillar 3 requirements may be met by inclusion in other disclosure media. Where HSBC Continental Europe adopts this approach, references are provided to the relevant pages of the Universal Registration Document 2025 or other location.

Governance

Governance arrangements are detailed in the report on Corporate governance on pages 18 to 43 of HSBC Continental Europe's Universal Registration Document 2025.

HSBC Continental Europe's Pillar 3 Disclosures are approved by HSBC Continental Europe Board of Directors and are governed by HSBC Continental Europe's financial reporting and governance processes. This Pillar 3 Disclosure Report was approved by HSBC Continental Europe's Board on 18 February 2026 and signed on its behalf by:

Joseph Swithenbank

Chief Financial Officer and Deputy Chief Executive Officer

Comparatives and references

To give insight into movements during 2025, we provide comparative figures for 1Q25, 2Q25 and 3Q25 only where required in the tables. Where disclosures have been enhanced, or are new, we have not restated or provided comparatives. Wherever specific rows and columns in the tables prescribed are not applicable or are immaterial to our activities, we omit them and follow the same approach for comparatives.

In alignment with the EBA ITS instructions, we have shaded cells where no information is required to be disclosed.

Unless stated otherwise, throughout this document 31 December 2024 numbers reflect the position on a CRR2 basis, except for the operational risk tables.

Key regulatory developments

The revised Capital Requirements Regulation ('CRR3') implementing the Basel 3 reforms package entered into force in the EU on the 1 January 2025, except for the changes to the market risk standards following the Basel Committee's Fundamental Review of the Trading Book ('FRTB'). In September 2025, the EU legislators agreed to postpone the implementation of the FRTB by one additional year until 1 January 2027. The European Commission ('EC') subsequently published a consultation on its proposal to apply temporary targeted measures as well as multipliers on the market risk capital requirements for banks that will be negatively impacted as the new rules enter into force. The objective is to maintain a level playing field for EU banks in light of the uncertainty over the application of the FRTB framework in other major jurisdictions.

In parallel, the European Banking Authority ('EBA') and the European Central Bank ('ECB') continue to issue supporting regulatory standards and guidelines mandated by the CRR3.

Revised Capital Requirements Directive ('CRD6')

As part of the EU's broader banking reform package, CRD6 introduces significant changes to the prudential framework for banks. This includes new regulatory requirements for environmental, social and governance ('ESG') and cryptoasset-related risks across the prudential framework, some adaptations to Pillar 2, and capital buffer requirements to account for the changes to Pillar 1 requirements arising from CRR3. It also includes additional powers for national supervisors, particularly for restrictions on cross-border activities provided by non-EU banking entities to EU-based clients, subject to certain exemptions.

CRD6 rules will have to be implemented into national law across Member States in 2026, with an additional one-year transition period for provisions relating to cross-border services and third country branches.

Securitisation reforms

In 2025, the EC proposed a package of measures aimed at improving and simplifying the EU's securitisation framework. The proposed amendments are intended to reduce the operational constraints and costs for both issuers and investors in securitisations, to lower capital and liquidity requirements for banks holding less risky tranches and make the significant risk transfer ('SRT') test more transparent and less prescriptive. The proposal is still under triologue discussions between the EU legislators. The European Parliament ('EP') is expected to issue its final draft version in 2026.

As part of its operational simplification agenda, the ECB aims to reduce its timeline for SRT approvals by launching a fast-track process in 2026. Eligible transactions are expected to be approved within two weeks, down from the current three months.

Capital buffers

In France, the Haut Conseil de Stabilité Financière ('HCSF') has decided to maintain the countercyclical capital buffer rate at 1%. In Luxembourg, the Commission de Surveillance du Secteur Financier has decided to maintain it at 0.5%. In 2025, the HCSF repealed a decision that required a 3% sectorial systemic buffer for exposures to highly leveraged non-financial groups established in France.

Simplification reforms

The ECB Governing Council endorsed a recommendation from its High-level Task Force to simplify the EU banking regulatory, supervisory, and reporting framework. The aim is to reduce unnecessary complexity, support smaller banks, and improve efficiency, while maintaining financial stability and harmonisation across the EU. A key regulatory simplification measure is to reduce the number of elements in the risk weighting and leverage ratio framework to make capital rules clearer and less fragmented such as merging several capital buffers without lowering overall capital requirements. These recommendations are expected to be

considered by the EC in their report on the overall situation of the banking system in Europe, due in 2026.

Environmental, Social and Governance ('ESG') risks

In 2025 the EU continued to refine its ESG regulatory framework progressing the phased implementation of the Corporate Sustainability Reporting Directive ('CSRD') and European Sustainability Reporting Standards ('ESRS'), while EU co-legislators reached provisional agreement on a targeted Omnibus package to simplify CSRD and related Corporate Sustainability Due-Diligence requirements ('CSDDD'), expected to be enacted in the first quarter of 2026. The amendments to CSRD are expected to enter into force for 31 December 2027.

Additionally, the EC also indicated its intention to adopt a revised ESRS Delegated Act in 2026, following work to simplify the standards, with application expected from financial years beginning on or after 1 January 2027.

From a prudential perspective, in January 2025, the EBA published its final guidelines on the management of ESG risks setting out the requirements for the identification, measurement, management and monitoring of ESG risks mandated under the Capital Requirements Directive ('CRD6'). The guidelines applied from 11 January 2026. Additionally, in November 2025, the EBA published its final Guidelines on environmental scenario analysis to complement its guidelines on the management of ESG risks, applicable from 1 January 2027.

In May 2025, the EBA published a consultation paper on proposed amendments to the ESG Pillar 3 disclosures including ESG risk-related disclosures introduced by CRR3. Once finalised, the guidelines are expected to be applicable with first reference date as 31 December 2026.

Significant events

Business disposals

Retained portfolio of home and certain other loans in France

Following the sale of our French retail banking operations on 1 January 2024, HSBC Continental Europe retained a portfolio of home and certain other loans, with a carrying value of EUR 7.1 billion at the time of sale. On 31 October 2025, HSBC Continental Europe completed the sale of its retained portfolio to a consortium comprising Rothesay Life plc and CCF. Prior to their derecognition at completion, as at 30 September 2025, related balances stood at EUR 5 billion in loans. The completion of the transaction resulted in the recycling of cumulative fair value losses of EUR 1.3 billion to the income statement that were previously recognised through other comprehensive income. For the year ended 31 December 2025, we additionally recognised a EUR 0.1 billion mark-to-market gain in 'net income from financial instruments held for trading or managed on a fair value basis arising on certain non-qualifying economic hedges that were used to hedge interest rate risk on the portfolio.

These non-qualifying economic hedges were derecognised following completion of the transaction.

French life insurance business

On 31 October 2025, HSBC Continental Europe completed the sale of its French life insurance business, HSBC Assurances Vie (France), to Matmut Société d'Assurance Mutuelle. Prior to their derecognition at completion, as at 30 September 2025, related balances stood at EUR 24.1 billion in assets and EUR 23.2 billion in liabilities. For the year ended 31 December 2025, we recognised a EUR 0.1 billion pre-tax loss inclusive of migration costs and the recycling of related reserves.

Private banking business in Germany

On 3 October 2025, HSBC Continental Europe completed the sale of its private banking business in Germany to BNP Paribas at which point we recognised a pre-tax gain on disposal of EUR 0.1 billion. Prior to their derecognition at completion, as at 30 September 2025, related balances stood at EUR 1.3 billion in assets and EUR 1.3 billion in liabilities.

Business in Malta

On 16 September 2025, HSBC Continental Europe signed a put option agreement with CrediaBank S.A. regarding the potential sale of its majority shareholding of 70.03% in HSBC Bank Malta plc. On 22 December 2025, pursuant to the terms of the put option agreement and following completion of HSBC Continental Europe's employee information and consultation process in France, a Sale and Purchase Agreement for the transaction was signed. The transaction, which remains subject to regulatory approvals, did not meet the criteria for held for sale in the fourth quarter of 2025, given completion is now expected in the first half of 2027. The sale is expected to generate an estimated pre-tax loss of EUR 0.3 billion, inclusive of migration costs, which we expect to recognise largely in the first half of 2026 upon classification of the disposal group as held for sale.

Fund administration business in Germany

On 11 July 2025, HSBC Continental Europe reached an agreement to sell its fund administration business, Internationale Kapitalanlagegesellschaft mbH, to BlackFin Capital Partners S.A.S. The disposal group met the held for sale criteria in the third quarter of 2025, with immaterial balances remaining classified as held for sale at 31 December 2025. This transaction, which remains subject to regulatory approval, is expected to complete in the second half of 2026, at which point an immaterial gain on disposal will be recognised.

Custody business in Germany

On 27 June 2025, HSBC Continental Europe reached an agreement to sell its custody business in Germany to BNP Paribas. This transaction is anticipated to be completed in a phased manner, starting in the first quarter of 2026. While client consent and related operational requirements may extend the timing for completion of all client transfers, given the signing of a sale and purchase agreement, the disposal group met the held for sale criteria in the second quarter of 2025, with balances remaining classified as held for sale at 31 December 2025 of EUR 0.3 billion in assets and EUR 10.6 billion in liabilities. The sale is expected to generate an estimated pre-tax gain on disposal of EUR 0.1 billion, which will be recognised in line with completion of client transfers.

Issuances and repayments

In February 2025, HSBC Continental Europe redeemed perpetual floating rate notes previously recognised as Tier 2 Capital with a total outstanding amount of EUR 16 million.

In May 2025, HSBC Continental Europe redeemed a Tier 2 loan at the first call date five years before maturity for EUR 500 million and issued a new Tier 2 loan to HSBC Bank plc with maturity of eleven years for a notional amount of EUR 500 million.

In May 2025, HSBC Continental Europe redeemed a Tier 2 promissory note loan (Schuldscheindarlehen), which was issued by the Germany branch of EUR 10 million, maturing in June 2028.

In June 2025, HSBC Continental Europe redeemed two further Tier 2 promissory note loans (Schuldscheindarlehen), both issued by the Germany branch of EUR 10 million and EUR 5 million respectively, both maturing in July 2025.

In December 2025, HSBC Continental Europe redeemed Senior Non Preferred Debt of EUR 500 million without replacement.

In December 2025, HSBC Continental Europe called Additional Tier 1 instruments of EUR 200 million, issued by the Germany branch, with redemption date 2 January 2026. After the call in December 2025, this instrument was de-recognised from equity and recognised as liability.

Irrevocable Payment Commitments of Single Resolution Fund

HSBC Continental Europe has reviewed the accounting treatment for the Irrevocable Payment Commitment after the confirmation of the European Union Court of Justice adverse decision against BNPPB Public Sector and concluded that this decision does not impact the financial statements. The cash deposit continues to be presented as an asset, and the associated 'Irrevocable Payment Commitment' ('IPC') continues to be disclosed. A provision will be recognized when an event likely to trigger a call for funds by the Single Resolution Board (through a bank resolution or a licence withdrawal) is expected to occur. At 31 December 2025, the cash asset and the IPC amounted to EUR 150 million, including a EUR 10 million provision related to HSBC Germany.

Recognition of restructuring provision

On 14 May 2025, following HSBC Group announcements, HSBC Continental Europe proposed developments for the bank that reflected the acceleration of the implementation of HSBC's strategy aimed at simplifying the organisation to make it more agile, bringing together Commercial Banking activities and Global Banking and Markets activities. This project across 10 countries was subject to a consultation with the European Works Council. Local consultations were also required in France (through a 'Plan de Sauvegarde de l'Emploi' (Social Plan) including a voluntary scheme) and in Germany before any implementation. The implementation of the reorganisation of HSBC Continental Europe's activities began in November 2025. During 2025, HSBC Continental Europe recognised EUR 292 million of restructuring costs relating to these actions, primarily termination benefits.

Resegmentation

On 22 October 2024, HSBC Holdings plc announced that the HSBC Group would simplify its organisational structure to help accelerate delivery against its strategic priorities. Effective 1 January 2025, the HSBC Group started to operate through four new businesses – Hong Kong, UK, Corporate and Institutional Banking ('CIB'), International Wealth and Premier Banking ('IWPB').

HSBC Continental Europe comprises CIB and IWPB businesses in Europe and acts as a global connector, linking European clients to opportunities across the HSBC global network, and global clients to opportunities in Europe. It deploys capital to support European clients, that in turn drives business booked through the HSBC network.

Corporate and Institutional Banking, International Wealth and Premier Banking, as well as the Corporate Centre (comprising: certain legacy assets and central stewardship costs) operating segment results are presented on this basis in Note 11 'Segmental analysis' on page 228 of Universal Registration Document.

The table below sets out the key regulatory metrics covering our available capital (including buffer requirements and ratios), RWAs, Leverage ratio, LCR and NSFR. Accordingly, the current period numbers are the same on both the transitional and end-point basis.

The key CRR3 change to the table is the floored and unfloored ratio impacts, and RWAs presented on the new CRR3 methodology. The comparative ratios and buffers are not restated.

Table 1: Key metrics template ('KM1')

		(CRR3 amended)				
		CRR3	CRR3	CRR3	CRR3	CRR2
		31 Dec 2025	30 Sep 2025	30 Jun 2025 ¹	31 Mar 2025 ¹	31 Dec 2024 ¹
		€m	€m	€m	€m	€m
Available own funds (amounts)						
1	Common Equity Tier 1 ('CET1') capital	9,874	10,446	10,461	10,532	11,916
2	Tier 1 capital	11,116	11,888	11,903	11,975	13,359
3	Total capital	13,018	13,399	13,383	13,462	14,848
Risk-weighted exposure amounts						
4	Total risk exposure amount	60,303	64,446	67,610	67,312	63,297
4a	Total risk exposure pre-floor	60,303	64,446	67,610	67,312	—
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	16.4	16.2	15.5	15.6	18.8
5b	Common Equity Tier 1 ratio considering unfloored TREA (%)	16.4	16.2	15.5	15.6	—
6	Tier 1 ratio (%)	18.4	18.4	17.6	17.8	21.1
6b	Tier 1 ratio considering unfloored TREA (%)	18.4	18.4	17.6	17.8	—
7	Total capital ratio (%)	21.6	20.8	19.8	20.0	23.5
7b	Total capital ratio considering unfloored TREA (%)	21.6	20.8	19.8	20.0	—
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount) (%)						
EU-7d	Additional own funds requirements to address risks other than the risk of excessive leverage	2.8	2.8	2.8	2.8	3.0
EU-7e	– of which: to be made up of CET1 capital (percentage points)	1.5	1.5	1.5	1.5	1.7
EU-7f	– of which: to be made up of Tier 1 capital (percentage points)	2.1	2.1	2.1	2.1	2.3
EU-7g	Total SREP own funds requirements	10.8	10.8	10.8	10.8	11.0
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	0.9	0.9	0.9	0.9
EU-9a	Systemic risk buffer	0.0	0.0	0.0	0.0	0.0
10	Global Systemically Important Institution buffer	—	—	—	—	—
EU-10a	Other Systemically Important Institution buffer	0.3	0.3	0.3	0.3	0.3
11	Combined buffer requirement	3.7	3.7	3.7	3.7	3.7
EU-11a	Overall capital requirements	14.5	14.4	14.4	14.5	14.7
12	CET1 available after meeting the total SREP own funds requirements	10.3	10.0	9.0	9.2	12.5
Leverage ratio						
13	Total exposure measure	256,275	261,315	249,204	241,607	245,648
14	Leverage ratio (%)	4.3	4.6	4.8	5.0	5.4
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure) (%)						
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-14e	Overall leverage ratio requirement	3.0	3.0	3.0	3.0	3.0
Liquidity Coverage Ratio²						
15	Total high-quality liquid assets ('HQLA') (Weighted value-average)	87,884	83,195	79,803	77,094	75,513
EU-16a	Cash outflows – Total weighted value	91,858	89,773	85,980	84,169	82,826
EU-16b	Cash inflows – Total weighted value	31,899	31,357	30,675	31,277	32,299
16	Total net cash outflows (adjusted value)	59,959	58,416	55,305	52,892	50,527
17	Liquidity coverage ratio (%)	147	142	144	146	150
Net Stable Funding Ratio²						
18	Total available stable funding	85,358	81,391	83,525	84,370	86,928
19	Total required stable funding	52,023	58,343	57,798	60,153	63,448
20	NSFR ratio (%)	164	140	145	140	137

1 Comparatives are updated to align to submissions post publication.

2 In line with CRR requirements LCR is disclosed as an average over 12 months, whereas NSFR is disclosed as at reporting date.

Risk-weighted assets

The table below shows total RWAs including free deliveries, and the corresponding total own funds requirement split by risk type. Other counterparty credit risk includes securities financing transactions RWAs.

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

(CRR3 amended)

	CRR3		CRR3		CRR2	
	At 31 Dec 2025		At 30 Sep 2025		At 31 Dec 2024 ⁶	
	Total risk exposure amounts ('TREA') €m	Total own funds requirements ¹ €m	Total risk exposure amounts ('TREA') €m	Total own funds requirements ¹ €m	Total risk exposure amounts ('TREA') €m	Total own funds requirements ¹ €m
1 Credit risk (excluding CCR)²	41,585	3,327	47,253	3,780	44,358	3,548
2 – of which: the standardised approach	17,317	1,385	21,497	1,720	12,007	960
3 – of which: the Foundation IRB ('F-IRB') approach	22,077	1,766	22,806	1,824	8,453	676
4 – of which: slotting approach	–	–	–	–	495	40
EU-4a – of which: equities under the simple risk weighted approach	–	–	–	–	667	53
5 – of which: the Advanced IRB ('A-IRB') approach	2,015	161	2,548	204	16,743	1,339
25 Amounts below the thresholds for deduction (subject to 250% risk weight)	1,036	83	3,385	271	3,458	277
6 Counterparty credit risk – CCR	4,514	361	4,329	346	6,815	545
7 – of which: the standardised approach	1,076	86	1,363	109	2,257	181
8 – of which: internal model method ('IMM')	2,802	224	2,295	184	2,212	177
EU-8a – of which: exposures to a CCP	244	20	256	20	188	15
EU-8b – credit valuation adjustment ('CVA') ⁴	–	–	–	–	628	50
9 – of which: other CCR ³	392	31	415	33	1,530	122
10 Credit valuation adjustments risk – CVA risk⁴	957	76	952	76	–	–
EU-10a – of which: the standardised approach ('SA')	353	28	396	32	–	–
EU-10b – of which: the basic approach (F-BA and R-BA)	604	48	556	44	–	–
15 Settlement risk	1	–	5	–	1	–
16 Securitisation exposures in the non-trading book (after the cap)	1,674	134	1,627	130	1,650	132
17 – of which: SEC-IRBA approach	1,108	89	1,004	81	992	80
18 – of which: SEC-ERBA (including IAA)	316	25	318	25	404	32
19 – of which: SEC-SA approach	250	20	305	24	254	20
20 Position, foreign exchange and commodities risks (Market risk)⁵	3,948	316	3,257	261	3,786	302
21 – of which: standardised approach	88	7	69	6	168	13
22 – of which: internal model approach	3,860	309	3,188	255	3,618	289
EU-22a Large exposures	–	–	–	–	–	–
24 Operational risk	7,624	610	7,023	562	6,688	522
26 Output floor applied (%)	–	–	–	–	–	–
27 Floor adjustment (before application of transitional cap)	–	–	–	–	–	–
28 Floor adjustment (after application of transitional cap)	–	–	–	–	–	–
29 Total	60,303	4,824	64,446	5,155	63,297	5,049

1 'Total own funds requirements', 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 and it includes other credit risk RWAs.

3 The row entitled 'of which other CCR' report capital requirements relating to this risk type that do not map to other rows in this table.

4 Row EU-8b 'credit valuation adjustment ('CVA') shows CVA under CRR2 methodology whereas row 10 presents CVA risk as per CRR3 requirements and is not comparable to CRR2 regulation.

5 Market risk values have been calculated under CRR2 methodology for all periods as FRTB changes are not due to be implemented until 2027.

6 Comparatives are updated to align to OV1 CRR3 structure.

The table below presents by risk type the standardised RWAs output floor compared with the total actual RWAs, reflecting where we have used approved models or the standardised approach. Comparatives are updated to align to submissions post publication.

Table 3: Comparison of modelled and standardised risk weighted exposure amounts at risk level ('CMS1') (CRR3 new)

	a	b	c	d	EU d	
	RWAs for modelled approaches that banks have supervisory approval to use	RWAs for portfolios where standardised approaches are used	Total actual RWAs (a + b)	RWAs calculated using full standardised approach	RWAs that is the base of the output floor	
	€m	€m	€m	€m	€m	
At 31 Dec 2025						
1	Credit risk (excluding counterparty credit risk)	24,092	17,317	41,409	57,050	51,546
2	Counterparty credit risk	2,249	2,265	4,514	10,420	6,771
3	Credit valuation adjustment		957	957	957	957
4	Securitisation exposures in the banking book	1,108	566	1,674	5,892	2,831
5	Market risk	3,860	88	3,948	2,628	2,628
6	Operational risk		7,624	7,624	7,624	7,624
7	Other risk weighted exposure amounts	177		177	—	—
8	Total	31,486	28,817	60,303	84,571	72,357
At 30 Sep 2025						
1	Credit risk (excluding counterparty credit risk)	25,354	21,497	46,851	61,115	55,848
2	Counterparty credit risk	2,367	1,960	4,327	10,196	6,893
3	Credit valuation adjustment		952	952	952	952
4	Securitisation exposures in the banking book	1,004	623	1,627	5,515	2,576
5	Market risk	3,188	69	3,257	2,818	2,818
6	Operational risk		7,023	7,023	7,023	7,023
7	Other risk weighted exposure amounts	409		409	—	—
8	Total	32,322	32,124	64,446	87,619	76,110
At 30 Jun 2025						
1	Credit risk (excluding counterparty credit risk)	27,836	21,493	49,329	62,984	57,354
2	Counterparty credit risk	2,673	1,614	4,287	9,510	6,528
3	Credit valuation adjustment		1,080	1,080	1,080	1,080
4	Securitisation exposures in the banking book	1,046	644	1,690	5,567	2,595
5	Market risk	3,444	135	3,579	2,668	2,668
6	Operational risk		7,023	7,023	7,023	7,023
7	Other risk weighted exposure amounts	622		622	—	—
8	Total	35,621	31,989	67,610	88,832	77,248
At 31 Mar 2025						
1	Credit risk (excluding counterparty credit risk)	27,679	20,438	48,117	61,753	56,336
2	Counterparty credit risk	3,435	1,634	5,069	11,556	8,193
3	Credit valuation adjustment		955	955	955	955
4	Securitisation exposures in the banking book	1,022	617	1,639	5,485	2,573
5	Market risk	4,289	126	4,415	2,868	2,868
6	Operational risk		7,023	7,023	7,023	7,023
7	Other risk weighted exposure amounts	94	—	94	—	—
8	Total	36,519	30,793	67,312	89,640	77,948

The output floor is based on a static view of the balance sheet as at the reporting date. Currently there is no impact from the application of the output floor.

The table below presents the credit risk standardised RWAs output floor, in comparison with the total actual credit risk RWAs, reflecting where we have used a combination of approved models and the standardised approach. The table excludes securitisation exposures. Comparatives are updated to align to submissions post publication.

Table 4: Comparison of modelled and standardised risk weighted exposure amounts for credit risk at asset class level ('CMS2') (CRR3 new)

		Risk weighted amounts ('RWAs')				
		RWAs for modelled approaches that institutions have supervisory approval to use	RWAs for column (a) if re-computed using the standardised approach	Total actual RWAs	RWAs calculated using full standardised approach	RWAs that is the base of the output floor
		€m	€m	€m	€m	€m
At 31 Dec 2025						
1	Central governments and central banks	8	84	905	969	969
EU-1b	Public sector entities	—	—	139	139	139
EU-1c	Categorised as Multilateral Development Banks in SA	—	—	73	73	73
2	Institutions	462	862	841	1,232	1,232
3	Equity	—	—	968	968	968
5	Corporates	22,104	30,526	31,961	45,886	40,383
5.1	– of which: F-IRB is applied	20,679	28,836	20,679	34,125	28,835
5.2	– of which: A-IRB is applied	1,425	1,692	1,425	1,905	1,692
EU-5a	– of which: Corporates – General ¹	22,104	30,526	22,104	36,030	30,526
EU-5b	– of which: Corporates – Specialised lending	—	—	691	691	691
6	Retail	—	—	738	738	738
EU-7a	Categorised as secured by immovable properties and ADC exposures in SA	1,018	1,844	4,208	5,034	5,033
EU-7b	Collective investment undertakings ('CIU')	—	—	33	33	33
EU-7c	Categorised as exposures in default in SA	154	493	595	935	935
EU-7d	Categorised as subordinated debt exposures in SA	301	369	405	474	474
EU-7e	Categorised as covered bonds in SA	45	71	49	75	75
8	Other non-credit obligation assets	—	—	494	494	494
9	Total	24,092	34,249	41,409	57,050	51,546
At 30 Sep 2025						
1	Central governments and central banks	8	50	908	937	937
EU-1c	Categorised as Multilateral Development Banks in SA	—	—	72	72	72
2	Institutions	586	851	1,904	2,161	2,161
3	Equity	—	—	3,348	3,348	3,348
5	Corporates	23,418	30,639	33,561	46,049	40,782
5.1	– of which: F-IRB is applied	21,606	28,629	21,606	33,563	28,629
5.2	– of which: A-IRB is applied	1,812	2,009	1,812	2,343	2,009
EU-5a	– of which: Corporates – General ¹	23,419	30,639	23,419	35,906	30,639
EU-5b	– of which: Corporates – Specialised lending	—	—	476	476	476
6	Retail	—	—	920	920	920
EU-7a	Categorised as secured by immovable properties and ADC exposures in SA	1,134	1,934	4,810	5,610	5,610
EU-7b	Collective investment undertakings ('CIU')	—	—	70	70	70
EU-7c	Categorised as exposures in default in SA	157	443	501	786	786
EU-7d	Categorised as subordinated debt exposures in SA	4	383	64	444	444
EU-7e	Categorised as covered bonds in SA	47	72	51	76	76
8	Other non-credit obligation assets	—	—	642	642	642
9	Total	25,354	34,372	46,851	61,115	55,848
At 30 June 2025						
1	Central governments and central banks	692	123	1,380	811	811
EU-1c	Categorised as Multilateral Development Banks in SA	—	—	72	72	72
2	Institutions	453	499	2,336	2,375	2,375
3	Equity	—	—	3,336	3,336	3,336
5	Corporates	24,714	32,014	34,210	47,140	41,510
5.1	– of which: F-IRB is applied	22,046	30,235	22,046	35,669	30,235
5.2	– of which: A-IRB is applied	2,668	1,780	2,668	1,975	1,780
EU-5a	– of which: Corporates – General ¹	24,392	31,966	24,392	37,597	31,966
EU-5b	– of which: Corporates – Specialised lending	322	48	754	480	480
6	Retail	—	—	983	983	983
EU-7a	Categorised as secured by immovable properties and ADC exposures in SA	1,643	2,563	5,481	6,401	6,401
EU-7b	Collective investment undertakings ('CIU')	—	—	105	105	105
EU-7c	Categorised as exposures in default in SA	268	555	557	845	845
EU-7d	Categorised as subordinated debt exposures in SA	9	17	44	52	52
EU-7e	Categorised as covered bonds in SA	57	96	65	104	104
8	Other non-credit obligation assets	—	—	760	760	760
9	Total	27,836	35,867	49,329	62,984	57,354

Table 4: Comparison of modelled and standardised risk weighted exposure amounts for credit risk at asset class level ('CMS2') (continued)

		Risk weighted amounts (RWAs)				
		RWAs for modelled approaches that institutions have supervisory approval to use	RWAs for column (a) if re-computed using the standardised approach	Total actual RWAs	RWAs calculated using full standardised approach	RWAs that is the base of the output floor
		€m	€m	€m	€m	€m
At 31 March 2025						
1	Central governments and central banks	194	3	752	562	562
EU-1b	Public sector entities	—	—	60	60	60
EU-1c	Categorised as Multilateral Development Banks in SA	—	—	31	31	31
2	Institutions	388	463	2,291	2,359	2,359
3	Equity	—	—	3,316	3,316	3,316
5	Corporates	25,241	32,361	34,075	46,602	41,194
5.1	– of which: F-IRB is applied	22,342	29,717	22,342	34,739	29,717
5.2	– of which: A-IRB is applied	2,899	2,644	2,899	3,030	2,644
EU-5a	– of which: Corporates – General ¹	25,131	32,205	25,131	37,613	32,205
EU-5b	– of which: Corporates – Specialised lending	111	156	462	507	507
6	Retail	—	—	1,119	1,119	1,119
EU-7a	Categorised as secured by immovable properties and ADC exposures in SA	1,500	2,381	5,006	5,897	5,888
EU-7b	Collective investment undertakings ('CIU')	—	—	85	85	85
EU-7c	Categorised as exposures in default in SA	279	579	537	837	837
EU-7d	Categorised as subordinated debt exposures in SA	10	20	56	66	66
EU-7e	Categorised as covered bonds in SA	67	97	75	105	105
8	Other non-credit obligation assets	—	—	714	714	714
9	Total	27,679	35,904	48,117	61,753	56,336

1 The row 'of which: Corporates – General' contains only the IRB approach as per EBA mapping rules.

The table below shows the drivers of the quarterly movements of credit risk RWAs, excluding counterparty credit risk and including free deliveries under the IRB approach. The table also excludes securitisation positions, equity exposures and non-credit obligation assets. RWAs have been calculated on the new CRR3 methodology and comparatives have not been restated.

Table 5: RWA flow statements of credit risk exposures under the IRB approach ('CR8')

		Quarter ended			
		31 Dec 2025	30 Sep 2025	30 Jun 2025	31 Mar 2025
		€m	€m	€m	€m
1	Opening RWAs at start of quarter	25,354	27,836	27,679	25,692
2	Asset size	(857)	(744)	2	325
3	Asset quality	(221)	(597)	(52)	307
4	Model updates	(65)	(1,217)	628	1,248
5	Methodology and policy	—	—	(334)	269
6	Acquisitions and disposals	(33)	—	—	—
7	Foreign exchange movements	6	(10)	(87)	(162)
8	Other	(92)	86	—	—
9	Closing RWAs at end of quarter	24,092	25,354	27,836	27,679

The EUR 1.2 billion decrease due to model updates in Q3 2025 reflects the transition towards less sophisticated approaches for sovereign and specialised lending exposures.

The table below shows the drivers of the quarterly movements of counterparty credit risk RWAs under the internal model method approach. RWAs have been calculated on the new CRR3 methodology.

Table 6: RWA flow statements of CCR exposures under IMM ('CCR7')

		Quarter ended			
		31 Dec 2025	30 Sep 2025	30 Jun 2025	31 Mar 2025
		€m	€m	€m	€m
1	Opening RWAs at start of quarter	2,295	2,270	2,357	2,212
2	Asset size	446	172	(227)	(432)
3	Asset quality	62	(149)	78	48
4	Model updates (IMM only)	—	—	—	—
5	Methodology and policy (IMM only)	—	—	—	505
6	Acquisitions and disposals	—	—	—	—
7	Foreign exchange movements	(1)	2	62	24
8	Other	—	—	—	—
9	Closing RWAs at end of quarter	2,802	2,295	2,270	2,357

The table below provides quarterly movements in our RWAs for CVA risk, under the standardised approach. RWAs have been calculated on the new CRR3 methodology.

Table 7: RWA flow statements of credit valuation adjustment risk under the Standardised Approach (SA) ('CVA4')

(CRR3 new)

	Risk weighted exposure amount €m
1 Risk weighted exposure amount as at 31 Mar 2025	411
2 Risk weighted exposure amount as at 30 Jun 2025	430
3 Risk weighted exposure amount as at 30 Sep 2025	396
4 Risk weighted exposure amount as at 31 Dec 2025	353

The majority of HSBC Continental Europe SA-CVA RWA arises from the counterparty credit spread delta sensitivity. The total SA CVA RWA amounts to EUR 353 million as of end of December 2025 compared with EUR 396 million as of end of September 2025.

The table below shows the drivers of the quarterly movements of market risk RWAs under the internal model approach, split by value at risk ('VaR'), stressed VaR ('SVaR'), incremental risk charge ('IRC') and other models. Rows 1a/1b and 8a/8b represent differences between RWAs reported for the period and RWAs calculated on a spot basis at the end of the reporting period, except RWAs in 'Other' which includes components that are calculated on an average basis.

Table 8: RWA flow statements of market risk exposures under the IMA ('MR2-B')

	VaR €m	SVaR €m	IRC €m	CRM €m	Other €m	Total RWAs €m	Total own funds requirements €m
1 RWAs at 1 Oct 2025	546	1,096	845	—	701	3,188	255
1a Regulatory adjustment	(376)	(529)	—	—	—	(905)	(72)
1b RWAs at the previous quarter-end (end of the day)	170	567	845	—	701	2,283	183
2 Movement in risk levels	(7)	165	73	—	(46)	185	15
3 Model updates/changes	—	—	—	—	—	—	—
7 Other	—	—	—	—	—	—	—
8a RWAs at the end of the disclosure period (end of the day)	163	732	918	—	655	2,468	198
8b Regulatory adjustment	475	867	50	—	—	1,392	111
8 RWAs at 31 Dec 2025	638	1,599	968	—	655	3,860	309
1 RWAs at 1 Jul 2025	574	1,235	876	—	759	3,444	276
1a Regulatory adjustment	(429)	(875)	(102)	—	—	(1,406)	(113)
1b RWAs at the previous quarter-end (end of the day)	145	360	774	—	759	2,038	163
2 Movement in risk levels	25	207	71	—	(58)	245	20
3 Model updates/changes	—	—	—	—	—	—	—
7 Other	—	—	—	—	—	—	—
8a RWAs at the end of the disclosure period (end of the day)	170	567	845	—	701	2,283	183
8b Regulatory adjustment	376	529	—	—	—	905	72
8 RWAs at 30 Sep 2025	546	1,096	845	—	701	3,188	255
1 RWAs at 1 Apr 2025	544	1,670	929	—	1,146	4,289	342
1a Regulatory adjustment	(398)	(1,277)	—	—	—	(1,675)	(134)
1b RWAs at the previous quarter-end (end of the day)	146	393	929	—	1,146	2,614	208
2 Movement in risk levels	(1)	(33)	(155)	—	117	(72)	(6)
3 Model updates/changes	—	—	—	—	—	—	—
7 Other	—	—	—	—	(504)	(504)	(39)
8a RWAs at the end of the disclosure period (end of the day)	145	360	774	—	759	2,038	163
8b Regulatory adjustment	429	875	102	—	—	1,406	113
8 RWAs at 30 Jun 2025	574	1,235	876	—	759	3,444	276
1 RWAs at 1 Jan 2025	565	1,748	814	—	491	3,618	289
1a Regulatory adjustment	(423)	(1,371)	(215)	—	—	(2,009)	(161)
1b RWAs at the previous quarter-end (end of the day)	142	377	599	—	491	1,609	128
2 Movement in risk levels	4	16	330	—	(1)	349	28
3 Model updates/changes	—	—	—	—	—	—	—
7 Other	—	—	—	—	656	656	52
8a RWAs at the end of the disclosure period (end of the day)	146	393	929	—	1,146	2,614	208
8b Regulatory adjustment	398	1,277	—	—	—	1,675	134
8 RWAs at 31 Mar 2025	544	1,670	929	—	1,146	4,289	342

Linkage to the Universal Registration Document 2025

Basis of consolidation

The basis of consolidation for the purpose of financial accounting under International Financial Reporting Standards ('IFRS'), described in Note 1 of HSBC Continental Europe's Universal Registration Document 2025, 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 9: Reconciliation of regulatory own funds to balance sheet in the audited financial statements ('CC2')

Ref t	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	58,092	–	–	58,092
Items in the course of collection from other banks	80	–	–	80
Trading assets	30,801	–	–	30,801
Financial assets designated and otherwise mandatorily measured at fair value through profit and loss	1,619	(721)	–	898
Financial assets designated at fair value	–	–	–	–
Derivatives	40,579	–	–	40,579
Loans and advances to banks	5,715	(2)	(106)	5,607
Loans and advances to customers	42,835	–	106	42,941
– of which: impairment allowances on IRB portfolios	322	–	–	322
– of which: impairment allowances on standardised portfolios	192	–	–	192
Reverse repurchase agreements – non-trading	29,308	–	–	29,308
Financial investments	28,003	–	–	28,002
– of which: lending eligible as Tier 2 to Group FSEs outside the regulatory scope of consolidation	–	–	–	–
Capital invested in insurance and other entities	–	28	34	62
Assets held for sale	377	–	–	377
Prepayments, accrued income and other assets	12,604	(5)	–	12,598
– of which: defined benefit retirement scheme assets	111	–	–	111
Current tax assets	164	–	–	164
Interests in associates and joint ventures	–	–	–	–
Goodwill and intangible assets	319	–	–	319
Deferred tax assets	895	–	–	895
Total assets at 31 Dec 2025	251,391	(701)	34	250,724
Liabilities and equity				
Deposits by banks	14,514	–	(1,182)	13,332
Customer accounts	97,107	41	1,182	98,330
Repurchase agreements – non-trading	14,486	–	–	14,486
Items in the course of transmission to other banks	183	–	–	183
Trading liabilities	18,376	–	–	18,376
Financial liabilities designated at fair value	11,086	(165)	–	10,921
– of which: term subordinated debt included in tier 2 capital	–	–	–	–
Derivatives	33,178	–	–	33,178
Debt securities in issue	14,129	–	–	14,129
Accruals, deferred income and other liabilities	21,038	(11)	–	21,027
– of which: retirement benefit liabilities	63	–	–	63
Liabilities of disposal groups held for sale	10,648	–	–	10,648
Current tax liabilities	208	–	–	208
Liabilities under insurance contracts	531	(531)	–	–
Provisions	444	(1)	–	443
– of which: credit-related provisions on IRB portfolios	112	–	–	112
– of which: credit-related provisions on standardised portfolios	18	–	–	18
Deferred tax liabilities	3	–	–	3
Subordinated liabilities	1,894	–	–	1,894
– of which: term subordinated debt included in tier 2 capital	1,894	–	–	1,894
Total liabilities at 31 Dec 2025	237,825	(667)	–	237,158
Called up share capital	1,328	–	–	1,328
Share premium account	6,747	–	–	6,747
Other equity instruments	1,230	–	–	1,230
Other reserves	1,552	–	–	1,552
Retained earnings	2,524	(24)	34	2,534
Total shareholders' equity	13,381	(24)	34	13,391
Non-controlling interests	185	(10)	–	175
Total equity at 31 Dec 2025	13,566	(34)	34	13,566
Total liabilities and equity at 31 Dec 2025	251,391	(701)	34	250,724

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

	Ref t	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		48,907	—	—	48,907
Items in the course of collection from other banks		184	—	—	184
Trading assets		22,853	—	—	22,853
Financial assets designated and otherwise mandatorily measured at fair value through profit and loss		1,563	(766)	—	797
Financial assets designated at fair value		—	—	—	—
Derivatives		43,251	—	7	43,258
Loans and advances to banks		5,703	(2)	—	5,701
Loans and advances to customers		51,288	50	—	51,338
– of which:					
impairment allowances on IRB portfolios	i	345	—	—	345
impairment allowances on standardised portfolios		110	—	—	110
Reverse repurchase agreements – non-trading		25,764	—	—	25,764
Financial investments		20,740	325	—	21,065
– of which: lending eligible as Tier 2 to Group FSEs outside the regulatory scope of consolidation	n	—	420	—	420
Capital invested in insurance and other entities		—	542	463	1,005
Assets held for sale		25,477	(23,347)	—	2,130
Prepayments, accrued income and other assets		17,814	27	—	17,841
– of which: defined benefit retirement scheme assets	j	66	—	—	66
Current tax assets		595	(32)	—	563
Interests in associates and joint ventures		—	—	—	—
Goodwill and intangible assets	g	219	—	—	219
Deferred tax assets	h	650	—	—	650
Total assets at 31 Dec 2024		265,008	(23,203)	470	242,275
Liabilities and equity					
Deposits by banks		11,820	—	—	11,820
Customer accounts		97,065	124	—	97,189
Repurchase agreements – non-trading		12,344	—	—	12,344
Items in the course of transmission to other banks		367	—	—	367
Trading liabilities		16,480	—	—	16,480
Financial liabilities designated at fair value		9,906	261	—	10,167
– of which: term subordinated debt included in tier 2 capital	m	—	—	—	—
Derivatives		41,857	6	7	41,870
Debt securities in issue		15,257	—	—	15,257
Accruals, deferred income and other liabilities		17,481	(23)	—	17,458
– of which: retirement benefit liabilities		75	—	—	75
Liabilities of disposal groups held for sale		24,718	(22,571)	—	2,147
Current tax liabilities		236	(4)	—	232
Liabilities under insurance contracts		518	(518)	—	—
Provisions		184	(1)	—	183
– of which: credit-related provisions on IRB portfolios	i	95	—	—	95
Deferred tax liabilities	h	3	—	—	3
Subordinated liabilities	k	1,941	—	—	1,941
– of which: term subordinated debt included in tier 2 capital	m	1,925	—	—	1,925
Total liabilities at 31 Dec 2024		250,177	(22,726)	7	227,458
Called up share capital	a	1,328	—	—	1,328
Share premium account	b	6,747	—	—	6,747
Other equity instruments	k	1,430	—	—	1,430
Other reserves	d, h	1,574	34	—	1,608
Retained earnings	c, f	3,563	(511)	463	3,515
Total shareholders' equity		14,642	(477)	463	14,628
Non-controlling interests	e, l	189	—	—	189
Total equity at 31 Dec 2024		14,831	(477)	463	14,817
Total liabilities and equity at 31 Dec 2024		265,008	(23,203)	470	242,275

t The references (a) – (n) identify balance sheet components that are used in the calculation of regulatory capital in Table 10: Composition of regulatory own funds. This table shows such items at their accounting values, which may be subject to analysis or adjustment in the calculation of regulatory capital shown in Table 10.

Capital and Leverage

Capital management

Approach and policy

HSBC Continental Europe's objective in managing the Bank's capital is to maintain appropriate levels of capital to support its business strategy and meet regulatory requirements at all times. To achieve this, HSBC Continental Europe manages its capital within the context of an annual capital plan approved by the Board of Directors which determines the appropriate amount and mix of capital. This is complemented by regular forecasts of capital, leverage and RWA positions throughout the year.

HSBC Continental Europe complied with the ECB's regulatory capital adequacy requirements throughout 2025. To comply with internal Total Loss Absorbing Capacity ('TLAC') requirements in CRR and with internal MREL requirements in the Bank Recovery and Resolution Directive ('BRRD'), HSBC Continental Europe issued Senior Non-Preferred bonds in May 2025.

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

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

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

The following risks managed through the capital management framework has been identified as material: credit risk, including counterparty credit risk, market risk, strategic risk, treasury risks (including capital risk, liquidity and funding risk, interest rate risk in the banking book, pension risk and structural FX risk), operational risk, including model risk, climate risks and geopolitical risks

Stress testing

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

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

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

Risks to capital

In addition to the stress testing framework, a list of the main risks with associated potential impacts on HSBC Continental Europe's capital ratios is regularly reviewed. These risks are identified as possibly affecting Risk-Weighted Assets ('RWAs') and/or capital position. They can result from expected regulatory and model changes, or from structural and activity related items. These risks are

monitored regularly by the Asset & Liability Committee ('ALCO') and the Risk Committee. Where relevant, scenario analyses are performed - assessing downside or upside scenarios against our capital management objectives - and mitigating actions are assigned as necessary.

- ▶ Further explanation of model risk can be found in the Risk section, particularly on pages 175 and 176, of HSBC Continental Europe's Universal Registration Document 2025.

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

Risk-weighted asset targets

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

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

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

Capital generation

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

Regulatory Requirements

The minimum capital requirement under Pillar 2 ('P2R') for HSBC Continental Europe on a consolidated basis has decreased from 3.0 per cent in 2024 to 2.75 per cent in 2025. 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 Tier 1.

The average countercyclical capital buffer ('CCyB') stands at the level of 0.95 per cent at the end of December 2025, which is an increase of 0.02 per cent compared to 2024. Throughout 2025, the French CCyB rate was 1 per cent, the Slovenian CCyB increased from 0.5 per cent to 1 per cent (from 1 January 2025), the Latvian CCyB increased from 0.5 per cent to 1 per cent (from 18 June 2025), the Hungarian CCyB increased from 0.5 per cent to 1 per cent (from 1 July 2025), the Polish CCyB increased from 0.0 per cent to 1 per cent (from 25 September 2025), the Greek CCyB increased from 0.0 per cent to 0.25 per cent (from 1 October 2025) and the Spanish CCyB increased from 0.0 per cent to 0.5 per cent (from 1 October 2025) as previously announced by their respective authorities.

At the end of December 2025, HSBC Continental Europe is required to meet on a consolidated basis a minimum total capital ratio of at least 14.5 per cent vs. 14.7 per cent at the end of 2024.

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 0.95 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 ACP, and the 2.75 per cent Pillar 2 Requirement mentioned above.

As at 31 December 2025, 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 capital

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

Additional Tier 1 capital ('AT1')

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

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

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

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

Tier 2 capital ('T2')

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

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

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

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

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

The table below provides a detailed breakdown of the key components of our CET1, Additional Tier 1 and Tier 2 capital, and the regulatory adjustments impacting our capital base. Additional value adjustments are calculated on assets measured at fair value, which have been updated in line with CRR3 guidelines. The minimum deductions for holdings of own CET1, AT1 and Tier 2 capital ('T2') instruments are set by the EBA. Any threshold deduction for significant investments relate to balances recorded on numerous lines on the balance sheet and includes: investments in insurance subsidiaries and non-consolidated associates; other CET1 equity held in financial institutions; connected funding of a capital nature; and other balance sheet lines. RWAs have been calculated on the new CRR3 methodology and comparatives have not been restated.

Table 10: Composition of regulatory own funds ('CC1')

Ref*	Ref t	At	
		CRR3 31 Dec 2025 €m	CRR2 31 Dec 2024 ¹ €m
		Common equity tier 1 ('CET1') capital: instruments and reserves	
1	a, b	8,075	8,075
	b	6,747	6,747
2	c	2,103	2,927
3	d	1,529	1,642
5	e	77	103
5a	f	—	568
6		11,784	13,315
		Common equity tier 1 capital: regulatory adjustments	
7		(94)	(93)
8	g	(181)	(219)
10	h	(550)	(433)
11		62	(22)
12	i	(87)	(139)
14		9	(75)
15	j	(111)	(66)
EU-25a		(656)	—
27a		(302)	(352)
28		(1,910)	(1,399)
29		9,874	11,916
		Additional tier 1 ('AT1') capital: instruments	
30	k	1,230	1,430
31	k	1,230	1,430
32		200	—
34	l	12	13
36		1,242	1,443
43		—	—
44		1,242	1,443
45		11,116	13,359
		Tier 2 ('T2') capital: instruments	
46		1,901	1,908
51	m	1,901	1,908
		Tier 2 capital: regulatory adjustments	
55	n	—	(420)
57		—	(420)
58		1,901	1,488
59		13,018	14,848
60		60,303	63,297
		Capital ratios and buffers	
61		16.4	18.8
62		18.4	21.1
63		21.6	23.5

Table 10: Composition of regulatory own funds ('CC1') (continued)

Ref*	Ref †	At	
		CRR3 31 Dec 2025 €m	CRR2 31 Dec 2024 ¹ €m
64	Institution CET1 overall capital requirement (%)	9.8	9.9
65	– of which: capital conservation buffer requirement (%)	2.5	2.5
66	– of which: countercyclical buffer requirement (%)	0.9	0.9
67	– of which: systemic risk buffer requirement (%)	0.0	0.0
EU-67a	– of which: Global Systemically Important Institution ('G-SII') or Other Systemically Important Institution ('O-SII') buffer requirement	0.3	0.3
EU-67b	– of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.5	1.7
68	Common equity tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	10.3	12.5
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)	731	146
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)	116	1,142
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38(3) CRR are met)	299	242
Applicable caps on the inclusion of provisions in Tier 2			
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	158	195

* The references identify the lines prescribed in the EBA template that are applicable and where there is a value.

† The references (a) – (n) identify balance sheet components in Table 9: 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 9 as a result of adjustment or analysis to apply regulatory definitions of capital.

¹ Comparatives are updated to align to submissions post publication.

The main movements in own funds are described in Note 1 'Significant events during the year' of HSBC Continental Europe's Universal Registration Document 2025 and on page 4 of this document.

► A detailed breakdown of HSBC Continental Europe's CET1 capital, AT1 capital and Tier 2 capital is provided in its Regulatory Capital Instruments at 31 December 2025, which is available on HSBC website: <https://www.hsbc.com/investors/regulated-investors/regulatory-capital-main-features>.

Leverage ratio

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

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

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

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

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

► HSBC Continental Europe's approach to risk appetite is described on page 124 of HSBC Continental Europe's Universal Registration Document 2025.

The table below provides a reconciliation of the total assets in our published balance sheet under IFRS and the total leverage exposure. This table has been calculated on the new CRR3 methodology and comparatives have not been restated.

Table 11: Summary reconciliation of accounting assets and leverage ratio exposures ('LRSum')

Ref*		At	
		CRR3 31 Dec 2025 €m	CRR2 31 Dec 2024 €m
1	Total assets as per published financial statements	251,391	265,008
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	(667)	(22,733)
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	(681)	(387)
8	Adjustment for derivative financial instruments	(24,687)	(18,590)
9	Adjustment for securities financing transactions ('SFTs')	8,380	2,503
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	40,055	37,594
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	—	—
12	Other adjustments	(17,516)	(17,747)
13	Total exposure measure	256,275	245,648

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

The table below provides a detailed breakdown of the components of our leverage exposure, including the split of the on- and off-balance sheet exposures, leverage ratios, minimum requirements and buffers on an IFRS 9 transitional basis (transitional period ended on 31 Dec 2024). This table has been calculated on the new CRR3 methodology and comparatives have not been restated.

Table 12: Leverage ratio common disclosure ('LRCom')

Ref		At	
		CRR3 31 Dec 2025 €m	CRR2 31 Dec 2024 €m
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	177,658	169,481
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(12,751)	(11,932)
6	(Asset amounts deducted in determining Tier 1 capital)	(1,254)	(1,395)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	163,653	156,154
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	2,297	8,340
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	15,556	18,140
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	(2,040)	(1,890)
11	Adjusted effective notional amount of written credit derivatives	7,686	2,443
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(7,607)	(2,364)
13	Total derivatives exposures	15,892	24,669
Securities financing transaction ('SFT') exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	85,244	72,842
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(47,829)	(45,243)
16	Counterparty credit risk exposure for SFT assets	273	719
18	Total securities financing transaction exposures	37,688	28,318
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	96,611	95,231
20	(Adjustments for conversion to credit equivalent amounts)	(56,556)	(57,638)
22	Off-balance sheet exposures	40,055	37,593
Excluded exposures			
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))	—	—
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	(1,013)	(1,086)
EU-22m	(Total exempted exposures)	(1,013)	(1,086)
Capital and total exposure measure			
23	Tier 1 capital	11,116	13,359
24	Total exposure measure	256,275	245,648
Leverage ratio			
25	Leverage ratio (%)	4.3	5.4
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	4.3	5.4
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	4.3	5.4
26	Regulatory minimum leverage ratio requirement (%)	3.0	3.0
EU-27a	Overall leverage ratio requirement (%)	3.0	3.0
Choice on transitional arrangements for the definition of the capital measure			
EU-27b	Choice of transitional arrangements for the definition of the capital measure	Fully phased in	Fully phased in

Table 12: Leverage ratio common disclosure ('LRCom') (continued)

Ref		At	
		CRR3 31 Dec 2025 €m	CRR2 31 Dec 2024 €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 receivable	44,427	33,416
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	37,415	27,599
30	Total exposure measure (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)	263,287	251,465
30a	Total exposure measure (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)	263,287	251,465
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	5.3
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	5.3

The table below provides a breakdown of on-balance sheet exposures excluding derivatives, SFTs and exempted exposures by asset class. This table has been calculated on the new CRR3 methodology and comparatives have not been restated.

Table 13: Split of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) ('LRSpl')

Ref		At	
		CRR3 31 Dec 2025 €m	CRR2 31 Dec 2024 €m
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	163,894	156,463
EU-2	Trading book exposures	26,649	21,435
EU-3	Banking book exposures, of which:	137,245	135,028
EU-4	Covered bonds	691	783
EU-5	Exposures treated as sovereigns	88,801	74,532
EU-7	Institutions	2,028	2,444
EU-8	Secured by mortgages of immovable properties	4,834	3,246
EU-9	Retail exposures	1,601	6,795
EU-10	Corporate	31,532	35,371
EU-11	Exposures in default	933	1,433
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	6,825	10,424

Pillar 1

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

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

Risk category	Scope of permissible approaches	Approach adopted by HSBC Continental Europe
Non-counterparty Credit risk	<p>CRR allows three approaches for the calculation of Pillar 1 credit risk capital requirements.</p> <p>The standardised approach requires banks to use external credit ratings to determine the risk weights applied to rated counterparties. Other counterparties are classified into broad categories and standardised risk weightings are applied to these categories.</p> <p>The internal ratings-based ('IRB') foundation approach allows banks to calculate their credit risk capital requirements on the basis of their internal assessment of a counterparty's probability of default ('PD'), while their estimates of exposure at default ('EAD') and loss given default ('LGD') are subject to standard supervisory parameters.</p> <p>Finally, the IRB Advanced approach allows banks to use their own internal assessment in both determining PD and quantifying EAD and LGD.</p> <p>On the IRB approaches, expected losses are calculated by multiplying EAD by PD and LGD. The capital requirement is intended to cover unexpected losses. It is based on a formula which combines PD, LGD, EAD and other variables such as maturity and correlation.</p>	<p>Since the implementation of CRR3, HSBC Continental Europe has transitioned Large Corporate and Financial sector exposures from the Advanced IRB ('A-IRB') approach to the Foundation IRB ('F-IRB') approach. In addition, exposures to Sovereigns and those subject to Slotting have been reassigned to less sophisticated methodologies during 2025. The A-IRB approach now remains applicable only to the portfolio comprising non-large Corporates and SME exposures.</p>
Counterparty credit risk	<p>Two approaches to calculating CCR and determining exposures are defined by the CRR: the Standardised Approach ('SA-CCR') and the Internal Model Method ('IMM'). These exposures are used to determine capital requirements using the applicable credit risk approach: standardised, IRB foundation or IRB advanced. CRR also sets two approaches for calculating Credit Valuation Adjustment ('CVA') risk capital charges: an advanced methodology that is only available to institutions that have approved internal models, and a standardised approach.</p>	<p>In order to determine exposures at default, HSBC Continental Europe uses the mark-to-market and IMM approaches for counterparty credit risk for derivatives and the financial security-based method for deferred payment transactions. Permission to use IMM and CVA models was granted in 2021.</p>
Equity	<p>Non-trading book equity exposures can be assessed under the standardised or IRB approaches.</p>	<p>HSBC Continental Europe reports the majority of its non-trading book equity exposures under the IRB simple risk-weight approach. The standardised approach is used by sites which have no IRB permission.</p>
Securitisation	<p>The securitisation framework under CRR prescribes the following approaches:</p> <ul style="list-style-type: none"> – internal ratings-based approach ('SEC-IRBA'); – external ratings-based approach ('SEC-ERBA'); – internal assessment approach ('IAA'); and – standardised approach ('SEC-SA'). 	<p>HSBC Continental Europe only holds securitisation positions in banking book and uses:</p> <ul style="list-style-type: none"> – SEC-IRBA for originated positions; – IAA for sponsored positions; and – SEC-SA or SEC-ERBA for investments in third party positions.
Market risk	<p>Market risk capital requirements can be determined under either the standard rules or the Internal Models Approach ('IMA'). The latter involves the use of internal Value at Risk ('VaR') models to measure market risks and determine the appropriate capital requirement. In addition to the VaR models, other internal models include Stressed VaR and Incremental Risk Charge ('IRC').</p>	<p>The majority of HSBC Continental Europe's market risk capital requirements are calculated using internal models approved by the ECB and the PRA. A small remaining portfolio is risk-weighted on the standardised approach.</p> <p>Internal market risk models are based on VaR, Stressed VaR and IRC. HSBC Continental Europe was granted permission to use the internal model for specific risk of debt instruments in 2021 and for specific risk of equity instruments in 2023.</p>
Operational risk	<p>The CRR includes a capital requirement for operational risk, based on three levels of sophistication. The capital required under the basic indicator approach is a simple percentage of gross revenues. Under the standardised approach, banks apply different percentages to the total operating income to each of eight defined business lines. The advanced measurement approach uses banks' own statistical analysis and modelling of operational risk data to determine capital requirements.</p>	<p>HSBC Continental Europe uses the standardised approach in determining its operational risk capital requirements.</p>

Pillar 2 and ICAAP

Pillar 2

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

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

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

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

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

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

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

The P2R for HSBC Continental Europe on a consolidated basis reduced to 2.75 per cent in 2025. Under CRD, at least 56.25 per cent of the P2R should be held in the form of CET1 and 75 per cent as Tier 1.

At the end of 2025, HSBC Continental Europe is required to meet on a consolidated basis a minimum total capital ratio of at least 14.5 per cent.

A number of changes in CCyB will impact HSBC Continental Europe in 2026. The main ones are:

- the Portuguese CCyB will increase from 0 per cent to 0.75 per cent from 1 January 2026, as announced by the Bank of Portugal; and
- the Cypriot CCyB will increase from 1 per cent to 1.5 per cent from 14 January 2026, as announced by the Central Bank of Cyprus; and
- the Belgian CCyB will increase from 1 per cent to 1.25 per cent from 1 July 2026, as announced by the National Bank of Belgium; and
- the Polish CCyB will increase from 1 per cent to 2 per cent from 30 September 2026, as announced by the Financial Stability Committee; and
- the Greek CCyB will increase from 0.25 per cent to 0.5 per cent from 1 October 2026, as announced by the Bank of Greece; and
- the Spanish CCyB will increase from 0.5 per cent to 1 per cent from 1 October 2026, as announced by the Spanish central bank.

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

- the 8 per cent P1R;
- the 2.5 per cent capital conservation buffer ('CCB') in article 129 of the CRD IV;
- the 0.9 per cent CCyB;
- the 0.25 per cent Other Systematically Important Institution buffer (O-SII) in force since 1 January 2022; and
- the 2.75 per cent P2R mentioned above.

As at 31 December 2025, the requirement in respect of Common Equity Tier 1 is 9.8 per cent, excluding P2G.

Internal capital adequacy assessment

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

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

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

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

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

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

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

Minimum Requirement for own funds and Eligible Liabilities ('MREL') – Total Loss Absorbing Capacity ('TLAC')

HSBC Continental Europe became subject to MREL requirements for the first time on 30 March 2020 following notification from the ACPR. This MREL requirement can be met with own funds and eligible liabilities (as defined under the initial version of BRRD which was applicable at the date of notice).

HSBC Continental Europe has met the fully loaded requirements for own funds and eligible liabilities applicable to it from 1 January 2025. These are set at:

- 5.91 per cent of leverage exposure; and
- 23.42 per cent of RWA.

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

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

The requirement is set at the greater of:

- 16.2 per cent of RWAs (being 90 per cent of 18 per cent) to which the combined buffer requirement is added (3.7 per cent of RWAs as of Q4 2025); and
- 6.075 per cent of leverage exposures (90 per cent of 6.75 per cent).

Credit risk

Overview

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

The tables below set out details of HSBC Continental Europe's credit risk exposures by exposure class and approach. Further explanation of HSBC Continental Europe's approach to managing credit risk (including detail of past due and impaired exposure, and its approach to credit risk impairment) can be found on pages 139 to 161 of its Universal Registration Document 2025.

Non-performing and forborne exposures

Tables 14 to 20 are presented in accordance with the EBA's 'Final guidelines on disclosure of non-performing and forborne exposures'.

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

Forborne exposures are defined by the EBA as exposures where the bank has made concessions toward a debtor that is experiencing or about to experience financial difficulties in meeting its financial commitments. 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 2025, 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.

The table below breaks down performing and non-performing forborne exposures by FINREP counterparty sector and show the gross carrying amount, accumulated impairments and collateral and financial guarantees received against these exposures. The on-balance sheet exposures exclude assets held for sale.

Table 14: 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		
	Performing €m	Non-performing forborne		On performing forborne exposures €m	On non- performing forborne exposures €m	Total €m	of which: forborne non- performing exposure €m	
		Total €m	of which: defaulted €m					of which: impaired €m
At 31 Dec 2025								
Cash balances at central banks and other demand deposits	—	—	—	—	—	—	—	—
Loans and advances	899	771	771	771	(26)	(218)	224	64
Central banks	—	—	—	—	—	—	—	—
General governments	—	—	—	—	—	—	—	—
Credit institutions	—	—	—	—	—	—	—	—
Other financial corporations	20	3	3	3	(1)	—	3	—
Non-financial corporations	869	754	754	754	(25)	(217)	199	52
Households	10	14	14	14	—	(1)	22	12
Debt securities	—	—	—	—	—	—	—	—
Loan commitments given	180	44	44	44	(3)	—	—	—
Total (CRR3)	1,079	815	815	815	(29)	(218)	224	64
At 31 Dec 2024								
Loans and advances	1,418	1,056	1,056	1,056	(32)	(189)	766	131
Central banks	—	—	—	—	—	—	—	—
General governments	—	—	—	—	—	—	—	—
Credit institutions	—	—	—	—	—	—	—	—
Other financial corporations	5	4	4	4	—	—	3	1
Non-financial corporations	1,352	1,030	1,030	1,030	(30)	(186)	688	110
Households	61	22	22	22	(2)	(3)	75	20
Debt securities	—	—	—	—	—	—	—	—
Loan commitments given	—	77	77	77	—	—	—	—
Total (CRR2)	1,418	1,132	1,132	1,132	(32)	(189)	766	131

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

Table 15: Credit quality of performing and non-performing exposures by past due days ('CQ3')

	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
	Total	Not past due or past due ≤30 days	Past due > 30 days ≤ 90 days	Total	Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	of which: defaulted
€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
At 31 Dec 2025												
Cash balances at central banks and other demand deposits	62,543	62,543	—	—	—	—	—	—	—	—	—	—
Loans and advances	74,826	74,791	35	1,361	1,258	11	21	27	15	3	26	1,361
Central banks	3,748	3,748	—	—	—	—	—	—	—	—	—	—
General governments	882	882	—	—	—	—	—	—	—	—	—	—
Credit institutions	17,313	17,313	—	—	—	—	—	—	—	—	—	—
Other financial corporations	21,423	21,413	10	37	37	—	—	—	—	—	—	37
Non-financial corporations	28,754	28,732	22	1,259	1,198	6	16	21	13	3	2	1,259
– of which: SMEs	572	572	—	72	47	2	7	7	6	3	1	72
Households	2,706	2,703	3	65	23	5	5	6	2	—	24	65
Debt securities	27,595	27,595	—	—	—	—	—	—	—	—	—	—
Central banks	817	817	—	—	—	—	—	—	—	—	—	—
General governments	23,078	23,078	—	—	—	—	—	—	—	—	—	—
Credit institutions	3,503	3,503	—	—	—	—	—	—	—	—	—	—
Other financial corporations	122	122	—	—	—	—	—	—	—	—	—	—
Non-financial corporations	75	75	—	—	—	—	—	—	—	—	—	—
Off-balance-sheet exposures	146,644	—	—	367	—	—	—	—	—	—	—	367
Central banks	240	—	—	—	—	—	—	—	—	—	—	—
General governments	1,418	—	—	—	—	—	—	—	—	—	—	—
Credit institutions	51,263	—	—	—	—	—	—	—	—	—	—	—
Other financial corporations	18,120	—	—	—	—	—	—	—	—	—	—	—
Non-financial corporations	75,260	—	—	367	—	—	—	—	—	—	—	367
Households	343	—	—	—	—	—	—	—	—	—	—	—
Total (CRR3)	311,608	164,929	35	1,728	1,258	11	21	27	15	3	26	1,728
At 31 Dec 2024												
Cash balances at central banks and other demand deposits	52,691	52,691	—	—	—	—	—	—	—	—	—	—
Loans and advances	79,966	79,924	42	1,613	1,513	14	19	24	11	4	28	1,613
Central banks	1,602	1,602	—	—	—	—	—	—	—	—	—	—
General governments	1,737	1,737	—	—	—	—	—	—	—	—	—	—
Credit institutions	15,120	15,120	—	—	—	—	—	—	—	—	—	—
Other financial corporations	19,694	19,693	1	9	9	—	—	—	—	—	—	9
Non-financial corporations	31,682	31,648	34	1,496	1,439	10	16	17	9	3	2	1,496
– of which: SMEs	931	930	1	79	49	6	7	5	8	3	1	79
Households	10,131	10,124	7	108	65	4	3	7	2	1	26	108
Debt securities	20,646	20,646	—	—	—	—	—	—	—	—	—	—
Central banks	—	—	—	—	—	—	—	—	—	—	—	—
General governments	14,962	14,962	—	—	—	—	—	—	—	—	—	—
Credit institutions	4,952	4,952	—	—	—	—	—	—	—	—	—	—
Other financial corporations	591	591	—	—	—	—	—	—	—	—	—	—
Non-financial corporations	141	141	—	—	—	—	—	—	—	—	—	—
Off-balance-sheet exposures	129,345	—	—	339	—	—	—	—	—	—	—	339
Central banks	—	—	—	—	—	—	—	—	—	—	—	—
General governments	1,709	—	—	—	—	—	—	—	—	—	—	—
Credit institutions	36,902	—	—	—	—	—	—	—	—	—	—	—
Other financial corporations	16,783	—	—	3	—	—	—	—	—	—	—	3
Non-financial corporations	73,340	—	—	336	—	—	—	—	—	—	—	336
Households	611	—	—	—	—	—	—	—	—	—	—	—
Total (CRR2)	282,648	153,261	42	1,952	1,513	14	19	24	11	4	28	1,952

The table below shows the credit quality of on- and off- balance sheet exposures by geography. The geographical breakdown is based on the country or territory of residence of the immediate counterparty. The table presents the countries that are contributing 10% or more of the total on-balance sheet and off-balance sheet exposures separately, with the remaining exposures aggregated within 'other countries'. The on-balance sheet exposures exclude cash and balances at central banks and assets held for sale.

Table 16: Quality of non-performing exposures by geography ('CQ4')

		a	c	e	f	g
		Gross carrying/nominal amount		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
		€m	of which: defaulted €m			
At 31 Dec 2025						
010	On-balance-sheet exposures	166,325	1,361	(572)		—
020	France	72,551	592	(286)		—
030	Germany	28,934	415	(130)		—
040	United States	8,419	22	(13)		—
050	United Kingdom	5,993	3	(3)		—
060	Netherlands	5,435	6	(8)		—
070	Other countries	44,993	323	(132)		—
080	Off-balance-sheet exposures	147,011	367		72	
090	France	36,505	118		41	
100	Germany	27,676	94		15	
110	Italy	19,247	—		—	
120	Spain	9,116	—		7	
130	Netherlands	8,663	1		1	
140	Other countries	45,804	154		8	
150	Total (CRR 3)	313,336	1,728	(572)	72	—
At 31 Dec 2024						
010	On balance sheet exposures	154,917	1,613	(487)		—
020	France	70,707	788	(245)		—
030	Germany	25,349	309	(130)		—
040	United States	7,832	29	(3)		—
050	Luxembourg	6,225	22	(7)		—
060	Spain	6,094	20	(5)		—
070	Other countries	38,710	445	(97)		—
080	Off balance sheet exposures	129,684	339		70	
090	France	34,557	131		34	
100	Germany	25,653	113		14	
110	Italy	15,329	58		6	
120	Netherlands	10,081	—		1	
130	Spain	7,981	18		8	
140	Other countries	36,083	19		7	
150	Total (CRR 2)	284,601	1,952	(487)	70	—

The table below shows the gross carrying amount of loans and advances to non-financial corporations, the related accumulated impairment and the accumulated changes in fair value to credit risk by industry types. The on-balance sheet exposures exclude assets held for sale.

Table 17: Credit quality of loans and advances to non-financial corporations by industry ('CQ5')

		a	c	e	f
		Gross carrying amount		Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		of which: defaulted			
At 31 Dec 2025		€m	€m	€m	€m
010	Agriculture, forestry and fishing	102	17	(1)	—
020	Mining and quarrying	98	—	—	—
030	Manufacturing	6,922	212	(112)	—
040	Electricity, gas, steam and air conditioning supply	1,113	33	(9)	—
050	Water supply	88	37	(5)	—
060	Construction	548	71	(15)	—
070	Wholesale and retail trade	3,438	193	(101)	—
080	Transport and storage	2,147	3	(7)	—
090	Accommodation and food service activities	315	13	(7)	—
100	Information and communication	1,541	14	(8)	—
110	Financial and insurance activities	42	1	(1)	—
120	Real estate activities	4,225	318	(75)	—
130	Professional, scientific and technical activities	4,687	199	(69)	—
140	Administrative and support service activities	3,879	80	(70)	—
150	Public administration and defense, compulsory social security	2	—	—	—
160	Education	14	—	—	—
170	Human health services and social work activities	52	5	(1)	—
180	Arts, entertainment and recreation	105	1	(1)	—
190	Other services	695	62	(35)	—
200	Total (CRR3)	30,013	1,259	(517)	—
At 31 Dec 2024					
010	Agriculture, forestry and fishing	88	20	(5)	—
020	Mining and quarrying	449	246	—	—
030	Manufacturing	7,367	188	(84)	—
040	Electricity, gas, steam and air conditioning supply	979	16	(4)	—
050	Water supply	175	—	—	—
060	Construction	482	83	(9)	—
070	Wholesale and retail trade	3,607	170	(92)	—
080	Transport and storage	2,127	69	(19)	—
090	Accommodation and food service activities	450	18	(8)	—
100	Information and communication	1,066	15	(6)	—
110	Financial and insurance activities	45	—	(1)	—
120	Real estate activities	4,248	146	(38)	—
130	Professional, scientific and technical activities	5,861	316	(87)	—
140	Administrative and support service activities	4,965	201	(73)	—
150	Public administration and defense, compulsory social security	4	—	—	—
160	Education	17	1	—	—
170	Human health services and social work activities	64	5	(3)	—
180	Arts, entertainment and recreation	193	2	(1)	—
190	Other services	991	—	(3)	—
200	Total (CRR2)	33,178	1,496	(433)	—

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

Table 18: Collateral obtained by taking possession and execution processes ('CQ7')

	CRR3		CRR2	
	At 31 Dec 2025		At 31 Dec 2024	
	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	2	—	3	(1)
– Residential immovable property	1	—	1	—
– Commercial Immovable property	1	—	2	—
– Other	—	—	—	—
Total	2	—	3	(1)

The table below breaks down the gross carrying amount of the performing and non-performing exposures and related impairments, and details of the collateral and financial guarantees received within each of the FINREP categories and definitions. Gross carrying amount includes reverse repos and settlement accounts, and the on-balance sheet exposures exclude assets held for sale. The staging analysis is non-additive as totals contain instruments not eligible for staging, such as those held at fair value through profit and loss.

Table 19: Performing and non-performing exposures and related provisions ('CR1')

	Gross carrying amount/ nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Collateral and financial guarantees received		
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impair- ment, accumulated negative changes in fair value due to credit risk and provisions			Accumu- lated partial write-off €m	On perfor- ming expo- sures €m	On non- perfor- ming expo- sures €m
	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			
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
At 31 Dec 2025															
Cash balances at central banks and other demand deposits	62,543	62,518	24	–	–	–	–	–	–	–	–	–	–	–	–
Loans and advances	74,826	70,351	3,830	1,361	–	1,361	(116)	(46)	(70)	(454)	–	(454)	(37)	53,995	450
Central banks	3,748	3,748	–	–	–	–	–	–	–	–	–	–	–	3,518	–
General governments	882	854	28	–	–	–	–	–	–	–	–	–	–	195	–
Credit institutions	17,313	17,313	–	–	–	–	–	–	–	–	–	–	–	15,563	–
Other financial corporations	21,423	20,161	617	37	–	37	(7)	(5)	(3)	(17)	–	(17)	–	15,173	–
Non-financial corporations	28,754	25,704	3,051	1,259	–	1,259	(102)	(37)	(64)	(416)	–	(416)	(37)	16,917	408
– of which: SMEs	572	477	95	72	–	72	(8)	(3)	(4)	(29)	–	(29)	(12)	399	39
Households	2,706	2,571	134	65	–	65	(7)	(4)	(3)	(21)	–	(21)	–	2,629	42
Debt securities	27,595	27,546	49	–	–	–	(2)	(2)	–	–	–	–	–	3,779	–
Central banks	817	817	–	–	–	–	–	–	–	–	–	–	–	–	–
General governments	23,078	23,078	–	–	–	–	(2)	(2)	–	–	–	–	–	3,490	–
Credit institutions	3,503	3,456	47	–	–	–	–	–	–	–	–	–	–	270	–
Other financial corporations	122	122	–	–	–	–	–	–	–	–	–	–	–	19	–
Non-financial corporations	75	73	2	–	–	–	–	–	–	–	–	–	–	–	–
Off-balance- sheet exposures	146,644	120,118	3,011	367	–	141	(39)	(17)	(18)	(33)	–	(13)	–	812	2
Central banks	240	240	–	–	–	–	–	–	–	–	–	–	–	–	–
General governments	1,418	1,405	1	–	–	–	–	–	–	–	–	–	–	–	–
Credit institutions	51,263	49,088	–	–	–	–	–	–	–	–	–	–	–	–	–
Other financial corporations	18,120	16,511	257	–	–	–	(4)	(2)	–	–	–	–	–	256	–
Non-financial corporations	75,260	52,544	2,748	367	–	141	(35)	(15)	(18)	(33)	–	(13)	–	556	2
Households	343	330	5	–	–	–	–	–	–	–	–	–	–	–	–
Total (CRR3)	311,608	280,533	6,914	1,728	–	1,502	(157)	(65)	(88)	(487)	–	(467)	(37)	58,373	452

Table 19: Performing and non-performing exposures and related provisions ('CR1') (continued)

	Gross carrying amount/ nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Collateral and financial guarantees received		
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impair- ment, accumulated negative changes in fair value due to credit risk and provisions			Accumu- lated partial write-off	On perform- ing expo- sures	On non- perform- ing expo- sures
	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			
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
At 31 Dec 2024															
Cash balances at central banks and other demand deposits	52,691	52,673	18	—	—	—	—	—	—	—	—	—	—	—	—
Loans and advances	79,966	74,843	4,599	1,613	—	1,613	(125)	(40)	(85)	(361)	—	(361)	(10)	57,368	435
Central banks	1,602	1,602	—	—	—	—	—	—	—	—	—	—	—	1,532	—
General governments	1,737	1,698	39	—	—	—	—	—	—	—	—	—	—	203	—
Credit institutions	15,120	14,761	7	—	—	—	—	—	—	—	—	—	—	13,379	—
Other financial corporations	19,694	19,447	75	9	—	9	(3)	(2)	(1)	(6)	—	(6)	—	15,086	1
Non-financial corporations	31,682	27,494	4,188	1,496	—	1,496	(109)	(35)	(74)	(324)	—	(324)	(10)	17,281	359
– of which: SMEs	931	791	140	79	—	79	(8)	(5)	(3)	(26)	—	(26)	(10)	541	42
Households	10,131	9,841	290	108	—	108	(13)	(3)	(10)	(31)	—	(31)	—	9,887	75
Debt securities	20,646	20,584	46	—	—	—	—	—	—	—	—	—	—	3,297	—
Central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
General governments	14,962	14,962	—	—	—	—	—	—	—	—	—	—	—	2,238	—
Credit institutions	4,952	4,906	46	—	—	—	—	—	—	—	—	—	—	1,040	—
Other financial corporations	591	591	—	—	—	—	—	—	—	—	—	—	—	19	—
Non-financial corporations	141	125	—	—	—	—	—	—	—	—	—	—	—	—	—
Off-balance-sheet exposures	129,345	102,803	3,628	339	—	174	(32)	(11)	(15)	(38)	—	(14)		22	2
Central banks	—	—	—	—	—	—	—	—	—	—	—	—		—	—
General governments	1,709	1,709	—	—	—	—	—	—	—	—	—	—		—	—
Credit institutions	36,902	34,883	7	—	—	—	—	—	—	—	—	—		—	—
Other financial corporations	16,783	15,302	31	3	—	—	(3)	(1)	—	—	—	—		—	—
Non-financial corporations	73,340	50,562	3,586	336	—	174	(29)	(10)	(15)	(38)	—	(14)		22	2
Households	611	347	4	—	—	—	—	—	—	—	—	—		—	—
Total (CRR2)	282,648	250,903	8,291	1,952	—	1,787	(157)	(51)	(101)	(399)	—	(376)	(10)	60,687	437

Table 20 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.

The table below shows changes in gross carrying amount of on-balance sheet non-performing loans and advances during 2026. Outflow due to other situations' include foreign exchange movements, repayments and assets held for sale in default.

Table 20: Changes in the stock of non-performing loans and advances ('CR2')

	CRR3	CRR2
	2025	2024
	Gross carrying amount	Gross carrying amount
	€m	€m
Initial stock of non-performing loans and advances	1,613	1,659
Inflows to non-performing portfolios	923	931
Outflows from non-performing portfolios	1,175	977
– of which – due to write-offs	73	212
– of which – due to other situations	1,102	765
Final stock of non-performing loans and advances	1,361	1,613

The table below presents the residual maturity breakdown of on balance sheet loans and debt securities. This table excludes on-balance sheet assets held for sale, cash balances with central banks and other demand deposits.

Table 21: Maturity of exposures ('CR1-A')

		Net exposure value				No stated maturity	Total
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years		
		€m	€m	€m	€m	€m	
1	Loans and advances	1,928	31,343	22,213	6,351	13,782	75,617
2	Debt securities	16	5,820	14,447	7,310	2	27,595
3	Total at 31 Dec 2025 (CRR3)	1,944	37,163	36,660	13,661	13,784	103,212
1	Loans and advances	775	28,424	24,689	10,650	16,555	81,093
2	Debt securities	141	3,482	11,258	5,765	—	20,646
3	Total at 31 Dec 2024 (CRR2)	916	31,906	35,947	16,415	16,555	101,739

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

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

- ▶ HSBC Continental Europe's approach to determining impairment allowances is explained in its Universal Registration Document 2025, and its definitions for accounting purposes of 'past due' and 'impaired' are set out on pages 145 and 156.

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

Expected Loss ('EL') and credit risk adjustments

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

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

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

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

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

An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument.

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

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

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

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

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

The description of the approach and method adopted for determining credit risk adjustments is explained on page 143 of HSBC Continental Europe's Universal Registration Document 2025.

In addition, the reconciliation of changes in credit risk adjustments for impaired exposures is disclosed on page 154 of HSBC Continental Europe's Universal Registration Document 2025.

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

Model	Regulatory capital	IFRS 9
PD	<ul style="list-style-type: none"> Through the cycle (represents long-run average PD throughout a full economic cycle). The definition of default includes a backstop of 90+ days past due, although this has been modified to 180+ days past due for some portfolios, particularly France home loans. 	<ul style="list-style-type: none"> Point in time (based on current conditions, adjusted to take into account estimates of future conditions that will impact PD). Default backstop of 90+ days past due for all portfolios.
EAD	<ul style="list-style-type: none"> Cannot be lower than current balance. 	<ul style="list-style-type: none"> Amortisation captured for term products.
LGD	<ul style="list-style-type: none"> Downturn LGD (consistent losses expected to be suffered during a severe but plausible economic downturn). Regulatory floors may apply to mitigate risk of underestimating downturn LGD due to lack of historical data. Discounted using cost of capital. All collection costs included. 	<ul style="list-style-type: none"> Expected LGD (based on estimate of loss given default including the expected impact of future economic conditions such as changes in value of collateral). No floors. Discounted using the original effective interest rate of the loan. Only costs associated with obtaining/selling collateral included.
Other		<ul style="list-style-type: none"> Discounted back from point of default to balance sheet date.

Risk mitigation

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

Collateral

The most common method of mitigating credit risk is to take collateral. In our retail residential and commercial real estate ('CRE') businesses, a mortgage over the property is often taken to help secure claims. Another common form of security for the retail business in France is a guarantee from Cr dit Logement (a Soci t  de Financement regulated by the French Regulator ACPR). Cr dit Logement guarantees 100 per cent of the amount of the residential home loan in case of default. Loans to private banking and higher wealth clients may be made against a pledge of eligible marketable securities, cash or real estate. Physical collateral is also taken in various forms of specialised lending and leasing transactions where income from the physical assets that are financed is also the principal source of facility repayment. In the commercial and industrial sectors, charges are created over business assets such as premises, stock and debtors.

► Further information regarding charges held over residential and commercial property is provided on page 160, and about credit risk concentrations on page 139, of HSBC Continental Europe's Universal Registration Document 2025.

Financial collateral

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

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

Other forms of Credit Risk Mitigation ('CRM')

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

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

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

Policy and procedures

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

Valuing collateral

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

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

Recognition of risk mitigation under the IRB approach

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

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

The main providers of guarantees are banks, other financial institutions and corporates, the latter typically in support of subsidiaries of their company group. Across HSBC Continental Europe, the nature of such customers and transactions is diverse and

the creditworthiness of guarantors accordingly spans a wide spectrum. The creditworthiness of providers of unfunded credit risk mitigation is taken into consideration as part of the guarantor's risk profile when, for example, assessing the risk of other exposures such as direct lending to the guarantor. Internal limits for such contingent exposure are approved in the same way as direct exposures. EAD and LGD values, in the case of individually assessed exposures, are determined by approved internal risk parameters based on the nature of the exposure.

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

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

Table 26 below sets out, for IRB exposures, the exposure value and the effective value of credit risk mitigation expressed as the exposure value covered by the credit risk mitigant.

Recognition of risk mitigation under the standardised approach

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

The table below provides a breakdown of loans and advances and debt securities by different credit risk mitigation techniques. The on-balance sheet exposures exclude assets held for sale.

Table 22: CRM techniques overview: Disclosure of the use of credit risk mitigation techniques ('CR3')

	Unsecured carrying amount €m	Secured carrying amount €m	of which: secured by collateral €m	of which: secured by financial guarantees €m	of which: secured by credit derivatives €m
Loans and advances	83,501	54,659	45,221	9,438	—
Debt securities	23,814	3,778	—	3,778	—
Total at 31 Dec 2025 (CRR3)	107,315	58,437	45,221	13,216	—
– of which: NPE	457	450	341	109	—
– of which: defaulted	457	450	341	109	—
Loans and advances	75,979	57,804	39,988	17,816	—
Debt securities	17,348	3,297	—	3,297	—
Total at 31 Dec 2024 (CRR2)	93,327	61,101	39,988	21,113	—
– of which: NPE	816	436	252	184	—
– of which: defaulted	816	436	252	184	—

The table below shows the updated CRR3 credit risk exposure classes under the standardised approach, reflecting the EAD before and after the impact of CRM techniques and credit conversion factors ('CCF'). Securitisation positions are not included in this table. RWAs have been calculated on the new CRR3 methodology and comparatives have not been restated.

Table 23: Standardised approach – Credit risk exposure and CRM effects ('CR4') (CRR3 amended)

Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density
	€m	€m	€m	€m	€m	%
1 Central governments or central banks	75,994	394	78,469	459	898	1
2 Non-central government public sector entities	6,384	1,285	6,481	511	139	2
EU-2a – Regional governments or local authorities	1,611	100	1,722	40	—	—
EU-2b – Public sector entities	4,773	1,185	4,759	471	139	3
3 Multilateral development banks	2,103	—	2,104	—	73	4
EU-3a International organisations	4,320	—	4,320	—	—	—
4 Institutions	527	1,243	751	732	378	26
5 Covered bonds	38	—	38	—	4	10
6 Corporates	11,324	14,148	10,002	2,596	9,857	78
6.1 – of which: Specialised Lending	704	263	636	107	691	93
7 Subordinated debt exposures and equity	474	15	475	—	1,072	226
EU-7a – Subordinated debt exposures	69	15	70	—	104	150
EU-7b – Equity	405	—	405	—	968	239
8 Retail	1,470	275	668	47	738	103
9 Secured by mortgages on immovable property and ADC exposures	4,834	824	4,706	155	3,190	66
9.1 – Secured by mortgages on residential immovable property – non IPRE	2,634	87	2,561	8	931	36
9.2 – Secured by mortgages on residential immovable property – IPRE	321	138	321	6	475	145
9.3 – Secured by mortgages on commercial immovable property – non IPRE	1,096	480	1,041	96	780	69
9.4 – Secured by mortgages on commercial immovable property – IPRE	632	17	632	5	718	113
9.5 – Acquisition, Development and Construction ('ADC')	151	102	151	40	286	150
10 Exposures in default	483	46	350	3	441	125
EU-10a Claims on institutions and corporates with a short-term credit assessment	—	—	—	—	—	—
EU-10b Collective investment undertakings ('CIU')	13	1	13	1	33	244
EU-10c Other items	608	—	608	—	494	81
12 Total at 31 Dec 2025 (CRR3)	108,572	18,231	108,985	4,504	17,317	15
1 Central governments or central banks	57,787	195	59,126	478	611	1
2 Regional government or local authorities	1,871	3	1,964	13	1	—
3 Public sector entities	5,942	720	5,824	253	—	—
4 Multilateral development banks	2,574	—	2,574	—	—	—
5 International organisations	3,429	—	3,429	—	—	—
6 Institutions	961	1,262	7,326	366	1,665	22
7 Corporates	10,477	8,558	8,299	1,209	7,281	77
8 Retail	6,379	864	465	54	381	74
9 Secured by mortgages on immovable property	3,238	86	3,238	16	1,230	38
10 Exposures in default	137	46	120	14	165	123
11 Exposures associated with particularly high risk	6	27	6	13	28	150
12 Covered bonds	42	—	42	—	4	10
13 Institutions and corporates with a short-term credit assessment	—	—	—	—	—	—
14 Collective investment undertakings	—	—	—	—	—	—
15 Equity	—	—	—	—	—	100
16 Other items	1,021	—	1,021	—	641	63
17 Total at 31 Dec 2024 (CRR2)	93,864	11,761	93,434	2,416	12,007	13

The table below discloses credit risk exposures under the standardised approach by risk weights, under the updated CRR3 methodology, split into exposure class, as amended in CRR3. Securitisation positions are not included in this table.

Table 24: Standardised approach – Exposures by asset classes and risk weights ('CR5')

(CRR3 amended)

Exposure classes	Risk weight																							Total	of which unrated			
	0%	2%	4%	10%	20%	30%	35%	40%	45%	50%	60%	70%	75%	80%	90%	100%	105%	110%	130%	150%	250%	370%	400%			1250%	Others	
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	
At 31 Dec 2025																												
1 Central governments or central banks	77,966	–	–	–	615	–	–	–	–	42	–	–	–	–	–	6	–	–	–	–	299	–	–	–	–	–	78,928	344
2 Non-central government public sector entities	6,387	–	–	–	545	–	–	–	–	60	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	6,992	–
EU 2a – Regional governments or local authorities	1,762	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,762	–
EU 2b – Public sector entities	4,625	–	–	–	545	–	–	–	–	60	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	5,230	–
3 Multilateral development banks	1,958	–	–	–	–	–	–	–	–	146	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2,104	146
EU 3a International organisations	4,320	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	4,320	–
4 Institutions	–	391	–	–	512	398	–	2	–	102	–	–	–	–	–	38	–	–	–	–	40	–	–	–	–	–	1,483	509
5 Covered bonds	–	–	–	38	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	38	–
6 Corporates	–	–	–	–	1,740	–	456	–	–	2,019	–	–	194	11	–	7,769	–	–	266	143	–	–	–	–	–	–	12,598	7,941
6.1 – of which: Specialised Lending	–	–	–	–	–	–	–	–	–	–	–	–	11	–	466	–	–	266	–	–	–	–	–	–	–	–	743	743
7 Subordinated debt exposures and equity	18	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	70	387	–	–	–	–	–	475	–
EU-7a – Subordinated debt exposures	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	70	–	–	–	–	–	–	70	–
EU-7b – Equity	18	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	387	–	–	–	–	–	405	–
8 Retail exposures	–	–	–	–	–	–	–	–	–	–	–	–	195	–	–	520	–	–	–	–	–	–	–	–	–	–	715	–
9 Secured by mortgages on immovable property and ADC exposures	–	–	–	–	1,782	68	3	–	1	–	707	–	853	–	–	306	–	127	–	806	–	–	–	–	208	4,861	307	
9.1 – Secured by mortgages on residential immovable property – non IPRE	–	–	–	–	1,782	58	–	–	–	–	–	–	674	–	–	55	–	–	–	–	–	–	–	–	–	–	2,569	1

Table 24: Standardised approach – Exposures by asset classes and risk weights ('CR5') (continued)

(CRR3 amended)

Exposure classes	Risk weight																								Total €m	of which unrated €m		
	0% €m	2% €m	4% €m	10% €m	20% €m	30% €m	35% €m	40% €m	45% €m	50% €m	60% €m	70% €m	75% €m	80% €m	90% €m	100% €m	105% €m	110% €m	130% €m	150% €m	250% €m	370% €m	400% €m	1250% €m			Others €m	
9.1.1 – no loan splitting applied	–	–	–	–	–	–	–	–	–	–	–	–	445	–	–	54	–	–	–	–	–	–	–	–	–	499	–	
9.1.2 – loan splitting applied (secured)	–	–	–	–	656	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	656	–	
9.1.3 – loan splitting applied (unsecured)	–	–	–	–	1,126	58	–	–	–	–	–	–	229	–	–	1	–	–	–	–	–	–	–	–	–	1,414	1	
9.2 – Secured by mortgages on residential immovable property – IPRE	–	–	–	–	–	10	3	–	1	–	–	–	–	–	–	–	–	–	–	313	–	–	–	–	–	327	55	
9.3 – Secured by mortgages on commercial immovable property – non IPRE	–	–	–	–	–	–	–	–	–	–	707	–	179	–	–	251	–	–	–	–	–	–	–	–	–	1,137	188	
9.3.1 – no loan splitting applied	–	–	–	–	–	–	–	–	–	–	–	–	13	–	–	188	–	–	–	–	–	–	–	–	–	201	–	
9.3.2 – loan splitting applied (secured)	–	–	–	–	–	–	–	–	–	–	53	–	–	–	–	–	–	–	–	–	–	–	–	–	–	53	–	
9.3.3 – loan splitting applied (unsecured)	–	–	–	–	–	–	–	–	–	–	654	–	166	–	–	63	–	–	–	–	–	–	–	–	–	883	188	
9.4 – Secured by mortgages on commercial immovable property – IPRE	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	127	–	302	–	–	–	–	–	208	637	63
9.5 – Acquisition, Development and Construction ('ADC')	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	191	–	–	–	–	191	–	
10 Exposures in default	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	176	–	–	–	–	177	–	–	–	–	–	353	–
EU-10a Claims on institutions and corporates with a short-term credit assessment	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	

Table 24: Standardised approach – Exposures by asset classes and risk weights ('CR5') (continued)

(CRR3 amended)

Exposure classes	Risk weight																								Total	of which unrated		
	0% €m	2% €m	4% €m	10% €m	20% €m	30% €m	35% €m	40% €m	45% €m	50% €m	60% €m	70% €m	75% €m	80% €m	90% €m	100% €m	105% €m	110% €m	130% €m	150% €m	250% €m	370% €m	400% €m	1250% €m			Others €m	
EU-10b	Collective investment undertakings ('CIU')	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	12	–	–	–	2	14	–	
EU-10c	Other items	50	–	–	–	79	–	–	–	–	–	–	–	–	–	479	–	–	–	–	–	–	–	–	–	608	–	
EU-11c	Total at 31 Dec 2025 (CRR3)	90,699	391	–	38	5,273	466	459	2	1	2,369	707	–	1,242	11	–	9,294	–	127	266	1,236	698	–	–	–	210	113,489	9,247
1	Central governments or central banks	59,348	–	–	–	10	–	–	–	–	–	–	–	–	–	4	–	–	–	–	–	–	–	–	–	–	59,604	343
2	Non-central government public sector entities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
EU-2a	– Regional governments or local authorities	1,970	–	–	–	7	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,977	–
EU-2b	– Public sector entities	6,077	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	6,077	–
3	Multilateral development banks	2,574	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2,574	–
EU-3a	International organisations	3,429	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	3,429	–
4	Institutions	–	54	–	–	7,251	–	–	–	–	344	–	–	–	–	–	42	–	–	–	–	–	–	–	–	–	7,691	70
5	Covered bonds	–	–	–	42	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	42	42
6	Corporates	–	–	–	–	1,433	–	467	–	–	1,400	–	–	–	–	–	6,207	–	–	–	1	–	–	–	–	–	9,508	6,009
6.1	– of which: Specialised Lending	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
7	Subordinated debt exposures and equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
EU-7a	– Subordinated debt exposures	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

Table 24: Standardised approach – Exposures by asset classes and risk weights ('CR5') (continued)

(CRR3 amended)

Exposure classes	Risk weight																							Total	of which unrated			
	0% €m	2% €m	4% €m	10% €m	20% €m	30% €m	35% €m	40% €m	45% €m	50% €m	60% €m	70% €m	75% €m	80% €m	90% €m	100% €m	105% €m	110% €m	130% €m	150% €m	250% €m	370% €m	400% €m			1250% €m	Others €m	
EU-7b – Equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
8 Retail exposures	—	—	—	—	—	—	—	—	—	—	—	—	518	—	—	—	—	—	—	—	—	—	—	—	—	—	518	518
9 Secured by mortgages on immovable property and ADC exposures ¹	—	—	—	—	—	—	2,540	—	—	712	—	—	—	—	—	2	—	—	—	—	—	—	—	—	—	—	3,254	3,254
9.1 – Secured by mortgages on residential immovable property – non IPRE	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9.1.1 – no loan splitting applied	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9.1.2 – loan splitting applied (secured)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9.1.3 – loan splitting applied (unsecured)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9.2 – Secured by mortgages on residential immovable property – IPRE	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9.3 – Secured by mortgages on commercial immovable property – non IPRE	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9.3.1 – no loan splitting applied	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9.3.2 – loan splitting applied (secured)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9.3.3 – loan splitting applied (unsecured)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

The table below provides a breakdown of IRB credit risk RWAs under the new CRR3 methodology before and after credit derivatives CRM effects, excluding counterparty credit risk exposures, securitization positions, equity, collective investment undertakings and non-credit obligation assets, with the updated exposure classes.

Table 25: IRB approach – Effect on the RWAs of credit derivatives used as CRM techniques ('CR7') (CRR3 amended)

		CRR3		CRR2	
		At 31 Dec 2025		At 31 Dec 2024 ¹	
		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
1	Central governments and central banks – F-IRB	—	—	5	5
2	Central governments and central banks – A-IRB	—	—	356	356
3	Institutions – F-IRB	507	507	142	142
4	Institutions – A-IRB	—	—	575	575
5	Corporates – F-IRB	21,731	21,570	8,306	8,306
EU-5a	– Corporates – General	21,731	21,570	—	—
6	Corporate – A-IRB	1,891	1,890	15,716	15,589
EU-6a	– Corporates – General	1,891	1,890	—	—
EU-8a	Retail – A-IRB	125	125	224	224
10	– Retail – Secured by residential immovable property	—	—	78	78
EU-10b	– Retail – Other retail exposures	125	125	—	—
17	Exposures under F-IRB	22,238	22,077	8,453	8,453
18	Exposures under A-IRB	2,016	2,015	16,871	16,744
19	Total Exposures	24,254	24,092	25,324	25,197

1 Comparatives do not include corporate slotting exposures.

The table below discloses percentage of exposures secured by various CRM techniques and, the impact of the substitution effects of the CRM methods, separately for each exposure class as amended in CRR3, within AIRB and FIRB approaches.

Table 26: IRB approach – Disclosure of the extent of the use of CRM techniques ('CR7-A')

(CRR3 amended)

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 eligible collaterals (%)						Part of exposures covered by Other funded credit protection (%)						RWA with substitution effects (both reduction and substitution effects)		
Total exposures €m	Part of exposures covered by Financial Collaterals (%)	Total (%)	Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)	Total (%)	Part of exposures covered by Cash 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 (%)		RWA with substitution effects (reduction effects only)	
A-IRB														
1	Central governments and central banks	–	–	–	–	–	–	–	–	–	–	–	–	–
2	Regional governments and local authorities	–	–	–	–	–	–	–	–	–	–	–	–	–
3	Public sector entities	–	–	–	–	–	–	–	–	–	–	–	–	–
5	Corporates	3,000	1.4	20.4	20.4	–	0.1	–	–	–	–	–	1,877	1,890
5.1	– Corporates – General	3,000	1.4	20.4	20.4	–	0.1	–	–	–	–	–	1,877	1,890
5.2	– Corporates – Specialised lending	–	–	–	–	–	–	–	–	–	–	–	–	–
5.3	– Corporates – Purchased Receivables	–	–	–	–	–	–	–	–	–	–	–	–	–
6	Retail	249	1.3	0.6	0.6	–	–	–	–	–	–	–	125	125
6.1	– Retail – Qualifying revolving	–	–	–	–	–	–	–	–	–	–	–	–	–
6.2	– Retail – secured by residential immovable property	–	–	–	–	–	–	–	–	–	–	–	–	–
6.3	– Retail – Purchased Receivables	–	–	–	–	–	–	–	–	–	–	–	–	–
6.4	– Retail – Other retail exposures	249	1.3	0.6	0.6	–	–	–	–	–	–	–	125	125
7	Total at 31 Dec 2025 (CRR3)	3,249	1.4	18.9	18.9	–	0.1	–	–	–	–	–	2,002	2,015
1	Central governments and central banks	–	–	–	–	–	–	–	–	–	–	–	–	–
2	Regional governments and local authorities	–	–	–	–	–	–	–	–	–	–	–	–	–
3	Public sector entities	–	–	–	–	–	–	–	–	–	–	–	–	–
4	Institutions	2,501	0.1	–	–	–	–	–	–	–	–	–	506	507
5	Corporates	41,432	2.3	1.7	1.3	–	0.4	–	–	–	–	–	21,605	21,570
5.1	– Corporates – General	41,432	2.3	1.7	1.3	–	0.4	–	–	–	–	–	21,605	21,570
5.2	– Corporates – Specialised lending	–	–	–	–	–	–	–	–	–	–	–	–	–
5.3	– Corporates – Purchased Receivables	–	–	–	–	–	–	–	–	–	–	–	–	–
6	Total at 31 Dec 2025 (CRR3)	43,933	2.2	1.6	1.3	–	0.4	–	–	–	–	–	22,111	22,077

The table below discloses the detailed key parameters used for the calculation of capital requirements of credit risk exposure under the IRB approach, broken down by amended CRR3 exposure class and

PD range. The risk parameters within this table do not reflect the application of post-model adjustments ('PMAs'). The table excludes securitisation positions.

Table 27: IRB approach – Credit risk exposures by exposure class and probability of default ('PD') range ('CR6') (CRR3 amended)

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) ¹ years	Risk weighted exposure amount after supporting factors €m	Density of risk weighted exposure amount %	Expected loss amount €m	Value adjustments and provisions €m
AIRB – Corporates – General												
0.00 to <0.15	502	317	39.3	668	0.1	673	36.9	3.1	157	23	–	–
– 0.00 to <0.10	469	207	39.1	549	0.1	139	38.3	3.1	126	23	–	–
– 0.10 to <0.15	33	110	39.7	119	0.1	534	30.8	3.1	31	26	–	–
0.15 to <0.25	392	384	46.9	569	0.2	1,025	34.4	1.9	189	33	1	1
0.25 to <0.50	262	94	37.8	293	0.4	1,269	20.1	3.6	93	32	–	1
0.50 to <0.75	91	63	36.2	111	0.6	949	31.5	3.1	62	56	–	–
0.75 to <2.50	673	246	32.9	744	1.5	3,168	35.5	2.5	635	85	4	34
– 0.75 to <1.75	563	184	31.1	612	1.3	2,687	35.6	2.5	512	84	3	22
– 1.75 to <2.5	110	62	38.3	132	2.3	481	34.8	2.5	123	93	1	12
2.50 to <10.00	217	229	36.0	284	4.8	1,534	35.3	3.2	352	124	5	5
– 2.5 to <5	110	159	34.5	160	3.6	1,047	36.1	3.3	192	120	2	2
– 5 to <10	107	70	39.3	124	6.2	487	34.3	2.9	160	129	3	3
10.00 to <100.00	165	52	32.6	178	36.8	1,285	39.1	3.4	278	156	26	22
– 10 to <20	84	51	32.8	98	10.3	1,225	38.1	3.2	171	175	4	4
– 30.00 to <100.00	81	1	20.8	80	69.3	60	40.2	3.6	107	134	22	18
100.00 (Default)	142	39	29.3	116	100.0	1,161	46.6	2.6	124	107	52	70
Sub-total (CRR3)	2,444	1,424	39.0	2,963	7.1	11,064	34.6	2.8	1,890	64	88	133
Wholesale AIRB – Total at 31 Dec 2025 (CRR3)												
	2,444	1,424	39.0	2,963	7.1	11,064	34.6	2.8	1,890	64	88	133
AIRB – Retail – Other retail exposures												
0.00 to <0.15	8	8	44.0	10	0.1	438	37.5	4.0	1	11	–	–
– 0.00 to <0.10	2	–	37.3	2	0.1	77	35.1	2.1	–	6	–	–
– 0.10 to <0.15	6	8	44.2	8	0.1	361	37.9	1.9	1	11	–	–
0.15 to <0.25	12	15	39.1	17	0.2	708	36.7	1.6	3	16	–	–
0.25 to <0.50	16	17	38.0	21	0.4	851	37.5	1.7	5	23	–	–
0.50 to <0.75	13	10	39.9	15	0.6	616	38.4	1.6	4	31	–	–
0.75 to <2.50	39	70	39.6	60	1.4	1,490	38.7	4.4	27	44	–	–
– 0.75 to <1.75	31	65	39.8	51	1.3	1,214	38.8	2.7	22	43	–	–
– 1.75 to <2.5	8	5	36.1	9	2.3	276	38.2	1.7	5	51	–	–
2.50 to <10.00	21	12	39.8	23	4.5	851	39.8	3.1	13	58	–	–
– 2.5 to <5	15	9	40.5	17	3.7	596	41.0	1.6	10	59	–	–
– 5 to <10	6	3	37.7	6	6.6	255	36.4	1.5	3	56	–	–
10.00 to <100.00	23	56	39.5	41	13.7	724	41.0	6.3	31	77	2	1
– 10 to <20	23	56	39.5	41	13.6	719	41.0	4.1	31	77	2	1
– 30.00 to <100.00	–	–	–	–	48.0	5	37.4	2.2	–	92	–	–
100.00 (Default)	40	6	47.5	34	100.0	1,542	83.2	3.6	41	120	26	21
Sub-total (CRR3)	172	194	40.9	221	15.1	7,220	44.1	26.3	125	57	28	22
Retail AIRB – Total at 31 Dec 2025 (CRR3)												
	172	194	40.9	221	15.1	7,220	44.1	26.3	125	57	28	22

Table 27: IRB approach – Credit risk exposures by exposure class and probability of default ('PD') range ('CR6') (continued) (CRR3 amended)

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) ¹ 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 – Institutions												
0.00 to <0.15	1,983	931	29.9	1,958	0.1	249	35.1	1.7	383	20	1	2
– 0.00 to <0.10	1,628	683	29.0	1,520	0.1	162	33.3	1.7	263	17	1	–
– 0.10 to <0.15	355	248	32.3	438	0.1	87	41.5	1.7	120	27	–	2
0.15 to <0.25	104	70	39.5	132	0.2	23	24.1	1.5	30	22	–	–
0.25 to <0.50	33	4	20.0	34	0.3	9	45.0	1.0	14	43	–	–
0.50 to <0.75	4	67	20.0	17	0.6	7	45.0	1.5	13	77	–	–
0.75 to <2.50	32	146	19.5	60	1.5	15	43.1	3.3	67	111	–	–
– 0.75 to <1.75	32	89	6.6	38	1.0	13	42.0	2.7	35	93	–	–
– 1.75 to <2.5	–	57	39.7	22	2.3	2	45.0	4.2	32	141	–	–
2.50 to <10.00	–	–	–	–	–	1	–	–	–	–	–	–
– 2.5 to <5	–	–	–	–	–	1	–	–	–	–	–	–
Sub-total (CRR3)	2,156	1,218	28.6	2,201	0.1	304	34.9	1.7	507	23	1	2
FIRB – Corporates – General												
0.00 to <0.15	3,262	24,880	37.6	13,967	0.1	1,010	39.6	2.3	3,289	23.6	4	4
– 0.00 to <0.10	1,684	21,732	38.3	10,399	0.1	697	40.6	2.5	2,242	21.6	3	1
– 0.10 to <0.15	1,578	3,148	33.5	3,568	0.1	313	36.7	1.5	1,047	29.4	1	3
0.15 to <0.25	3,415	10,920	35.7	7,305	0.2	428	41.1	2.5	2,992	41.0	6	3
0.25 to <0.50	2,960	11,126	33.8	5,417	0.4	464	41.0	2.7	3,069	56.7	8	4
0.50 to <0.75	1,004	1,597	24.9	1,253	0.6	274	40.1	2.5	956	76.3	3	3
0.75 to <2.50	4,167	9,473	34.5	6,436	1.3	2,261	39.6	2.3	5,616	87.3	34	22
– 0.75 to <1.75	3,016	7,380	34.8	4,912	1.1	1,802	39.6	2.3	4,009	81.6	21	15
– 1.75 to <2.5	1,151	2,093	33.5	1,524	2.1	459	39.5	2.6	1,607	105.4	13	7
2.50 to <10.00	2,698	7,006	31.5	3,689	4.2	1,026	39.7	2.4	4,629	125.5	62	22
– 2.5 to <5	1,999	4,918	31.6	2,730	3.4	811	39.8	2.4	3,228	118.2	38	14
– 5 to <10	699	2,088	31.3	959	6.4	215	39.5	2.5	1,401	146.1	24	8
10.00 to <100.00	391	644	29.9	537	16.6	588	41.4	1.8	1,019	189.9	37	13
– 10 to <20	367	606	31.1	510	14.0	568	41.4	1.7	983	192.7	30	8
– 20 to <30	–	–	40.0	–	22.8	1	40.0	1.0	–	204.0	–	–
– 30.00 to <100.00	24	38	12.2	27	68.1	19	40.0	3.2	36	135.4	7	5
100.00 (Default)	513	268	34.7	587	100.0	67	40.0	2.7	–	–	235	202
Sub-total (CRR3)	18,410	65,914	35.3	39,191	2.5	6,118	40.1	2.4	21,570	55.0	389	273
FIRB – Total at 31 Dec 2025 (CRR3)	20,566	67,132	35.1	41,392	2.3	6,422	39.8	2.4	22,077	53.3	390	275

1 Q4 2025 RWAs are based on effective maturities.

Table 28: Scope of the use of IRB and SA approaches ('CR6-A')

	Exposure value subject to IRB approach €m	Total exposure value for exposures subject to the Standardised approach and to the IRB approach €m	Percentage of total exposure value subject to the permanent partial use of the SA %	Percentage of total exposure value subject to IRB Approach %	Percentage of total exposure value subject to a roll-out plan %
1 Central governments or central banks	–	89,200	–	–	100.0
2 Regional governments and local authorities	–	46	–	–	100.0
3 Public sector entities	–	25	–	–	100.0
4 Institutions	2,501	3,489	24.0	72.0	4.0
5 Corporates	44,432	61,127	8.0	74.0	19.0
5.1 – of which Corporates – General	–	60,318	8.0	75.0	18.0
5.2 – of which Corporates – Specialised lending	–	809	–	–	100.0
5.2.1 – of which Corporates – Specialised lending, excluding slotting approach	–	809	–	–	100.0
5.2.2 – of which Corporates – Specialised lending under slotting approach	–	–	–	–	–
5.3 – of which Corporates – Purchased Receivables	–	–	–	–	–
6 Retail	249	4,368	–	6.0	94.0
6.1 – of which Retail – Qualifying revolving	–	–	–	–	–
6.2 – of which Retail – Secured by residential immovable property	–	739	–	–	100.0
6.3 – of which Retail – Purchased Receivables	–	–	–	–	–
6.4 – of which Retail – Other retail exposures	249	3,629	–	7.0	93.0
7 Equity	–	289	–	–	100.0
EU 7a Collective investment undertakings (CIU)	–	14	–	–	100.0
8 Other non-credit obligation assets	–	724	–	–	100.0
9 Total at 31 Dec 2025	47,182	159,282	3.0	30.0	67.0

Counterparty credit risk

Overview

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to honour a financial obligation in a timely fashion. Whenever there is a risk that a counterparty will not repay an amount of money owed, live up to a financial commitment or honour a claim, there is credit risk. Many types of transactions present credit risk; counterparty credit risk ('CCR') considers the credit risk inherent in derivative and security financing trades. In these transactions both parties commit to make future payments, the amounts of which are

dependent on the market value of an underlying product (for example the exchange rate between the US dollar and the Japanese yen).

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

► Further explanation of HSBC Continental Europe's approach to managing counterparty credit risk can be found on page 162 of HSBC Continental Europe's Universal Registration Document 2025.

The table below analyses CCR exposures by approach for derivatives and securities financing transactions, excluding the CVA charge, failed settlements, free deliveries and exposures to CCPs. The additional split of non-financial counterparties and pension scheme arrangements is now included in the revised CRR3 disclosure.

Table 29: Analysis of CCR exposure by approach ('CCR1')

	Replace- ment cost '(RC)' €m	Potential future exposure '(PFE)' €m	EEPE €m	Alpha for computing regulatory exposure value	Exposure value pre-CRM €m	Exposure value post-CRM €m	Exposure value €m	RWAs €m
EU – Original Exposure Method (for derivatives)	–	–	–	–	–	–	–	–
EU – Simplified SA-CCR (for derivatives)	–	–	–	–	–	–	–	–
SA-CCR (for derivatives)	738	1,622	–	1.40	3,303	3,303	3,303	1,076
IMM (for derivatives and SFTs)	–	–	5,350	1.40	7,490	7,490	7,490	2,802
– of which:								
– securities financing transactions netting sets	–	–	–	–	–	–	–	–
– derivatives and long settlement transactions netting sets	–	–	5,350	–	7,490	7,490	7,490	2,802
Financial collateral comprehensive method (for SFTs)	–	–	–	–	4,321	4,421	4,421	393
Total at 31 Dec 2025					15,114	15,214	15,214	4,271

The table below presents information on the risk weighting of CCR exposures under the standardised approach by regulatory portfolio. It excludes the failed settlements, free deliveries, default fund contributions, CVA charge and exposures to central counterparties. Revised risk weights are reflected now as part of CRR3 disclosure.

Table 30: Standardised approach – CCR exposures by regulatory exposure class and risk weights ('CCR3')

Exposure classes	Risk weight											Total exposure value	
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others		
1 Central governments or central banks	3,964	–	–	–	45	1	–	–	–	–	–	–	4,010
2 Regional government or local authorities	–	–	–	–	71	–	–	–	–	–	–	–	71
3 Public sector entities	–	–	–	–	1	74	–	–	–	–	–	–	75
4 Multilateral development banks	–	–	–	–	–	–	–	–	–	–	–	–	–
5 International organisations	–	–	–	–	–	–	–	–	–	–	–	–	–
6 Institutions	–	1,739	–	–	131	1	–	–	–	–	594	–	2,465
7 Corporates	–	–	–	–	5	2,469	–	16	504	2	–	–	2,996
Total exposure value 31 Dec 2025 (CRR3)	3,964	1,739	–	–	253	2,545	–	16	504	2	594	–	9,617
1 Central governments or central banks	2,835	–	–	–	6	–	–	–	15	–	–	–	2,856
2 Regional government or local authorities	307	–	–	–	–	–	–	–	6	–	–	–	313
3 Public sector entities	254	–	–	–	90	–	–	–	–	–	–	–	344
4 Multilateral development banks	4	–	–	–	–	–	–	–	–	–	–	–	4
5 International organisations	31	–	–	–	–	–	–	–	–	–	–	–	31
6 Institutions	–	1,928	–	–	798	119	–	–	–	–	–	–	2,845
7 Corporates	–	–	–	–	–	2,972	–	–	121	–	–	–	3,093
Total exposure value 31 Dec 2024 (CRR2)	3,431	1,928	–	–	894	3,091	–	–	142	–	–	–	9,486

The table below shows the detailed key parameters used for the calculation of capital requirements of counterparty credit risk exposure under the IRB approach broken down by exposure class and PD range. There have been revised exposure classes under CRR 3.

Table 31: IRB approach – CCR exposures by exposure class and PD scale ('CCR4')

	a	b	c	d	e	f	g
31 December 2025	Exposure value	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD	Exposure weighted average maturity	RWEA	Density of risk weighted exposure amounts
PD scale	€m	%		%	(years)	€m	%
FIRB – Corporates							
0.00 to <0.15	3,343	0.1	1,778	43.0	1.0	497	15.0
0.15 to <0.25	408	0.2	159	42.0	1.0	125	31.0
0.25 to <0.50	236	0.3	139	41.0	1.0	91	39.0
0.50 to <0.75	82	0.6	67	44.0	—	52	64.0
0.75 to <2.50	503	1.8	464	42.0	1.0	468	93.0
2.50 to <10.00	307	3.9	196	41.0	1.0	351	114.0
10.00 to <100.00	13	13.7	17	40.0	1.0	22	174.0
100.00 (Default)	2	100.0	5	40.0	1.0	—	—
Sub-total (CRR3)	4,894	0.6	2,825	43.0	1.0	1,606	33.0
FIRB – Institutions							
0.00 to <0.15	1,970	0.1	150	45.0	1.0	366	19.0
0.15 to <0.25	268	0.2	25	45.0	1.0	105	39.0
0.25 to <0.50	25	0.4	13	45.0	1.0	11	44.0
0.50 to <0.75	24	0.6	8	45.0	—	14	100.0
0.75 to <2.50	131	1.6	26	45.0	1.0	120	100.0
2.50 to <10.00	24	3.4	9	45.0	1.0	28	100.0
Sub-total	2,442	0.2	231	45.0	1.0	644	26.0
FIRB – Total at 31 Dec 2025 (CRR3)	7,336	0.5	3,056	44.0	1.0	2,250	31.0
Total (all portfolios) at 31 Dec 2025	7,336	0.5	3,056	43.6	1.0	2,250	31.0

The table below analyses the collateral used in derivatives and SFT transactions.

Table 32: Composition of collateral for CCR exposures ('CCR5')

Collateral type	Collateral used in derivative transactions				Collateral used in SFTs			
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
	Segregated	Un segregated	Segregated	Un segregated	Segregated	Un segregated	Segregated	Un segregated
	€m	€m	€m	€m	€m	€m	€m	€m
1 Cash – domestic currency	—	29,077	157	19,244	—	78	—	—
2 Cash – other currencies	—	3,580	—	3,160	—	3	—	—
3 Domestic sovereign debt	81	1,174	—	2	—	17,621	—	17,801
4 Other sovereign debt	1,656	11,433	902	561	—	70,236	—	63,277
6 Corporate bonds	56	12,190	175	—	—	7,863	—	2,852
7 Equity securities	—	6,829	—	—	—	406	—	292
8 Other collateral	—	940	—	—	—	775	—	—
9 Total at 31 December 2025	1,793	65,223	1,234	22,967	—	96,982	—	84,222

The table below provides a breakdown of the exposures and RWAs, under the updated CRR3 methodology, related to qualifying central counterparties ('QCCPs') and non-QCCPs.

Table 33: Exposures to CCPs ('CCR8')

	31 December 2025	
	Exposure value	RWEA
	€m	€m
1 Exposures to QCCPs (total)		244
2 Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	203	4
3 (i) OTC derivatives	65	1
4 (ii) Exchange-traded derivatives	57	1
5 (iii) SFTs	81	2
8 Non-segregated initial margin	1,536	31
9 Prefunded default fund contributions		209

Collateral arrangements

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

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

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

- ▶ Further information on gross fair value exposure and the offset due to legally enforceable netting and collateral is set out on in Note 18 on page 240 of HSBC Continental Europe's Universal Registration Document 2025.

Credit Valuation Adjustment ('CVA') hedges

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

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

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

Credit rating downgrade

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

Table 34: Credit valuation adjustment risk under the Full Basic Approach ('CVA2')

		Own funds requirements €m	Notional of CVA hedges €m
1	BACVA ^{csr-unhedged}	12	
2	BACVA ^{csr-hedged}	36	
3	Total	48	
EU 4	Single-name CDS		50
EU 5	Index CDS		—
EU 6	Total		50

Table 35: Credit valuation adjustment risk under the Standardised Approach ('CVA3')

		Own funds requirements €m	Number of counterparties	Notional of CVA hedges €m
	Risk classes			
1	Interest rate risk	5		
2	Foreign exchange risk	2		
3	Reference credit spread risk	—		
4	Equity risk	—		
5	Commodity risk	—		
6	Counterparty credit spread risk	21		
7	Total	28		
	Counterparty types of transactions			
EU 8	Central banks		—	
EU 9	General Governments		2	
EU 10	Credit institutions		174	
EU 11	Investment firms		1,628	
EU 12	Other financial corporations (excluding investment firms)		74	
EU 13	Non-financial corporations		10	
EU 14	Total		1,888	
	CVA Hedges			
EU 15	Single name CDS			501
EU 16	Index CDS			523
EU 17	Other derivatives classified as CVA risk hedges			1,988
EU 18	Total			3,012

Market risk

Overview

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

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

► Further explanation of HSBC Continental Europe's approach to managing market risk can be found on page 162 of HSBC Continental Europe's Universal Registration Document 2025.

When disclosing information referred to in Article 435 (1), points (a) and (d) of the Regulation (EU) 575/2013 on the risk management objectives and policies to manage market risk, institutions shall include:

- an explanation of their management's strategic objectives in undertaking trading activities;

- a description of the policies referred to in Article 104 (1) for determining which position is to be included in the trading book, including the definition of stale positions and the risk management policies for monitoring those positions. In addition, institutions shall describe cases where instruments are assigned to the trading or banking book contrary to the general presumptions of their instrument category, including their market and fair value of such cases as well as any reclassification from one book to the other since the last reporting period, including the fair value of the such cases and the reason for the reclassification;
- a description of internal risk transfer activities, including the types of internal risk transfer desk;
- the processes implemented to identify, measure, monitor and control the institution's market risks; and
- the policies for hedging and mitigating risk; strategies and processes for monitoring the continuing effectiveness of hedges.

The table below discloses the various market risk sensitivities impact of the capital requirements under the advanced standardised approach for market risk:

Table 36: Market risk under the standardised approach ('MR1')

		2025		2024	
		RWAs €m	Capital required €m	RWAs €m	Capital required €m
Outright products					
1	Interest rate risk (general and specific) ¹	—	—	—	—
3	Foreign exchange risk	88	7	168	13
9	Total	88	7	168	13

1 HSBC Continental Europe does not have specific risk positions related to securitisation at 31 December 2024 and 31 December 2025.

The table below provides information on the different components of the capital requirements under the internal model approach for market risk. It discloses the high, average, low and actual values of expected shortfalls for the period under the internal model approach by the risk sensitivities.

Table 37: Market risk under the Internal Model Approach ('IMA') ('MR2-A')

		2025		2024	
		RWAs €m	Capital required €m	RWAs €m	Capital required €m
1	VaR (higher of values a and b)	638	51	565	45
(a)	Previous day's VaR ('VaRt-1')	163	13	142	11
(b)	Multiplication factor (mc) x average of previous 60 working days ('VaRavg')	638	51	565	45
2	Stressed VaR (higher of values a and b)	1,599	128	1,748	140
(a)	Latest available SVaR ('SVaRt-1')	732	59	377	30
(b)	Multiplication factor (ms) x average of previous 60 working days ('sVaRavg')	1,599	128	1,748	140
3	Incremental risk charge (higher of values a and b)	968	77	814	65
(a)	Most recent IRC value	918	73	599	48
(b)	Average IRC value	968	77	814	65
5	Other	655	52	491	39
6	Total	3,860	309	3,618	289

Non-financial Risk

Overview

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

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

This risk includes notably external or internal fraud risk (article 324 of EU regulation No. 575/2013), non-authorized activities, errors and omissions (including events characterised by a low probability but with a high operational loss in case of occurrence), and risks related to models.

The risk of loss could be materialised under the seven non-financial risk categories as defined in the HSBC Group taxonomy: Financial

Reporting and Tax Risk, Financial Crime, Regulatory Compliance Risk, Legal Risk, Resilience Risk, Model Risk and People Risk.

- ▶ Further explanation of HSBC Continental Europe's approach to managing non-financial risk can be found in the section 3.7 Non-financial risk of HSBC Continental Europe's Universal Registration Document 2025.

Regulation (EU) No 575/2013 (CRR), as amended by Regulation (EU) 2024/1623, includes amendments to the operational risk capital calculation, where a revised framework is introduced and all previously existing approaches for the calculation of the regulatory capital are replaced by the business indicator component ('BIC'). The BIC is based on the business indicator ('BI'), which measures an institution's volume of business.

The table below presents the annual operational risk losses incurred over the past 10 years.

Table 38: Operational risk losses ('OR1')

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	Ten-year average	
Using €20,000 threshold												
1	Total amount of operational risk losses net of recoveries (no exclusions) (€m)	10	12	8	16	20	78	6	19	(26)	82	22
2	Total number of operational risk losses	79	87	100	101	104	128	95	113	97	88	99
3	Total amount of excluded operational risk losses (€m)			1	2	3	1	—	3	1	1	1
4	Total number of excluded operational risk events			20	14	11	16	12	10	9	10	13
5	Total amount of operational risk losses net of recoveries and net of excluded losses (€m)	10	12	7	15	16	77	6	16	(27)	81	21
Using €100,000 threshold												
6	Total amount of operational risk losses net of recoveries (no exclusions) (€m)	7	11	6	14	17	74	4	16	(30)	80	20
7	Total number of operational risk losses	26	40	40	35	42	36	25	42	27	34	35
8	Total amount of excluded operational risk losses (€m)			1	1	3	—	—	2	—	—	1
9	Total number of excluded operational risk events			6	2	2	1	2	4	2	2	3
10	Total amount of operational risk losses net of recoveries and net of excluded losses (€m)	7	11	5	12	14	74	4	14	(30)	79	19

The table below presents a detailed breakdown of the items included within each component of Business Indicator calculation under the Standardised Measurement approach. It also outlines ECB approved divested activities as applicable to the calculation framework.

Table 39: Business Indicator, components and subcomponents ('OR2')

(CRR3 new)

	CRR3	CRR3	CRR3	CRR3
	2025	2024	2023	Average value
	€m	€m	€m	€m
BI and its subcomponents				
1 Interest, lease and dividend component ('ILDC')				1,618
EU-1 ILDC related to the individual institution/consolidated Group (excluding entities considered by Article 314(3))				1,618
1a Interest and lease income	6,888	8,763	5,743	7,131
1b Interest and lease expense	5,571	7,224	3,899	5,564
1c Total assets/Asset component ¹	190,476	171,692	171,663	177,944
1d Dividend income/dividend component	83	43	26	51
2 Services component ('SC')				1,952
2a Fee and commission income	1,872	1,790	1,731	1,798
2b Fee and commission expense	682	564	487	578
2c Other operating income	276	100	88	155
2d Other operating expense	11	20	(1)	10
3 Financial component ('FC')				696
3a Net profit or loss applicable to trading book ('TB')	846	651	513	670
3b Net profit or loss applicable to banking book ('BB')	20	41	16	26
EU-3c Approach followed to determine the TB/BB boundary (PBA or accounting approach)				Accounting Approach
4 Business Indicator ('BI')				4,266
5 Business indicator component ('BIC')				610
Disclosure on the BI:				
6a BI gross of excluded divested activities	4,184			
6b Reduction in BI due to excluded divested activities	(82)			
EU-6c Impact in BI of mergers/acquisitions	—			

1 Total Assets/Asset component are computed on basis of article 314(2) of 2024/1623.

The table below reports the business indicator, internal loss multiplier and the resulting operational risk capital requirement that are used in the operational risk calculation.

Table 40: Operational risk own funds requirements and risk exposure amounts ('OR3')

(CRR3 new)

	Amount
	€m
1 Business Indicator Component ('BIC')	610
EU-1 Alternative Standardised Approach ('ASA') Own Funds Requirements (OROF) under Article 314(4)	—
3 Minimum Required Operational Risk Own Funds Requirements ('OROF')	610
4 Operational Risk Exposure Amounts ('REA')	7,624

The EBA has kept ILM as 1 for 2025.

Other risks

► Further details of the other risks identified by HSBC Continental Europe are described in the Risks section of HSBC Continental Europe's Universal Registration Document 2025. In particular, details of HSBC Continental Europe's approach to sustainability, climate and environmental risk and to reputational risk can be found on pages 46, 178 and 180 respectively therein.

Liquidity and funding

Liquidity management across the HSBC Group

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

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

Strategies and processes in the management of liquidity risk

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

The 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.

The HSBC Continental Europe manages liquidity and funding in accordance with the HSBC Group's LFRF, and with practices and limits set by the RMM and approved by the Board of Directors. The 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 The HSBC Continental Europe.

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

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

Management of liquidity and funding risk

Liquidity coverage ratio ('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'), consisting of cash or assets that can be converted into cash at little or no loss of value in private markets, to meet its liquidity needs for a 30 calendar days liquidity stress scenario. In accordance with Regulation EU 2019/876 of the European Parliament ('CRR II'), published on 20 May 2019, the table below presents the average of the previous twelve month-end balances for each reporting date. As such, the LCR values reported below do not represent the point-in-time ratios at the end of the period.

The table below sets out the granular split of cash outflows and cash inflows, as well as the available HQLA on both an unweighted and weighted basis, which are used to derive the LCR. The LCR, HQLA and net outflows are based on the average over the preceding 12 months.

Table 41: Quantitative information on LCR ('LIQ1')

	Quarter ended							
	31 Dec 2025		30 Sep 2025		30 Jun 2025		31 Mar 2025	
	Total unweighted value €m	Total weighted value €m						
Number of data points used in the calculation of averages	12		12		12		12	
High-quality liquid assets								
Total high-quality liquid assets ('HQLA')		87,884		83,195		79,803		77,094
Cash – Outflows								
Retail deposits and small business funding	8,370	844	8,618	877	8,592	871	8,646	866
– of which:								
stable deposits	4,035	202	4,100	205	4,159	208	4,226	211
less stable deposits	4,335	642	4,518	672	4,433	663	4,420	655
Unsecured wholesale funding	99,883	47,347	98,409	46,744	95,995	44,729	93,893	43,102
– Operational deposits (all counterparties) and deposits in networks of cooperative banks	32,386	8,015	31,617	7,824	31,741	7,857	31,776	7,867
– Non-operational deposits (all counterparties)	66,283	38,118	65,904	38,032	63,533	36,151	61,373	34,491
– Unsecured debt	1,214	1,214	888	888	721	721	744	744
Secured wholesale funding		803		617		817		1,048
Additional requirements	69,816	18,130	66,576	17,772	64,405	17,281	63,889	16,683
– Outflows related to derivative exposures and other collateral requirements	5,562	5,243	5,560	5,242	5,331	4,997	4,568	4,289
– Outflows related to loss of funding on debt products	–	–	–	–	–	–	–	–
– Credit and liquidity facilities	64,254	12,887	61,016	12,530	59,074	12,284	59,321	12,394
Other contractual funding obligations	32,153	23,189	30,739	22,081	28,777	20,529	28,705	20,768
Other contingent funding obligations	30,903	1,545	33,652	1,682	35,049	1,753	34,040	1,702
Total cash outflows		91,858		89,773		85,980		84,169
Cash – Inflows	–	–	–	–	–	–	–	–
Secured lending transactions (including reverse repos)	75,898	1,159	70,859	1,111	66,752	1,303	58,904	1,101
Inflows from fully performing exposures	4,616	3,812	4,890	4,057	5,484	4,625	6,110	5,200
Other cash inflows	34,776	26,928	34,686	26,189	33,440	24,747	33,305	24,976
(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	115,290	31,899	110,435	31,357	105,676	30,675	98,319	31,277
Fully exempt inflows	–	–	–	–	–	–	–	–
Inflows subject to 90% cap	–	–	–	–	–	–	–	–
Inflows subject to 75% cap	115,290	31,899	110,435	31,357	105,676	30,675	98,319	31,277
Total adjusted value		–		–		–		–
Liquidity buffer		87,884		83,195		79,803		77,094
Total net cash outflows		59,959		58,416		55,305		52,892
Liquidity coverage ratio %¹		147		142		144		146

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

Net stable funding ratio

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

HSBC Continental Europe's NSFR was 164 per cent as at 31 December 2025.

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

The table below shows the components of the NSFR for unweighted values by residual maturity and the resultant weighted amounts.

Table 42: Net Stable Funding Ratio ('LIQ2')

	Unweighted value by residual maturity				Weighted value €m
	No maturity €m	< 6 months €m	6 months to < 1yr €m	≥ 1yr €m	
At 31 Dec 2025					
Available stable funding ('ASF') items					
Capital items and instruments	12,950	—	—	1,901	14,851
Own funds	12,950	—	—	1,901	14,851
Retail deposits	—	7,705	—	—	7,131
Stable deposits	—	3,923	—	—	3,727
Less stable deposits	—	3,782	—	—	3,404
Wholesale funding	—	135,056	4,090	15,076	63,300
Operational deposits	—	34,129	—	—	17,065
Other wholesale funding	—	100,927	4,090	15,076	46,235
Interdependent liabilities	—	—	—	—	—
Other liabilities	507	22,878	—	76	76
NSFR derivative liabilities	507	—	—	—	—
All other liabilities and capital instruments not included in the above categories	—	22,878	—	76	76
Total available stable funding ('ASF')	—	—	—	—	85,358
Required stable funding ('RSF') items					
Total high-quality liquid assets ('HQLA')					4,052
Assets encumbered for more than 12m in cover pool		—	—	—	—
Deposits held at other financial institutions for operational purposes		—	—	—	—
Performing loans and securities:		44,974	4,700	32,458	36,468
Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		23,150	308	—	531
Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		9,405	1,731	6,540	8,108
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs		10,436	2,408	18,787	23,291
– of which:					
with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		82	98	4,049	3,609
Performing residential mortgages		212	90	2,144	—
– of which:					
with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		33	34	1,314	—
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		1,771	163	4,987	4,538
Interdependent assets	—	—	—	—	—
Other assets:	—	10,137	—	5,448	5,336
Physical traded commodities		—	—	5	4
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		—	—	—	632
NSFR derivative assets		—	—	—	—
NSFR derivative liabilities before deduction of variation margin posted		8,842	—	—	442
All other assets not included in the above categories		1,295	—	5,443	4,258
Off-balance sheet items		12,497	7,123	77,423	6,166
Total RSF					52,023
Net Stable Funding Ratio (%)					164
At 30 Sep 2025					
Available stable funding ('ASF') items					
Capital items and instruments	13,375	—	—	1,932	15,307
Own funds	13,375	—	—	1,932	15,307
Retail deposits	—	8,406	—	—	7,549
Stable deposits	—	3,996	—	—	3,796
Less stable deposits	—	4,410	—	—	3,753
Wholesale funding	—	135,255	4,557	16,204	58,466
Operational deposits	—	28,367	—	—	14,183
Other wholesale funding	—	106,888	4,557	16,204	44,283
Interdependent liabilities	—	—	—	—	—
Other liabilities	22	39,284	—	69	69
NSFR derivative liabilities	22	—	—	—	—
All other liabilities and capital instruments not included in the above categories	—	39,284	—	69	69

Table 42: Net Stable Funding Ratio ('LIQ2') (continued)

	Unweighted value by residual maturity				Weighted value €m
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
	€m	€m	€m	€m	
Total available stable funding ('ASF')	—	—	—	—	81,391
Required stable funding ('RSF') items	—	—	—	—	—
Total high-quality liquid assets ('HQLA')	—	—	—	—	5,346
Assets encumbered for more than 12m in cover pool	—	—	—	—	—
Deposits held at other financial institutions for operational purposes	—	—	—	—	—
Performing loans and securities:	—	48,872	5,220	38,071	42,510
Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut	—	23,018	421	—	1,007
Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions	—	12,424	1,286	6,655	8,222
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs	—	10,769	3,125	18,989	28,204
– of which:					
with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	—	476	86	3,963	3,767
Performing residential mortgages	—	335	247	6,928	—
– of which:					
with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	—	33	34	1,348	—
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	—	2,326	141	5,499	5,077
Interdependent assets	—	—	—	—	—
Other assets:	—	23,339	—	5,401	5,134
Physical traded commodities	—	—	—	5	4
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	—	—	—	—	475
NSFR derivative assets	—	—	—	—	—
NSFR derivative liabilities before deduction of variation margin posted	—	9,835	—	—	492
All other assets not included in the above categories	—	13,504	—	5,396	4,164
Off-balance sheet items	—	24,656	4,282	65,054	5,353
Total RSF	—	—	—	—	58,343
Net Stable Funding Ratio (%)					140
At 30 Jun 2025					
Available stable funding ('ASF') items					
Capital items and instruments	13,517	—	—	1,900	15,417
Own funds	13,517	—	—	1,900	15,417
Retail deposits	—	8,743	—	—	7,838
Stable deposits	—	4,071	—	—	3,868
Less stable deposits	—	4,672	—	—	3,970
Wholesale funding	—	122,778	5,938	16,479	60,201
Operational deposits	—	30,880	—	—	15,440
Other wholesale funding	—	91,898	5,938	16,479	44,761
Interdependent liabilities	—	—	—	—	—
Other liabilities	2,723	32,189	—	69	69
NSFR derivative liabilities	2,723	—	—	—	—
All other liabilities and capital instruments not included in the above categories	—	32,189	—	69	69
Total available stable funding ('ASF')	—	—	—	—	83,525
Required stable funding ('RSF') items	—	—	—	—	—
Total high-quality liquid assets ('HQLA')	—	—	—	—	4,097
Assets encumbered for more than 12m in cover pool	—	—	—	—	—
Deposits held at other financial institutions for operational purposes	—	—	—	—	—
Performing loans and securities:	—	49,822	5,645	38,969	43,152
Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut	—	25,476	521	—	668
Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions	—	11,260	1,271	7,007	8,516
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs	—	10,611	3,359	19,586	28,962
– of which:					
with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	—	134	68	3,979	3,621
Performing residential mortgages	—	325	241	7,198	—
– of which:					
with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	—	33	35	1,385	—
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	—	2,150	253	5,178	5,006

Table 42: Net Stable Funding Ratio ('LIQ2') (continued)

	Unweighted value by residual maturity				Weighted value €m
	No maturity €m	< 6 months €m	6 months to < 1yr €m	≥ 1yr €m	
Interdependent assets	—	—	—	—	—
Other assets:	—	25,552	—	3,473	5,127
Physical traded commodities	—	—	—	4	3
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	—	—	—	—	375
NSFR derivative assets	—	—	—	—	—
NSFR derivative liabilities before deduction of variation margin posted	—	13,180	—	—	659
All other assets not included in the above categories	—	12,372	—	3,469	4,090
Off-balance sheet items	—	24,095	3,877	65,905	5,421
Total RSF	—	—	—	—	57,798
Net Stable Funding Ratio (%)	—	—	—	—	145
At 31 Mar 2025					
Available stable funding ('ASF') items	—	—	—	—	—
Capital items and instruments	13,424	—	—	1,907	15,331
Own funds	13,424	—	—	1,907	15,331
Retail deposits	—	8,596	—	—	7,725
Stable deposits	—	4,113	—	—	3,907
Less stable deposits	—	4,483	—	—	3,818
Wholesale funding	—	119,295	2,433	20,439	61,228
Operational deposits	—	27,349	—	—	13,674
Other wholesale funding	—	91,946	2,433	20,439	47,554
Interdependent liabilities	—	—	—	—	—
Other liabilities	1,499	33,567	—	85	85
NSFR derivative liabilities	1,499	—	—	—	—
All other liabilities and capital instruments not included in the above categories	—	33,567	—	85	85
Total available stable funding ('ASF')	—	—	—	—	84,369
Required stable funding ('RSF') items	—	—	—	—	—
Total high-quality liquid assets ('HQLA')	—	—	—	—	3,433
Assets encumbered for more than 12m in cover pool	—	—	—	—	—
Deposits held at other financial institutions for operational purposes	—	—	—	—	—
Performing loans and securities:	—	49,615	6,317	43,580	45,058
Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut	—	32,024	1,243	—	1,173
Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions	—	9,180	1,906	6,353	8,004
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs	—	6,477	2,825	24,403	30,928
– of which:	—	—	—	—	—
with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	—	91	80	4,045	3,668
Performing residential mortgages	—	330	236	7,464	—
– of which:	—	—	—	—	—
with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	—	33	36	1,414	—
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	—	1,604	107	5,360	4,953
Interdependent assets	—	—	—	—	—
Other assets:	—	25,849	—	4,469	6,274
Physical traded commodities	—	—	—	3	3
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	—	63	—	—	972
NSFR derivative assets	—	—	—	—	—
NSFR derivative liabilities before deduction of variation margin posted	—	15,575	—	—	779
All other assets not included in the above categories	—	10,212	—	4,466	4,521
Off-balance sheet items	—	22,691	4,849	66,062	5,389
Total RSF	—	—	—	—	60,153
Net Stable Funding Ratio (%)	—	—	—	—	140

Internal Liquidity Metric ('ILM')

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

Liquid assets

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

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

Liquidity stress testing

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

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

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

The HSBC Group's business strategy and overall liquidity risk profile

The key aspects of the liquidity and funding risk management framework are:

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

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

Overall adequacy of liquidity risk management

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

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

- the risk tolerance/appetite set at HSBC Continental Europe's level is validated, supported by an assessment of vulnerabilities through severe stress scenarios.

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

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

- ▶ Further details of our Liquidity and funding risk may be found on page 169 of HSBC Continental Europe's Universal Registration Document 2025.

Interest rate risk in the banking book

Banking net interest income sensitivity ('NII') and Economic value of equity sensitivity ('EVE')

Banking NII ('BNII') Sensitivity is the sensitivity of our banking net interest income to interest rate shocks. This metric includes the sensitivity arising from the use of banking book liabilities to fund trading assets, as well as the impacts of vanilla foreign exchange swaps to optimise cash management.

The BNII sensitivities are shown in the Δ NII column in the IRRBB1 table.

EVE sensitivity measures the impact to the present value of banking book assets and liabilities excluding equity, based on a run-off balance sheet, from a movement in interest rates, including the assumed term profile of non-maturing deposits ('NMDs') having adjusted for stability and price sensitivity. It is measured and reported as part of HSBC's internal risk metrics, regulatory rules (including the Supervisory Outlier Test) and external Pillar 3 disclosure. The EVE sensitivities are monitored as a percentage of bank's capital resources.

The measurement frequency of BNII sensitivity and EVE sensitivity is quarterly.

Interest rate shock and stress scenarios applied

The BNII sensitivities are indicative and based on scenarios and assumptions prescribed by the EBA Guidelines on the management of interest rate risk arising from non-trading book activities (EBA/GL/2022/14) and in accordance with Article 448(1) of the CRR3.

The BNII sensitivity calculations are done under the following shocks:

- parallel up;
- parallel down.

This hypothetical base case projection of our BNII (excluding insurance) follows the currency specific Parallel Up and Down EBA shock scenarios (+/-200bps for EUR).

The EVE sensitivities are based on the EBA Standard Outlier Test ('SOT') +/-200bps and the 6 BCBS Outlier Test shocks:

- parallel up;
- parallel down;
- steepener;
- flattener;
- short rates shock up; and
- short rates shock down.

Key modelling assumptions

The banking NII sensitivities shown represent a hypothetical simulation of the base case banking NII, assuming a static balance sheet (specifically no assumed migration from current account to term deposits), and no management actions from Treasury. This also incorporates the effect of interest rate behaviouralisation, prepayment of mortgages and commercial margins. The sensitivity calculations exclude pensions, insurance exposures, and our interests in associates.

All forecasted market rates are based on implied forward rates from the reporting date. Customer pricing includes flooring where there are contractual obligations.

As the market and policy rates move, the degree to which these changes are passed on to customers will vary based on several factors, including the absolute level of market rates, regulatory and contractual frameworks, and competitive dynamics. To aid comparability between markets, we have simplified the basis of preparation for our disclosure and have used a 50% pass-on assumption for major entities on certain interest-bearing deposits. Our asset pass-on assumptions are largely in line with our contractual agreements or established market practice, which typically results in a significant portion of interest rate changes being passed on.

For EVE sensitivities, commercial margins and other spread components have been excluded from the interest cash flows calculation, and all balance sheet items are discounted at risk free rates back to the reporting date. As prescribed by the regulator, the interest rate floors start at -1.0% for overnight yield curve tenors and increase five basis points per year to 0.0% at 20-year tenors. All of the negative values are netted with 50% of the positive values by currency, as per the regulatory guidelines.

NMDs are deposits that have no explicit maturity and no explicit repricing date, thus behavioural assumptions are applied.

The Pillar 3 disclosure has different assumptions to the Group IRRBB's internal model assumptions. These different assumptions include, but are not limited to, treatment of NMDs, shocks and flooring.

Quantitative information on IRRBB

HSBC Continental Europe is exposed to a change of Eurozone interest rates curve on banking operations and structural elements of the balance sheet.

The most adverse BNII sensitivity scenario over the next 12 months is the parallel down shock, resulting in a decrease in projected BNII of EUR 160 million as at 31 December 2025, compared with EUR 371 million as at 31 December 2024. This is equivalent to 1.4% of Tier 1 capital.

At 31 December 2025, the maximum decline in EVE was in the parallel up shock at EUR 1,154 million. This is equivalent to 10.4% of Tier 1 capital.

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

The average repricing maturity for core NMDs as of 31 December 2025 was 40 months, which was stable compared with 31 December 2024. The longest repricing maturity for NMDs as of 31 December 2025, was 85 months,

Table 43: Interest rate risks of non-trading book activities ('IRRBB1')

	EVE sensitivity		BNII sensitivity ¹	
	CRR3	CRR2	CRR3	CRR2
	31 Dec 2025	31 Dec 2024	31 Dec 2025	31 Dec 2024
	€m	€m	€m	€m
Parallel shock up	(1,154)	(414)	140	348
Parallel shock down	638	189	(160)	(371)
Steeper shock	(48)	67		
Flattener shock	(163)	(151)		
Short rates shock up	(514)	(254)		
Short rates shock down	266	268		

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

► Further details on our IRRBB may be found on page 170 of HSBC Continental Europe's Universal Registration Document 2025.

Risk management of insurance operations

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

On 20 December 2024, HSBC Continental Europe signed a memorandum of understanding for the sale of its French life insurance business, HSBC Assurances Vie (France), to Matmut Société d'Assurance Mutuelle. The Share Sale Agreement for the transaction was signed on 21 March 2025 following completion of all relevant works council information and consultation processes. The transaction has been completed on 31 October 2025.

► Further details of the management of financial risks and insurance risk arising from the insurance operations are provided on pages 215 to 220 of HSBC Continental Europe's Universal Registration Document 2025.

Remuneration

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

The remuneration policy in place in HSBC Continental Europe falls within the framework of this global policy, while also ensuring that it complies with local regulations, in particular Capital Requirement Directive V ('CRDV') for the bank, Alternative Investment Fund Management ('AIFM'), and Undertakings for Collective Investments in Transferable Securities ('UCITS') for our Asset Management companies, Investment Firm Directive ('IFD') and Investment Firm Regulation ('IFR') for our Investment companies and Solvency II for our Insurance companies.

In accordance with the article L 511-74 of the French Financial and Monetary Code, the remuneration policy is subject to annual independent audit performed by the Internal Audit department or risk permanent team. The compensation policy is also approved by the local Risk and Regulatory Compliance departments.

Governance

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

The Board of Directors of HSBC Continental Europe approves, adopts and reviews at least once a year the general principles of the remuneration policy and controls its implementation and approves the remuneration of the members of the management body in its management function.

The Remuneration Committee, comprising two independent non-executive Directors and a staff representative elected by the employees, prepares recommendations concerning the remuneration and remuneration principles to be approved by the Board of Directors, and gives its view on the Bank's policies and practices concerning compensation, ensuring that risk and compliance considerations are duly considered.

Its scope of review covers all aspects of remuneration policies and practices in place within the company, although with a more in-depth review concerning professionals whose activities have a significant impact on the risk profile of the business, heads of internal control functions and members of the management body in its management function.

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

- It evaluates the mechanisms and systems adopted to ensure that the remuneration system takes due account of all types of risk and liquidity and equity levels and that the overall remuneration policy is consistent and promotes sound and effective risk management and is consistent with HSBC Continental Europe's economic strategy, objectives, culture and values, risk culture and long-term interests.
- It reviews variable pay pools allocated by the global business lines to local teams with regards to global performance of the business lines and relative performance of local teams.
- It ensures that the remuneration policy is appropriate to attract, retain and motivate directors and senior management of the quality required to run HSBC Continental Europe successfully.
- It reviews the identification process of identified staff and approves the corresponding list.

- It reviews the 20 highest compensation packages in collaboration with the HSBC Group's decision-making bodies and global business lines.
- It reviews the synthesis of individual transgressions covering people risk, regulatory compliance risk, and financial crime.
- Finally it reviews the remuneration of members of the management body in its management function, the Chief Risk Officer and the Chief Compliance Officer and submits its recommendations to the Board of Directors.

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

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

In respect of 2025 performance year, the Remuneration Committee met on 16 December 2025 and 30 January 2026, with 100 per cent attendance. Its main work concerned the review of:

- the HSBC's general remuneration policy in HSBC Continental Europe in respect of 2025 performance year, focusing mainly on context in which the remuneration policy applies, on regulations updates with regards to compensation, on risk takers identification process and on incentivising risk and compliance culture;
- the 20 highest remunerations in respect of the 2025 year;
- compensation proposals for the Chief Risk Officer and the Chief Compliance Officer;
- proposals to allow the Board of Directors to approve the terms of the remuneration for Andrew Wild, Christopher Davies and Joseph Swithenbank in respect of 2025; and
- the section of the corporate governance report on remuneration.

The Chairman of the Remuneration Committee reported to the Board on its work at the Board meeting on 11 February 2026.

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

Main characteristics of the remuneration policy

The remuneration policy strives to achieve the following strategic goals:

- To comply with the company's strategy and objectives, the long-term sustainable interests and results of the company as a whole, and its risk profile. This approach aims not to encourage risk-taking that is not aligned with the risk acceptance level approved by the HSBC Group or that could negatively impact the company or the HSBC Group's capital;
- To implement a remuneration policy that takes into account sustainability risks, particularly in the environmental field, in terms of governance and diversity and inclusion;
- To ensure that there are no conflicts of interest when implementing and executing the variable pay policy;
- To establish remuneration budgets (for fixed and variable pay) that ensure a prudent balance between sound and effective management of financial results and risks and an appropriate level of capital;
- To set bonus pools linked to the sustainable financial performance of the Group and each of the business lines/Infrastructure areas at global, regional and local level, business competitiveness and the prudent management of risks for the Group and its various business lines;
- To offer competitive remuneration packages and neutral from a gender perspective;

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

Principles applicable to fixed pay

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

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

Principles applicable to variable pay

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

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

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

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

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

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

Once approved, these variable pay pools are allocated, for each business/segment/product/infrastructure areas by regions and countries depending on their respective performance and contribution. Local performances are measured through: i) financial metrics such as evolution of Profit Before Tax, trend in revenue, direct costs control, evolution in profitability measured through, in particular, return on risk tangible equity; ii) non-financial metrics linked to sustainable risk such as reduction of carbon path, development of sustainable finance healthy particularly staff buy-in of the risk culture in financial crime, the control of operational risks, the correct application of conduct principles with a view to act in the best interests of clients, while respecting the integrity of the financial markets and avoiding conflicts of interest. iii) broader indicators such as increase in the client base, improvement of the engagement index and inclusion index, stability of attrition rate for high performers, successful implementation of transformation projects, etc.

These indicators are included in performance scorecards and are compared to objectives set at the start of the year.

With effect from the start of 2025, a new remuneration approach has been introduced in order to determine individual variable pay for the greater part of our staff. Using internal and external data, a pay mix ratio (variable pay compared to fixed pay) has been calculated for clusters of employees with the same role in the same business/infrastructure area, at the same grade and in the same geographical location. Based on this pay mix, a target variable pay is communicated at the start of the year to employees. At year end, this target variable pay is adjusted, up or down, taking into consideration the overall performance of the Group, the performance of the business/infrastructure area an employee belongs to and finally the individual performance of employees.

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

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

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

- Outstanding
- Performing
- Off track

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

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

- financial indicators (revenue growth, cost control, increase in profit before tax, etc.);
- indicators related to sustainability risks (carbon footprint reduction, development of sustainable finance, facilitated financing to help clients transition to carbon neutral, upskilling on environmental issues, etc.);
- indicators related to healthy risk management (respect of compliance and internal control rules, quality of sales or service, control of operational risks, monitoring of audit issues, etc.); and

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

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

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

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

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

Finally, severance payments follow the provisions of local legal or collective bargaining agreements.

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

Remuneration policy applicable to CRDV identified staff (risk takers)

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

In compliance with the rules under CRD V directive, some employee categories ('Identified Staff') are subject to specific rules regarding structure and award of variable pay. These employees, considered to have an impact on the entity's risk profile ('Material Risk Takers'), are identified in the Regulatory Technical Standard ('RTS') rules set by the European Bank Authority. Pursuant to these criteria, 330 Material Risk Takers have been identified at Group and local level in 2025.

For this population, variable remuneration is limited to twice the fixed remuneration (100% for Material Risk Takers in Malta), in accordance with the decision made by HSBC Continental Europe shareholders' Annual General Meeting on 23 May 2014. In order to maintain the competitiveness of Material Risk Takers remuneration, the HSBC Group has modified the remuneration of several of them by allocating a monthly fixed pay allowance linked to their function. In addition their variable remuneration is deferred by 40 per cent and even by 60 per cent for the highest variable. Finally, variable remuneration granted in the form of shares accounts for 50 per cent of variable remuneration granted; this 50 per cent applies to both the deferred component and to its immediately paid fraction.

It should be noted that if the variable remuneration is equal to or lower than 1/3 of total remuneration and is equal to or lower than EUR 50,000, it is granted in cash and immediately paid.

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

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

The following tables show the detailed remuneration awarded to Identified Staff in HSBC Continental Europe including its European subsidiaries and branches, for 2025.

Table 44: Remuneration awarded for the financial year ('REM1')

		2025				
		Management Body Supervisory function	Management Body Management function	Other Senior Management	Other identified staff	Total
		€m	€m	€m	€m	€m
Fixed remuneration	Number of identified staff		3.0	19.0	271.0	293.0
	Total fixed remuneration		2.0	8.1	47.8	57.8
	– of which:					
	cash based ¹		2.0	8.1	47.8	57.8
	shares					
	shares-linked instruments					
	other instruments					
	other forms					
Variable Pay	Number of identified staff		3.0	19.0	271.0	293.0
	Total variable pay²		0.9	6.6	32.9	40.4
	– of which:					
	cash based		0.5	3.3	17.6	21.4
	deferred		0.2	1.6	6.8	8.5
	– of which:					
	shares ³		0.5	3.2	14.5	18.1
	deferred		0.2	1.5	6.6	8.3
	share linked instruments					
	– of which:					
deferred						
	other instruments					
– of which:						
deferred						
	other forms ⁴			0.2	0.8	1.0
	deferred			0.2	0.8	1.0
Total remuneration			2.9	14.7	80.7	98.3

1 Cash based fixed remuneration is paid immediately.

2 Variable pay awarded in respect of 2025. In accordance with shareholders' approval received on 23 May 2014 for each MRT the variable pay component of total remuneration for any one year is limited to 200 per cent of fixed component of the total remuneration of the MRT (100% for Malta).

3 Share awards are made in HSBC Holdings plc shares. Vested shares are subject to a retention period of one year.

4 Indexed cash awarded to AIFM UCITS Risk takers.

5 The table excludes 22 Non Executives Directors with no remuneration.

Table 45: Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff) ('REM2')

		2025				
		Management Body Supervisory function	Management Body Management function	Other Senior Management	Other identified staff	Total
		€m	€m	€m	€m	€m
Guaranteed variable remuneration awards¹						
Number of identified staff						
Total amount						
– of which: amount not taken into account in the bonus cap						
Severance payments awarded in previous periods paid in 2025 (2)						
Number of identified staff						
Total amount						
Severance payments awarded during 2025²						
Number of identified staff						
Total amount						
– of which:						
paid during the financial year						
deferred						
amount not taken into account in the bonus cap						
highest payment awarded to a single person						

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

Table 46: Deferred remuneration ('REM3')

	2025								
	Total amount of deferred remuneration awarded for previous performance periods	of which: due to vest in the financial year	of which: vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to explicit adjustments	Total amount of deferred remuneration awarded before the financial year actually Paid out in the financial year	Total amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods	
MB Supervisory function									
Cash based									
Shares									
Shares linked instrument									
Other instruments									
Other forms									
MB Management function	5.6	1.5	4.1				1.5	0.7	
Cash based	1.7	0.3	1.4				0.3		
Shares	4.0	1.2	2.8				1.2	0.7	
Shares linked instrument									
Other instruments									
Other forms									
Other senior management	15.5	4.3	11.2				4.3	2.2	
Cash based	4.6	0.9	3.7				0.9		
Shares	10.4	3.3	7.1				3.3	2.1	
Shares linked instrument									
Other instruments									
Other forms	0.5	0.1	0.4				0.1	0.1	
Other identified staff	61.3	18.1	43.2				18.1	9.6	
Cash based	16.6	2.9	13.7				2.9		
Shares	40.8	14.3	26.5				14.3	8.8	
Shares linked instrument									
Other instruments									
Other forms	3.8	0.8	3.0				0.8	0.8	
Total amount	82.5	23.9	58.6				23.9	12.5	

Table 47: Remuneration of EUR 1 million or more per year ('REM4')

€	Number of identified staff	Identified staff that are high earners as set out in article 450 (i) CRR
€1.000.001 – €1.500.000	13	15,272,033
€1.500.001 – €2.000.000	2	3,650,531
€2.000.001 – €2.500.000	3	6,392,358

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

Table 48: Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff) ('REM5')

€m	2025									
	Management Body remuneration			Business areas						
	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
Total number of identified staff		3.0	3.0							3.0
– of which:										
members of the MB		3.0	3.0							3.0
other senior management				3.0	3.0	1.0	8.0	4.0		19.0
other identified staff				99.0	23.0	8.0	34.0	107.0		271.0
Total remuneration of identified staff		2.9	2.9	53.1	6.9	5.8	12.9	16.7		98.3
– of which:										
variable remuneration		0.9	0.9	26.5	2.2	3.1	4.1	3.7		40.5
fixed remuneration		2.0	2.0	26.6	4.7	2.6	8.8	13.0		57.8

ESG risks

Qualitative information on environmental risk

Strategy and Business processes

This section describes how HSBC Continental Europe ('the Bank'):

- 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 this over time in the light of changing technology, policy framework, business environment, stakeholder preferences, as well as physical environment itself;
- sets objectives, metrics and limits to assess and address environmental risk in short-, medium-, and long-term, and monitors performance against them, considering current international and European policy framework and benchmarks;
- incorporates environmental objectives and EU Taxonomy-aligned activities into its current and future investment activities and metrics; and
- engages directly or indirectly with new and existing counterparties to review their strategies for mitigating and reducing environmental risks.

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

The HSBC Group's ambition is to become a net zero bank by 2050. Supporting customers is core to the strategy, with financing their transition playing a key role in achieving the net zero ambition. As a material subsidiary of the HSBC Group, HSBC Continental Europe actively contributes to the achievement of the HSBC Group's ambition by managing its own emissions, providing and facilitating sustainable finance and investment for clients, and investing in the scaling up of emerging climate technologies.

The updated Net Zero Transition Plan, released in November 2025, sets out the actions the HSBC Group is continuing to take to achieve its net zero ambition and to align its financing with the Paris Agreement goals of holding the increase in global average temperature to well below 2°C above pre-industrial levels, and pursuing efforts to limit the temperature increase to 1.5°C, intensifying its efforts to be customer focused, commercial and agile. The Net Zero Transition Plan remains structured around the three core implementation pillars: supporting customers, embedding net zero into the way the HSBC Group operates, and partnering for an enabling environment.

As stated in the 2025 Net Zero Transition Plan, the HSBC Group has undertaken a detailed review of each of its interim 2030 financed emissions targets this year to seek to ensure its approach continues to reflect the evolving external context, including developments in policy, technology, climate science, customer actions, available data and methodologies. It has updated its targets for all its in scope carbon intensive sectors, apart from thermal coal mining. The thermal coal mining target remains unchanged, in alignment with the thermal coal phase-out policy and thermal coal financing drawn balance exposure reporting. The key change is the adoption of a target range for the interim 2030 financed emissions targets, informed by IEA's 2024 Net Zero Emissions ('NZE') and Announced Pledges Scenarios ('APS').

The HSBC Group expects to periodically review and, if required, update its targets. It seeks to monitor the latest developments in climate science and associated scenarios to help inform its approach to target setting and its portfolio alignment to support the transition of the real economy to net zero.

HSBC Continental Europe's approach to sustainability is aligned to the HSBC Group's strategy, taking into account local regulatory requirements. HSBC Continental Europe does not have an entity-level transition plan and continues to review its approach to transition planning in line with regulatory requirements, available guidance, and industry practice. The entity-level actions taken by HSBC Continental Europe include: the way that it supports its customers, both through customer engagement and the provision of financing solutions; the way that it operates as an organisation, including risk management, policies and own operations, and how it partners externally in support of systemic change.

Become a net zero bank

The HSBC Group has made progress towards achieving the ambition of becoming a net zero bank by 2050, across its financed emissions footprint, in own operational emissions and through the engagement with suppliers, and in deploying capital to support customers' transition to net zero.

The HSBC Group has sector specific sustainability risk policies covering the energy sector, thermal coal, agricultural commodities, forestry, and mining and metals. These are summarised in the Sustainability Risk Policies Framework which also contains the Thermal Coal Phase-Out Policy. The HSBC Group also implements a cross-sector policy for project-related financing, informed by international standards. These policies apply throughout the HSBC Group, including HSBC Continental Europe.

Thermal coal phase-out policy

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

- to phase out the financing of thermal coal-fired power and thermal coal mining by 2030 in markets in the EU and the Organisation for Economic Co-operation and Development ('OECD'), and by 2040 in other markets; and
- to identify and manage risks arising from the provision of financing or advisory services to clients with thermal coal assets.

As of 31 December 2025, the HSBC Continental Europe's total exposure to fossil fuel sectors (coal, oil, and gas extraction) is EUR 298 million.

Energy Policy

The Energy Policy applies to the broader energy system, including upstream oil and gas, fossil fuel power generation, hydrogen, renewables and hydropower, nuclear, biomass and energy from waste sectors. The policy seeks to achieve the following objectives:

- to help drive global greenhouse gas ('GHG') emissions reductions, both to achieve a net zero the HSBC Group's portfolio and to support clients in the transition to a net zero global energy future; and
- to identify and manage risks arising from the provision of financing or advisory services to clients with energy assets.

The HSBC Asset Management business has its own policies on Energy and Thermal Coal that apply to investment products it manages. Where it does not have full portfolio discretion, commitments included in these policies are subject to client, fund director and regulatory approval.

Financed emissions

Financed emissions is one of the key metrics the HSBC Group uses to measure progress on the transition of its portfolio. As part of its ambition to become a net zero bank by 2050, the HSBC Group has set financed emissions targets for 2030. Financed emissions link the financing provided to customers and their activities in the real economy and provide an indication of the GHG emissions associated

with those activities. They form part of the scope 3 emissions, that include emissions associated with the use of a company's products and services. HSBC Continental Europe assesses and discloses financed emissions in its portfolio.

► For more information, refer to 'GHG Financed Emissions' on page 81.

Net zero in own operations

In line with its ambition to become a net zero bank, the HSBC Group aims to achieve net zero emissions in its own operations and supply chain by 2050. Its approach is to reduce emissions from consumption, replace consumption with low emissions alternatives, and remove remaining emissions with high quality carbon credits, in line with external guidance.

To contribute to the HSBC Group's ambition, HSBC Continental Europe is focused on key objectives of reducing GHG emissions, improving energy efficiency and partnering with suppliers.

Support customers on their transition to net zero

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

In 2025 HSBC Continental Europe provided and facilitated USD 27.6 billion of sustainable finance and investments (as defined in the HSBC Group's Sustainable Finance and Investment Data Dictionary 2025), bringing HSBC Continental Europe's cumulative amount since 2020 to USD 152.5 billion, which represents 31 per cent of the HSBC Group's total progress to date.

Corporate and Institutional Banking ('CIB')

The HSBC Group draws on its organisational strengths and understanding of the evolving market to help meet the customers' transition needs.

HSBC Continental Europe's strategy for CIB reflects 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, and physical risks). Customers are assessed through a Transition Engagement Questionnaire ('TEQ') that supports commercial decision-making and credit assessments, pricing and capital allocation. The score is used to support commercial decision-making and provides a quantitative output that helps embed climate risk into credit assessments. Lower risk customers are given a proxy score and Financial Institutions Group and Institutional Client Group customers a composite score which are used for HSBC Continental Europe materiality assessment;
- 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, the Bank supports nascent technology areas through its Venture Debt and Climate Tech Fund propositions;
- leveraging sustainable supply chains. HSBC Continental Europe has started deploying sustainable supply chain solutions to help clients reduce their scope 3 emissions, implemented partnerships with ESG ratings agencies and consultants, and created digital sustainability tools for mid-market clients; and
- building market-leading ESG capabilities. HSBC Continental Europe supports clients with a wider suite of products from the established sustainable bonds and loans to market driven solutions such as renewable financing, hedging and supply chain financing or on the advisory side natural resources investment banking and ESG solutions. Dedicated teams provide ESG support with an ESG taskforce in each market.

HSBC Continental Europe intentionally has not set any quantitative targets or limits which, at this time, would call into question individual customer relationships due only to higher environmental risks/low climate scores. For those clients where a low climate score implies a

negative credit outlook and therefore increased concern on a client's ability to meet their financial obligations, HSBC Continental Europe has implemented an additional quarterly 'pockets of environmental risk' credit risk review process. Furthermore, for a number of high transition risk sectors, HSBC Continental Europe has developed and implemented a new climate risk measure, based on the exposure weighted average climate score for the sector. The measure ensures that the average sector exposure to lower scoring/higher risk clients does not increase beyond an agreed risk appetite threshold. Monitored quarterly by Corporate and Institutional Banking Portfolio Management, any breach of risk appetite requires corrective action to bring the exposure weighted average score back within risk appetite in an agreed timeframe.

International Wealth and Premier Banking ('IWPB') strategy

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

Key initiatives for HSBC's Asset Management business include:

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

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

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

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

Objectives, targets and limits to assess and address environmental risk

The HSBC Group ambition is to become a net zero bank by 2050. HSBC Continental Europe is aligned with this ambition, supporting the transition to a net zero global economy. This is embedded in the Bank's business strategy, financial planning, and risk management.

To assess and address environmental risks, HSBC Continental Europe has set climate and nature risk indicators across businesses and functions to monitor the exposure to such risks. The Bank develops a climate risk appetite and metrics to help manage climate exposures in its wholesale portfolios. The qualitative risk appetite statement metrics are reported to the Risk Management Meeting ('RMM') on a quarterly basis and the climate and nature risk metrics are reported quarterly to the SEG and annually to the RMM. These metrics aim to balance HSBC Continental Europe's strategy to support the business in delivering the HSBC Group's net zero ambition effectively and sustainably.

Climate and nature-related risk annual materiality assessment is performed to help understanding how environmental risk may have impacts across the Bank's risk taxonomy and activities.

HSBC Continental Europe has identified its objectives taking into account output from the Double Assessment ('DMA') process, described in the section 'Processes to identify, measure and monitor activities and exposures sensitive to environmental risks' below.

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 the CSRD counterparties only making up a fraction of the overall book, 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 data capabilities and market data availability improves, it is expected that reporting and strategy will evolve.

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

The HSBC Group believes supporting its customers' transition is one of the most significant roles it can play in the global transition to net zero. The HSBC Group takes a holistic approach to understanding and supporting the transition journeys of customers and potential customers. By coupling portfolio management and transaction decision making process with engagement tailored to the customers' individual circumstances, the HSBC Group works to support their transition pathways.

Relationship managers ('RMs') 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 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 triggers 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 for credit decisioning, embedded in the pricing tool. This is in place for the oil and gas and power and utilities sectors since 2023 and has been extended to the other high transition risk sectors in 2025: aviation, cement, automotive, and iron, steel and aluminium.

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

In 2025, HSBC Continental Europe has updated the annual TPA of the customers in scope of the thermal coal phase out policy and energy policy; comprising those customers that make the most material contribution to its financed emissions in the oil and gas, and power and utilities sectors. HSBC Continental Europe also completed revision of TPA for those customers that make the most material contribution to its financed emissions in the automotive, aviation, cement, and iron, and steel sectors.

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

HSBC Continental Europe continues to update the nature-related section in the TEQ in addition to the climate section. This enables the Bank to collect information on the nature-related management practices of key wholesale customers, assess their associated impacts and risks, and use these insights to develop nature score.

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

Governance

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

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

It also describes:

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

Given the wide-ranging remit of sustainability matters, activities are managed through a combination of special and regular governance infrastructure, where appropriate. Sustainability-related risk is considered within the existing governance structure, in line with the three lines of defence model, to ensure that senior management have adequate oversight of key sustainability-related issues.

It is expected that HSBC Continental Europe's approach to ESG governance will continue to develop, in line with the evolving approach to sustainability matters, stakeholder and regulatory expectations. The below shows how sustainability-related risk governance is incorporated in HSBC Continental Europe's existing framework.

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

Responsibilities of the management body

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

Whilst the Board, as a collective body, bears the responsibility as explained above, it decided to be assisted by specialist committees in its tasks. The rationale for this decision is, in particular, to comply with applicable regulation, notably Directive 2013/36/EU as transposed into French law. Some aspects of ESG-related matters are therefore covered in the work of said committees, according to their assignment. The Chairs of these committees report on their work on a regular basis to the Board.

The Risk Committee's tasks for the HSBC Continental Europe Board include advising the Board on risk-related matters impacting HSBC Continental Europe. Sustainability risks may have impacts across the risk taxonomy and are considered as part of business-as-usual risk management. The Audit Committee's tasks for the Board include, inter alia, the monitoring of the integrity of reports as required by applicable laws and regulations. This includes all sustainability-related regulatory disclosures.

The Chief Executive Officer has the widest powers to act on behalf of HSBC Continental Europe in all circumstances (in accordance with Article L225-56 of French Commercial Code) within the limits of its corporate object and of the internal delegation of authorities framework, and subject to those powers expressly conferred by law on the collective body of shareholders and on the Board of Directors. At the proposal of the Chief Executive Officer, the Board of Directors appointed two Deputy Chief Executive Officers and, in agreement with the Chief Executive Officer, determined the extent of their powers. From an executive perspective, the Chief Executive Officer and the Deputy Chief Executive Officers, supported by the Operating Committee ('OpCo'), formulate the strategy of HSBC Continental Europe.

The standard induction programme for new Board members includes ESG sessions, 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 from time to time receive updates on sustainability-related matters. In 2025, the Board reviewed the HSBC Continental Europe sustainability strategy and was updated on ESG-related topics. The Risk Committee reviewed risk indicators that also relate to ESG factors and were briefed on specific sustainability risks. The Audit Committee regularly discussed sustainability-related regulatory disclosures. The Chief Executive Officer and the Deputy Chief Executive Officers, supported by the Operating Committee, formulate the ESG strategy of HSBC Continental Europe and receive regular updates on sustainability-related matters.

Integration of environmental factors within business lines and internal control functions

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

This approach ensures that the Board, with its Risk Committee, and senior management have visibility and oversight over the key nature and climate risks.

Measures to manage environmental risk

Significant improvements have been made during the last few years to further embed climate and nature-related 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 governance framework builds on existing governance structures with the addition of dedicated committees at executive level and working groups.

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

Board	<p>The Board sets strategic direction, including for ESG, upon management's recommendation and oversees its execution</p> <ul style="list-style-type: none"> — 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 and sustainability reporting and the effectiveness of internal control systems
General Management	<p>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</p> <ul style="list-style-type: none"> — Operating Committee is responsible, together with the CEO, for the development and implementation of the ESG Strategy — SEG sets strategic direction, provides oversight of ESG risk activities, oversees the DMA, IROs and PATs — Risk Management Meeting supports the CRO on enterprise-wide management of all risks, including key policies and frameworks for climate and nature-related risk management and frameworks on social and governance matters — Disclosure Steering Committee approves the financial and non-financial disclosures, including those related to ESG
Sustainability/Climate Specific Forums	<ul style="list-style-type: none"> — Sustainable Finance Forums assess and approve products and transactions — Some businesses/functions have specific sustainability/climate forums e.g. ESG Data, Net Zero Own Operations, etc.

Role of committees and lines of reporting

HSBC Continental Europe's Board of Directors has been informed through the Chief Executive Officer ('CEO'), the Risk Committee Chair's report or the Chief Risk Officer's ('CRO') report on the climate and nature-related risks in the overall business strategy and risk management framework.

At the management level, sustainability matters are governed mainly through the Sustainability Execution Group.

Risk Committee

In the framework of its oversight of risks and risk management, at its quarterly meetings, the Risk Committee is informed of the impact of sustainability risks on the financial and non-financial risks of HSBC Continental Europe, and reports to the Board on risk-related matters.

Sustainability Execution Group ('SEG')

The SEG, chaired by the HSBC Continental Europe CEO and co-chaired by the Head of ESG Execution, sets out and provides oversight of the sustainability strategy in line with the HSBC Group and regulatory expectations, supervises the execution of ESG regulations, provides oversight of ESG related risk management activities, oversees the DMA process, the identification and management of the Impact, Risks and Opportunities ('IROs') and of the Policies, Actions and Targets ('PATs') adopted to address them, and addresses any ESG related shortcoming including risks/issues escalated by the various sustainability/climate specific forums that report to it. The SEG receives updates on key sustainability risk-related information, e.g. Risk Appetite Statement ('RAS'), Key Management Information ('KMI'), Key Risk Indicators ('KRI') every quarter. It meets at least 6 times a year and reports to the Operating Committee and the Risk Management Meeting.

Alignment of remuneration policy

The HSBC Group's approach to remuneration promotes sound and effective risk management to support its business objectives and the delivery of its strategy, the purpose being to align risk, performance, and reward. Climate and nature-related risks are embedded in the HSBC Group's, and subsequently HSBC Continental Europe's, remuneration policy and practices. At a Global level, sustainability-related risks, among which climate and nature-related risks, are factored when determining variable pay pools taking into consideration performance against the risk appetite.

HSBC Continental Europe's approach to remuneration seeks to incentivize its employees to deliver on its business strategy, including key sustainability matters. As a subsidiary of the HSBC Group, the general principles of HSBC Continental Europe's remuneration policy, which applies to all employees, are aligned with the broader framework approved by the HSBC Group's remuneration committee, while also ensuring compliance with local regulations.

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

The determination of the HSBC Group's variable pay pool is a fully discretionary process informed by various financial and non-financial metrics, affordability, and the commercial requirement to remain competitive in the market. Performance against metrics in the HSBC Group's RAS and conduct framework are taken into consideration in setting the pool as part of the review of non-financial metrics, which includes the consideration of sustainability-related risks. There is not a fixed percentage of remuneration tied to these targets, but they are rather among the criteria considered as part of an overall assessment of business performance.

At HSBC Continental Europe level, collective and/or individual goals focused on the HSBC Group's net zero ambition, are assigned consistently to each Operating Committee members with appropriate descriptions, measures, targets and weighting embedded in their annual performance scorecards.

In most HSBC Continental Europe's business lines and functions, where relevant, specific climate objectives are assigned directly to managers at the start of the year. Objectives are usually linked to the climate ambition of the Bank, developing sustainable finance, and supporting clients in their transition to net zero. In many cases these objectives are cascaded down to their teams or specific employees. To assess performance against these objectives, HSBC Continental Europe monitors a set of key performance and risk indicators, covering the Bank as a whole or specific to business lines and functions. Such indicators include themes related to carbon emissions, resources consumption, waste, sustainable finance and investment, and trainings.

For instance, in 2025 all staff across HSBC Continental Europe were assigned an objective to complete at least three environmental-related training modules, one on climate and two on nature and biodiversity out of 24, to improve collective awareness and understanding of environmental risks. The 2025 completion rate reached 97 per cent.

In addition, for HSBC Continental Europe in France, the new profit-sharing agreement, signed in 2025, includes for the fourth year an environmental dimension through four climate-related objectives,

namely the reduction of energy consumption, water consumption, paper purchases, and waste. The aim is to recognise and promote sustainable use of resources by employees, the initiative being fully consistent with the net zero ambition. Each of the four objectives is accompanied by a specific profit-sharing financial pool implemented on a progressive basis according to the level of achievement of each objective.

Risk management

This section describes:

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

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

HSBC Continental Europe manages climate and nature-related risks across its businesses and is incorporating environmental considerations within its traditional risk types in line with the HSBC Group-wide Risk Management Framework ('RMF') and three lines of defence model which set out how risks are identified, assessed, monitored and managed. The existing HSBC Group's climate risk approach and HSBC Continental Europe's nature-related risk approach aim to effectively manage material climate and nature-related risks that could impact HSBC Continental Europe's operations, financial performance, stability, and reputation. It is also informed by the evolving expectations of the regulators.

The physical effects of climate change, biodiversity loss and ecosystem services degradation in addition to the shift towards a net zero economy may pose substantial financial risks to companies, investors and the financial system. HSBC Continental Europe may encounter climate and nature-related risks either directly or indirectly through its relationships with customers, which could potentially lead to both financial and non-financial consequences.

Two primary drivers of climate and nature risks have been identified within the respective risk management approaches.

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

Risk drivers	Details	Potential Impacts	Time horizons
Physical risk	Climate – Acute	Increased frequency and severity of weather events causing disruption to business operations.	
	Climate – Chronic	Longer-term shifts in climate patterns (e.g. sustained higher temperatures, sea level rise, shifting monsoons or chronic heat waves).	– Decreased real estate values
	Nature – Acute	Increased severity of sudden and event-driven disruptions in natural systems (e.g. leak, accidental discharges such as oil spill, pest outbreaks) affecting loss of key species and crop productivity.	– Decreased household income and wealth
	Nature – Chronic	Gradual and long-term degradation of ecosystems causing reduced supply of natural stocks (e.g. crop yield) and quality of ecosystem services (e.g. clean water).	– Increased costs of legal and compliance
Transition risk	Policy and legal	Mandates on, and regulation of, existing products and services an/or policy support for low-carbon alternatives. Litigation from parties who have suffered loss and damage from the e impacts of climate change and nature degradation.	– Increased public scrutiny – Decreased profitability
	Technology	Replacement of existing products with lower emission options.	– Lower asset performance
	End-demand (market)	Changing consumer demand from individuals and corporates.	
	Reputational	Increased scrutiny following a change in stakeholder perceptions of climate and nature-related action or inaction.	

The risk of greenwashing is identified as a 'thematic issue' that could manifest as reputational, regulatory compliance, and litigation risks.

Risk of greenwashing	Firm	Product	Client
	Making inaccurate, unclear, misleading, or unsubstantiated claims in relation to HSBC sustainability ambition, targets and commitments, as well as the reporting of its performance towards them.	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.	Making inaccurate, unclear, misleading or unsubstantiated claims as a consequence of bank's relationships with clients or transactions HSBC undertakes with them, where their sustainability commitments or related performance are misrepresented or are not aligned to HSBC own commitments.

Climate and nature-related risks annual materiality assessment helps HSBC Continental Europe to understand how environmental risk may impact across its risk taxonomy. It assesses the type of impact,

likelihood and severity over a 12-month period, and also considers forward looking risk impacts. It is used to support policy, control enhancements, and scenario analysis.

The table below provides a summary of how climate and nature risks may impact a subset of HSBC Continental Europe's principal risks.

Climate/Nature risk drivers	Credit risk	Traded risk	Reputational risk	Regulatory compliance risk	Resilience risk	Other financial and non-financial risk types
Physical risk	◆	◆			◆	◆
Transition risk	◆	◆	◆	◆	◆	◆

◆ Material impact on Taxonomy Risk Type

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

- HSBC Continental Europe's DMA exercise performed in the context of the CSRD to identify and assess environmental IROs, which are material for HSBC Continental Europe; and
- HSBC Continental Europe's emerging risk reporting policies, processes, and controls across many areas of the HSBC Continental Europe organisation.

Definitions, methodologies and standards

HSBC Continental Europe uses a comprehensive risk management framework across its organisation and across all risk types underpinned by its culture and value. This framework outlines the key principles, policies, and practices that the Bank employs to manage material risks, both financial and non-financial. As part of this framework, the Bank relies on the HSBC Group's RMF and climate risk approach, and the HSBC Continental Europe's nature-related risk approach to manage the risk associated with the environment.

Approach to managing climate risk

The physical effects of climate change and the shift towards a net zero economy pose substantial financial risks to companies, investors, and the financial system - these risks are collectively referred to as 'climate risk'.

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

- physical risk, which arises from the increased frequency and severity of extreme weather events, such as hurricanes and floods,

or chronic gradual shifts in weather patterns or rises in the sea level; and

- transition risk, which arises from the process of moving to a net zero economy, including changes in government policy and legislation, technology, market demand, and reputational implications triggered by a change in stakeholder expectations, action or inaction.

Climate risk capabilities are developed across HSBC Continental Europe's businesses, by prioritising sectors, portfolios and counterparties with the highest impacts.

Approach to managing nature risk

HSBC Continental Europe may also be exposed to nature-related risks beyond climate change.

Nature-related risk is defined as a potential threat posed to HSBC Continental Europe linked to its organisation's dependencies on nature and nature impact. Similar to climate change, nature-related risk can be understood and managed through two main channels:

- physical risk may arise due to the degradation of nature and the consequential loss of ecosystem services that economic activity depends upon; and
- transition risk may occur when economic actors are not aligned with actions taken to protect or restore nature.

These channels could also cause widespread systemic risks within the natural environment or within the economic environment.

The risk of greenwashing is considered as a thematic issue within the climate risk approach which may also impact nature topic. It could manifest as reputational, regulatory compliance, and litigation risks.

Net zero alignment risk had previously been identified as a 'thematic issue', however a new risk type, sustainability execution risk, has been defined in the HSBC Group's risk taxonomy to enable assessment of progress made against the HSBC Group's net zero ambitions.

The management of environmental risk is also supported by:

- climate risk appetite: defining a top-down risk appetite for climate exposures, translated into detailed metrics and limits that are cascaded into and managed by business lines;
- nature and climate risk metrics: helping manage nature and climate risk exposures in the wholesale portfolios;
- scenario analysis: facilitating forward-looking assessment of the financial impacts of climate risk and nature risk in addition to the implications of the HSBC Group's net zero ambition on HSBC Continental Europe's business;
- customer and transaction risk assessment: enabling identification and measurement of climate risk on a customer or transaction basis;
- embedding climate and nature into wholesale credit risk management process and customer engagement;
- sustainability risk policies: helping to define the Bank's risk appetite in sectors, or towards customers and activities, which may pose heightened risks in relation to critical themes such as climate.

The environmental risk management framework is also considering disclosure standards such as the Taskforce on Climate-related Financial Disclosures ('TCFD'), and other applicable rules and regulations, which are considered as part of the identification of material issues and disclosures. During 2025, the HSBC Group continued to gather carbon emissions data from its suppliers through CDP and an additional data collection source introduced in 2024 to simplify and expand its supplier outreach for Scope 3 data collection.

Approaches to manage climate and nature-related risks evolve based on data and methodology improvements as well as future alignment with updated industry guidance for environmental-related risk methodologies. Capabilities, methodologies and tools also continue to be enhanced, in line with evolving regulatory and reporting expectations.

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

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

Climate and nature-related risk identification and assessment

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

Key resources implemented in HSBC Continental Europe include:

- the Bank's annual materiality assessment which helps to identify and assess the most material climate and nature risk impacts;
- risk rating methodologies which set out how the Bank identifies, assesses and manages its risks;
- negative news screening to identify any environmental thematic issues possibly leading to a climate risk within the Bank's customer portfolios, including net zero alignment risk and risk of greenwashing;
- horizon scanning to identify potential opportunities and threats (regulatory development and stakeholder sentiment) in the risk environment and to identify policies and controls that need development to ensure resilience to the future risk environment;
- stress testing and scenario analysis to identify and size the range of climate and nature risks over multiple time horizons;
- TEQ responses to understand corporate clients' climate and nature strategies and risks;
- corporate customers' transition plans to assess their compatibility with the HSBC Group's net zero ambition and integrate the output

into HSBC Continental Europe's client engagement strategy to support HSBC Continental Europe customers' transition;

- Solutions (including ESG scoring tool) and metrics (including the wholesale risk appetite metrics, financed emissions and market risk stress loss indicators) to monitor and manage risk exposures; and
- Internal Capital Adequacy Assessment/Internal Liquidity Adequacy Assessment Process to identify and measure climate risk impacts on capital and liquidity.

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

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

HSBC Continental Europe, with the support of the HSBC Group, continues to develop a set of capabilities to execute climate and nature stress testing and scenario analysis that are used to support the assessment of the overarching strategic resilience of its business models in relation to climate change and nature events.

- ▶ For more details on stress testing and scenario analysis, refer to 'Tools for identification, measurement and management of environmental risks' section.

HSBC Continental Europe applies, where relevant, the HSBC Group's Sustainability Risk Policies Framework ('Framework'), which is an important mechanism for managing risks, including delivering the HSBC Group's net zero ambition. These policies focus on mitigating reputational, credit, legal and other risks related to the Bank's customers' environmental and social impacts and impose restrictions on certain financing activities that may have material negative impacts on nature. The Framework provides an overview of how the HSBC Group identifies, evaluates and manages risks related to the delivery of its sustainability approach and sets out in one place its sector specific sustainability risk approach covering: Energy, Agricultural Commodities, Forestry, Metals and Mining and Project Related Financing. It also includes the HSBC Group's Thermal Coal Phase-Out Policy. These policies cover the HSBC Group's wholesale lending and financing activities.

In CIB, HSBC Continental Europe seeks to actively engage with its clients on their climate strategies and risks. Since 2023, strategic dialogue with higher transition risk and/or largest corporate customers has been pursued, through the completion of the TEQ performed annually. This questionnaire contains specific, climate-focused questions to support HSBC Continental Europe in understanding the level of climate risk in each client's business and their transition strategy. CIB uses the data collected to engage with their clients and identify additional business opportunities that could support their transition to net zero. Alongside climate-related existing questions, nature-related questions were included in H2 2024 into HSBC Continental Europe's client Transition Engagement Questionnaire to cover topics including pollution, water and marine resources, biodiversity and ecosystems, resource use and circular economy, enabling the Bank to engage with customers and identify nature-related impacts and risks.

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

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

The environmental risk identification and assessment have been strengthened in 2024 with the implementation of Double Materiality assessment in accordance with the CSRD. The 2025 DMA exercise identified sustainability-related IROs which are material to the Bank from an impact and financial risk perspective covering climate change and nature related topics. The assessment included how the Bank affects climate change and nature through its financing and lending activities as well as how climate change and nature may represent a risk for HSBC Continental Europe's business.

Subject matter experts and professionals from relevant areas of the Bank were appointed to evaluate the list of sustainability matters based on internal data, tools and systems, as well as existing the HSBC Group and HSBC Continental Europe's reporting and risk assessments outcomes.

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

The identification of the most material environmental risks impacting HSBC Continental Europe was performed in line with the HSBC Group's RMF, applicable to all risks across the organisation and is refreshed annually. The identification and assessment of these risks also rely on risk management tools such as climate risk appetite and KRIs, risk mapping, emerging risk, horizon scanning, stress testing and scenario analysis.

▶ For more details, refer to the HSBC Continental Europe Registration Document and Annual Financial Report – Section 'Climate and nature risk management' page 180 – 'www.hsbc.com/investors/results-and-announcements/all-reporting/subsidiaries?page=1&take=20'.

Climate and nature risk management

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

The HSBC Credit Risk Management Policy and climate risk assessment tools support credit reviews and new financing requests for wholesale corporate customers by providing RMs and credit approvers with insight on corporate customers' exposure to climate risks to help inform decisions.

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

Activities, commitments and exposures contributing to mitigate environmental risks

In CIB, HSBC Continental Europe seeks to engage with its clients on their climate strategies and risks. This strategic discussion is supported by the completion of the TEQ which is reviewed annually.

▶ For more details, refer to 'Processes to identify, measure and monitor activities and exposures sensitive to environmental risks' section.

In 2025, HSBC Continental Europe continued to actively engage with clients on their climate strategies and risks, leveraging the revised Global Sustainable Finance & Transition ('SF&T') strategy, with sustainable finance as its most crucial pillar. Through collaboration with corporate and institutional clients, CIB achieved significant sustainable finance volumes including high profile ESG coordination mandates in both the ESG Bond and Sustainable Lending markets.

In addition, HSBC Continental Europe applies, where relevant, the HSBC Group's Sustainability Risks Policy Framework to its corporate clients, that are important mechanisms for managing risks, including delivering the HSBC Group's net zero ambition. These policies focus on mitigating reputational, credit, legal and other risks related to HSBC Continental Europe's customers' environmental and social impacts.

Partnerships for systemic change

HSBC Continental Europe recognises that facilitating its customers' transition to net zero is essential for achieving sustainability goals. This approach enhances long-term value for both customers and shareholders while aligning with the organisation's strategic objectives. CIB adopts a comprehensive strategy to understand and support the unique transition journeys of its clients. By integrating

portfolio management and transaction decisions with personalised engagement, CIB aims to assist its clients in their transition pathways.

HSBC Continental Europe also established strategic partnerships to support clients through their transition journeys, including a collaboration with EcoVadis in France to help wholesale banking customers address and reduce scope 3 emissions. CIB also expanded its ESG Directory, connecting customers with trusted third-party providers to support their sustainability goals in areas such as strategy, regulatory disclosure, and energy efficiency. These initiatives have helped customers adapt to the changing sustainability landscape.

In 2025 the HSBC Group celebrated the conclusion of its five-year Climate Solutions Partnership ('CSP') with the World Resources Institute ('WRI') and WWF. Since 2020, USD 105 million in funding was deployed to over 50 local partners that supported nature-based solutions and the energy transition in Asia. CSP is estimated to have unlocked USD 635 million in public, private and philanthropic capital, projected to have avoided or sequestered 7.8 million tonnes of GHG emissions and managing to maintain or improve 13 million hectares of land.

HSBC Continental Europe is also involved in several partnerships which focus on scaling nature-based solutions. These partnerships, funded through the Bank's philanthropic spending, help drive action and develop industry practice across the public and private sector.

In 2025, HSBC Continental Europe partnered with ONF - Agir pour la Forêt fund, on multiple biodiversity conservation programmes aiming to raise awareness on Nature-Based Solutions among the Bank's employees through volunteering outdoor fieldwork. The Bank also supported research programs on monitoring climate change and the resilience of forests to thrive in warmer and drier climates.

Tools for identification, measurement and management of environmental risks

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

The HSBC Group has established sustainability risk policies, which set financing restrictions when the customer's activities may have direct or indirect adverse impacts on the environment or people.

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

Examples of recent policy and control enhancements include:

- updates of credit risk policies to assess and manage climate and nature risks;
- development of climate and nature risk guidelines for relationship managers to further embed environmental risk considerations into credit risk assessments; and
- new climate risk association enhancements within Risk and Control Assessments ('RCAs') for non-financial risk types, and the documentation of climate risk in the HSBC Group's operational risk management tool.

The HSBC Group continues to review and enhance implementation of sustainability risk policies as it applies them in practice. They are reviewed and, where appropriate, updated based on factors including risk materiality, implementation experience, evolving scientific guidance, updated climate scenarios, policy and regulatory requirements, and evolving industry practices.

RMs are primarily responsible for assessing whether HSBC Continental Europe's customers meet applicable policies by gathering information from customers' sustainability reports and climate disclosures, with input from technical experts in HSBC Sustainability Centre of Excellence and risk colleagues.

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

The outcome of this annual exercise also supports the identification of material climate and nature risks as part of the Bank's double materiality assessment.

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

Stress testing is the primary mechanism through which the Bank is able to gain forward-looking insights into the resilience of its strategy and business model. The stress testing program also includes scenario analysis on the climate and nature risks faced by HSBC Continental Europe.

In 2025, HSBC Continental Europe carried out stress tests covering systemic and idiosyncratic shocks over the short and medium-term horizon (including as part of the local recovery plans and for specific risk portfolios), the impact of macroeconomic downturns over the five-year planning horizon and potential transition and physical risk shocks from climate and nature risk impacts under short (up to 2027), medium (2028 to 2030), and long-term horizons (2031 to 2040).

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

In the 2025 climate scenario analysis exercise, five scenarios were explored that were created to examine the potential impacts from climate for HSBC Continental Europe: Below 2 degrees, Current Commitments, Net Zero, Downside Physical Risk and Severe Climate Stress Test Scenarios.

The models for the Bank's wholesale portfolios are focused on transition risk factors and incorporate a range of climate-specific metrics that could have an impact on customers, including expected production volumes, revenue, costs and capital expenditure. For the commercial real estate portfolio, the Bank's models are focused on physical risk factors, including property locations, perils and insurance coverage when assessing the overall credit risk impact to the portfolio.

The 2025 exercise primarily focused on credit risk and non-financial risk exposures. Climate scenario analysis was also used to assess the impacts on other risks including traded market risk, liquidity risk, and pension risk.

The 2025 scenarios were internally created using external publicly available scenarios as a reference, including those produced by the Network for Greening the Financial System ('NGFS'), the Intergovernmental Panel on Climate Change ('IPCC') and the International Energy Agency ('IEA').

In 2025, HSBC Continental Europe also conducted a second nature scenario analysis exercise focused on the wholesale lending portfolio, and the impact of nature events on counterparties in key sectors exposed to nature risk up to 2040. Modelling covered all wholesale sectors that were identified as having high nature risk exposures.

HSBC Continental Europe has developed three scenarios, expanding on the existing climate scenarios with nature variables sourced from available third-party frameworks and publications.

Due to the limited industry development and availability of external data, nature scenario analysis remains nascent and further work to expand and enhance the analysis will be conducted in future years.

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

HSBC Continental Europe developed an approach to allocate dedicated capital to climate risk in the Internal Capital Adequacy Assessment Process ('ICAAP'). Climate impacts on credit risk and traded risk are considered in the Economic Capital calculation and it is based on the Internal Climate Scenario Analysis ('ICSA') results for climate-adjusted Customer Risk Rating ('CRR') notch movements and Expected Credit Losses ('ECL').

A nature internal scenario analysis was also performed for market risk covering the HSBC Continental Europe trading books and banking books and assessed under two scenarios: one for a Physical event and one for a Transition events.

The results of the internal scenario analysis performed for climate and for nature were included in the 2025 Year-End ICAAP.

In 2025, HSBC Continental Europe has refined its approach to assess the capital impact on Credit, Traded and Operational Risks Economic Capital ('EC') by:

- enhancing the Credit Risk EC simulation approach to directly incorporate climate and nature impacts based on ICSA and Internal Nature Scenario Analysis ('INSA');
- better modelling climate impacts on tenor risk, and capturing more climate scenarios;
- introducing more granular shocks at regional/sector level for Traded Risk, and automating the ICAAP calculation for Rates and FX;
- capturing material climate-related events in the scenarios used in the Operational EC calculation.

HSBC Continental Europe continues to look for ways of enhancing methodology to improve the effectiveness of its environmental scenario analysis by incorporating lessons learnt from previous exercises, feedback from key stakeholders, which includes internal stakeholders as well as external regulators.

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

Liquidity risk assessment

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

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

HSBC Continental Europe has developed a scenario-based approach to assess potential losses and damages arising from severe environmental events, including those driven by biodiversity loss and resulting in significant ecosystem impacts such as droughts and heatwaves observed in recent years due to global warming. This approach also incorporates reputational risks, such as the occurrence of greenwashing events and adverse publicity related to delays in insurance payouts following heat-related incidents.

Recognising the Bank's market presence and diverse range of activities, it is challenging to establish a direct link between climate risks and liquidity, particularly over a typical liquidity stress horizon.

The Bank's analysis indicates that the short-term impact of climate and nature risks remains limited, primarily due to its well-diversified exposures across industries and geographies, and relatively low concentrations in higher-risk sectors such as oil and gas, metals and

mining, or agriculture and soft commodities. However, risk levels may increase over the medium to long term as regulatory requirements intensify and nature-related events become more frequent.

Capital risk assessment

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

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

In the ICAAP published in Q1 2025 on 2024 year-end data, the impact of climate on credit risk, market risk and operational risk on Economic Capital ('EC') has been assessed by leveraging enhanced ICOSA outputs. The impact of climate risk on capital is currently not considered material over the capital planning horizon (less than 1 per cent of total Economic Capital) but it has the potential to grow and remains an area of focus.

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

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

High quality, consistent, comparable, and accessible ESG data is critical for informed decision making and for tracking and reporting the HSBC Group's progress towards net zero. To support this, the HSBC Group continues to develop and implement a robust data strategy, which includes re-architecting its technology and operational processes. Some of the challenges the HSBC Group aims to overcome include:

- lack of standardised definitions: inconsistent industry definitions hinder the ability to source comparable data on customer performance in net zero and broader ESG metrics;
- fragmented data sources: ESG data comes from a wide variety of sources and formats, complicating data collection, consolidation, and vendor selection;
- data gaps and proxy usage: data gaps, both internally and across the industry often require reliance on models and proxies, which introduces uncertainty and reduces transparency;
- regulatory complexity: operating on a global scale across multiple jurisdictions exposes us to a diverse and evolving set of regulatory requirements that must be carefully managed.

Building a centralised ESG data capability

The HSBC Group continues to strengthen its ESG data and analytics capability, delivering trusted data assets, dashboards, Artificial Intelligence ('AI'), and advanced analytics solutions that help support initiatives like financed emissions, climate scenario analysis, stress testing, sustainable finance and portfolio optimisation. Feedback received from regulators and stakeholders continues to help inform improvements in the robustness of the HSBC Group processes and wider data strategy. The HSBC Group seeks to embrace new technology that enhances data quality monitoring and harness AI capabilities to help improve data gaps to achieve business outcomes. HSBC Continental Europe leverages the ESG data and analytics capability to help streamline and support its sustainability related data needs, from regulatory reporting through to business use cases.

Next steps

- short term focus is on resolution of priority data gaps and enhancing controls environment, as the HSBC Group continues to deliver on required data use cases and develop Group-wide data assets;
- medium term goal is to invest in the capability to address forward-looking regulatory requirements while developing the capabilities to reduce costs and increase consistency. In addition, selecting appropriate data vendors to contribute to scalable, bank-wide datasets will be a key focus;

- long term goal is to build a future ready ecosystem that is automated, scalable, and agile to meet evolving regulatory and market expectations.

► Refer to the following sections for more information on data limitations of GHG financed emissions (page 82), transition risk alignment metrics (page 91) and exposures subject to physical risk (page 94).

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

Climate risk is integrated into HSBC Continental Europe's risk appetite statement, supporting the Group's net zero ambition in an effective and sustainable way.

The HSBC Continental Europe's risk appetite statement is set in line with the Global risk appetite framework. As part of the 2025 update, the HSBC Continental Europe's risk appetite framework has been reviewed to reflect several improvements including the introduction of a new hierarchy for metrics and indicators with dedicated Board metrics and KRIs for senior management.

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

- a combination of climate qualitative statements which defines the targeted appetite and the risks outside appetite or tolerance;
- climate KRIs, which are important for monitoring climate risk, and can also be used as a tool to further refine metrics before rolling them out as formal RAS metrics; and
- additional Risk Indicators ('RI') covering climate, nature and social areas.

These metrics are reported to the HSBC Continental Europe Risk Management Meeting, to the Risk Committee and to the Sustainability Execution Group committee on a quarterly basis (Risk Indicators are reported at least once a year to the Risk Management Meeting and to the Risk Committee).

The Risk Map reporting is also used to assess performance against the qualitative climate risk appetite statement.

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

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

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

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

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

HSBC Continental Europe manages climate and nature risks across all its businesses, aligning with the HSBC Group-wide frameworks and its own nature-related risk approach. In 2025, it updated its assessment of climate and nature-related risks, including net zero alignment and greenwashing, across financial and non-financial risk types. This informed its second DMA, meeting CSRD requirements to identify material climate and nature impacts, risks, and opportunities.

► For more details, refer to the section 'Integration of effects of environmental factors and risks framework' above.

ESG related matters such as climate change, or society's impact on nature bring risks to HSBC Continental Europe business and customers in addition to the wider society.

Credit risk and trading losses, liquidity impacts and/or impacts to real estate portfolios may be faced if climate and environmental-related regulatory, legislative or technological developments impact customers' business models or if extreme weather events disrupt or interrupt operations, resulting in financial difficulty for customers and/or stranded assets, and impacting their ability to repay their debt or secure insurance. Clients 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 or ecosystem services degradation.

Operational risk may also increase if extreme weather events impact critical operations and premise regulatory compliance, legal, conduct and reputational risk may result from the increasing pace, breadth and depth of climate-and nature related regulatory expectations, including on the management of climate and nature risks, and variations in external ESG-related reporting standards and taxonomies, requiring implementation in short timeframes.

Such risks may also arise from how the Bank decides to support its customers in high-emitting sectors in their transition to net zero, the preferences of different stakeholders in relation to the HSBC Group approach to the transition to net zero, and if insufficient progress is made in achieving.

Additional risks may be faced if the Bank knowingly or unknowingly makes inaccurate, unclear, misleading, or unsubstantiated claims regarding sustainability to its stakeholders.

Financial reporting risks concerning HSBC Continental Europe climate and ESG disclosures may be encountered due to model limitations and the limited quality and consistency of available data. This situation poses a risk of relying on incomplete or inaccurate data and models, potentially leading to sub-optimal decision-making. As methodologies, data, scenarios, and industry standards evolve with market practices, regulations, or scientific advancements, the Bank's ability to collect and process required data may be challenged, exposing HSBC Continental Europe to financial reporting risk in relation to its ESG disclosures. Such developments could also necessitate revisions to its internal measurement frameworks and reported data, including on financed emissions, making year-on-year comparisons difficult. This could result in the Group having to re-evaluate its progress towards its ESG-related ambitions, targets and commitments in the future, resulting in reputational, regulatory compliance and legal risks.

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

Qualitative information on social risk Strategy and Business processes

This section describes how HSBC Continental Europe:

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

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

Social risk refers to the impact HSBC Continental Europe may have on its employees, customers and markets and communities within which it operates. In this regard, HSBC Continental Europe concentrates on five clear outcomes:

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

The key factors in creating the right environment to enable these outcomes to be achieved are: culture and behaviour, strategy and decision-making, and 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; and
- producing a specific risk assessment for all products including those with sustainable characteristics.

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

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

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

HSBC Continental Europe is committed to high standards of ethical behaviour and operates a zero-tolerance approach to bribery and corruption. It considers such activity to be unethical and contrary to good corporate governance and requires compliance with all anti-bribery and corruption laws in all markets and jurisdictions in which it operates.

The Bank has a Global Financial Crime Policy which outlines key principles and minimum control requirements that enable HSBC Continental Europe to mitigate bribery and corruption risk, comply with France's Sapin II Law and to adopt a zero-tolerance attitude to corruption.

With respect to suppliers, the minimum standards expected are set out by the HSBC Group's Supplier Code of Conduct ('Code'). Commitment to the Code is formalised by suppliers' contracts, with clauses supporting the right to audit and act if a breach is discovered.

- ▶ For more information on the HSBC Group's Supplier Code of Conduct, refer to the section 'Activities and commitments to mitigate social risk' below.

HSBC Continental Europe regularly reviews its policies and procedures in line with the HSBC Group's guidance as well as European regulatory requirements. Through a robust governance process including Risk Management Meetings, Operating Committees and HSBC Continental Europe Board's meetings, HSBC Continental Europe will review and escalate any key changes and adaptations to changing technology, policy framework, business environment and stakeholder (e.g. consumers and investors) preferences.

Objectives, targets and limits to assess and address social risk

HSBC Continental Europe adheres to the HSBC Group's Human Rights Statement, which describes the ways in which the HSBC Group seeks to meet its responsibility to respect human rights. The HSBC Group's approach is guided by the United Nations Guiding Principles on Business and Human Rights ('UNGPs') and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct.

In addition, HSBC Continental Europe has zero tolerance for harassment or discrimination, including discrimination connected to age, race, ethnicity or nationality, religion or faith, caste, skin colour, mental or physical health conditions, disability, pregnancy, gender, gender expression, gender identity, sexual orientation, marital status or other domestic circumstances, employment status, and working hours or other flexible working arrangements. HSBC Continental Europe requires all its employees to treat each other with dignity and respect.

HSBC Continental Europe is committed to upholding ethical standards and follows the HSBC Modern Slavery and Human Trafficking Statement.

- ▶ For more information on the HSBC Slavery and Human Trafficking Statement, refer to the section 'Activities and commitments to mitigate social risk' below.

Both the HSBC Group's and HSBC Continental Europe's Inclusion teams distribute individual ambitions among members of the respective organisation's Operating Committees. Such ambitions include, at HSBC Continental Europe level, engagement and inclusion rates from the annual Snapshot survey values. The achievement of these objectives are part of the calculation of their variable remuneration.

In addition, the RMF is underpinned by the HSBC Group's values. This framework governs the approach to manage risks in the short-, medium- and long-term. Within HSBC Continental Europe, controls are deployed to ensure an effective implementation across the organisation.

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

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

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

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

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

Policies and procedures are used to define the minimum standards for the management of social risks within the principal risks impacted. They are critical in ensuring social-related risks are mitigated effectively.

Risk Stewards are accountable for setting policy and control standards to manage risk, providing advice and guidance to support these policies, and providing challenge and oversight to the first line of defence to ensure these risks are managed effectively.

HSBC Continental Europe's sustainability risk policies are part of the risk management framework and aim to ensure that the financial services provided to customers do not result in an unacceptable impact on people or the environment. The communities in which the Bank operates are identified as key stakeholders mentioned in the policies.

The policies aim to support a just and affordable transition, recognising the local realities of the communities in which the HSBC Group operates. For example, HSBC Continental Europe will not provide financial services to customers involved directly in or who source from suppliers involved in the exploitation of natural resources (HSBC Agricultural commodities policy – palm oil supply chain) or wood logged in violation of traditional and civil rights (HSBC Forestry policy). Through these policies HSBC Continental Europe supports the drive to eradicate socially harmful activities, raise awareness and bring a positive impact to the customers and communities it serves.

In addition, the HSBC Group has developed set of policies and principles to guide its work on human rights, health and safety and inclusion: the HSBC Group Board and Diversity policy, Mental Health policy and HSBC Health and Safety policy.

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

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

Governance

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

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

It also describes:

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

Responsibilities of the management body

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

Activities towards the community and society

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

Employee relationships and labour standards

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

Customer protection and product responsibility

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

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

Human rights

Protecting human rights is one of the components of HSBC Continental Europe's established Duty of Care Plan ('the Plan'). The Plan is monitored through the HSBC Continental Europe Duty of Care Steering Committee chaired by HSBC Continental Europe's Head of ESG Execution with the involvement of HSBC Continental Europe's Legal, Regulatory Compliance, the People function, Procurement, Sustainability, Finance, and ESG Risk and CIB Teams. Any issue identified is escalated to the HSBC Continental Europe SEG which also has an escalation path to the HSBC Continental Europe Risk Management Meeting.

The Plan contains reasonable measures to identify relevant risks and prevent serious human rights violations, serious bodily injury, and environmental damage, and has been defined by HSBC Continental Europe and implemented in accordance with France's law which came into effect on the 27 March 2017. The Plan covers risks relating to HSBC Continental Europe's employees, banking activities, including customers, as well as suppliers and subcontractors.

The Plan includes the following key themes: inclusion, occupational health and safety, human rights, customer engagement, whistleblowing system and procurement procedures to help in identifying and escalating, where appropriate, human rights issues in its supply chain and to ensure that its suppliers observe the human rights elements of the HSBC Group's Supplier Code of Conduct.

The Plan is supported by the HSBC Group's frameworks (including How we succeed, HSBC RMF, Reputational Risk Framework, Approach to manage Human Rights Risk, Climate Risk Approach, Purpose-led Conduct Approach, Purpose and Value, Supplier Code of Conduct, Risk Culture Framework, Principles for the Ethical Use of Data and Artificial Intelligence), HSBC Continental Europe Approaches to manage Nature and Social Risks, and the HSBC Group's policies and statements (including Diversity and Inclusion policy, Mental Health policy, Financial Crime policies, Sustainability risk policies, Sustainability Execution Risk policy, Human Rights Statement, Health and Safety policy Statement, Modern Slavery and Human Trafficking Statement and Whistleblowing Statement).

Measures to manage social factors and risks in internal governance arrangements

HSBC Continental Europe has established a social risks management approach that defines how social risks are governed and managed across the organisation, aligned to the three lines of defence model and the HSBC Group RMF.

Within HSBC Continental Europe, all employees need to understand social topics and how to manage the associated risk:

- the Board sets the strategic direction on ESG upon management's recommendation, and oversees its execution;
- the first line of defence: has ultimate ownership of risks and controls including identifying, assessing and managing existing emerging social risks, as well as, developing controls to mitigate the risk related to social factors;
- the second line of defence: provides subject matter expertise, guidance, oversight and challenge on social risks;
- the third line of defence: provides independent assurance that social risks management, governance and control processes are designed and operating effectively.

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

HSBC Continental Europe's Head of People provides the HSBC Continental Europe Risk Committee with a people risk update twice a year, and presents the people strategy to the HSBC Continental Europe Board of Directors annually. Remuneration topics are presented to the Remuneration Committee.

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

HSBC Continental Europe's quarterly Whistleblowing Oversight Committee reports on the effectiveness of the whistleblowing arrangements across HSBC Continental Europe, including in its branches and subsidiaries. The HSBC Continental Europe Audit Committee's tasks include overseeing and annually reviewing the operation and effectiveness of the policies and procedures for capturing and responding to whistleblower concerns and overseeing the implementation of the procedures to ensure confidentiality, protection and fair treatment of whistleblowers. The HSBC Continental Europe Whistleblowing Oversight team, reporting to HSBC Continental Europe's Chief Compliance Officer, provides a report at least annually to the HSBC Continental Europe Audit Committee.

In CIB, the European Sustainable Finance Forum ('SFF'), chaired by the CIB Europe Head of Sustainable Finance and Transition, is responsible for reviewing the sustainability terms of transactions submitted for approval to determine whether the terms received meet the Bank's standards for qualification as sustainability-linked, green use of proceeds or social use of proceeds. Furthermore, the European ESG Bonds Committee reviews and assesses the labelling of debt capital markets ('DCM') transactions across wholesale banking, including appropriate labelling regarding social use of proceeds. Both committees include senior first line of defence stakeholders with ESG expertise including Regulatory Compliance and regional representation from the relevant following teams: DCM Sustainable Bonds, senior management from DCM, and Reputational and Sustainability Risk; offering holistic review from a risk

management and management body perspective. Where appropriate, the transaction or client is referred to the Regional Reputational Risk and Client Selection Committee ('RRCS').

From a human rights perspective, the HSBC Group continues to deepen its understanding of salient human right issues and continues to adapt its related risk management procedures. The following five represent the human rights at risk of severe negative impact from business activities and relationship:

- right to decent work;
- right to equality and freedom from discrimination;
- right to privacy;
- cultural and land rights;
- right to dignity and justice.

In 2025, the HSBC Group continued to focus on its approach to human rights risk management relating to the goods and services bought from third parties and in respect of its business customers.

Regarding internal capacity being built, the HSBC Continental Europe's Board of Directors and General Management participated in training on social aspects of ESG and related risks in 2025, notably social issues including human rights.

HSBC Continental Europe's employees are made aware of their employment rights through a variety of channels, including written employment contracts and policies, and procedures in employee handbooks and on employee websites. Employees of the Bank are trained on a range of human rights-related topics, including but not limited to inclusion, bullying and harassment, and data privacy.

The HSBC Group's policies reflect human rights considerations across its operations, including as a provider of financial services, a buyer of goods and services, an investor and an employer.

Lines of reporting

Social risks reporting is a critical component in the management and oversight of its potential impacts across all risk types, therefore it is integrated into current reporting where possible. To support this, data needs to be available to report across all risk report types, e.g. risk appetite, risk indicators, risk maps, top and emerging risks, risk profile reports and RCAs.

Social-related risk activities result in external disclosures, some mandated by external directives, guidance coming from European and local regulations such as Corporate Sustainability Reporting Directive, EBA ESG Pillar 3, Duty of Care French law.

Aligned to the HSBC Group's risk appetite and risk management approach, HSBC Continental Europe has identified KRIs relating to its employees, concerning hiring, inclusion, mandatory training and personal conduct cases, which are internally regularly reported. Certain KRIs are included in the risk appetite statement reviewed by HSBC Continental Europe's Risk Committee and Board of Directors at minimum once a year. Thresholds and tolerance are defined for each KRI; should a KRI trend outside of such tolerance, a root cause analysis would be performed and an action plan would be defined to return the KRI to within appetite as and when required.

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

Alignment of the remuneration policy

At HSBC Continental Europe level, collective and/or individual goals focused on driving a positive and inclusive culture are assigned consistently to each Operating Committee member with appropriate descriptions, measures, targets and weighting embedded in their annual performance scorecards that drive their remuneration. Objectives are linked to engagement score, inclusion index and voluntary attrition of high performers.

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

For instance, regarding HSBC Continental Europe France, a specific fixed pay pool has been negotiated annually for 20 years to review and adjust where relevant any unjustified gaps. Furthermore, both the attrition rate and retention rate of the high performers are monitored per business line on a monthly basis and shared with HSBC Continental Europe's Operating Committee. Where the attrition rate for certain roles is high, HSBC Continental Europe can decide, if appropriate, to make compensation counter offers to potential leavers or take any appropriate mitigating actions.

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

Finally, through the incentivisation compliance process, any breach might have an impact on the individual's performance assessment and subsequently on their variable pay.

Risk management

This section describes:

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

Definitions, methodologies and standards

Social risks refer to the risk of potential adverse financial, operational, reputational or conduct impacts arising from social factors affecting HSBC Continental Europe. Such risks may arise through the Banks's own employees or its suppliers or counterparties.

These social factors encompass conditions and trends related to the rights, well-being, and interests of people and communities (e.g., (in)equality, health, inclusion, labour relations, health and safety workplace, human capital and communities).

A comprehensive set of relevant factors has been identified in accordance with applicable European regulations (EBA guidelines on ESG risk management, CSRD, Duty of care, SFDR) and is underpinned by internal procedures and policies. These factors are categorised into three main categories:

- human rights and fundamental freedom: address the essential rights and liberties that individuals are entitled to, especially in the workplace and broader value chain. It includes the protection from forced labour, ensuring just and fair working conditions, and upholding the right to equality, freedom from discrimination, and privacy;
- health and safety: focus on safeguarding the physical and mental well-being of workers. It includes, among others, protecting mental and physical health, and ensuring physical safety in the workplace;
- human capital: emphasizes the development and management of the workforce as a key asset of the organization. It includes training initiatives to build skills and competencies as well as strategies for talent attraction and retention.

Stakeholders affected by these social topics include:

- entity's own workforce;

- suppliers of goods and services;
- end-users or consumers; and
- affected communities.

Social risks are considered across the existing risk taxonomy and in application of:

- HSBC RMF which is underpinned by the HSBC Group's values and governs its overall approach to managing risk;
- sustainability risk policies applied to corporate clients focusing on reputational;
- legal and other risks related to customers' environmental and social impacts;
- '4Cs' (Capacity, Capability, Conduct and Culture) framework, used in conjunction with employment practices and relations policy to manage employee matters; and
- international standards including, Ten Principles of UN Global Compact, ILO Conventions and Recommendations, OECD Guidelines for Multinational Enterprises, and UN Guiding Principles on Business and Human Rights.

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

Social risks should be considered as drivers of the HSBC Continental Europe's financial and non-financial risk profile. Social factors are mapped across the existing HSBC Group's risk taxonomy through transmission channels. The channels explain how external or internal social conditions translate into prudential risk categories. They cover matters relating to HSBC Continental Europe's own workforce, consumer protection and suppliers, and counterparties.

HSBC Continental Europe has established a social risk approach that defines the governance, roles and responsibilities, and process for the identification, assessment and management of social risks. The approach applies from January 2026.

The reputational risk tool supports the assessment of social factors such as human right abuse, social discrimination, freedom of association and collective bargaining, that may impact HSBC Continental Europe's counterparties.

The 2025 DMA process performed within HSBC Continental Europe, was concluded with the identification of material social-related topics connected to non-compliance with employees' and customers' data protection laws. Policies and controls are in place to manage the risk identified, mitigate the risk of potential legal and financial repercussions and ultimately reinforce the trust that customers, employees, and remaining stakeholders place in HSBC Continental Europe.

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

The HSBC Group's risk management procedures have continued to evolve during 2025. This included the development of global guidance on human rights, which incorporates the salient human rights issues assessment and provides colleagues with clear principles and practical advice, including case studies, on how to identify, prevent, mitigate and account for how impacts on human rights are addressed.

The Bank continued to implement the Global Procurement human rights due diligence operating procedure that sets out how the HSBC

Group aims to identify suppliers where the risk of human rights impact is considered to be higher and the process to be followed to review and seek to mitigate the associated risks.

A review of HSBC Continental Europe businesses and functions' Risk and Control Assessment is performed once a year to ensure that social risks identified under the French Duty of Care law are duly considered. These risks include forced labour, fair conditions of work, health and safety, inclusion, right to privacy, cultural and land rights, right to dignity and justice and whistleblowing. The outcome is presented in the appropriate governance forum. The 2025 risk mapping exercise performed did not identify any material deficiencies in this perimeter.

Activities and commitments to mitigate social risk

The HSBC Group has implemented comprehensive policies, procedures, and guidance to address a broad spectrum of social issues, including human rights, supplier standards, working conditions, and workplace inclusion. These established frameworks underpin HSBC Continental Europe's strategy for mitigating social risks.

The HSBC Group's business customers can operate in sectors in which the risk of adverse human rights impact is considered greater. The sustainability risk policies consider human rights issues such as forced labour, child labour, workers' rights, health and safety of communities and land rights.

The financial crime risk framework also helps to mitigate the risk of being associated with adverse human rights impacts, by helping to identify and assess the financial crime risk related to customers, employees and third parties.

HSBC Continental Europe proactively integrates data privacy considerations into all its initiatives, projects and processing activities, formalised through Data Privacy Impact Assessments which evaluate potential risks and identify appropriate safeguards to mitigate any negative impacts on individuals. By embedding data privacy principles across all core operations, the Bank ensures that the protection of personal information and responsible data management remain central to its long-term business strategy. The HSBC Group's 'Principles for the Ethical Use of Data and Artificial Intelligence' include how the HSBC Group seeks to respect the right to privacy while making use of these technologies.

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

The HSBC Group continued to focus in 2025 on human rights risk management practices relating to the goods and services it buys from third parties and in respect of its business customers.

Suppliers

The Code sets out its ambitions on the environment, inclusion and human rights. The Code outlines the minimum standards expected from its suppliers on these issues. In 2025, the Code was refreshed to include principles on responsible use of AI. In addition, HSBC Continental Europe aims at reinforcing its capabilities to identify supplier practices which do not align with its standards, by including clauses supporting the right to audit in supplier contracts. As of December 2025, 98.4 per cent of HSBC Continental Europe's contracted suppliers have signed the Code or have an accepted equivalent (compared with 96.8 per cent in June 2025).

The HSBC Group also issued human rights due diligence good practices tailored to procurement and corresponding high-level guidance for staff who manage its relationships with business customers.

The HSBC Group's Global Procurement team is also developing a Human Rights Due Diligence Operating Procedure that describes the

due diligence process undertaken to identify suppliers that have a high risk of human rights issues and the process to be followed to review and mitigate the risk.

► Read more about the principles the HSBC Group applies and HSBC Supplier Code of Conduct: www.hsbc.com/who-we-are/esg-and-responsible-business/working-with-suppliers.

Workforce

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

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

- 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; and
- performance and reward sanctions: accurate capture of performance and reward adjustments aligned to the conduct and consequence management guidelines.

HSBC Continental Europe's people managers, aligned to the HSBC Group's People Management Policy, are expected to foster a values-driven, inclusive workplace, supporting strategic objectives, and actively addressing employee feedback to improve performance and meet the needs of customers, colleagues and communities. HSBC Continental Europe is also required to periodically review its strategy and tailor local implementation efforts to the needs and priorities of its people and any jurisdictional requirements and aspirations, whilst also remaining consistent with the HSBC Group's approach.

The Vulnerable Employees Policy of the HSBC Group outlines the necessary steps to be taken to maintain a safe work environment for those with impaired movement, hearing, or vision, who are more at risk in the work environment. Where a new or existing member of employee informs the Bank of a disability or a medical condition that may pose a risk to their health and/or safety in the workplace, managers must arrange an assessment of the hazards to which they are exposed and determine a safe system of work for them. The assessment is tailored to the individual in question, establishing safe systems of work, and also including the completion of a personal emergency evacuation plan.

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

To mitigate overdue mandatory training, HSBC Continental Europe follows a procedure for managing mandatory training. This procedure ensures skill development, the completion of learning activities, and compliance with regulatory requirements. Effectiveness is monitored through training completion rates, with each business and function having on-demand access to completion data. Functional Managers can track their teams' progress through a dedicated dashboard and are responsible for reminding their direct reports to complete mandatory training on time and to follow escalation processes for non-compliance.

HSBC Continental Europe is committed to fostering a 'Speak Up culture', where all staff can work in a psychologically safe environment and where people feel comfortable and able to speak up not only to raise concerns, but also to bring innovation and creativity to facilitate change without fear of reprisal or retaliation. One of the biggest advantages of open communication and a Speak Up culture is the ability to reduce risks and prevent potential breaches of the Bank's code of conduct. HSBC Continental Europe has established channels to speak up that are available to all employees. Senior leadership also promotes the Speak Up culture and awareness of reporting channels through regular communication and awareness initiatives aimed at employees. Alerts and reports received through speak up channels are actioned promptly by independent teams from Compliance, Financial Crime and People. In relation to personal conduct cases specifically, HSBC Continental Europe's the People function handles cases where breach in policy and internal rule have been materialised. The People function ensures that adjustments to variable pay (where applicable, subject to local laws) and ratings due to poor behaviour are captured in the compensation system, and that the adjustment is fair, consistent, appropriate and proportionate to the conduct framework. The People function reminds line managers of poor personal conduct cases that may result in a restricted rating scale as part of the year end performance and reward (where applicable) cycle.

Customers

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

The HSBC Group's sustainability risk policies consider human rights issues such as forced labour, harmful or exploitative child labour and land rights. They also consider workers' rights, and the health and safety of communities. The HSBC Group reviews sustainability risk policies periodically to ensure they reflect its priorities, and continues to review policy implementation as it applies its policies in practice. All credible allegations of human rights violations are investigated through engagement with stakeholders when reported. They are then raised directly with the client by the Relationship Manager and, if necessary, escalated to senior management, both within the Bank and at the client, up to the senior executive level. Where required, individual customer relationships are referred to and reviewed by the Regional RRCSC, on a case-by-case basis. These reviews may decide to restrict or end a customer relationship where it is unwilling or unable to meet the HSBC Group's standards, including those relating to modern slavery and human trafficking.

Combating financial crime, such as money laundering, fraud, corruption and tax evasion also plays an important role in mitigating wider social risks. HSBC Continental Europe's financial crime policies aim to ensure that risks identified by the Bank are appropriately mitigated. The HSBC Group's financial crime risk framework also

helps to mitigate the risk of being associated with adverse human rights impacts, by helping to identify and assess the financial crime risk posed by its customers, employees and third parties.

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

Investments

HSBC Asset Management has developed a responsible investment approach by launching its first responsible investment fund in 2001 and being one of the first signatories of the UN Principles for Responsible Investment in 2006. As an investor, HSBC Asset Management supports the ten core principles derived from the Universal Declaration of Human Rights, the International Labour Organisation Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the UN Convention against Corruption. These commitments are set out in its Policy on Responsible Investment.

HSBC Asset Management engages with companies under its Stewardship Plan on core themes material to investee companies and corresponding investments, including human rights. Engagements may be on a one-on-one basis, or collaboratively with other investors. In 2025, it has developed engagement guidelines, highlighting its expectations of good practice for companies, where human rights may be a material issue.

The Global Voting Guidelines provide an overview of its approach to exercising its shareholder rights in respect of ESG issues, including human rights.

In addition, ESG integration approach will typically monitor issuers scoring poorly on environmental, social or governance pillars and may conduct a review/commentary if deemed potentially material.

Tools for identification and management of social risk

Risk owners should consider how social risk factors may impact their overall risk, with Risk Stewards providing oversight, review and challenge to ensure the risk is managed effectively. To support the identification and management of social risks, the Bank uses the following tools:

- Sustainability Risk Radar to identify potential opportunities and threats in the external risk environment which may come from civil society activism, government pressure, peer action and competition. The radar refers items to teams to consider how they may incorporate the insights into ongoing risk management;
- negative news screening to identify any thematic issues within the Bank's customer portfolios or identify specific social related incidents requiring escalation;
- existing Risk Framework and Risk Rating Methodologies like the Non-Financial Risk Framework and Risk Prioritisation Matrix;
- Risk and Control Assessments ('RCA') assess the level of the risk, and the effectiveness of controls in mitigating social-related risk. Annual Materiality Assessment to identify and assess the most material social risks' impacts at HSBC Continental Europe.

Social factors may have impacts across HSBC Continental Europe's risk taxonomy, such as those associated with failing to achieve the strategy or objectives set out, as the result of failed internal processes, people and systems, or from external events.

HSBC Continental Europe has developed a Duty of Care vigilance plan, which includes measures to identify and mitigate risks associated with human rights violations, health and safety, and environmental damage.

HSBC Continental Europe has processes in place with various tools to both identify and manage social risks associated with employees, customers and suppliers.

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

To identify social risks stemming from employees, HSBC Continental Europe conducts an annual employee Snapshot survey through which it can measure employee engagement and, wellbeing and understanding of the Bank's strategy. Furthermore, management holds regular exchange meetings with small groups of employees to discuss openly any issue that affect them. Lastly, staff have access to platforms to raise concerns without fear of reprisal when something seems inappropriate, including HR Direct and HSBC Confidential.

Know Your Customer ('KYC') and Third party Due Diligence ('DD') process

Customers and third parties are being screened to identify significant adverse news relating to risks including, but not limited to, bribery and corruption, human rights violations, environmental crime, cybercrime, and organised crime.

To identify social risks with customers, HSBC Continental Europe uses its KYC and screening processes alongside its sustainability risk policies aligned with the HSBC Group e.g., for agricultural commodities, energy, forestry, mining and metals. These 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. These policies mitigate the risk that the financial services provided by the Bank have an adverse impact on people. Each year, CIB carries out a review of the clients operating in the relevant sectors, and their transactions on an annual basis.

To identify social risks with suppliers, HSBC Continental Europe applies the HSBC Group Sustainable Procurement Procedures to help identify (and escalate, where appropriate) human rights issues in its supply chain, and to ensure that its suppliers observe the human rights elements of the Code. These include enhanced procedures for human rights risk identification through the introduction of a human rights residual risk questionnaire for suppliers.

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

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

HSBC Continental Europe identifies social-related controversies involving corporate customers using independent adverse media data, including human rights coverage, which may trigger additional review and escalation.

For transactions, social risk is considered within the limitations process through case-by-case assessment, following established internal approval and escalation frameworks as part of the deal approval process, with escalation to the RRCSC where required..

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

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

In 2025, HSBC Continental Europe carried out its second DMA to comply with the CSRD. This assessment covered social topics covering the Bank's own workforce, workers in the value chain, affected communities and consumer and end users. HSBC Continental Europe has identified two material social-related risks connected to non-compliance with employees' and customers' data protection laws.

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

HSBC Continental Europe is committed to protecting and respecting its employees' and customers' data, in accordance with the laws and regulations of the markets in which the Bank operates, by recruiting the right talents, investing in technology and systems and having the right controls, policies and processes in place. Regular employee training and awareness sessions on data privacy and security issues have been conducted throughout 2025. Data privacy is regularly reviewed at multiple governance forums, including at Board level, to help ensure there is appropriate oversight by senior executives. As part of its three lines of defence model, HSBC's Global Internal Audit function provides independent assurance as to whether data privacy risk management approaches and processes are designed and operating effectively. In addition, regular reviews and privacy risk assessments are performed.

Whereas social risks related to employees and communities' human rights have been assessed as non-material for HSBC Continental Europe (e.g. lack of diversity, unfavourable conditions of work, lack of recognition of indigenous peoples' rights to land and to free prior and informed consent), HSBC Continental Europe is aware of their potential material financial consequences, which can result from reputational damage, legal costs and operational costs. For example, if HSBC Continental Europe is subject to negative media attention regarding the working conditions of its employees, it can suffer from a reputational damage and may experience deposit withdrawals from its customers, which could increase its liquidity and funding risk.

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

Qualitative information on governance risk

This section describes how HSBC Continental Europe:

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

Governance

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

Governance risks refer to the risk arising from ineffective governance arrangements (weaknesses in decision-making structures, lack of accountability or failures to uphold ethical and legal standards) and inadequate management of environmental and social risks.

HSBC Continental Europe has integrated counterparty governance into the risk framework and its governance through the following processes:

- KYC and Third party Due Diligence process;
- screening of customers and third parties to identify material negative news on different risks including but not limited to bribery and corruption, human rights violation, environmental crime, cybercrime and organised crimes;
- screening of customers and third parties to identify politically exposed people;
- screening of transaction, customer and third party against sanctions list;
- transaction monitoring;
- contractual safeguards; and
- Annual Credit Review process.

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

This financial crime framework is underpinned by a financial crime policy designed to enable adherence to applicable laws and regulations. Financial crime includes fraud, bribery and corruption, tax evasion, sanctions and export control violations, money laundering, terrorist financing and proliferation.

This framework aims to protect customers, shareholders, staff, the communities in which HSBC Continental Europe operates, and the integrity of the financial system on which all market participants rely.

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

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, as part of the Annual Credit Review process, a qualitative assessment of the client's management team is performed such as change in the key C-suite positions, succession planning and other key governance topics. This assessment is reviewed by the Credit team and incorporated in its analysis of the credit profile of the company.

The third parties (also known as non-customer relationships) 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.

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

transactions and wider reputational risks. The RRCSC is responsible for:

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

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

At the HSBC Group level, the Group Chief Risk and Compliance Officer ('GRCO') provides the Group Reputational Risk Committee ('GRRC') with the mandate to oversee and manage reputational risk across the HSBC Group.

The GRRC considers matters arising from customers, transactions and third parties that either present a serious potential reputational risk to the HSBC Group or merit a Group-led decision to help enable a consistent risk management approach across the regions, global businesses and global functions.

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

HSBC Continental Europe has a framework that takes into account the role of the counterparties' highest governance body in non-financial reporting. The framework is designed to assess and rate the maturity and quality of its counterparties' management of environmental, social and governance factors that impact their business and operating environment.

The assessment of environmental factors is based on the TEQ, a tool developed with the HSBC Group to assess the maturity of the transition plans of wholesale customers in high risk sectors on climate and nature risk. HSBC Continental Europe leverages key information from the TEQ together with contextual client information to review the transition plans, including the role of the client's highest governance body in the production of such transition plan and/or other sustainability reports.

For the assessment of social factors in the governance body of the counterparties, refer to 'Processes to identify, measure and monitor activities and exposures sensitive to social risk' above.

For the assessment of governance factors in the governance body of the counterparties, refer to the section below.

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

relevant. Such assessments of the highest governance body are ad-hoc and are relatively rare.

Ethical considerations

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

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

Some of the Bank's business customers operate in sectors in which the risk of adverse human rights impact is considered greater. The HSBC Group's sustainability risk policies consider human rights issues such as forced labour, harmful or exploitative child labour, workers' rights, health and safety of communities and land rights.

Strategy and risk management

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

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

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

Inclusiveness

HSBC Continental Europe, as part of the HSBC Group, values difference and believes that it makes the business stronger.

HSBC Continental Europe supports clients' social agendas through balance sheet financing, such as social loans and qualified lending, as well as by facilitating social bonds. These products can embed sustainability performance targets around inclusivity and transparency. The HSBC Group's detailed approach around sustainable finance and investment classification can be found in HSBC Sustainable Finance and Investment Data Dictionary.

HSBC Continental Europe is supporting, through its philanthropic programme, ADIE, a non-profit association which enables economically vulnerable people, excluded from traditional bank financing, to set up their own business, and hence their own employment, thanks to microcredit.

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

Transparency

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

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

employees at the global level supplemented, where appropriate, by training of local teams, and incentives for whistleblowers.

Management of conflict of interest

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

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

- HSBC Continental Europe and its Clients: HSBC versus Client;
- HSBC Continental Europe and its Workers: Worker versus HSBC;
- HSBC Continental Europe Workers and HSBC Continental Europe Clients: Worker versus Client;
- HSBC Continental Europe Clients: Client versus Client; or
- One part of HSBC Continental Europe and another: HSBC versus HSBC.

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

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

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

Internal communication on critical concerns

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

Risk management

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

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

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

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

Scope of ESG reporting

The information reported in Tables 49 to 53 below relates to the principal operating entities within HSBC Continental Europe's prudential scope of consolidation, including all HSBC branches and subsidiaries at 31 December 2025. Subsidiaries engaged in insurance activities are excluded from the prudential consolidation. These tables provide information on non-trading book exposures; assets held for trading or held for sale are excluded.

EU Taxonomy-aligned activities

Following the publication of the European Banking Authority ('EBA') no-action letter in August 2025, and its subsequent endorsement and operationalisation through the European Central Bank ('ECB') supervisory clarification and FAQs issued in December 2025, banks are not expected to prioritise the disclosure of certain ESG Pillar 3 templates relating to the EU Taxonomy and the Green Asset Ratio ('GAR') until the amended EBA disclosure implementing technical standards ('ITS') enter into force.

Accordingly, this Pillar 3 report as at 31 December 2025 excludes ESG templates 6 to 10, template 1 (column c), and template 4 (column c) under Regulation (EU) 2024/3172, which pertain to Taxonomy and GAR related disclosures, and is prepared in accordance with current supervisory expectations.

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 exposures towards companies excluded from EU-Paris aligned benchmark

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

Exposure to companies excluded from Paris-aligned Benchmarks stands at EUR 1,294m (compared to EUR 1,432m at 31 December 2024).

The methodology and approach used to report exposures excluded from the Paris-aligned Benchmarks ('PAB') in template 1 follows the guidance set out in EBA Q&A 2023_6940 published in April 2024.

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; and
- (g) companies that derive 50 per cent or more of their revenues from electricity generation with a GHG intensity of more than 100g CO₂e/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, vendor data or relevant sector classification. The coverage of available information on counterparty exposures is expected to improve over time.

Identification of environmentally sustainable exposures (CCM)

HSBC Continental Europe does not disclose column c of Template 1, "of which environmentally sustainable (CCM)", until the amendments to the EBA disclosure implementing technical standards (ITS) are adopted and enter into force. This approach aligns with the EBA's no-action letter and ECB supervisory guidance, which recommend not prioritising enforcement of these specific disclosures, as outlined above.

GHG financed emissions

Background

As part of the Group’s ambition to become a net zero bank by 2050, the Group has set financed emissions targets for 2030. As stated in the 2025 Net Zero Transition Plan, HSBC Group has undertaken a detailed review of each of the interim 2030 financed emissions targets this year to seek to ensure HSBC Group’s approach continues to reflect the evolving external context, including developments in policy, technology, climate science, customer actions, available data and methodologies.

HSBC Group has updated its targets for all in-scope carbon intensive sectors, apart from thermal coal mining. The thermal coal mining target remains unchanged, in alignment with the Group’s thermal coal phase-out policy and thermal coal financing drawn balance exposure reporting.

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.

Financed emissions link the financing provided to customers with their activities in the real economy and provide an indication of the GHG 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 that these still continue to evolve.

In 2026, the Group will intend to continue to review the approach for regional regulatory reporting.

Coverage of the analysis – HSBC Group

For each sector, the analysis focuses on the parts of the value chain where HSBC believes most of the 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 of the most carbon-emissive sectors, HSBC can focus 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 and nitrous oxide, among others. These are reported as tonnes of CO₂ equivalent (‘tCO₂e’).

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

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

To calculate annual on-balance sheet financed emissions, the Group uses drawn balances as at 31 December in the year of analysis related to wholesale credit and lending, which include business loans and project finance, as the value of finance provided to customers. Lending products that are short-term in nature are now included in HSBC Continental Europe’s financed emissions reporting. Short-term lendings have been included with the aim to cover in-scope lending activity and align with industry guidance.

The Group’s 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.

The 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, based on internal data sources and third-party vendor data.

The PCAF recommends that financial institutions should, in line with the GHG Protocol Corporate Value Chain (scope 3) Accounting and Reporting Standard requirement, aim to score, disclose data quality scores and seek to improve data quality over time.

For further details on the financed emissions approach including the data sources, data and methodology limitations and sectoral approach refer to:

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

HSBC Continental Europe Financed Emissions

HSBC Continental Europe has expanded the sectoral and on-balance sheet exposure coverage for financed emissions measurement to comply with mandatory requirements from the Article 449a of CRR .

To calculate annual on-balance sheet financed emissions, HSBC Continental Europe used drawn balances as at 31 December 2025 related to wholesale loans and advances to customers (corporate loans) and financial assets that are not insurance related (corporate debt). HSBC Continental Europe also utilises NACE codes at individual obligor level aligned with the approach to the sectoral classification for balance sheet exposure. Given there is limited data availability at an individual obligor level, HSBC Continental Europe has estimated emissions figures based upon industry averages, derived based on data from Institutional Shareholder Services group of companies (‘ISS’) at NACE level aligned to PCAF data quality score 5.

Plans to enhance methods to estimate counterparties' emission

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

HSBC Continental Europe understands the need to provide early transparency on climate disclosures but this needs to be balanced with the recognition that the existing data and reporting processes require significant enhancements. Estimates were used as granular client-reported data is not available. As data improves for client reported emissions, our reliance on estimate will continue to reduce.

Data and methodology limitations

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

- The methodologies and data used to assess financed emissions continue to evolve alongside changes to industry guidance, market practice and regulation. The majority of clients do not yet report emissions data at the granular subsidiary level and the full scope of greenhouse gas emissions required in the analysis, in particular scope 3 emissions. Given the absence of client-reported emissions at the required granularity covering all scopes of emissions, HSBC has estimated emissions using proxies based on industry averages. These industry averages may be defined at country, region or global level based on the data availability to calculate emission factors and may not be country specific. Given financed emissions data is entirely reliant on the industry averages, this may fluctuate year on year as data availability and granularity improves;
- To calculate the industry averages for financed emissions, there is a reliance on external third-party vendor datasets. Given the multi-year lag for emissions availability, HSBC Continental Europe has used emissions data from 2023 with a regional deflator to reduce the use of a proxy and minimise the data lag where possible. Emissions factors are subject to volatility based on updates to the underlying emissions data used as well as year-on-year fluctuation in exchange rate;

- Financed emissions have been calculated at the obligor level where NACE code granularity exists using industry averages. For HSBC Continental Europe, financed emissions are calculated at the individual obligor level and this may therefore differ between the counterparty group sectors used for financed emission reporting at the HSBC Group level;
- Additionally, the financing activities are treated as general corporate purposes (i.e. unknown use of proceeds as defined by GHG Protocol) due to data availability and limitations;
- All parts of the value chain and all scopes of emissions have been taken into account for financed emissions, and this may result in double counting between sectors. Double counting occurs when GHG emissions are counted more than once in financed emissions analysis and cannot be avoided. The bank remains committed to transparency around the methodology and scope of analysis; and
- The methodology and approach to the scope of the financed emission calculations for HSBC Continental Europe reported in template 1 is not aligned with the HSBC Group methodology and emissions figures will differ. This is to ensure alignment with financial reporting requirements to expand coverage across a wider range of sectors for disclosure purposes rather than focusing on target setting, which is currently done at HSBC Group level.

Template 1 – Financed emissions restatements

HSBC Continental Europe has restated the previously reported metrics for financed emissions in Pillar 3 Template 1 as at 31 December 2024 to account for the latest methodology changes relating to scope 3 emission factor calculation and the use of the latest external vendor data available from ISS. This approach is more closely aligned with HSBC Group approach. Some of the sector changes outlined in Template 1 are considered material. As a result, the comparative financed emissions figures for the 2024 year-end have been restated to ensure consistency and traceability across our reporting.

Table 49: Template 1: Banking book – Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity

31 Dec 2025		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 CO ₂ equivalent) ³		percentage of GHG emissions (column i) derived from company-specific reporting (%)				Average weighted maturity (years)	
		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: Stage 2 exposures	of which: non-performing exposures	of which: Scope 3 financed emissions	<= 5 years (€m)	> 5 year <= 10 years (€m)	> 10 year <= 20 years (€m)	> 20 years (€m)				
Sector/Subsector																	
1	Exposures towards sectors that highly contribute to climate change¹	20,057	1,271	—	2,315	1,013	(373)	(28)	(321)	19,009,435	17,183,344	0	17,756	1,640	633	28	2.3
2	A – Agriculture, forestry and fishing	102	—	—	13	17	(1)	(1)	—	273,442	255,658	0	100	2	—	—	1.9
3	B – Mining and quarrying	102	43	—	1	—	—	—	—	193,516	172,608	0	102	—	—	—	1.0
4	B.05 – Mining of coal and lignite	—	—	—	—	—	—	—	—	—	—	0	—	—	—	—	—
5	B.06 – Extraction of crude petroleum and natural gas	1	1	—	—	—	—	—	—	2,698	2,417	0	1	—	—	—	0.9
6	B.07 – Mining of metal ores	44	—	—	—	—	—	—	—	26,412	20,268	0	44	—	—	—	1.7
7	B.08 – Other mining and quarrying	56	42	—	1	—	—	—	—	144,816	131,005	0	56	—	—	—	0.4
8	B.09 – Mining support service activities	1	—	—	—	—	—	—	—	19,590	18,918	0	1	—	—	—	—
9	C – Manufacturing	7,370	46	—	778	378	(152)	(7)	(136)	8,946,544	8,139,828	0	7,151	202	5	12	1.5
10	C.10 – Manufacture of food products	953	—	—	128	7	(5)	—	(5)	1,020,116	907,260	0	901	50	2	—	1.9
11	C.11 – Manufacture of beverages	115	—	—	5	—	—	—	—	31,022	27,140	0	115	—	—	—	0.3
12	C.12 – Manufacture of tobacco products	111	—	—	—	—	—	—	—	4,011	3,726	0	111	—	—	—	1.5
13	C.13 – Manufacture of textiles	96	—	—	3	9	(5)	—	(5)	114,430	94,224	0	70	26	—	—	2.4
14	C.14 – Manufacture of wearing apparel	7	—	—	1	2	(1)	—	(1)	1,453	1,313	0	7	—	—	—	0.4
15	C.15 – Manufacture of leather and related products	58	—	—	—	—	—	—	—	9,338	8,435	0	58	—	—	—	3.0
16	C.16 – Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	99	—	—	2	—	—	—	—	128,297	113,920	0	98	1	—	—	2.0
17	C.17 – Manufacture of paper and paper products	87	—	—	—	3	(1)	—	(1)	73,490	56,202	0	87	—	—	—	1.0
18	C.18 – Printing and reproduction of recorded media	74	—	—	43	1	(1)	—	—	42,291	36,738	0	74	—	—	—	3.2
19	C.19 – Manufacture of coke and refined petroleum products	135	23	—	—	—	—	—	—	1,186,984	1,079,477	0	135	—	—	—	0.8
20	C.20 – Manufacture of chemicals and chemical products	606	—	—	63	22	(15)	(1)	(13)	826,622	675,930	0	606	—	—	—	1.3

Table 49: Template 1: Banking book – Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

31 Dec 2025		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 CO ₂ equivalent) ³		percentage of GHG emissions (column i) derived from company-specific reporting (%)				Average weighted maturity (years)	
		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 (CCM)	of which: stage 2 exposures	of which: non-performing exposures	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	<= 5 years (€m)	> 5 year <= 10 years (€m)	> 10 year <= 20 years (€m)	> 20 years (€m)				
Sector/Subsector																	
21	C.21 – Manufacture of basic pharmaceutical products and pharmaceutical preparations	751	–	–	12	–	–	–	–	63,235	58,192	0	725	26	–	–	1.4
22	C.22 – Manufacture of rubber products	388	–	–	17	13	(2)	–	(1)	648,321	620,181	0	388	–	–	–	1.3
23	C.23 – Manufacture of other non-metallic mineral products	181	–	–	4	1	(1)	–	–	208,378	109,615	0	180	1	–	–	2.1
24	C.24 – Manufacture of basic metals	302	–	–	38	1	(1)	–	(1)	611,891	456,588	0	302	–	–	–	0.7
25	C.25 – Manufacture of fabricated metal products, except machinery and equipment	399	23	–	55	27	(9)	(1)	(8)	407,410	392,683	0	364	35	–	–	1.8
26	C.26 – Manufacture of computer, electronic and optical products	438	–	–	21	3	(5)	(1)	(3)	231,428	225,341	0	433	5	–	–	1.2
27	C.27 – Manufacture of electrical equipment	303	–	–	30	23	(11)	–	(11)	497,084	482,385	0	283	20	–	–	2.2
28	C.28 – Manufacture of machinery and equipment n.e.c.	349	–	–	53	25	(7)	(1)	(6)	617,413	611,870	0	341	6	2	–	2.1
29	C.29 – Manufacture of motor vehicles, trailers and semi-trailers	557	–	–	5	216	(61)	–	(60)	1,654,320	1,619,012	0	557	–	–	–	1.7
30	C.30 – Manufacture of other transport equipment	189	–	–	69	–	(2)	(1)	–	471,701	468,317	0	171	18	–	–	2.8
31	C.31 – Manufacture of furniture	3	–	–	–	–	–	–	–	2,832	2,635	0	2	1	–	–	3.8
32	C.32 – Other manufacturing	1,162	–	–	229	24	(24)	(2)	(20)	88,829	83,189	0	1,137	13	–	12	0.9
33	C.33 – Repair and installation of machinery and equipment	7	–	–	–	1	(1)	–	(1)	5,648	5,455	0	6	–	1	–	0.6
34	D – Electricity, gas, steam and air conditioning supply	1,530	826	–	110	33	(9)	(3)	(5)	1,156,184	829,649	0	1,253	133	128	16	3.1
35	D35.1 – Electric power generation, transmission and distribution	1,479	826	–	110	33	(9)	(3)	(5)	1,112,082	794,464	0	1,202	133	128	16	3.2
36	D35.11 – Production of electricity	755	246	–	40	21	(4)	(3)	–	528,461	400,011	0	487	124	128	16	5.1
37	D35.2 – Manufacture of gas; distribution of gaseous fuels through mains	51	–	–	–	–	–	–	–	44,102	35,185	0	51	–	–	–	2.2
38	D35.3 – Steam and air conditioning supply	–	–	–	–	–	–	–	–	–	–	0	–	–	–	–	–

Table 49: Template 1: Banking book – Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

31 Dec 2025	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 CO ₂ equivalent) ³		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)
	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: Stage 2 exposures	of which: non-performing exposures	of which: Scope 3 financed emissions								
Sector/Subsector																
39 E – Water supply; sewerage, waste management and remediation activities	160	–	–	1	37	(5)	–	(5)	30,385	6,677	0	158	2	–	–	0.6
40 F – Construction	548	15	–	8	71	(15)	–	(14)	280,562	268,138	0	430	69	49	–	3.4
41 F.41 – Construction of buildings	330	–	–	3	67	(12)	–	(12)	127,405	125,200	0	239	51	40	–	3.5
42 F.42 – Civil engineering	168	15	–	2	1	(1)	–	–	109,616	102,067	0	144	17	7	–	3.8
43 F.43 – Specialised construction activities	50	–	–	3	3	(2)	–	(2)	43,541	40,871	0	47	1	2	–	0.6
44 G – Wholesale and retail trade; repair of motor vehicles and motorcycles	3,556	43	–	603	204	(106)	(4)	(99)	6,592,279	6,408,642	0	3,457	92	7	–	1.3
45 H – Transportation and storage	2,202	298	–	497	3	(8)	(5)	(1)	1,314,804	893,753	0	1,375	535	292	–	4.5
46 H.49 – Land transport and transport via pipelines	265	–	–	1	1	(1)	–	(1)	91,550	72,660	0	167	68	30	–	4.5
47 H.50 – Water transport	1,198	290	–	348	–	(2)	(2)	–	726,097	479,060	0	514	422	262	–	6.3
48 H.51 – Air transport	158	–	–	43	–	(1)	(1)	–	178,517	49,480	0	128	30	–	–	2.7
49 H.52 – Warehousing and support activities for transportation	581	8	–	105	2	(4)	(2)	–	318,640	292,553	0	566	15	–	–	1.4
50 H.53 – Postal and courier activities	–	–	–	–	–	–	–	–	–	–	0	–	–	–	–	–
51 I – Accommodation and food service activities	320	–	–	25	13	(8)	–	(5)	38,280	31,296	0	298	22	–	–	3.4
52 L – Real estate activities	4,167	–	–	279	257	(69)	(8)	(56)	183,439	177,095	0	3,432	583	152	–	3.1
53 Exposures towards sectors other than those that highly contribute to climate change¹	10,253	23	–	737	247	(145)	(34)	(95)				9,445	555	41	212	2.5
54 K – Financial and insurance activities	–	–	–	–	–	–	–	–				–	–	–	–	–
55 Exposures to other sectors (NACE codes J, M – U)	10,253	23	–	737	247	(145)	(34)	(95)				9,445	555	41	212	2.5
56 TOTAL	30,310	1,294	–	3,052	1,260	(518)	(62)	(416)	19,009,435	17,183,344	0	27,201	2,195	674	240	2.4

- 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.
- Where portfolio exposures were rounded to zero due to reporting in millions, associated metrics such as financed emissions and average weighted maturity are not included in the disclosure. These adjustments relate to immaterial positions and have no significant impact on aggregate results.
- Financed emissions for the reporting year 2025, compared to the restated 2024 figures, reflect a net decrease of 2 per cent. This reduction is primarily driven by changes in exposure, partially offset by an increase resulting from foreign exchange (FX) rate movement.

Table 49: Template 1: Banking book – Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

31 Dec 2024		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 CO ₂ equivalent) ⁴		percentage of GHG emissions (column i) derived from company-specific reporting (%)				Average weighted maturity (years)	
		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	<= 5 years (€m)	> 5 year <= 10 years (€m)	> 10 year <= 20 years (€m)	> 20 years (€m)					
Sector/Subsector																	
1	Exposures towards sectors that highly contribute to climate change	21,213	1,413	253	2,810	1,099	(306)	(49)	(231)	19,348,074	17,479,614	0	18,510	2,197	483	23	2.4
2	A – Agriculture, forestry and fishing	88	—	—	3	20	(5)	—	(5)	208,919	195,480	0	86	1	1	—	2.2
3	B – Mining and quarrying	458	370	1	2	246	—	—	—	1,337,552	1,214,018	0	207	246	—	5	4.9
4	B.05 – Mining of coal and lignite	—	—	—	—	—	—	—	—	—	—	0	—	—	—	—	—
5	B.06 – Extraction of crude petroleum and natural gas	368	368	1	2	246	—	—	—	1,248,682	1,139,660	0	117	246	—	5	5.5
6	B.07 – Mining of metal ores	73	—	—	—	—	—	—	—	47,376	37,290	0	73	—	—	—	2.6
7	B.08 – Other mining and quarrying	17	2	—	—	—	—	—	—	41,494	37,068	0	17	—	—	—	1.9
8	B.09 – Mining support service activities	—	—	—	—	—	—	—	—	—	—	0	—	—	—	—	—
9	C – Manufacturing	8,245	354	40	594	326	(128)	(26)	(91)	7,280,262	6,551,003	0	7,947	270	17	11	1.7
10	C.10 – Manufacture of food products	728	—	—	39	8	(6)	(1)	(5)	742,664	655,937	0	639	76	13	—	2.2
11	C.11 – Manufacture of beverages	109	—	—	10	—	—	—	—	25,563	22,492	0	103	6	—	—	0.6
12	C.12 – Manufacture of tobacco products	111	—	—	—	—	—	—	—	3,549	3,297	0	111	—	—	—	2.5
13	C.13 – Manufacture of textiles	120	—	—	6	13	(4)	—	(4)	127,345	103,935	0	86	34	—	—	3.2
14	C.14 – Manufacture of wearing apparel	10	—	—	3	3	(2)	—	(2)	2,012	1,792	0	10	—	—	—	1.1
15	C.15 – Manufacture of leather and related products	69	—	—	—	—	—	—	—	9,771	8,832	0	69	—	—	—	3.5
16	C.16 – Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	130	—	—	1	—	(1)	(1)	—	148,664	132,792	0	122	8	—	—	2.8
17	C.17 – Manufacture of paper and paper products	69	—	11	15	1	(1)	—	(1)	51,773	39,255	0	69	—	—	—	0.2
18	C.18 – Printing and reproduction of recorded media	21	—	—	1	1	—	—	—	11,541	9,936	0	21	—	—	—	1.8
19	C.19 – Manufacture of coke and refined petroleum products	24	24	—	—	—	—	—	—	190,749	173,454	0	24	—	—	—	4.5
20	C.20 – Manufacture of chemicals and chemical products	626	—	—	21	10	(1)	—	(1)	761,067	625,076	0	625	1	—	—	1.4

Table 49: Template 1: Banking book – Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

31 Dec 2024		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 CO ₂ equivalent) ⁴		percentage of GHG emissions (column i) derived from company-specific reporting (%)				Average weighted maturity (years)	
		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	<= 5 years (€m)	> 5 year <= 10 years (€m)	> 10 year <= 20 years (€m)	> 20 years (€m)					
Sector/Subsector																	
21	C.21 – Manufacture of basic pharmaceutical products and pharmaceutical preparations	1,378	—	—	99	6	(2)	(2)	—	86,107	78,545	0	1,345	33	—	—	2.0
22	C.22 – Manufacture of rubber products	326	—	—	39	15	(2)	(1)	(1)	424,311	401,519	0	325	1	—	—	1.9
23	C.23 – Manufacture of other non-metallic mineral products	232	—	1	22	2	(1)	(1)	—	243,337	125,576	0	231	—	1	—	2.5
24	C.24 – Manufacture of basic metals	342	—	—	1	22	(7)	—	(7)	603,348	442,114	0	340	2	—	—	1.0
25	C.25 – Manufacture of fabricated metal products, except machinery and equipment	421	—	—	21	46	(7)	—	(7)	366,982	353,733	0	380	41	—	—	2.2
26	C.26 – Manufacture of computer, electronic and optical products	271	—	9	26	4	(7)	(3)	(4)	111,477	108,831	0	269	2	—	—	2.2
27	C.27 – Manufacture of electrical equipment	378	—	—	53	4	(13)	(13)	—	456,142	437,476	0	364	14	—	—	1.2
28	C.28 – Manufacture of machinery and equipment n.e.c.	407	—	14	110	26	(7)	(4)	(3)	605,151	599,336	0	396	9	2	—	2.6
29	C.29 – Manufacture of motor vehicles, trailers and semi-trailers	686	—	1	9	138	(38)	—	(34)	1,841,088	1,801,658	0	686	—	—	—	1.8
30	C.30 – Manufacture of other transport equipment	148	—	4	43	7	(7)	—	(6)	288,456	286,258	0	105	43	—	—	3.7
31	C.31 – Manufacture of furniture	4	—	—	—	—	—	—	—	2,790	2,603	0	3	—	1	—	4.9
32	C.32 – Other manufacturing	1,606	330	—	74	18	(21)	—	(15)	155,661	116,987	0	1,595	—	—	11	0.8
33	C.33 – Repair and installation of machinery and equipment	29	—	—	1	2	(1)	—	(1)	20,714	19,569	0	29	—	—	—	1.0
34	D – Electricity, gas, steam and air conditioning supply	1,120	667	66	243	16	(4)	(2)	—	920,525	629,090	0	800	220	93	7	3.6
35	D35.1 – Electric power generation, transmission and distribution	1,073	662	66	202	16	(3)	(1)	—	883,178	598,830	0	753	220	93	7	4.0
36	D35.11 – Production of electricity	623	362	66	76	16	(3)	(1)	—	438,354	316,545	0	445	78	93	7	4.8
37	D35.2 – Manufacture of gas; distribution of gaseous fuels through mains	42	—	—	41	—	(1)	(1)	—	32,201	25,717	0	42	—	—	—	3.2
38	D35.3 – Steam and air conditioning supply	5	5	—	—	—	—	—	—	5,146	4,543	0	5	—	—	—	—
39	E – Water supply; sewerage, waste management and remediation activities	271	—	—	49	—	—	—	—	45,843	10,037	0	268	3	—	—	0.6

Table 49: Template 1: Banking book – Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

31 Dec 2024	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 CO ₂ equivalent) ⁴		percentage of GHG emissions (column i) derived from company-specific reporting (%)	Residual maturity (years)				Average weighted maturity (years)
	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: Stage 2 exposures	of which: non-performing exposures	of which: Scope 3 financed emissions	<= 5 years (€m)	> 5 year <= 10 years (€m)		> 10 year <= 20 years (€m)	> 20 years (€m)			
Sector/Subsector																
40 F – Construction	482	—	3	10	83	(9)	(1)	(7)	271,322	257,212	0	376	79	27	—	3.3
41 F.41 – Construction of buildings	207	—	2	5	68	(6)	—	(5)	87,864	86,194	0	135	55	17	—	3.9
42 F.42 – Civil engineering	150	—	1	—	10	(1)	(1)	—	78,959	74,453	0	118	22	10	—	3.8
43 F.43 – Specialised construction activities	125	—	—	5	5	(2)	—	(2)	104,499	96,565	0	123	2	—	—	1.7
44 G – Wholesale and retail trade; repair of motor vehicles and motorcycles	3,654	20	50	752	175	(95)	(7)	(86)	7,848,320	7,663,498	0	3,509	137	8	—	1.0
45 H – Transportation and storage	2,181	2	—	806	69	(19)	(5)	(12)	1,218,518	756,360	0	1,376	594	211	—	4.6
46 H.49 – Land transport and transport via pipelines	281	—	—	28	3	(1)	—	(1)	83,758	64,931	0	161	78	42	—	5.2
47 H.50 – Water transport	1,218	—	—	691	—	(5)	(5)	—	705,860	433,088	0	619	437	162	—	5.5
48 H.51 – Air transport	214	—	—	—	57	(10)	—	(9)	214,596	59,134	0	188	26	—	—	2.9
49 H.52 – Warehousing and support activities for transportation	468	2	—	87	9	(3)	—	(2)	214,304	199,207	0	408	53	7	—	2.4
50 H.53 – Postal and courier activities	—	—	—	—	—	—	—	—	—	—	0	—	—	—	—	2.0
51 I – Accommodation and food service activities	450	—	—	16	18	(8)	—	(5)	50,079	41,461	0	434	7	9	—	1.9
52 L – Real estate activities	4,264	—	93	335	146	(38)	(8)	(25)	166,734	161,455	0	3,507	640	117	—	3.3
53 Exposures towards sectors other than those that highly contribute to climate change	12,278	19	85	1,378	396	(126)	(18)	(95)	—	—	11,603	437	55	183	2.4	
54 K – Financial and insurance activities	385	—	—	15	—	(1)	—	—	—	—	360	23	2	—	1.8	
55 Exposures to other sectors (NACE codes J, M – U)	11,893	19	85	1,363	396	(125)	(18)	(95)	—	—	11,243	414	53	183	2.4	
56 TOTAL	33,491	1,432	338	4,188	1,495	(432)	(67)	(326)	19,348,074	17,479,614	0	30,113	2,634	538	206	2.4

⁴ The 2024 comparatives for financed emissions have been restated primarily due to methodology enhancements. The Bank also reflected the updated industry average data from ISS 2022 to ISS 2023. Some of the sector changes outlined in Template 1 are considered material. As a result, the comparative financed emissions figures for the 2024 year-end have been restated to ensure consistency and traceability across our reporting.

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

This table presents the gross carrying amount¹ 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 EPC². In the absence of an EPC energy consumption data, the energy consumption is estimated. This estimation methodology is set out below.

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

- 1 As defined in Part 1 of Annex V of Commission Implementing Regulation (EU) 2021/451.
- 2 As defined in Article 2(12) of 2010/31/EU for EU countries, or in the relevant regulation for those exposures outside the EU. Energy Performance of Buildings Directive 2010/31/EU¹⁰ ('EPBD') and the Energy Efficiency Directive 2012/27/EU promote policies that aim to achieve a highly energy efficient and decarbonised building stock by 2050. The EPBD introduced energy performance certificates ('EPC') as instruments for improving the energy performance of buildings.

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

Although the sale of HSBC Continental Europe's French retail operations was completed on 1 January 2024, the Bank has retained a portfolio of retail home loans (comprised of mortgages and loans secured by Credit Logement guarantee) amounting to EUR 6.7 bn as at year-end 2024. On 31 October 2025, HSBC Continental Europe completed the sale of its retained portfolio, which is excluded from for year-end 2025 reporting.

The methodology and approach used to report EPC certificate with energy efficiency scores only, in Template 2 follows the guidance set out in EBA Q&A 2024_7013 published in September 2024.

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

Counterparty sector	Total gross carrying amount															Without EPC label of collateral	of which: energy efficiency (EP score in kWh/m ² of collateral) estimated
	Level of energy efficiency (EP score in kWh/m ² of collateral)							Level of energy efficiency (EPC label of collateral)									
	0; <= 100	>100; <= 200	>200; <= 300	>300; <= 400	>400; <= 500	>500	A	B	C	D	E	F	G	€m	%		
31 Dec 2025	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	%
1 Total EU area	7,722	1,299	2,576	2,688	647	103	409	526	365	350	391	263	49	87	5,691	89	
2 – of which: Loans collateralised by commercial immovable property	4,709	990	685	2,089	473	79	393	432	334	261	256	151	39	75	3,161	85	
3 – of which: Loans collateralised by residential immovable property	3,011	309	1,890	599	174	24	15	94	31	89	135	112	10	12	2,528	95	
4 – of which: Collateral obtained by taking possession: residential and commercial immovable properties	2	–	1	–	–	–	1	–	–	–	–	–	–	–	2	100	
5 – of which: Level of energy efficiency (EP score in kWh/m ² of collateral) estimated	5,349	444	1,801	2,387	428	55	234	–	–	–	–	–	–	–	5,073	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/m ² of collateral) estimated	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
31 Dec 2024																	
1 Total EU area	14,506	1,716	3,804	5,705	2,233	470	578	483	366	503	609	293	123	228	11,901	96	
2 – of which: Loans collateralised by commercial immovable property	4,900	992	582	2,326	428	71	501	441	351	359	337	200	97	206	2,909	88	
3 – of which: Loans collateralised by residential immovable property	9,603	724	3,221	3,379	1,805	399	75	42	15	144	272	93	26	22	8,989	99	
4 – of which: Collateral obtained by taking possession: residential and commercial immovable properties	3	–	1	–	–	–	2	–	–	–	–	–	–	–	3	100	
5 – of which: Level of energy efficiency (EP score in kWh/m ² of collateral) estimated	11,546	916	2,920	5,128	1,941	384	257	–	–	–	–	–	–	–	11,412	100	
6 Total non-EU area	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
7 – of which: Loans collateralised by commercial immovable property	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
8 – of which: Loans collateralised by residential immovable property	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
9 – of which: Collateral obtained by taking possession: residential and commercial immovable properties	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
10 – of which: Level of energy efficiency (EP score in kWh/m ² of collateral) estimated	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	

Banking book – Climate change transition risk: Alignment metrics

Setting targets

The HSBC Group's initial approach to target setting used a single reference scenario – the 2021 International Energy Agency ('IEA') Net Zero Emissions by 2050 Scenario ('NZE 2021'). The Group has now introduced a target range for all in-scope carbon intensive sectors informed by IEA's 2024 Net Zero Emissions ('NZE') and Announced Pledges Scenarios ('APS'). The thermal coal mining target remains unchanged, in alignment with the thermal coal phase-out policy and thermal coal financing drawn balance exposure reporting.

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

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

Methodology for alignment metrics

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

The alignment metric is the unit used for target tracking for the respective sector for HSBC Group. 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 based on IEA's NZE 2024 scenario. This scenario does not disaggregate by region and therefore HSBC has adopted a global pathway as the chosen reference scenario for the alignment metrics.

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

The underlying assumption with this calculation is that the emissions intensity of financing activities is the same across regions and, as a result, that HSBC Continental Europe's financed emissions are apportioned at the same ratio as HSBC Continental Europe's portion of loan balances used in the HSBC Group's calculations. This may result in an over or under statement of financed emissions attributable to HSBC Continental Europe since the Bank would expect emissions intensity in this region may not always be consistent with a global average.

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 help shape its approach to target setting and management portfolio alignment to support the transition to net zero in the global economy.

For further details of the HSBC Group financed emissions approach including the data sources, recalculation policy, data and methodology limitations and sectoral approach 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 decarbonise at different rates and that there are different strategies to achieve its global targets.
- The Group's approach focuses on what HSBC believes to be the most material parts of the sector value chains, and it seeks to minimise double counting between the transactions within the portfolio. Double counting occurs when GHG emissions are counted more than once in financed emissions analysis and cannot be avoided. HSBC remains committed to transparency around its methodology and scope of analysis.
- Emissions intensity of financing activities is assumed to be the same across regions and HSBC Continental Europe's financed emissions are apportioned at the same ratio as HSBC Continental Europe's portion of loan balances used in the HSBC Group's calculations. This may result in a different estimation of financed emissions attributable to HSBC Continental Europe to one where methodology and available data were available to perform a more granular calculation. Additionally, intensity-based metrics can be highly volatile year-on-year when applied to smaller portfolios. At a sub-portfolio level, they therefore do not accurately represent progress to a global sector target.
- The Group calculated the sector level emissions intensity metrics using a portfolio-weighted approach. Due to data limitations, HSBC is unable to obtain production data for all of the clients. It therefore calculates an emissions intensity figure using the 75th percentile of available data points to meet this data gap, as the Group considers this as a conservative approach.
- The scope of clients analysed is primarily determined by internal sector classifications and only rely on NACE codes in specific circumstances where internal client sector classifications are not available. Internal sector classifications are assigned using expert judgement from global relationship managers and are based on their relationship and knowledge of the customer's activity. NACE codes are assigned to a counterparty at the counterparty group level by calculating the NACE with the highest or second-highest approved lending limits.
- The calculation and methodology of financed emissions calculations 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 but company reported emissions data may only be available at the consolidated level of a counterparty and not at the legal entity level of a counterparty, HSBC has used the counterparty Group level information.
- Sectors for on-balance sheet reporting are assigned at an individual obligor level and may therefore differ between the counterparty Group sectors used for financed emission reporting.
- HSBC Continental Europe's disclosures in Template 3 are aligned with the Group's methodology as financed emission's targets are set at a global level and the calculation needs to be consistent across geographies. In Template 1, the report is stand-alone for HSBC Continental Europe and therefore the methodology aims at achieving maximum coverage and complying with regulatory requirements.
- The financed emissions calculation aims to cover the total in-scope exposure that comprises of loans and advances to customers as of the year of reporting, reflecting the most material part of the financing activity. Debt and equity holdings represent 1 per cent of the banking book exposure as of 31 December 2025.

- Due to the time lag for emissions data from counterparties, the alignment metrics and the financed emissions are based on both balance sheet and emission figures from 2024 year-end.
 - Third party datasets that feed into the analysis may have up to a two-year lag in reported emission figures.
 - Mapping external datasets to the internal client entities is challenging due to complex company ownership structures.
 - The latest thermal coal mining financed emissions is disclosed at HSBC Group level for year-end 2023 and 2024 but there has been no disclosure in this EBA Pillar 3 report as there is no exposure for HSBC Continental Europe for both years.
 - Most clients do not yet report the full scope of greenhouse gas emissions included in the analysis, in particular scope 3 emissions. In the absence of client-reported emissions, the Group estimated emissions using proxies based on company production and revenue figures. As data improves and coverage expands, estimates can be replaced with reported figures.
 - The operating environment for climate analysis and portfolio alignment is maturing and HSBC continues to work to improve the data management processes.
- For further details see HSBC Financed Emissions and Thermal Coal Exposures Methodology at www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.

Template 3 – Financed emissions restatements

HSBC Continental Europe has restated prior year metrics driven primarily by the HSBC Group's target refresh, methodology changes and changes to scope.

The Group's scope changes primarily comprise of the inclusion of short-term lending products, a refined approach for project finance to only include projects in-scope of value chain for each sector, and divestments as at the latest reporting year have been removed from all years of the Group's reporting. The HSBC Group has also descope aluminium from the iron, steel and aluminium sector.

Methodology changes include consideration of use of proceeds for pure-play green clients and green lending and a change in the reporting unit for aviation from revenue passenger kilometre ('rpk') to revenue tonne kilometre ('rtk').

Additionally, enhancements to both internal and external data have been reflected in the restated metrics affecting all sectors. This includes improvements in the data sourcing of customer groups and sector classifications, and other sector-specific data enhancements aimed at reducing reliance on proxy emission calculations. Additionally, the Bank has also updated its NZE2050 scenario from IEA NZE 2021 to IEA NZE 2024 for the distance to IEA NZE2050 as % metric.

The tables below show the restatement table comparison to highlight the update in the chosen scenario for the alignment metric.

Table 51: Template 3: Banking book – indicators of potential climate change transition risk: alignment metrics

Sector	NACE Sectors	Gross carrying amount (€m) ¹	Alignment metric ²	Reference year	Distance to IEA NZE2050 as % ⁴	Target (year of reference + 3 years) ⁸
31 Dec 2025						
1 Power	3511	645	298 tCO₂e/Gwh	2024	53	Not available
2 Fossil fuel combustion	0610; 0620	799	2.4 MtCO₂e	2024	Not available⁵	Not available
3 Automotive	2910; 3091	373	150.7 tCO₂e/million vkm	2024	130	Not available
4 Aviation³	5110; 7735	334	737 tCO₂e/million rtk	2024	4	Not available
5 Maritime transport⁶	Not available	Not available	Not available	Not available	Not available	Not available
6 Cement, clinker and lime production	2351	15	0.65 tCO₂e/t cement	2024	37	Not available
7 Iron and steel, coke, and metal ore production⁹	2410	240	0.87 tCO₂e/t steel	2024	(32)	Not available
8 Chemicals⁷	Not available	Not available	Not available	Not available	Not available	Not available
31 Dec 2024						
1 Power	3511	969	265 tCO ₂ e/Gwh	2023	36	Not available
2 Fossil fuel combustion	0610; 0620	669	2.1 MtCO ₂ e	2023	Not available ⁵	Not available
3 Automotive	2910; 3091	387	155.4 tCO ₂ e/million vkm	2023	137	Not available
4 Aviation ³	5110; 7735	622	747 tCO ₂ e/million rtk	2023	5	Not available
5 Maritime transport ⁶	Not available	Not available	Not available	Not available	Not available	Not available
6 Cement, clinker and lime production	2351	13	0.65 tCO ₂ e/t cement	2023	39	Not available
7 Iron and steel, coke, and metal ore production ⁹	2410	292	0.86 tCO ₂ e/t steel	2023	(33)	Not available
8 Chemicals ⁷	Not available	Not available	Not available	Not available	Not available	Not available

- The gross carrying amount is reported as at December 2024 for the year-end 2025 table and as at December 2023 for the year-end 2024 table.
- 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 and steel sector, intensity is measured in tonnes of carbon dioxide equivalent per tonne of steel ('tCO₂e/t steel'); for the aviation sector, intensity is measured in tonnes of carbon dioxide equivalent per million revenue tonne kilometres ('tCO₂e/million rtk') and for the automotive sector, intensity is measured in tonnes of carbon dioxide equivalent per million vehicle kilometres ('tCO₂e/million vkm')
- The HSBC Group has changed the reporting unit for aviation from revenue passenger kilometre ('rpk') to revenue tonne kilometre ('rtk') to better align to counterparties in scope which often include all airline activities (passengers, belly cargo, dedicated cargo). Additionally, this metrics enables to direct comparison to climate scenarios that are based on traffic demand forecasts and aligns to industry practice. Previously reported progress numbers in tCO₂e/million rpk are converted to tCO₂e/million rtk using a multiplier of 10.
- Point-in-Time (PiT) distance to 2030 NZE2050 scenario in % (for each metric). The benchmarking scenario for EBA Pillar 3 has now been updated from the IEA NZE 21 scenario to the IEA NZE 24 scenario. This is the chosen benchmarking scenario as outlined by EBA Pillar 3 Template 3 and does not refer to HSBC's Group targets.
- The Group's Oil & Gas target is defined as a percentage reduction from 2019 sector emissions. Calculating progress towards the IEA NZE 2050 pathway requires a 2019 baseline for HSBC Continental Europe. As there is no target setting or baseline for HSBC Continental Europe, it is not possible to determine a specific 2030 reference point and assess the distance to IEA NZE 2050.
- Following a reduction in the Group's exposure to the shipping sector after the strategic sale of part of the European shipping portfolio in 2023, and work undertaken to assess the materiality of the remaining portfolio from a financed emissions perspective, the Bank has concluded that the remaining exposure is not material enough to warrant setting a stand-alone target. This aligns with industry guidelines on sector inclusion for target setting.
- Given Chemicals is not currently aligned to the in-scope sectors for the Group disclosures, it is not able to publish alignment metric for HSBC Continental Europe.
- For financed emissions the Group did not set 2026 targets and do not plan to set 2027 targets and have set interim 2030 targets in line with the industry guidance.
- Previously reported metrics for iron and steel included aluminium which has now been descope.

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. The disclosure seeks to include exposure to any company that belongs to the group of any of the top 20 emitters. HSBC Continental Europe has updated the data source and methodology for identifying high-emitting firms, transitioning Climate Accountability Institute ('CAI') to Carbon Majors Database, adopting a 30-year rolling cumulative emissions list. This update ensures our reporting presents a stable, long-term perspective on corporate carbon responsibility, smoothing out short-term annual fluctuations and enhancing the comparability of our climate risk disclosures. As the total amount of reported companies is materially consistent with our previous list, comparative figures have not been restated.

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.

HSBC Continental Europe does not include the disclosure of the taxonomy aligned exposures ('CCM' column) – until the amendments to the EBA disclosure implementing technical standards (ITS) are adopted and enter into force. This approach is in line with the EBA's no-action letter and ECB Supervisory guidance, which recommend not prioritizing enforcement of these specific disclosures, as outlined above.

Table 52: Template 4: Banking book – indicators of potential climate change transition risk: exposures to top 20 carbon-intensive firms

		Gross carrying amount to the Top 20 counterparties compared to total gross carrying amount (aggregate) ¹	of which: environmentally sustainable (CCM) ²	Weighted average maturity (years)	Number of top 20 polluting firms included	
	Gross carrying amount €m (aggregate)					
1	31 Dec 2025	450	0.43	N/A	0.28	4
1	31 Dec 2024	544	0.53	0.07	0.23	6

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

2 The CCM column is not disclosed for YE'25, pending the amended EBA ITS adaptation. This approach is consistent with the no-action letter from the EBA and guidance from the ECB.

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

Scope

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

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

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

Methodology

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

ThinkHazard! is developed and maintained by the Global Facility for Disaster Reduction and Recovery. It provides a general view of hazards for a given location including climate-related (floods, water

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

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

Data limitations

For corporate loans, the disclosure is dependent on the availability of location information for one of the following three things: the collateral securing the loans (where relevant), the counterparties activities, or the head office. If any one of these three locations was found to be subject to high physical risk, the exposure is considered as high physical risk in the table. Based on the available data, the geographical location of the collateral, or activity of the counterparty, or their head office location was mapped at the most granular district or state level where possible; country level mapping was only used as a last resort. In 2024, a review was conducted to remap previously analysed country-level data to more granular levels, such as districts or states. This refinement improved the physical risk assessment by providing more localised insights, leading to changes in assessment ratings, particularly for both chronic and acute risks. As a result, the physical risk outcomes at the district or state level often indicated lower risk levels compared to broader country-level assessments.

For retail loans, residential addresses were also considered. Where the counterparty's loan is backed by more than one collateral in the form of immovable property, the physical risk of each has been assessed and the highest physical risk is reported against that contract. Also, based on the available data, we calculated physical risk based on best available location of the exposure. For exposures in Malta, the physical risk impact data from the ThinkHazard! database was overlaid with local risk assessment based on the location of buildings in these localities.

The climate data from the ThinkHazard tool for France provides the maximum hazard level for France departments. As an example, 94 out of the 96 French departments have a high wildfire risk as indicated in the ThinkHazard database. As a result, this conservative view made France extremely sensitive to wildfire risk, which contributes to majority of French departments in the available dataset having the level of exposures reported as "sensitive to impact from acute climate change events" during interim reporting as at 30 June 2023. From 31 December 2023, in order to apply a more comprehensive physical risk data assessment to allow for a refined view of the impact to the portfolio, we engaged with our internal experts from Stress Testing and Property Portfolio Managers to develop management overlays on this wildfire risk.

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

For EUR297m (1 per cent) of the total amount analysed in table 54 as at December 2025 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 EUR35m representing 0.1 per cent in December 2024).

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; and
- 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:

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

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; and
- 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 53: Template 5: Banking book – indicators of potential climate change physical risk: exposures subject to physical risk

Variable: Geographical area subject to climate change physical risk – acute and chronic events		Gross carrying amount													
		of which: exposures sensitive to impact from climate change physical events												Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	
		Breakdown by maturity bucket						of which: exposures sensitive to impact from chronic climate change events	of which: exposures sensitive to impact from acute climate change events	of which: exposures sensitive to impact both from chronic and acute climate change events	of which: Stage 2 exposures	of which: non-performing exposures			
		€m	€m	€m	€m	€m	Average Weighted maturity years						€m		
31 Dec 2025															
France															
1	A – Agriculture, forestry and fishing	101	83	1	–	–	2.0	–	84	–	13	2	(1)	(1)	–
2	B – Mining and quarrying	55	54	–	–	–	1.7	–	2	52	1	–	–	–	–
3	C – Manufacturing	4,084	3,401	101	–	–	1.7	–	3,150	352	447	44	(25)	(4)	(16)
4	D – Electricity, gas, steam and air conditioning supply	1,120	889	44	81	13	2.6	–	935	92	5	12	(6)	–	(5)
5	E – Water supply; sewerage, waste management and remediation activities	32	27	–	–	–	1.2	–	20	7	1	–	–	–	–
6	F – Construction	498	297	49	47	–	3.5	–	393	–	5	59	(2)	–	(1)
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	2,434	1,955	71	–	–	1.4	–	1,899	127	387	93	(56)	(3)	(51)
8	H – Transportation and storage	1,360	1,028	196	46	–	3.1	–	742	528	50	2	(3)	(1)	(1)
9	L – Real estate activities	2,941	2,360	378	57	–	3.3	–	2,795	–	179	159	(59)	(5)	(49)
10	Loans collateralised by residential immovable property	693	675	5	4	–	3.5	–	680	4	54	31	(8)	–	(8)
11	Loans collateralised by commercial immovable property	4,180	3,427	464	74	–	3.0	–	3,965	–	245	200	(49)	(4)	(42)
12	Repossessed collateral	–	–	–	–	–	–	–	–	–	–	–	–	–	–
13	Other relevant sectors (breakdown below where relevant)	9,041	6,500	422	28	181	2.8	–	6,879	252	531	184	(123)	(30)	(83)
14	I – Accommodation and food service activities	242	228	8	–	–	3.7	–	236	–	23	7	(4)	–	(3)
15	J – Information and communication	1,319	1,037	141	3	–	3.1	–	1,166	15	13	8	(5)	–	(4)
16	K – Financial and insurance activities	–	–	–	–	–	–	–	–	–	–	–	–	–	–
17	M – Professional scientific and technical activities	2,926	1,568	125	8	–	2.2	–	1,642	59	103	41	(21)	(4)	(14)
18	N – Administrative and support service activities	3,819	3,168	131	1	181	3.2	–	3,314	167	359	67	(92)	(26)	(62)
19	O – Public administration and defence compulsory social security	2	2	–	–	–	3.4	–	2	–	–	–	–	–	–
20	P – Education	7	2	5	–	–	4.9	–	7	–	1	–	–	–	–
21	Q – Human health and social work activities	42	38	3	–	–	1.5	–	33	8	1	3	–	–	–
22	R – Arts, entertainment and recreation	98	71	8	16	–	4.9	–	95	–	–	1	(1)	–	–
23	S – Other service activities	586	386	1	–	–	0.6	–	384	3	31	57	–	–	–
Other geographical areas															
1	A – Agriculture, forestry and fishing	1	–	1	–	–	8.0	–	1	–	–	–	–	–	–
2	B – Mining and quarrying	47	47	–	–	–	0.1	–	47	–	–	–	–	–	–
3	C – Manufacturing	3,286	2,661	99	4	12	1.2	–	2,652	124	217	121	(40)	(1)	(35)
4	D – Electricity, gas, steam and air conditioning supply	410	308	–	38	3	3.4	–	204	145	69	–	–	–	–
5	E – Water supply; sewerage, waste management and remediation activities	128	127	–	–	–	0.4	–	127	–	–	37	–	–	–
6	F – Construction	50	31	–	–	–	2.6	–	31	–	–	1	(1)	–	(1)

Table 53: Template 5: Banking book – indicators of potential climate change physical risk: exposures subject to physical risk (continued)

Variable: Geographical area subject to climate change physical risk – acute and chronic events		Gross carrying amount													
		of which: exposures sensitive to impact from climate change physical events											Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		Breakdown by maturity bucket						of which: exposures sensitive to impact from chronic climate change events	of which: exposures sensitive to impact from acute climate change events	of which: exposures sensitive to impact both from chronic and acute climate change events	of which: Stage 2 exposures	of which: non-performing exposures			
		€m	€m	€m	€m	€m	Average Weighted maturity years								€m
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	1,122	952	1	1	–	0.3	–	946	8	201	46	(22)	–	(22)
8	H – Transportation and storage	842	257	326	245	–	6.9	–	560	268	441	–	(2)	(2)	–
9	L – Real estate activities	1,226	929	118	69	–	2.4	–	1,116	–	74	84	(4)	–	(3)
10	Loans collateralised by residential immovable property	2,318	430	114	154	133	8.8	–	831	–	19	43	(3)	–	(3)
11	Loans collateralised by commercial immovable property	529	261	69	13	–	2.7	–	343	–	1	51	(4)	–	(4)
12	Repossessed collateral	2	2	–	–	–	1.0	–	2	–	–	–	–	–	–
13	Other relevant sectors (breakdown below where relevant)	1,532	1,259	29	5	31	1.4	–	1,209	115	174	31	(7)	(2)	(3)
14	I – Accommodation and food service activities	78	33	13	–	–	2.9	–	46	–	–	2	(1)	–	(1)
15	J – Information and communication	356	330	5	–	2	1.5	–	301	36	19	–	(1)	–	–
16	K – Financial and insurance activities	–	–	–	–	–	–	–	–	–	–	–	–	–	–
17	M – Professional scientific and technical activities	677	532	2	3	29	1.1	–	488	78	81	22	(2)	–	(2)
18	N – Administrative and support service activities	254	230	–	–	–	1.8	–	229	1	44	–	(2)	(1)	–
19	O – Public administration and defence compulsory social security	–	–	–	–	–	–	–	–	–	–	–	–	–	–
20	P – Education	5	–	–	–	–	–	–	–	–	–	–	–	–	–
21	Q – Human health and social work activities	39	33	–	–	–	1.5	–	33	–	30	2	(1)	(1)	–
22	R – Arts, entertainment and recreation	7	5	–	–	–	1.6	–	5	–	–	–	–	–	–
23	S – Other service activities	116	96	9	2	–	1.5	–	107	–	–	5	–	–	–
	Total														
1	A – Agriculture, forestry and fishing	102	83	2	–	–	2.1	–	85	–	13	2	(1)	(1)	–
2	B – Mining and quarrying	102	101	–	–	–	1.0	–	49	52	1	–	–	–	–
3	C – Manufacturing	7,370	6,062	200	4	12	1.5	–	5,802	476	664	165	(65)	(5)	(51)
4	D – Electricity, gas, steam and air conditioning supply	1,530	1,197	44	119	16	2.8	–	1,139	237	74	12	(6)	–	(5)
5	E – Water supply; sewerage, waste management and remediation activities	160	154	–	–	–	0.5	–	147	7	1	37	–	–	–
6	F – Construction	548	328	49	47	–	3.4	–	424	–	5	60	(3)	–	(2)
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	3,556	2,907	72	1	–	1.1	–	2,845	135	588	139	(78)	(3)	(73)
8	H – Transportation and storage	2,202	1,285	522	291	–	4.6	–	1,302	796	491	2	(5)	(3)	(1)
9	L – Real estate activities	4,167	3,289	496	126	–	3.0	–	3,911	–	253	243	(63)	(5)	(52)
10	Loans collateralised by residential immovable property	3,011	1,105	119	158	133	6.4	–	1,511	4	73	74	(11)	–	(11)
11	Loans collateralised by commercial immovable property	4,709	3,688	533	87	–	3.0	–	4,308	–	246	251	(53)	(4)	(46)
12	Repossessed collateral	2	2	–	–	–	1.0	–	2	–	–	–	–	–	–

Table 53: Template 5: Banking book – indicators of potential climate change physical risk: exposures subject to physical risk (continued)

Variable: Geographical area subject to climate change physical risk – acute and chronic events		Gross carrying amount													
		of which: exposures sensitive to impact from climate change physical events												Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	
		Breakdown by maturity bucket						of which: exposures sensitive to impact from chronic climate change events	of which: exposures sensitive to impact from acute climate change events	of which: exposures sensitive to impact both from chronic and acute climate change events	of which: Stage 2 exposures	of which: non-performing exposures			
		≤ 5 years	> 5 year ≤ 10 years	> 10 year ≤ 20 years	> 20 years	Average Weighted maturity	€m						€m		
€m	€m	€m	€m	€m	years	€m	€m	€m	€m	€m	€m	€m	€m	€m	
13	Other relevant sectors (breakdown below where relevant)	10,573	7,759	451	33	212	2.6	–	8,088	367	705	215	(130)	(32)	(86)
14	I – Accommodation and food service activities	320	261	21	–	–	3.6	–	282	–	23	9	(5)	–	(4)
15	J – Information and communication	1,675	1,367	146	3	2	2.8	–	1,467	51	32	8	(6)	–	(4)
16	K – Financial and insurance activities	–	–	–	–	–	–	–	–	–	–	–	–	–	–
17	M – Professional scientific and technical activities	3,603	2,100	127	11	29	1.9	–	2,130	137	184	63	(23)	(4)	(16)
18	N – Administrative and support service activities	4,073	3,398	131	1	181	3.1	–	3,543	168	403	67	(94)	(27)	(62)
19	O – Public administration and defence compulsory social security	2	2	–	–	–	3.4	–	2	–	–	–	–	–	–
20	P – Education	12	2	5	–	–	4.9	–	7	–	1	–	–	–	–
21	Q – Human health and social work activities	81	71	3	–	–	1.5	–	66	8	31	5	(1)	(1)	–
22	R – Arts, entertainment and recreation	105	76	8	16	–	4.7	–	100	–	–	1	(1)	–	–
23	S – Other service activities	702	482	10	2	–	0.8	–	491	3	31	62	–	–	–
31 Dec 2024															
France															
1	A – Agriculture, forestry and fishing	85	63	1	1	–	2.4	–	65	–	2	2	–	–	–
2	B – Mining and quarrying ¹	447	200	246	–	–	5.0	–	140	306	2	246	–	–	–
3	C – Manufacturing	4,574	3,805	152	9	–	1.9	–	3,648	318	319	83	(25)	(6)	(15)
4	D – Electricity, gas, steam and air conditioning supply	678	550	40	42	7	3.2	–	517	122	116	–	(3)	(2)	–
5	E – Water supply; sewerage, waste management and remediation activities	39	33	–	–	–	1.7	–	24	9	1	–	–	–	–
6	F – Construction	445	281	70	13	–	3.5	–	364	–	7	76	(3)	(1)	(2)
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	2,507	2,034	55	1	–	1.1	–	2,060	30	597	57	(26)	(3)	(21)
8	H – Transportation and storage	1,491	980	301	82	–	4.0	–	1,074	289	408	4	(3)	(1)	(2)
9	L – Real estate activities	3,396	2,639	479	76	–	3.5	–	3,194	–	235	107	(31)	(5)	(22)
10	Loans collateralised by residential immovable property	7,150	470	300	2,808	1,994	16.5	–	5,563	9	157	49	(14)	(1)	(11)
11	Loans collateralised by commercial immovable property	4,265	3,302	628	63	–	3.4	–	3,993	–	230	156	(24)	(4)	(17)
12	Reposessed collateral	–	–	–	–	–	–	–	–	–	–	–	–	–	–
13	Other relevant sectors (breakdown below where relevant)	10,344	8,420	301	44	182	2.6	–	8,563	384	1,091	313	(101)	(14)	(79)
14	I – Accommodation and food service activities	285	263	5	8	–	2.2	–	276	–	11	12	(5)	–	(4)
15	J – Information and communication	732	597	44	7	–	2.6	–	635	13	95	9	(5)	(1)	(3)
16	K – Financial and insurance activities	–	–	–	–	–	–	–	–	–	–	–	–	–	–

Table 53: Template 5: Banking book – indicators of potential climate change physical risk: exposures subject to physical risk (continued)

Variable: Geographical area subject to climate change physical risk – acute and chronic events		Gross carrying amount													
		of which: exposures sensitive to impact from climate change physical events													
		Breakdown by maturity bucket						of which: exposures sensitive to impact from chronic climate change events	of which: exposures sensitive to impact from acute climate change events	of which: exposures sensitive to impact both from chronic and acute climate change events	of which: Stage 2 exposures	of which: non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
€m	€m	€m	€m	€m	Average Weighted maturity years	€m	€m						€m	€m	€m
17	M – Professional scientific and technical activities	3,466	2,306	113	6	—	2.1	—	2,380	45	342	154	(33)	(7)	(24)
18	N – Administrative and support service activities	4,955	4,482	128	5	182	3.1	—	4,570	227	435	133	(54)	(5)	(47)
19	O – Public administration and defence compulsory social security	4	4	—	—	—	3.5	—	4	—	—	—	—	—	—
20	P – Education	9	7	1	—	—	3.0	—	8	—	4	1	—	—	—
21	Q – Human health and social work activities	49	45	3	—	—	2.2	—	39	9	18	3	(1)	—	(1)
22	R – Arts, entertainment and recreation	184	157	7	18	—	4.1	—	182	—	5	1	(1)	—	—
23	S – Other service activities	660	559	—	—	—	0.7	—	469	90	181	—	(2)	(1)	—
Other geographical areas															
1	A – Agriculture, forestry and fishing	3	3	—	—	—	—	—	3	—	1	—	—	—	—
2	B – Mining and quarrying	11	6	—	—	5	—	—	11	—	—	—	—	—	—
3	C – Manufacturing	3,671	2,929	111	6	11	1.5	—	2,887	170	194	214	(79)	(18)	(55)
4	D – Electricity, gas, steam and air conditioning supply	442	215	125	47	—	3.7	—	209	178	125	16	—	—	—
5	E – Water supply; sewerage, waste management and remediation activities	232	232	—	—	—	0.3	—	232	—	48	—	—	—	—
6	F – Construction	37	26	—	—	—	0.9	—	26	—	—	—	—	—	—
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	1,147	1,006	1	—	—	0.3	—	992	15	70	101	(61)	(4)	(57)
8	H – Transportation and storage	690	279	276	129	—	6.1	—	548	136	394	64	(14)	(4)	(9)
9	L – Real estate activities	868	695	64	12	—	1.7	—	771	—	82	25	(2)	—	(1)
10	Loans collateralised by residential immovable property	2,453	355	90	212	184	11.2	—	841	—	16	19	(2)	(1)	(1)
11	Loans collateralised by commercial immovable property	635	371	57	12	—	2.4	—	440	—	80	29	(4)	—	(3)
12	Repossessed collateral	3	2	—	—	—	1.0	—	2	—	—	—	—	—	—
13	Other relevant sectors (breakdown below where relevant)	2,384	2,058	48	4	1	1.3	—	1,962	149	195	31	(4)	(1)	(1)
14	I – Accommodation and food service activities	165	128	1	—	—	1.0	—	129	—	—	2	(1)	—	(1)
15	J – Information and communication	460	429	1	—	1	2.0	—	391	40	35	—	—	—	—
16	K – Financial and insurance activities	385	303	—	—	—	1.7	—	303	—	15	—	(1)	—	—
17	M – Professional scientific and technical activities	707	635	35	3	—	1.0	—	564	109	77	—	—	—	—
18	N – Administrative and support service activities	264	242	—	—	—	1.4	—	242	—	38	29	(1)	—	—
19	O – Public administration and defence compulsory social security	—	—	—	—	—	—	—	—	—	—	—	—	—	—
20	P – Education	6	—	—	—	—	—	—	—	—	—	—	—	—	—
21	Q – Human health and social work activities	44	30	—	—	—	2.6	—	30	—	29	—	(1)	(1)	—
22	R – Arts, entertainment and recreation	10	8	—	—	—	2.4	—	8	—	—	—	—	—	—
23	S – Other service activities	343	283	11	1	—	0.7	—	295	—	1	—	—	—	—

Table 53: Template 5: Banking book – indicators of potential climate change physical risk: exposures subject to physical risk (continued)

Variable: Geographical area subject to climate change physical risk – acute and chronic events		Gross carrying amount													
		of which: exposures sensitive to impact from climate change physical events												Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	
		Breakdown by maturity bucket					Average Weighted maturity years	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		
€m	€m	€m	€m	€m	€m	€m								€m	€m
Total															
1	A – Agriculture, forestry and fishing	88	66	1	1	—	2.3	—	68	—	3	2	—	—	—
2	B – Mining and quarrying	458	206	246	—	5	4.9	—	151	306	2	246	—	—	—
3	C – Manufacturing	8,245	6,734	263	15	11	1.7	—	6,535	488	513	297	(104)	(24)	(70)
4	D – Electricity, gas, steam and air conditioning supply	1,120	765	165	89	7	3.4	—	726	300	241	16	(3)	(2)	—
5	E – Water supply; sewerage, waste management and remediation activities	271	265	—	—	—	0.5	—	256	9	49	—	—	—	—
6	F – Construction	482	307	70	13	—	3.3	—	390	—	7	76	(3)	(1)	(2)
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	3,654	3,040	56	1	—	0.8	—	3,052	45	667	158	(87)	(7)	(78)
8	H – Transportation and storage	2,181	1,259	577	211	—	4.7	—	1,622	425	802	68	(17)	(5)	(11)
9	L – Real estate activities	4,264	3,334	543	88	—	3.2	—	3,965	—	317	132	(33)	(5)	(23)
10	Loans collateralised by residential immovable property	9,603	825	390	3,020	2,178	15.8	—	6,404	9	173	68	(16)	(2)	(12)
11	Loans collateralised by commercial immovable property	4,900	3,673	685	75	—	3.3	—	4,433	—	310	185	(28)	(4)	(20)
12	Repossessed collateral	3	2	—	—	—	1.0	—	2	—	—	—	—	—	—
13	Other relevant sectors (breakdown below where relevant)	12,728	10,478	349	48	183	2.4	—	10,525	533	1,286	344	(105)	(15)	(80)
14	I – Accommodation and food service activities	450	391	6	8	—	1.8	—	405	—	11	14	(6)	—	(5)
15	J – Information and communication	1,192	1,026	45	7	1	2.3	—	1,026	53	130	9	(5)	(1)	(3)
16	K – Financial and insurance activities	385	303	—	—	—	1.7	—	303	—	15	—	(1)	—	—
17	M – Professional scientific and technical activities	4,173	2,941	148	9	—	1.8	—	2,944	154	419	154	(33)	(7)	(24)
18	N – Administrative and support service activities	5,219	4,724	128	5	182	3.0	—	4,812	227	473	162	(55)	(5)	(47)
19	O – Public administration and defence compulsory social security	4	4	—	—	—	3.2	—	4	—	—	—	—	—	—
20	P – Education	15	7	1	—	—	3.0	—	8	—	4	1	—	—	—
21	Q – Human health and social work activities	93	75	3	—	—	2.4	—	69	9	47	3	(2)	(1)	(1)
22	R – Arts, entertainment and recreation	194	165	7	18	—	4.0	—	190	—	5	1	(1)	—	—
23	S – Other service activities	1,003	842	11	1	—	0.7	—	764	90	182	—	(2)	(1)	—

Appendix I

Counter-cyclical capital buffer

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

The buffer for exposure to the French economy is set by the French High Council for Financial Stability. Throughout 2025, this rate was 1 per cent.

The table below shows the make-up of HSBC Continental Europe's countercyclical capital buffer. The effective rate for the countercyclical capital buffer rose to 0.95 per cent in 2025.

Table 54: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer ('CCyB1')

Country	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	Total exposure value	of which: General credit exposures	of which: General trading book	of which: Securitisation exposures	Total	Risk-weighted exposure amounts	Own funds requirements weights	CCyB rate
Albania	—	—	—	—	—	—	—	—	—	—	—	—	—
Algeria	2.4	—	—	—	—	2.4	0.1	—	—	0.1	1.3	—	—
Andorra	—	—	—	—	—	—	—	—	—	—	—	—	—
Argentina	—	—	—	—	—	—	—	—	—	—	—	—	—
Armenia	0.2	—	—	—	—	0.2	—	—	—	—	—	—	1.50
Australia	0.3	7.6	—	—	—	7.9	0.1	—	—	0.1	1.3	—	1.00
Austria	4.5	462.6	—	—	—	467.1	19.6	—	—	19.6	245.0	0.55	—
Azerbaijan	0.4	—	—	—	—	0.4	—	—	—	—	—	—	—
Bahamas	3.0	—	—	—	—	3.0	0.4	—	—	0.4	5.0	0.01	—
Bahrain	39.1	0.9	—	—	—	40.0	4.3	—	—	4.3	53.8	0.12	—
Bangladesh	2.1	—	—	—	—	2.1	—	—	—	—	—	—	—
Barbados	35.5	0.1	—	—	—	35.6	1.7	—	—	1.7	21.3	0.05	—
Belgium	557.1	461.3	—	—	—	1,018.4	80.8	—	—	80.8	1,010.0	2.27	1.00
Bermuda	—	129.5	—	—	—	129.5	5.6	—	—	5.6	70.0	0.16	—
Botswana	—	—	—	—	—	—	—	—	—	—	—	—	—
Brazil	0.2	7.1	—	—	—	7.3	0.5	—	—	0.5	6.3	0.01	—
Bulgaria	—	7.9	—	—	—	7.9	0.9	—	—	0.9	11.3	0.03	2.00
Canada	62.4	31.7	—	—	—	94.1	6.2	—	—	6.2	77.5	0.18	—
Cayman Islands	—	52.1	—	—	—	52.1	1.2	—	—	1.2	15.0	0.03	—
Chile	—	50.7	—	—	—	50.7	4.6	—	—	4.6	57.5	0.13	0.50
China	1.3	92.4	—	—	—	93.7	3.9	—	—	3.9	48.8	0.11	—
Colombia	—	5.1	—	—	—	5.1	0.3	—	—	0.3	3.8	0.01	—
Costa Rica	—	—	—	—	—	—	—	—	—	—	—	—	—
Côte D'Ivoire	—	—	—	—	—	—	—	—	—	—	—	—	—
Croatia	—	—	—	—	—	—	—	—	—	—	—	—	1.50
Cyprus	41.3	0.1	—	—	—	41.4	4.7	—	—	4.7	58.8	0.13	1.00
Czech Republic	150.5	284.5	—	—	—	435.0	25.7	—	—	25.7	321.3	0.72	1.25
Denmark	23.2	1,757.0	—	—	—	1,780.2	52.8	—	—	52.8	660.0	1.48	2.50
Dominican Republic	—	—	—	—	—	—	—	—	—	—	—	—	—
Ecuador	—	—	—	—	—	—	—	—	—	—	—	—	—
Egypt	3.6	7.2	—	—	—	10.8	1.0	—	—	1.0	12.5	0.03	—
Estonia	—	—	—	—	—	—	—	—	—	—	—	—	1.50
Faroe Islands	0.9	—	—	—	—	0.9	0.1	—	—	0.1	1.3	—	—
Finland	21.2	133.7	—	—	—	154.9	4.7	—	—	4.7	58.8	0.13	—
France	5,841.8	17,260.7	—	—	5,957.3	29,059.8	1,036.0	—	97.7	1,133.7	14,170.8	31.83	1.00
Germany	1,314.0	9,701.9	—	—	684.6	11,700.5	422.2	—	8.8	431.0	5,387.0	12.11	0.75
Ghana	—	28.1	—	—	—	28.1	—	—	—	—	—	—	—
Gibraltar	—	—	—	—	—	—	—	—	—	—	—	—	—
Greece	27.3	437.3	—	—	—	464.6	28.1	—	—	28.1	351.3	0.79	0.25
Guadeloupe	—	—	—	—	—	—	—	—	—	—	—	—	—
Guatemala	—	—	—	—	—	—	—	—	—	—	—	—	—
Guernsey	2.5	32.3	—	—	—	34.8	1.7	—	—	1.7	21.3	0.05	—
Hong Kong	13.5	176.1	—	—	—	189.6	3.8	—	—	3.8	47.5	0.11	0.50
Hungary	36.2	221.2	—	—	—	257.4	22.2	—	—	22.2	277.5	0.62	1.00
Iceland	—	—	—	—	—	—	—	—	—	—	—	—	2.50
India	0.3	2.7	—	—	—	3.0	0.2	—	—	0.2	2.5	—	—
Indonesia	11.2	71.4	—	—	—	82.6	2.2	—	—	2.2	27.5	0.06	—
Ireland	948.2	1,782.0	—	—	—	2,730.2	131.6	—	—	131.6	1,645.0	3.69	1.50
Isle Of Man	1.3	—	—	—	—	1.3	0.1	—	—	0.1	1.3	—	—

Table 54: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer ('CCyB1') (continued)

Country	General credit exposures		Trading book exposures		Securitisation exposures	Own funds requirements							
	SA €m	IRB €m	Sum of long/short positions for SA €m	Internal models €m	Total Exposure value of securitisation positions in the banking book €m	Total exposure value €m	of which: General credit exposures €m	of which: General trading book €m	of which: Securitisation exposures €m	Total €m	Risk-weighted exposure amounts €m	Own funds requirements weights %	CCyB rate %
Israel	1.4	0.4	—	—	—	1.8	0.1	—	—	0.1	1.3	—	—
Italy	687.4	1,666.5	—	—	598.3	2,952.2	100.4	—	6.4	106.8	1,335.0	3.00	—
Japan	0.1	—	—	—	—	0.1	—	—	—	—	—	—	—
Jersey	418.7	6.5	—	—	—	425.2	18.0	—	—	18.0	225.0	0.51	—
Jordan	—	—	—	—	—	—	—	—	—	—	—	—	—
Kazakhstan	—	0.1	—	—	—	0.1	—	—	—	—	—	—	—
Kenya	—	—	—	—	—	—	—	—	—	—	—	—	—
Korea, Republic Of	57.9	25.6	—	—	—	83.5	0.1	—	—	0.1	1.3	—	1.00
Kuwait	—	—	—	—	—	—	—	—	—	—	—	—	—
Latvia	—	—	—	—	—	—	—	—	—	—	—	—	1.00
Lebanon	—	—	—	—	—	—	—	—	—	—	—	—	—
Liberia	—	46.4	—	—	—	46.4	2.6	—	—	2.6	32.5	0.07	—
Libya	—	—	—	—	—	—	—	—	—	—	—	—	—
Liechtenstein	174.4	1.3	—	—	—	175.7	14.0	—	—	14.0	175.0	0.39	—
Lithuania	0.4	—	—	—	—	0.4	—	—	—	—	—	—	1.00
Luxembourg	1,470.6	4,510.6	—	—	—	5,981.2	298.2	—	—	298.2	3,727.2	8.38	0.50
Macedonia	—	—	—	—	—	—	—	—	—	—	—	—	—
Malaysia	1.6	2.2	—	—	—	3.8	0.2	—	—	0.2	2.5	—	—
Malta	2,796.8	0.1	—	—	—	2,796.9	117.3	—	—	117.3	1,466.3	3.29	—
Marshall Islands	—	—	—	—	—	—	—	—	—	—	—	—	—
Martinique	—	—	—	—	—	—	—	—	—	—	—	—	—
Mauritania	—	—	—	—	—	—	—	—	—	—	—	—	—
Mauritius	15.8	0.1	—	—	—	15.9	1.3	—	—	1.3	16.3	0.04	—
Mexico	1.3	70.0	—	—	—	71.3	2.7	—	—	2.7	33.8	0.07	—
Monaco	9.3	0.4	—	—	—	9.7	0.9	—	—	0.9	11.3	0.02	—
Montenegro	2.1	—	—	—	—	2.1	0.2	—	—	0.2	2.5	0.01	—
Morocco	—	2.4	—	—	—	2.4	0.2	—	—	0.2	2.5	0.01	—
Netherlands	2,139.3	2,850.2	—	—	500.0	5,489.5	277.9	—	4.0	281.9	3,523.3	7.93	2.00
New Caledonia	—	—	—	—	—	—	—	—	—	—	—	—	—
New Zealand	0.6	—	—	—	—	0.6	—	—	—	—	—	—	—
Norway	7.5	194.7	—	—	—	202.2	6.6	—	—	6.6	82.5	0.19	2.50
Oman	—	16.6	—	—	—	16.6	0.6	—	—	0.6	7.5	0.02	—
Pakistan	—	—	—	—	—	—	—	—	—	—	—	—	—
Panama	—	0.4	—	—	—	0.4	—	—	—	—	—	—	—
Paraguay	—	—	—	—	—	—	—	—	—	—	—	—	—
Peru	—	—	—	—	—	—	—	—	—	—	—	—	—
Philippines	0.1	—	—	—	—	0.1	—	—	—	—	—	—	—
Poland	707.7	308.4	—	—	—	1,016.1	76.3	—	—	76.3	953.8	2.14	1.00
Portugal	10.7	70.4	—	—	—	81.1	2.9	—	—	2.9	36.3	0.08	—
Puerto Rico	0.1	—	—	—	—	0.1	—	—	—	—	—	—	—
Qatar	33.1	—	—	—	—	33.1	2.6	—	—	2.6	32.5	0.07	—
Réunion	—	—	—	—	—	—	—	—	—	—	—	—	—
Romania	0.4	6.9	—	—	—	7.3	0.3	—	—	0.3	3.8	0.01	1.00
Russian Federation	—	0.8	—	—	—	0.8	—	—	—	—	—	—	—
Saudi Arabia	7.8	—	—	—	—	7.8	0.9	—	—	0.9	11.3	0.03	—
Serbia	—	—	—	—	—	—	—	—	—	—	—	—	—
Seychelles	—	—	—	—	—	—	—	—	—	—	—	—	—
Sierra Leone	—	—	—	—	—	—	—	—	—	—	—	—	—
Singapore	17.0	9.5	—	—	—	26.5	2.1	—	—	2.1	26.3	0.06	—
Slovakia	10.7	2.0	—	—	—	12.7	1.1	—	—	1.1	13.8	0.03	1.50
Slovenia	4.3	—	—	—	—	4.3	0.3	—	—	0.3	3.8	0.01	1.00
South Africa	0.7	13.9	—	—	—	14.6	2.2	—	—	2.2	27.5	0.06	—
Spain	914.8	1,632.1	—	—	566.4	3,113.3	160.2	—	6.1	166.3	2,078.8	4.67	0.50
Sri Lanka	0.7	—	—	—	—	0.7	—	—	—	—	—	—	—
Sweden	50.9	830.4	—	—	—	881.3	37.3	—	—	37.3	466.3	1.05	2.00
Switzerland	168.3	851.3	—	—	—	1,019.6	65.6	—	—	65.6	820.0	1.84	—
Taiwan, Province Of China	—	1.8	—	—	—	1.8	0.1	—	—	0.1	1.3	—	—
Thailand	1.6	47.9	—	—	—	49.5	3.3	—	—	3.3	41.3	0.09	—

Table 54: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer ('CCyB1') (continued)

Country	General credit exposures		Trading book exposures		Securitisation exposures	Own funds requirements							
	SA €m	IRB €m	Sum of long/short positions for SA €m	Internal models €m	Total Exposure value of securitisation positions in the banking book €m	Total exposure value €m	of which: General credit exposures €m	of which: General trading book €m	of which: Securitisation exposures €m	Total €m	Risk-weighted exposure amounts €m	Own funds requirements weights %	CCyB rate %
Tunisia	—	—	—	—	—	—	—	—	—	—	—	—	—
Turkey	2.4	17.3	—	—	—	19.7	1.4	—	—	1.4	17.5	0.04	—
Ukraine	—	—	—	—	—	—	—	—	—	—	—	—	—
United Arab Emirates	132.6	201.7	—	—	—	334.3	12.0	—	—	12.0	150.0	0.34	—
United Kingdom	3,871.8	1,225.2	—	—	73.0	5,170.0	236.9	—	1.0	237.9	2,973.8	6.68	2.00
United States	653.6	1,755.6	—	—	711.1	3,120.3	113.3	—	10.0	123.3	1,541.3	3.46	—
Uruguay	2.2	—	—	—	—	2.2	0.2	—	—	0.2	2.5	—	—
Viet Nam	7.4	0.3	—	—	—	7.7	0.1	—	—	0.1	1.3	—	—
Virgin Islands, British	—	—	—	—	—	—	—	—	—	—	—	—	—
Zambia	—	—	—	—	—	—	—	—	—	—	—	—	—
Total	23,529.6	49,575.2	—	—	9,090.7	82,195.5	3,427.7	—	134.0	3,561.7	44,521.3	100.00	—

Table 55: Amount of institution specific countercyclical capital buffer ('CCyB2')

	2025	2024 ¹
Total Risk Exposure Amount (€m)	60,303	63,297
Institution specific countercyclical capital buffer rate (%)	0.95	0.93
Institution specific countercyclical capital buffer requirement (€m)	573	589

1 Comparatives are updated to align to submissions post publication.

Appendix II

Summary of disclosures with held due to their immateriality, confidentiality or proprietary nature

CRR reference	Description	Rationale
442(c)	Credit Risk Adjustments – In relation to exposure to credit risk and dilution risk, the total amount of exposures after accounting offsets and without taking into account the effects of credit risk mitigation.	Materiality The disclosure has been made after taking into account the effects of credit risk mitigation; there are no significant differences between exposures pre- and post-credit risk mitigation at exposure class level.

Appendix III

Abbreviations

The following abbreviated terms are used throughout this document.

A		Group	
ADEME	Agence De l'Environnement et de la Maîtrise de l'Energie	Group	HSBC Holdings together with its subsidiary undertakings
AFL	Accelerating Female Leadership	H	
AFS ¹	Available-for-sale	HCSF	High Council for Financial Stability
AGM	Annual General Meeting	HR	Human Resources
AIL	Accelerating into Leadership	HSBC	HSBC Holdings together with its subsidiary undertakings
ALCM	Asset, Liability and Capital Management	HTC&S SVaR	Hold-to-collect-and-sell stressed value at risk
ALCO	Asset and Liability Management Committee	I	
AT1 capital	Additional tier 1 capital	IAA ¹	Internal Assessment Approach
B		ICAAP ¹	Internal Capital Adequacy Assessment Process
BCBS	Basel Committee on Banking Supervision	ICG	Individual capital guidance
bps	basis points	IEA	International Energy Agency
BSM	Balance Sheet Management	IFRSs	International Financial Reporting Standards
C		ILAA	Individual Liquidity Adequacy Assessment
CCM	Environmentally sustainable	ILR	Inherent Liquidity Risk
CCP	Central counterparty	IMA	Internal Models Approach
CCR ¹	Counterparty credit risk	IMM1	Internal Model Method
CDP	Carbon Disclosure Project	INSEE	Notary price index
CDS ¹	Credit default swap	IPU	Intermediate Parent Undertaking
CEO	Chief Executive Officer	IRB ¹	Internal ratings based approach
CESGROF	Climate and Environmental, Social and Governance Risk Oversight Forum	IRC ¹	Incremental risk charge
CET1 ¹	Common Equity Tier 1	ITS	Implementing Technical Standard
CIU	Collective investment undertakings	L	
CoS	Chief of Staff	LAB	Liquid Asset Buffer
CRA ¹	Credit risk adjustment	LCR	Liquidity Coverage Ratio
CRD IV ¹	Capital Requirements Directive	LFRF	Liquidity and Funding Risk Management Framework
CRE ¹	Commercial real estate	LGD ¹	Loss given default
CRM	Credit risk mitigation/mitigant	M	
CRO	Chief Risk Officer	MI	Management Information
CRR	Capital Requirements Regulation	MREL	Minimum requirements for own funds and eligible liabilities
CSA	Credit Support Annex	MRT	Material Risk Taker
CSO	Chief Sustainability Officer	MSS	Market Security Services
CSRD	Corporate Sustainability Reporting Directive	N	
CVA	Credit valuation adjustment	NACE	The Statistical Classification of Economic Activities in the European Community
D		NFRD	Non-financial Reporting Directive
D-SIB	Domestic-Systemically Important Bank	NGO	Non-Governmental Organisation
E		NPS	Net Promoter Score
EAD ¹	Exposure at default	NQH	Non Qualifying Hedge
EBA	European Banking Authority	NSFR	Net Stable Funding Ratio
EBRD	European Bank for Reconstruction and Development	NZBA	Net-Zero Banking Alliance
EC	European Commission	NZE	Net-Zero Emission
ECB	European Central Bank	O	
EEA	European Economic Area	OCR	Overall Capital Requirement
EL ¹	Expected loss	OECD	Organisation for Economic Cooperation and Development
ELCs	Entity Level Controls	OTC ¹	Over-the-counter
EPBD	Energy Performance of Building Directive	P	
EPC	Energy Performance Certificate	P1R	Pillar 1 requirement
ESG	Environmental, Social and Governance	P2G	Pillar 2 guidance
ESRS	European Sustainability Reporting Standards	P2R	Pillar 1 requirement
EU	European Union	PD ¹	Probability of default
EVE ¹	Economic value of equity	PFE ¹	Potential future exposure
F		POCI	Purchased or originated credit-impaired
FIM	Functional Instruction Manual	PP&E	Property plant and equipment
FPC ¹	Financial Policy Committee (UK)	PRA ¹	Prudential Regulation Authority (UK)
FSB	Financial Stability Board	R	
G		RAS	Risk appetite statement
GAR	Green Asset Ratio	RBM ¹	Ratings Based Method
GCEL	Global Coal Exit List	RMM	Risk Management Meeting of the Group Management Board
GB	Global Banking	RNIV	Risks not in VaR
GHG	Greenhouse gas	RRCSC	Reputational Risk and Client Selection Committee
GOGEL	Global Oil and Gas Exit List		

RWA ¹	Risk-weighted asset
S	
S&P	Standard and Poor's rating agency
SBTI	Science Based Targets Initiative
SOT	Standard Outlier Test
STD ¹	Standardised approach
SA-CCR	Standardised approach for counterparty credit risk
SFM ¹	Supervisory Formula Method
SFT ¹	Securities Financing Transactions
SME	Small and medium-sized enterprise
SRB	Single Resolution Board
SREP	Supervisory Review and Evaluation Process
T	
TCFD	Task Force on Climate-related Financial Disclosure
TLAC ¹	Total Loss Absorbing Capacity
TNFD	Task Force on Nature-related Financial Disclosure
TTC ¹	Through-the-cycle
T1 capital	Tier 1 capital
T2 capital	Tier 2 capital
U	
UK	United Kingdom
UNGC	United Nations Global Compact
V	
VaR ¹	Value at risk
W	
WPB	Wealth Management and Private Banking

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

Appendix IV

Cautionary statement regarding forward-looking statements

These Pillar 3 Disclosures 2025 contain certain forward looking statements with respect to HSBC Continental Europe's ('the company') financial condition; results of operations and business, including the strategic priorities; financial, investment and capital targets; and the company's ability to contribute to the HSBC group's (the "Group") environmental, social and governance ('ESG') targets, commitments and ambitions described herein.

Statements that are not historical facts, including statements about the company's beliefs and expectations, are forward-looking statements. Words such as 'may', 'will', 'should', 'expects', 'targets', 'anticipates', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'potential' and 'reasonably possible', or the negative thereof, other variations thereon or similar expressions are intended to identify forward-looking statements. These statements are based on current plans, information, data, estimates and projections, and therefore undue reliance should not be placed on them.

Forward-looking statements speak only as of the date they are made. The company makes no commitment to revise or update any forward-looking statements to reflect events or circumstances occurring or existing after the date of any forward looking statements. Written and/or oral forward-looking statements may also be made in the Group's periodic reports to the US Securities and Exchange Commission, offering circulars and prospectuses, press releases and other written materials, and in oral statements made by the company's Directors, officers or employees to third parties, including financial analysts.

Forward looking statements involve inherent risks and uncertainties. Readers are cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement. These include, but are not limited to:

- changes in general economic conditions in the markets in which the company operates, such as new, continuing or deepening recessions, prolonged inflationary pressures and fluctuations in employment and creditworthy customers beyond those factored into consensus forecasts (including, without limitation, as a result of the Russia-Ukraine war and, to a lesser extent, the Covid-19 pandemic); the Russia-Ukraine war and the Covid-19 pandemic and their impact on global economies and the markets where the company operates, which could have a material adverse effect on (among other things) the company's financial condition, results of operations, prospects, liquidity, capital position and credit ratings; deviations from the market and economic assumptions that form the basis for the company's ECL measurements (including, without limitation, as a result of the Russia-Ukraine war, inflationary pressures and the Covid-19 pandemic); changes in foreign exchange rates and interest rates; volatility in equity markets; lack of liquidity in wholesale funding or capital markets, which may affect the company's ability to meet its obligations under financing facilities or to fund new loans, investments and businesses; geopolitical tensions or diplomatic developments, both in Europe and in other regions such as Asia, producing social instability or legal uncertainty, such as the Russia-Ukraine war (including the continuation and escalation thereof) and the related imposition of sanctions and trade restrictions, the EU's relationship with the UK, supply chain restrictions and disruptions, sustained increases in energy prices and key commodities and diplomatic tensions between China and the US, extending to the EU and the UK, alongside other potential areas of tension, which may adversely affect the group by creating regulatory, reputational and market risks; the efficacy of government, customer, and the company's and the Group's actions in managing and mitigating ESG risks, in particular climate risk, nature-related risks and human rights risks, and in supporting the global transition to net zero carbon emissions, each of which can impact the company both directly and indirectly through its customers and which may result in potential financial and non-financial impacts; illiquidity and downward price pressure in national real estate markets; adverse changes in central banks' policies with respect to the provision of liquidity support to financial markets; heightened market concerns over sovereign creditworthiness in over-indebted countries; adverse changes in the funding status of public or private defined benefit pensions; societal shifts in customer financing and investment needs, including consumer perception as to the continuing availability of credit; exposure to counterparty risk, including third parties using the company as a conduit for illegal activities without the company's knowledge; the discontinuation of certain key IBORs and the development of near risk-free benchmark rates, as well as the transition of legacy IBOR contracts to near risk-free benchmark rates, which exposes the company to material execution risks, including in relation to the effectiveness of the Group's IBOR remediation strategy, and increases some financial and non-financial risks; and price competition in the market segments that the company serves;
- changes in government policy and regulation, including the monetary, interest rate and other policies of central banks and other regulatory authorities in the principal markets in which the company operates and the consequences thereof (including, without limitation, actions taken as a result of the impact of the Russia-Ukraine war on inflation and as a result of the Covid-19 pandemic); initiatives to change the size, scope of activities and interconnectedness of financial institutions in connection with the implementation of stricter regulation of financial institutions in key markets worldwide; revised capital and liquidity benchmarks, which could serve to deleverage bank balance sheets and lower returns available from the current business model and portfolio mix; changes to tax laws and tax rates applicable to the company, including the imposition of levies or taxes designed to change business mix and risk appetite; the practices, pricing or responsibilities of financial institutions serving their consumer markets; expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; the EU's relationship with the UK, which continues to be characterised by uncertainty and political disagreement, particularly with respect to the regulation of financial services, despite the signing of the Trade and Cooperation Agreement between the EU and the UK; changes in macro-economic and fiscal policy, which may result in fluctuations in the value of currencies; general changes in government policy that may significantly influence investor decisions; the costs, effects and outcomes of regulatory reviews, actions or litigation, including any additional compliance requirements; and the effects of competition in the markets where we operate, including increased competition from non-bank financial services companies; and
- factors specific to the company and the Group, including the company's success in adequately identifying the risks it faces, such as the incidence of loan losses or delinquency, and managing those risks (through account management, hedging and other techniques); the company's ability to achieve its financial, investment, capital targets and the achievement of the Group's ESG targets, commitments and ambitions, which may result in the company's failure to achieve any of the expected benefits of its strategic priorities; model limitations or failure, including, without limitation, the impact that high inflationary pressures, rising interest rates and the consequences of the Covid-19 pandemic have had on the performance and usage of financial models, which may require the company to hold additional capital, incur losses and/or use compensating controls, such as judgemental post-model adjustments, to address model limitations; changes to the judgements, estimates and assumptions the company bases its financial statements on; changes in the company's ability to meet the requirements of regulatory stress tests; a reduction in the credit ratings assigned to the company or any of its subsidiaries, which could increase the cost or decrease the availability of the company's funding and affect its liquidity position and net interest margin; changes to the reliability and security of the company's data management, data privacy, information and technology infrastructure, including threats from cyber-attacks, which may impact its ability to service clients and may result in financial loss, business disruption and/ or loss of customer services and data; the

accuracy and effective use of data, including internal management information that may not have been independently verified; changes in insurance customer behaviour and insurance claim rates; the company's dependence on loan payments and dividends from subsidiaries to meet its obligations; changes in accounting standards, including the implementation of IFRS 17 'Insurance Contracts', which may have a material impact on the way the company prepares its financial statements and (with respect to IFRS 17) may negatively affect the profitability of HSBC's insurance business; changes in the company's ability to manage third-party, fraud and reputational risks inherent in its operations; employee misconduct, which may result in regulatory sanctions and/or reputational or financial harm; changes in skill requirements, ways of working and talent shortages, which may affect the company's ability to recruit and retain senior management and

diverse and skilled personnel; and changes in the company's ability to develop sustainable finance and climate-related products consistent with the evolving expectations of its regulators, and the company's capacity to measure the climate impact from its financing activity (including as a result of data limitations and changes in methodologies), which may affect the Group's ability to achieve its climate ambition, targets and commitments, and increase the risk of greenwashing. Effective risk management depends on, among other things, the company's ability through stress testing and other techniques to prepare for events that cannot be captured by the statistical models it uses; the company's success in addressing operational, legal and regulatory, and litigation challenges; and other risks and uncertainties we identify in the Risk section on pages 123 to 189 of the Universal Registration Document 2025.

HSBC Continental Europe

38 Avenue Kléber
75116 Paris

France

Telephone: (33 1) 40 70 70 40

www.hsbc.fr